

U. S. House of Representatives  
Committee on Financial Services  
2129 Rayburn House Office Building  
Washington, DC 20515

November 17, 2009

The Honorable Barney Frank  
Chairman  
Committee on Financial Services  
2129 Rayburn House Office Building  
Washington, DC 20515

The Honorable Maxine Waters  
Chairwoman  
Subcommittee on Housing and Community Opportunity  
Committee on Financial Services  
2344 Rayburn House Office Building  
Washington, DC 20515

Dear Chairman Frank and Chairwoman Waters:

Given the precipitous decline in the Federal Housing Administration's (FHA) Congressionally-mandated capital reserves, we are requesting a full committee hearing to hear from the Secretary of the Department of Housing and Urban Development (HUD) and other stakeholders on the financial health of the agency's Mutual Mortgage Insurance Fund (MMIF).

As you know, last Thursday, HUD Secretary Donovan released a report entitled, "Actuarial Review of the Federal Housing Administration Mutual Mortgage Insurance Fund (Excluding HECMs) for Fiscal Year 2009." The review showed that the MMIF's capital reserve ratio dropped below the Congressionally-mandated threshold of two percent to a less-than-expected 0.53 percent. The independent actuarial review also indicated that the economic value of the MMIF declined over 75 percent from last year, to \$2.73 billion. If home prices do not recover, the economic value of the MMIF could fall below zero. We are concerned that such a drop could force HUD to request an appropriation from Congress.

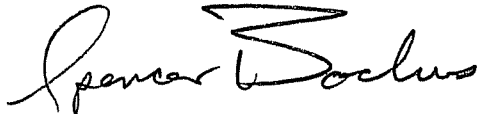
HUD has announced its implementation of "several reforms to strengthen its credit policies, which will ultimately help shore up the reserves and reduce risk," including hiring a Chief Risk Officer. These are encouraging and necessary steps. Despite these efforts, however, we are concerned that the agency continues to lack the technological and management capacity to perform proper oversight of its single-family loan insurance portfolio.


As the authorizing committee with oversight responsibility over FHA -- and as the stewards of taxpayer dollars that are now very much at risk because of FHA's deteriorating financial position -- it is incumbent upon our Committee to get prompt answers to the many questions surrounding FHA's risk management practices and finances.

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Accordingly, we urge you to schedule a hearing as soon as possible. Thank you for your consideration of this request.

Sincerely,

  
SPENCER BACHUS  
Ranking Member

  
SHELLEY MOORE CAPITO  
Ranking Member  
Subcommittee on Housing  
and Community Opportunity