NATIONAL COMMUNITY REINVESTMENT COALITION NCRC

FOR IMMEDIATE RELEASE **Contact:** Jesse Van Tol (202) 464-2709, jvantol@ncrc.org
July 29, 2010

Housing Finance Reform Takes Initial Step Forward in Hearing on Mortgage Insurance

NCRC supports making PMI tax deductible, says private mortgage companies should be subject to federal regulation under the Consumer Financial Protection Bureau

Washington, DC - Following its recommendations to the Obama Administration regarding the future of housing finance [LINK], the National Community Reinvestment Coalition (NCRC) today will give testimony to the House Financial Services Committee in a hearing examining "The Future of Housing Finance: The Role of Private Mortgage Insurance." Housing finance reform is currently one of the top priorities of the Administration. NCRC president & CEO John Taylor testified:

"Today, the business of mortgage finance has become the business of the federal government. We're very concerned that the federal government is increasingly positioning itself as the sole gatekeeper to homeownership and mortgage lending in America. It is imperative that we get the private market back in the role of producing and securitizing mortgages. Private mortgage insurance can play a critical role in helping underserved people gain access to sustainable mortgages, or get out of a bad one into a loan modification," said Taylor.

"Unlike most of the housing market, the private mortgage insurance industry has avoided the need for government bailouts. Nonetheless, there are improvements that should be made to strengthen oversight of this product. The federal regulation sought by the industry would make sense, if consumer protections were enforced by the Consumer Financial Protection Bureau, so scrutiny of pricing and access can ensure these products are supporting homeownership in all communities," said Taylor.

The full testimony of John Taylor can be downloaded here [LINK]. Highlights of the testimony include:

- **Helps Expand and Preserve Homeownership**
    - PMI is a private sector innovation that helps expand access to homeownership in a sound and safe manner. When attached to responsibly underwritten loans, such as those covered by the Community Reinvestment Act (CRA), PMI can help

leverage CRA's success and can effectively jump start access to credit and private sector secondary market liquidity

- PMI is an antidote to the widespread use of "toxic" or predatory products. PMI also is underutilized for loan modifications, and could be coupled with principle reduction. PMI company's interests are aligned with both the borrower and the investor, and therefore can help to ensure better quality mortgages.

- **Consumer Protections are Needed**

  - Currently private mortgage insurance companies (PMICs) are regulated at the state level. NCRC is open to federal regulation, if consumer protections were enforced under the Consumer Financial Protection Bureau and if states can provide additional protections as needed.

  - Currently, PMICs voluntarily disclose data on their transactions. Congress should enhance data requirements by making such disclosure mandatory, and expand to include data on the cost of premiums and losses incurred. An initial analysis by NCRC's initial shows racial disparities in PMI. While there may be reasonable business justifications that explain this disparity, the findings require further investigation and sunshine, modeled on the Home Mortgage Disclosure Act.

- **Restores Balance between Government and Private Sector**

  - FHA, Fannie Mae, and Freddie Mac now account for nearly all the mortgage lending activity in the nation today. While these institutions are serving their critically needed counter-cyclical role, by temporarily providing necessary liquidity at times when private sector lending is frozen, nearly all experts agree that a robust private sector must return to the lending space.

  - Reliance on the government alone is too risky. Commitment to housing finance waxes and wanes with different administrations, therefore opportunities for lower income communities would be too exposed to political whims. Even with the most generous funding, government resources will not be sufficient to meet the needs of underserved communities.

###

About the National Community Reinvestment Coalition (NCRC):
The National Community Reinvestment Coalition is an association of more than 600 community-based organizations that promote access to basic banking services, including credit and savings, to create and sustain affordable housing, job development, and vibrant communities for America's working families. NCRC provides foreclosure prevention counseling to homeowners through its Housing Counseling Network.
http://www.ncrc.org/