



## **CHLA OPPOSES REDUCTION IN FHA FOOTPRINT**

### ***Letter Urges HUD to Also Reconsider Risk-Based Pricing for FHA Loans***

FOR IMMEDIATE RELEASE:

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The Community Home Lenders Association (CHLA) today submitted a letter to FHA Commissioner Brian Montgomery. Responding to the September HUD Housing Finance Reform Plan, CHLA supports several features of the Plan with respect to FHA - but opposes proposals to shrink the FHA footprint, utilize risk-based (tiered) pricing, and increase FHA's net worth requirement.

***"CHLA is opposed to proposals in the Plan to limit FHA loans to borrowers not served by traditional underwriting, to eliminate FHA loans for repeat borrowers and for conventional to FHA refinances and to reduce availability of cash-out refis,"*** the CHLA letter states.

***"CHLA also opposes risk-based pricing (referred to in the Plan as "tiered" pricing) and opposes any Congressional action to increase the MMIF net worth requirement, using risk-based capital."***

CHLA's letter noted its previous support for HUD reforms in the plan that include more flexible pay scales, IT modernization, and better alignment of servicing deadlines and penalties. CHLA also sympathized with FHA concerns about Down Payment Assistance (DPA) and PACE loans - but argued that:

***". . . any actions to reduce FHA loan availability should not be based on an arbitrary objective of reducing the government footprint – but should instead be based only on clear evidence of excessive risk for such types of loans . . . [and] should also consider the impact of any changes to FHA's statutory access to mortgage credit duties."***

The CHLA letter went on to explain that actions to shrink the FHA footprint would result in low and moderate income and minority borrowers being denied access to mortgage credit. It explains how the Plan's goal of targeting FHA loans to only "*borrowers not served by traditional underwriting*" would result in adverse selection, which would hurt FHA's financial performance and the FHA MMIF Fund.

Finally, the CHLA letter opposes risk-based (tiered) pricing, which has previously been rejected by Congress and would undermine the important long-term principle of cross subsidization - and explains that proposals for Congress to raise FHA net worth requirements are not necessary and could be counterproductive.