



FROM THE DESK OF BINIAM GEBRE

November 18, 2014

Less than a month into my new role as Acting Assistant Secretary of Housing-FHA Commissioner, I have the pleasure of reporting that the economic value of the Mutual Mortgage Insurance Fund, as measured by the Independent Actuary, is positive. The current economic value is \$4.8 billion and the current capital ratio is .41 percent. Just under two years ago, I joined HUD. At that time, the FHA team was already in the midst of taking aggressive steps to improve the Fund. What a difference a couple of years can make. In September of 2012, the MMI Fund's value was negative \$16.3 billion. So, in a very short period of time the Fund's value has risen by \$21 billion. Clearly, FHA has been hard at work on the changes that have produced this turn-around.

What exactly are the changes that have produced these strong results? We have tightened underwriting criteria, setting a floor on credit scores and increasing the down payments for borrowers with lower credit scores. We strengthened the risk management of our counter-parties, increasing capital requirements, and eliminating correspondent lenders to better control origination quality. And we increased premiums in recognition that the long term viability of the FHA program requires appropriately pricing for expected losses. These are just a few examples of the many changes FHA has made over the last few years. Implementing these changes was not easy. It was tough to increase premiums during a recession and overhauling the approach to credit risk was a complicated task as well. Make no mistake, FHA did not get to this point by accident. Rather, it was focused efforts aimed at strengthening the program that created this turn-around. For the second year in a row we have seen tremendous improvement in the MMI Fund. This year's results demonstrate the MMI Fund remains firmly on the right track. It will continue to build the necessary capital so that it is well-positioned for the future.

Building capital means the FHA is turning the page on the legacy losses of the past and is ready to sharpen the focus on its core mission of facilitating access. This spring we began a dialogue about access, and we will continue it. FHA's "Blueprint for Access" focuses on two key areas: integrating housing counseling into the mortgage process and improving FHA quality assurance processes and procedures. The Blueprint is designed to facilitate credit access by ensuring smart-enforcement, clearer regulations, and more affordable options.

HUD.gov/FHA

[HUD Press
Releases](#)

When implemented, Homeowners Armed with Knowledge (HAWK), will increase affordability for prospective homeowners and help ensure that consumers are well prepared for the responsibilities of homeownership. FHA's focus on Quality Assurance provides certainty to the market and improves FHA's ability to manage risk through smarter enforcement and monitoring tools.

As we continue our work, we look forward to continuing the engagement with our colleagues, partners and customers that has allowed us to turn the page on the Great Recession and increase the chance a qualified borrower who is eligible for an FHA loan can actually obtain one.

###