Other Key Historical Quotes from HUD Secretary and/or FHA Commissioner:

"No part of HUD is more central and important to our national effort to promote affordable homeownership than the FHA, and I am committed to making FHA as responsive to market demands as it was when it was founded. Today FHA continues to play a countercyclical role….serving as a backstop to the private mortgage market. FHA stays active in volatile and declining markets, continuing to make mortgage credit available to borrowers, even when private mortgage providers are withdrawing from the market. During difficult times, it is critically important to have an entity like FHA play this role….offering families access to near-prime rate financing. Current market conditions highlight the critical role of the federal government in keeping mortgage credit flowing. With the collapse of global credit markets, FHA, Fannie Mae and Freddie Mac must continue to work with strong and well managed private sector entities to expand access to mortgage credit. In particular, FHA's role has grown substantially from 3 percent of lending by dollar volume in 2006 to approximately 30 percent of all mortgages originated today. FHA exists to serve American homeownership needs, particularly in times of economic crisis…." April 29, 2009 HUD Secretary Donovan, speaking at the Mortgage Bankers Association National Policy Conference

"The independent study shows that FHA has sustained significant losses from loans made before 2009, and the capital reserve ratio has fallen below the congressionally mandated threshold…" November 12, 2009, HUD Secretary Donovan/FHA Commissioner Stevens report on FHA's Finances

"This is a temporary role which FHA has played in previous economic downturns. The Administration is committed to ensuring that FHA steps back as private capital returns to the market. With this temporary increased role comes increased responsibility. That's why we are committed to closely monitoring market behavior patterns and economic risks so that we are prepared to enact reforms to ensure the FHA's financial health moving forward." November 12, 2009, HUD Secretary Donovan, report on FHA's Finances

"Like most mortgage lenders and insurers, FHA is not immune to adverse changes in economic conditions. In this economy, we have seen increased delinquencies and foreclosures. Today, the average FICO score is 693 compared to 633 just two years ago." November 12, 2009, FHA Commissioner Stevens, A Message From The Commissioner on FHA's Finances

"The study (actuarial) projects the reserve fund will rise above the mandated 2 percent level on its own in just a few years. But we are not waiting. We have already begun taking action to improve future books of business by instituting tighter risk management and credit policy changes. It's not just about protecting the financial health of the FHA insurance fund….it's about protecting each and every family that looks to FHA for safe, sustainable, mortgage financing. Therefore, my immediate priorities are for FHA, first, to preserve the solvency of the MMI Fund and ensure that FHA does not require taxpayer assistance. This can be done by balancing our mission as a public agency with prudent risk management, and it starts with a thorough review of all FHA programs to identify areas where risk can be mitigated….I can assure you the Nation's economic problems would be even worse today, were it not for FHA. Any hope for a housing recovery, and for our economy, would clearly be stalled if it wasn't for the critical role we play." November 12, 2009, FHA Commissioner Stevens, A Message From The Commissioner on FHA's Finances

"We see this happening again (FHA saving the American Dream). Over the last three years, FHA has shown, once more, that it is a necessary countercyclical force in the housing market. It reacted to the difficulties in the housing sector by increasing its market share, helping those in need, especially those with low incomes and homeowners from minority communities. FHA now insures approximately 30 percent of new loans. The resurgence of FHA is one of the most important reasons that the economy is starting to stabilize. We have helped prevent a turbulent market from going into free fall. FHA insured 1.9 million loans in 2009….up from 1.1 million in 2008. Almost 50 percent of all first-time homebuyers used FHA…..FHA was pushed and extended its scope, using every resource to help as many qualified homeowners as possible. The fund is solvent…an independent review shows the FHA capital reserve has fallen below the congressionally mandated 2 percent threshold to 0.53 percent…FHA has sufficient cash-on-hand to pay all future losses on current books of business with a $3.6 billion cushion. The Administration is determined that FHA will protect both the homeowner and the taxpayer. In fact, this is a new FHA. The changes will insure the long term viability of the program and increase FHA's capital reserves" January 20, 2010 FHA Commissioner Stevens, Exchequer Club

"In 2008, Congress ended a practice that greatly contributed to our difficulties: seller-financed down payment assistance." January 20, 2010, FHA Commissioner Stevens, Exchequer Club

