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Description of document: Each response to a Question for the Record (QFR) provided to Congress by the Department of Housing and Urban Development (HUD), 2012-2014

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Freedom of Information Act Office  
451 7th Street, SW, Room 10139  
Washington, DC 20410-3000  
Fax: (202) 619-8365  
[HUD Freedom of Information Act Public Access Website](#)

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U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT  
WASHINGTON, DC 20410-3000

OFFICE OF ADMINISTRATION

November 25, 2014

RE: Freedom of Information Act Request  
FOIA Control No.: 14-FI-HQ-01690

This letter is in response to your request dated June 12, 2014, pursuant to the Freedom of Information Act (FOIA), 5 U.S.C. § 552. Specifically, you requested a copy of each Question for the Record response provided by the Department of Housing and Urban Development or its components, in response to formal questions posed in association with testimony before a congressional committee, for the time frame of January 1, 2009, to June 18, 2014.

When responding to a FOIA request, HUD searched for responsive documents existing up to the date that the request is received in the Department's FOIA Branch. Your request was received on June 18, 2014.

Your request is granted in full. A search within HUD was conducted and seven pages were located that are responsive to your request.

For your information, your FOIA request, including your identity and any information made available, is releasable to the public under subsequent FOIA requests. In responding to these requests, the Department does not release personal information, such as home address, telephone number, or Social Security number, all of which are protected from disclosure under FOIA Exemption 6.

If you have any questions regarding this request, please contact Howard Rosenberg at (202) 402-5507. Thank you for your interest in the Department's policies and programs.

Sincerely,

A handwritten signature in black ink, appearing to read "D. Cole", written over a horizontal line.

Dolores W. Cole  
Director for FOIA and  
Executive Correspondence  
Office of the Executive Secretariat

Enclosure

January 8, 2014

Carol J. Galante  
Administrator  
Federal Housing Administration  
451 7<sup>th</sup> Street S.W.  
Washington, D.C. 20410

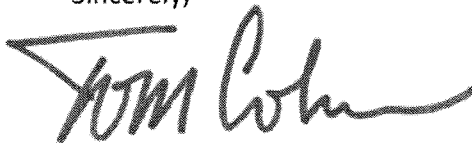
Administrator Galante:

I appreciated your appearance before the Senate Committee on Banking, Housing, and Urban Affairs on July 24, 2013, to discuss the FHA Solvency Act of 2013. As you know, this legislation is intended to provide the Federal Housing Administration (FHA) with several tools to improve its financial condition, such as more rapid adjustment of rules surround the Home Equity Conversion Mortgage program. This bill would also increase FHA's capital reserve requirement and impose restrictions on the guarantee fee should the agency fail to maintain sufficient reserves.

In seeking to understand several policies better, I submitted to you a number of questions for the record (QFRs). Those questions (also attached) were transmitted by the committee on August 8, 2013. I am disappointed I have not yet received your response.

I ask you would promptly respond to the QFRS by February 1, 2014, so that I may continue to weigh the best solutions for FHA's solvency.

Sincerely,



Tom A. Coburn, M.D.  
U.S. Senate

**Senator Tom Coburn**

**For the Hearing Held on July 24, 2013**

**Questions for the record for FHA Administrator Carol Galante**

1. Many other countries around the world issue mortgages that have recourse. If the borrower defaults on the loan, and the house is not able to cover the losses, a lender can file a claim on the borrower's other assets. What is the Federal Housing Administration's (FHA) ability to use recourse to recover losses from single-family forward and reverse mortgages? In each of the last five years, in how many cases has FHA pursued recourse? How much did the agency recover in these cases? How would FHA benefit from increased pursuit of recourse to recover losses?
2. In each of the last five years, how many times did FHA notify the Department of the Treasury about outstanding, legally enforceable debt? In how many cases did FHA collect a payment from a borrower's federal income tax overpayment? How much did FHA receive?
3. The Federal Housing Administration (FHA) currently uses an accounting method prescribed by the Federal Credit Reform Act (FCRA). FCRA takes into account expected losses from claims and gains from premiums, but does not take into account for variations in market risk. Using fair-value accounting, for example, the Congressional Budget Office previously estimated that in 2012, FHA's insurance would cost \$3.5 billion. Under FCRA, FHA estimated it would essentially save \$4.4 billion. Fannie Mae and Freddie Mac already use fair-value accounting for their budget projects. Would using fair-value accounting improve budget projections for FHA, similar to the procedure of Fannie Mae and Freddie Mac? Would fair-value accounting help FHA better calculate premiums needed to maintain the required capital reserve during financial downturns?
4. The Federal Housing Administration (FHA) currently has very little risk-based pricing. Someone with a credit score of 600 would receive the same insurance premium as someone with a score of 800 making the same downpayment. FHA has had some positive movement toward increased risk-based pricing in the last few years. For example, FHA no longer insures people with credit scores below 500 and requires a higher downpayment from scores 500-579. FHA tried to implement stronger risk-based pricing in 2008 but was dissuaded by critics in Congress. How would FHA's financial solvency have been impacted if FHA were able to implement stronger risk-based pricing,

which is used other insurance businesses? Would you support providing FHA flexibility to use more risk-based pricing methods?

