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December 5, 2012

Honorable Shaun Donovan
Secretary
U.S. Housing and Urban Development
451 7th Street, SW
Washington, DC 20410

Re: FHA MMI Fund

Dear Mr. Secretary:

As you know, the National Association of Hispanic Real Estate Professionals (NAHREP) remains a strong supporter of the mission of the Federal Housing Administration (FHA). In that spirit, I hope you will consider our views regarding the FHA's policy changes in response to recent findings of the actuarial review of the Mutual Mortgage Insurance (MMI) Fund. We want to encourage you to seek remedial policies, to the extent warranted, that do the least harm to homeownership opportunities.

In response to the distressed state of the MMI Fund, HUD announced it would take certain steps to ensure a stronger financial position for FHA over the next year and beyond. These steps include reducing losses from legacy books of business by redesigning FHA modification treatments, streamlining FHA short-sale policy, and expanding the Claim without Conveyance Pilot Program. HUD also plans to implement a revised premium cancellation policy which would no longer cancel required mortgage insurance premiums (MIPs) on loans when the outstanding balance reaches less than 78 percent of the loan and instead having borrowers pay MIPs for the life of the loan. Finally MIPs will increase 10 basis points and FHA will strengthen the Home Equity Conversion Mortgage (HECM) Program, among additional improvements.

NAHREP understands FHA is not currently originating the type of loans that created the current financial problem, and that the problem stems from the old book, with policies like seller-funded down payments causing the drain. FHA has performed remarkably well for decades and when the market collapsed, FHA was the only dependable source of mortgage capital in the market. Additionally, FHA lending during the housing crises prevented immeasurable damage to the real estate market and the overall economy.

It is NAHREP's opinion that the current insolvent state of the Fund is due to the products that were originated at the peak of the market and the unprecedented decline in property values. With the market finally stabilizing and with FHA already originating a higher quality pool due primarily to the elimination of seller paid down payments, we urge FHA to cautiously focus on options that improve its solvency with the least barrier-raising impact to borrowers.

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We appreciate that changes must be made to the MMI Fund to improve its fiscal condition and that the proposed changes thus far allow for the least barrier raising impact to borrowers. We believe access to FHA loans for borrowers is critical to the continued improvement of the housing market and encourage all additional improvements to the Fund to follow this principle. First time Hispanic homebuyers depend heavily on the FHA for financing and they are currently driving a return to market stability. Modifications that excessively curtail access to FHA loans will have a negative effect on home prices, market stability, and the Hispanic community. That is the reason for our concern, and why we also suggest that any changes should be temporary so that policies return to their original levels when the Fund regains health.

We would welcome an opportunity to discuss our concerns with you further. Thank you for your consideration.

Sincerely,

Gerardo "Jerry" Ascencio
2012 NAHREP® President

Gary Acosta
NAHREP Co-Founder and CEO

cc: Senator Tim Johnson (D-SD), Chair, Senate Committee on Banking, Housing and Urban Affairs
Senator Richard Shelby (R-AL), Ranking Member, Senate Committee on Banking, Housing and Urban Affairs
Representative Spencer Bachus (R-AL), Chair, House Committee on Financial Services
Representative Barney Frank (D-MA), Ranking Member, House Committee on Financial Services