November 3, 2025

Clinton Jones
General Counsel
U.S. Federal Housing (FHFA)
Constitution Center
400 7th Street SW
Washington, DC 20219

Dear Mr. Jones,

On behalf of U.S. Mortgage Insurers (USMI) and our member companies,[1] we appreciate the opportunity to provide feedback on U.S. Federal Housing's (FHFA) proposed rule on "2026-2028 Enterprise Housing Goals" (Proposed Rule).[2] USMI represents the nation's leading private mortgage insurance (MI) companies and our members enable first-time and working-class homebuyers without access to large down payments to realize the American dream of homeownership sooner, while providing risk protection to lenders, Fannie Mae and Freddie Mac (the GSEs), investors, and taxpayers. Private MI is a powerful tool that makes mortgage credit available to low down payment homebuyers and is backed by private capital. USMI supports FHFA's work to ensure that the GSEs' statutorily required housing goals are established and maintained, but not calibrated in such a way that they inhibit the conventional conforming market's ability to broadly serve middle- and working-class Americans, including homebuyers without large cash down payments, in all geographies during all economic cycles.

The Proposed Rule appropriately balances the housing goals with reducing regulatory burdens and complexity. The GSEs have dual, independently important mandates of facilitating financing of affordable housing for low- and moderate-income families and maintaining safety and soundness in the housing finance system. Setting the housing goals at the proposed thresholds has merit especially given the current challenges facing homeownership in the U.S. are primarily driven by supply, as opposed to driven by demand. Providing stretch housing goals that encourage the GSEs to invest subsidy in demand-side solutions is misguided in light of the lack of affordable homes available for sale. To this end, we applaud the Administration for shining a spotlight on the need to boost housing supply as set forth in the proposed U.S. Federal Housing Strategic Plan: Fiscal Years 2026-2030.

Private MI helps the GSEs meet these missions by enabling borrowers to achieve the American dream of homeownership sooner and deploying private capital to protect lenders, the GSEs, investors, and taxpayers from first-loss risk associated with mortgage defaults. Private MI allows working-class homebuyers to bring tens of thousands of dollars less to the closing table and still qualify for home financing many years sooner than they would otherwise. In addition,

[1] USMI membership comprises: Enact Mortgage Insurance Corporation; Essent Guaranty, Inc.; Mortgage Guaranty Insurance Corporation; National Mortgage Insurance Corporation; and Radian Guaranty Inc.
[2] 90 Federal Register 47632 (October 2, 2025).

private MI paid monthly by the borrower is a small, temporary cost that has declined in recent years, at a time when other homeownership costs have risen.[3] Indeed, the cost of private MI, as measured by publicly-reported yields on portfolios of insurance in force, has declined 25% since 2017, in contrast to other costs associated with homeownership. Since 1957, the private MI industry has been in the market every day and has helped nearly 40 million households achieve homeownership, including more than 800,000 households in 2024 alone.[4]

Federal Policymakers Should Promote a Coordinated Housing Finance Policy

As referenced in the proposal and articulated in the 2019 Treasury Housing Reform Plan, policymakers should promote a clear, consistent, and coordinated approach to housing finance policy with the goal of better delineating the roles of conventional loans, taxpayer-backed programs such as the Federal Housing Administration (FHA), bank and credit union portfolio loans, and loans sold into the private label residential mortgage-backed securitization (RMBS) market. Coordination, however, should not equate to strict, artificial, government-imposed program distortion.

USMI agrees with FHFA that the housing finance system is interconnected and that a holistic, transparent approach to federal policy will best ensure that the GSEs meet their mission and borrowers receive the best execution possible. By leveraging private capital in front of a remote government backstop, the GSEs serve as a critical bridge between a market entirely backed by the government and taxpayers, including the FHA, Rural Housing Service (RHS), and the U.S. Department of Veterans Affairs (VA), and a purely private market that may not be able to ensure broad access to credit for middle-class Americans in all geographies during all economic cycles. The GSE footprint, including its combination of loan limits and credit guidelines, is effective for providing access to the 30-year fixed-rate mortgage for middle America. For qualified borrowers, there is little reason to arbitrarily limit the conventional market, so long as the GSEs, lenders, and taxpayers are safeguarded by multiple layers of prudently regulated private capital (borrower equity, loan-level private MI, and back-end credit risk transfer (CRT)). It is, therefore, important to accurately calibrate the housing goals as outlined in the Proposed Rule such that they maximize access for homebuyers to the conventional market without artificially distorting it by encouraging "denominator management." Both the Proposed Rule and its Regulatory Impact Analysis highlight the impacts of FHFA mis-setting goals in the housing finance system. USMI appreciates the Proposed Rule's focus on appropriately calibrating the goals and stands ready to continue to underwrite and efficiently price risk for Low-Income Purchase (LIP) and Very Low-Income Purchase (VLIP) loans to ensure that these homebuyers have access to the benefits of the 30-year fixed-rate mortgage in the conventional market.