5. The Federal Housing Administration (FHA) insures mortgages at a 100 percent level of coverage, even though private mortgage insurance is often significantly less. Please describe the differences in FHA's level of insurance to that of other federal mortgage insurance programs the Departments of Veterans Affairs and Agriculture. As housing finance reform moves forward and private capital takes a more prominent role in the future, should FHA continue to insure the full value of mortgages?

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United States Senate  
COMMITTEE ON BANKING, HOUSING, AND  
URBAN AFFAIRS

WASHINGTON, DC 20510-6075

August 8, 2013

The Honorable Carol J. Galante  
Assistant Secretary  
U. S. Department of Housing and Urban Development  
451 7th Street S.W.  
Washington, DC 20410

Dear Assistant Secretary Galante:

Thank you for testifying before the Committee on Banking, Housing, and Urban Affairs at our hearing on July 24, 2013 entitled '*The FHA Solvency Act of 2013*.' In order to complete the hearing record, we would appreciate your answers to the enclosed questions as soon as possible. When formatting your response, please repeat the question, then your answer, single spacing both question and answer. Please do not use all capitals.

Send your reply to Ms. Dawn L. Ratliff, the Committee's Chief Clerk. She will transmit copies to the appropriate offices, including the Committee's publications office. Due to current procedures regarding Senate mail, it is recommended that you send replies via e-mail in a MS Word, WordPerfect or .pdf attachment to [Dawn\\_Ratliff@banking.senate.gov](mailto:Dawn_Ratliff@banking.senate.gov).

If you have any questions about this letter, please contact Ms. Ratliff at (202)224-3043.

Sincerely,



Tim Johnson  
Chairman

TJ/dr

**The FHA Solvency Act of 2013**  
**July 24, 2013**

**Questions for The Honorable Carol J. Galante, Assistant Secretary, U. S. Department of Housing and Urban Development, from Senator Coburn:**

1. Many other countries around the world issue mortgages that have recourse. If the borrower defaults on the loan, and the house is not able to cover the losses, a lender can file a claim on the borrower's other assets. What is the Federal Housing Administration's (FHA) ability to use recourse to recover losses from single-family forward and reverse mortgages? In each of the last five years, in how many cases has FHA pursued recourse? How much did the agency recover in these cases? How would FHA benefit from increased pursuit of recourse to recover losses?
  
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**The FHA Solvency Act of 2013**  
**July 24, 2013**

4. The Federal Housing Administration (FHA) currently has very little risk-based pricing. Someone with a credit score of 600 would receive the same insurance premium as someone with a score of 800 making the same downpayment. FHA has had some positive movement toward increased risk-based pricing in the last few years. For example, FHA no longer insures people with credit scores below 500 and requires a higher downpayment from scores 500-579. FHA tried to implement stronger risk-based pricing in 2008 but was dissuaded by critics in Congress. How would FHA's financial solvency have been impacted if FHA were able to implement stronger risk-based pricing, which is used other insurance businesses? Would you support providing FHA flexibility to use more risk-based pricing methods?
  
5. The Federal Housing Administration (FHA) insures mortgages at a 100 percent level of coverage, even though private mortgage insurance is often significantly less. Please describe the differences in FHA's level of insurance to that of other federal mortgage insurance programs the Departments of Veterans Affairs and Agriculture. As housing finance reform moves forward and private capital takes a more prominent role in the future, should FHA continue to insure the full value of mortgages?



**The FHA Solvency Act of 2013**  
**July 24, 2013**

**Questions for The Honorable Carol J. Galante, Assistant Secretary, U. S. Department of Housing and Urban Development, from Senator Kirk:**

1. Part of the *FHA Solvency Act of 2013* aims to ensure that problems with various FHA lending programs that result in negative effects for homeowners and solvency issues for FHA are identified early, and that FHA takes the necessary steps to ensure that the problems are appropriately diagnosed, reported on, and remedial measures are taken to mitigate possible affects of these problems. While these requirements are made for FHA's MMI fund no similar specific recommendations were required under the act for the HECM specific program.

Do you believe that a similar approach to identify problems early, appropriately diagnose and report the problems and recommend and implement remedial measures – should also be done within the HECM program?

2. While I think that indemnification is appropriate where there are cases of mortgagee fraud and/or misrepresentation by the mortgagee, I am concerned that indemnification may have unintended consequences. In recent years, FHA's single-family business shows high average FICO scores and low delinquency rates, which is positive for the health of the insurance fund. However, concerns have been expressed that some deserving borrowers are being shut out of FHA because lenders are imposing overly strict credit overlays to avoid indemnification risks. FHA's current average FICO score is 695, while in May 2012; the OCC defined a prime loan as having a FICO score of 669. While we want to ensure that FHA does not revert back to loose lending standards that are not based on credit characteristics of borrowers that will be able to pay the loan and that could jeopardize the solvency of the MMI, do you think that the current standards are too tight? Do you have concerns that overly strict enforcement standards could actually be counterproductive to FHA's core mission? What legislative safeguards need to be included in this legislation to ensure the right balance on enforcement?