"Now, we are on our way back. One reason: over the last three years, FHA reacted by increasing its market share dramatically, helping those in need, especially those with low incomes and homeowners from minority communities. I would hate to think where the housing market and the economy would be without FHA….The seismic shift in FHA's market share is a vital part of our recovery. FHA insured nearly 30 percent of the single family mortgage market in 2009…..a vast increase from marginalization less than 1,000 days ago. FHA insured 1.9 million loans in 2009…..up from 1.1 million in 2008. Our market share has raised worries about our solvency. When I came on board in July (2009), I immediately examined our funds and discovered that we were slipping under the 2 percent capital reserve ratio mandated by Congress. This was confirmed in November in the latest actuarial report…..Yes, capital reserve ratio is below 2 percent. The surplus funds paid from capital reserve account to financing account are more than enough to meet expected future losses…..Our most difficult loans were made in book years 2006 through 2008. Looking ahead, as private liquidity re-enters the market, and FHA steps back, we will have higher quality, less risky mortgages, which will be appropriately underwritten." February 11, 2010, FHA Commissioner Stevens, Standard and Poor's Housing Conference

"When FHA was created in 1934, in the dark days of the depression, only four out of every ten American lived in their own home. Down payments were around 30 percent, balloon payments common. Mortgages were scarce because local banks had limited capital. Interest rates on mortgages were 8 percent. Mortgages had to be paid within five to ten years. In short, there were tremendous dis-incentives to home ownership. Historian David Kennedy argues that FHA changed that, especially in combination with other actions. FHA insurance made lenders less nervous….Interest rates went down. Lenders and homeowners knew that an FHA-insured loan was solid. And many lenders modeled themselves after FHA: 30 year loans, fixed payments, fully amortized mortgages. Lenders even dropped down payments to around 10 percent." February 11, 2010, Commissioner Stevens, Standard and Poor's Housing Conference

"To be clear, although some have suggested that Fannie and Freddie's affordability goals were solely responsible for their failure, the vast majority of mistakes that were made…poor underwriting standards, underpriced risk, and insufficient capital with inadequate regulatory or investor oversight…..closely mirrored those made in the private label securities market where affordability goals were a non-factor." February 11, 2011, HUD Secretary Donovan, remarks during GSE White Paper Call with the Treasury Department

"At the FHA, we have implemented important changes and reforms over the last two years including strengthening underwriting standards, improving processes and operations, and raising prices that have significantly improved their financial condition." February 11, 2011, HUD Secretary Donovan, remarks during GSE White Paper Call with the Treasury Department

"New challenges have emerged…..that prevent our housing market….and our economy from fully recovering. Where foreclosures were initially the result of bad loans, today delinquencies are increasingly driven by unemployment…by the damage those loans inflicted on our economy……uncertainty about the rules of the road going forward has sapped confidence and tightened credit…..But with foreclosures having migrated from the subprime to the prime market because of unemployment, reducing monthly payments doesn't go far enough…….the most important indicator when it comes to the strength of our housing market isn't sales prices or delinquencies. It's how many jobs were creating….and how fast were creating them….With about a quarter of a million foreclosed properties owned by HUD and the GSEs, this August (2011), HUD joined with FHFA and Treasury to issue 'Request for Information' to generate new ideas for absorbing excess inventory and stabilizing prices." October 11, 2011, HUD Secretary Donovan, Mortgage Bankers Association 98th Annual Convention

"As important as these steps are, you all know that underlying all these issues is a lack of certainty….of a clear understanding of the rules of the road you need to do business and our housing market needs to recover. A big void to fill involves the secondary markets and what will become of Fannie Mae and Freddie Mac. To be sure, as our White Paper indicated we have to reduce uncertainty to bring private capital back. And we've begun to take those steps in a measured way, including raising premiums at FHA, and reducing loan limits to 2008 levels. Next, as part of the President's deficit plan, we plan to increase the guarantee fee by 10 basis points to level the playing field between the GSEs and the private sector, a critical step in making progress towards an eventual wind-down….Others (MBA members), however, had expressed concern that loss of government support may reduce loan volumes in some markets and make business harder. But ultimately these steps taken together represent an important step toward reducing government's footprint in the marketplace….while doing so in a careful, measured way so as not to harm our recovery." October 11, 2011, HUD Secretary Donovan, Mortgage Bankers Association 98th Annual Convention

"But no one in this audience believes we are ever going to eliminate default risk entirely. Nor should we try to. Rather, our goal should be to enable those who are able to access homeownership to do so safely and responsibly. But the truth is, it isn't just the private market that's wrestling with this balance. As evidence of that, I only need point out the ongoing development of the 'qualifying residential mortgage' rule….as you know, a lot of the debate has centered around down payments….which only tell one part of the story…..We can't let this debate become so narrow that down payment become the only qualification for homeownership." October 11, 2011, HUD Secretary Donovan, Mortgage Bankers Association 98th Annual Convention