It is important to note that when a low down payment homebuyer is served in the conventional market with a loan backed by private MI, private capital stands in a first loss position.

[3] MI Companies' Quarterly SEC Filings and Financial Supplements.
[4] GSE Aggregate Data and USMI Member Company Data.

FHA Should Serve Borrowers Who Cannot Be Served by the Conventional Market

The Proposed Rule identifies a number of channels which could serve low- and moderate-income borrowers, including the FHA and bank portfolios for Community Reinvestment Act (CRA) purposes. FHA plays an important role in the housing finance system, augmenting the work of the conventional and purely private mortgage markets. When consumers cannot be sustainably supported by private capital in combination with a remote government backstop, then it is appropriate for the government to step in and take on a larger role. FHA should have a targeted mission due to the depth of its taxpayer-funded backstop. It is an important complement to private mortgage insurers' work, particularly by serving those who may not have access to homeownership through traditional underwriting. FHA is 100% backed by taxpayers, its cost of capital and capital sufficiency minimum requirements are significantly lower than those of the private sector, and its operations are funded via congressional appropriations.

In contrast, in the conventional market and on bank and credit union portfolio loans with private MI coverage, private capital stands in a first-loss position. Private MI is highly effective at reducing losses and data shows that the total loss severity for the 1999-2024 origination period of GSE loans without private MI was 47.9% while the total loss severity for GSE loans with private MI over the same time period was 31.2%.[5] In addition to better protecting the interest of taxpayers, a conventional loan backed by private MI offers a better option for many borrowers, as risk is priced at the loan level based on various attributes and monthly borrower paid MI can be canceled by the borrower when sufficient equity is established and automatically terminates by statute when the unpaid principal balance is scheduled to reach 78% of the original loan to value ratio.[6]

Accordingly, federal policy should ensure that government programs do not crowd out private capital and shift additional risk to taxpayers by extending beyond their missions. The primary benefit FHA provides to the broader market is underwriting criteria that are more expansive than the conventional conforming market and bank and credit union balance sheets. Borrowers with blemished or limited credit as well as higher debt-to-income (DTI) ratios are commonly eligible and approved for FHA loans. In this way, the FHA extends access to homeownership beyond markets supported by private capital and serves a critical role in the nation's mortgage finance ecosystem as the program of last resort.

Private Label Security and Depository Portfolio Lenders Serve Select Borrowers

Similarly, the private label securitization (PLS) and depository portfolio markets have a robust and appropriate role in the housing finance ecosystem. These markets are well-functioning and well-suited to serve certain borrowers, particularly those with higher credit scores and higher

[5] Urban Institute analysis of Fannie Mae and Freddie Mac data.
[6] 12 U.S.C. § 4902.

down payments. However, they may not be able to step in and fill the role of the GSEs in providing access to homeownership for middle-market America in all economic cycles, across all geographic regions, and for borrowers who have average credit profiles. It may be more challenging for PLS and depository portfolio markets to extend mortgage credit during a stressed market, which reinforces the need for countercyclical channels. This dynamic has been observed twice this century, first in the Great Financial Crisis and second in the COVID-19 pandemic. In both events, the participation of PLS and depository balance sheets in mortgage finance receded as the capital markets, banks and credit unions reined in their risk appetites in response to economic uncertainty. Middle- and working-class borrowers deserve markets that work for them in all economic environments and arbitrarily shifting broad swaths of borrowers to the PLS and portfolio markets will not ensure that those borrowers have adequate credit availability and affordability across the full geographic and economic cycle.

A better way to encourage access to the portfolio market is to harmonize the prudential bank and credit union regulatory capital frameworks with FHFA's Enterprise Regulatory Capital Framework (ERCF), which is the most thorough and researched capital framework for mortgage lending, and is the best approximation of the appropriate capital reserve levels for mortgages. In any mortgage lending capital regime, standard cover private MI from a Private Mortgage Insurance Eligibility Requirements (PMIERs)-compliant and approved insurer should receive the most capital credit as it provides more private capital to cover any loss. Capital relief should be commensurate with counterparty strength and depth of coverage for the risk taken. USMI encourages the banking and credit union prudential regulators to refer to the robust ERCF research when revisiting and modifying their respective capital rules. This will ensure a broad marketplace of mortgage options for borrowers and not artificially push borrowers to a market that may not be able to serve them well.

****

USMI and its member companies appreciate the opportunity to engage with you and your team on housing finance policies that enable access to homeownership opportunities for middle- and working-class borrowers without large cash down payments and balance access to affordable mortgage credit with safety and soundness in the U.S. housing finance system. Please feel free to reach out to me directly at sappleton@usmi.org or 202-280-1820 if you have any questions or should you need any further information.

Sincerely,

Seth D. Appleton
President, USMI