“And as the actuarial report we discuss today finds, while have all been through the second worst housing downturn in the history of the country, FHA….unlike many other institutions….retains a positive fund balance the current book of business is strong. Specifically, the actuary reports insurances on loans booked since January 2009 post an estimated (positive) economic value of $18 billion…….That the FHA has been able to weather this storm to-date is no accident….we have been able to put in place the most sweeping reforms of credit policy, risk management, lender enforcement, and consumer protections in FHA history…..reforms, as this actuarial report makes clear, that have produced real results….we have been able to increase premium rates three times under this Administration, yielding significant revenue to the fund. Mr. Chairman, the collective impact of these efforts cannot be overstated. Indeed, if it were not for these reforms…FHA would be ‘in the red’ today…not only does the actuary report that the Fund retains positive capital today….it projects FHA should be able to rebuild reserves to the congressionally-mandated 2 percent threshold very quickly once markets across the country exhibit sustained growth. Indeed, using base-case projections based on Moody’s Analytics forecast, the actuary expects capital reserves to reach 2 percent again in 2014, sooner than was projected last year. Like most of the housing finance sector, the actuary finds that FHA’s finances are closely tied to home prices, which have been broadly stable since we took office, but weaker than expected in 2011.” December 1, 2011, HUD Secretary Donovan, Testimony to House Committee on Financial Services

“In particular, it finds FHA’s older books of business underwritten during the bubble years of 2000-to-2008 will continue to produce substantial losses…It reports as many as half of the highest-risk loans insured at the peak of the housing bubble will ultimately result in loss to the FHA, with more than 1 out of every 4 loans insured in 2007 resulting in an insurance claim, and losses of closed to $10 billion for the 2008 book of business alone….given the continuing fragility of the market, we must continue to be vigilant….and prepared to take additional steps to protect the taxpayer. As it has been since the outset of this Administration, that remains our goal today.” December 1, 2011, HUD Secretary Donovan, Testimony to House Committee on Financial Services

“According to the independent actuary’s annual report, this fiscal year the capital reserve ratio of FHA’s MMI Fund fell below zero…..to a negative 1.44 percent, with fully $70 billion in claims attributable to the 2007-to-2009 books of business alone…..I want to be clear that this report does **not** mean that FHA will have to use its authority to draw from the Treasury to cover estimated losses…..the actuary’s analysis did not take into consideration the new economic value generated after FY2012, estimated by the actuary at $11 billion through the end of FY2013….And in the interim, FHA will launch a series of additional actions designed to add billions to the fund in this fiscal year alone..” November 13, 2012, HUD Secretary Donovan at the FHA Actuarial Conference Call

“While this report does not mean that FHA will have to draw from the Treasury, we take its findings seriously. That is why today we are announcing a series of changes to strengthen the Fund. These measures will directly address the source of the problem….losses stemming from legacy books of business in the 2007-09 period….and reverse a policy from 2001 that has led to a significant shortfall in premiums collected for loans held more than a few years. First, with $70 billion in FHA claims attributable to loans insured from 2007-to-2009, we will take additional steps to maximize recoveries as borrowers go into foreclosure. In particular, we will reverse a policy change made over a decade ago that eliminated the requirement for borrowers to pay premiums after the loans reached a certain percentage of their original home value….Reversing this policy is expected to improve the value of the Fund by $2.6 billion in this fiscal year alone. In addition, we will raise our annual mortgage insurance premiums a modest 10 basis points….This will add an estimated $1 billion to the Fund and ensure that FHA does not take on additional market share in light of recent increases (in fees) by the GSEs…..we are continuing to take aggressive measures to protect the Fund…..we (need from Congress) additional enforcement authority (over lenders) and greater administrative flexibility in managing the reverse mortgage (HECM) program…coupled with the $11 billion in additional value from new business….in FY2013, this set of measures will reduce the likelihood that FHA would need to tap the Treasury assistance next September.” November 13, 2012, HUD Secretary Donovan at the FHA Actuarial Conference Call

“This balanced approach to strengthening FHA and providing much needed stability during the recovery of the housing market, sets the stage for a stronger FHA and an improved economy, while continuing to take steps to reduced government’s footprint in the marketplace. Given the progress we’ve seen in the housing market….and the FHA’s central role **in** that progress….it’s clear FHA has done its job. **Our** job now is to ensure FHA can continue to be a source of opportunity and access to homeownership for future generations. And with the steps we are announcing today, I am confident it can be….and will.” November 13, 2012, HUD Secretary Donovan at the FHA Actuarial Conference Call

“While the loans made during this Administration remains the strongest in the agency’s history, we take the findings of the independent actuary very seriously. We will continue to take aggressive steps to protect FHA’s financial health while ensuring that FHA continues to perform its historic role of providing access to homeownership for underserved communities and supporting the housing market during tough economic times.” November 16, 2012, Acting FHA Commissioner Galante at Financial Status Report to Congress

“These are essential and appropriate measures to manage and protect FHA’s single-family insurance programs. In addition to protecting the MMI Fund, these changes will encourage the return of private capital to the housing market….” January 30, 2013, FHA Commissioner Galante, “FHA Takes Additional Steps to Bolster Capital Reserves”