May 1, 2014

The Honorable Tim Johnson  
Chairman 
Senate Committee on Banking, 
Housing and Urban Affairs 
534 Dirksen Building 
Washington DC 20510

The Honorable Mike Crapo  
Ranking Member 
Senate Committee on Banking, 
Housing and Urban Affairs 
534 Dirksen Building 
Washington DC 20510

Dear Chairman Johnson and Ranking Member Crapo:

The undersigned organizations are concerned that the breadth of regulatory authority vested in the Federal Mortgage Insurance Corporation (FMIC) under your bipartisan housing finance reform proposal could unnecessarily dilute the focus and resources of the FMIC. While we greatly appreciate the work that continues to be done to perfect the Manager’s Amendment and appreciate that these discussions remain fluid, the language that has been circulated thus far has the potential to raise costs for consumers and create an unintended regulatory arbitrage opportunity.

As currently drafted, the Manager’s Amendment empowers the FMIC to set capital standards and impose regulations on the day-to-day operations of correspondent and wholesale lenders. This would include lenders who choose to deliver through a guarantor and are thus not responsible for attaching the FMIC guarantee. Rather than focusing on FMIC’s primary mission of protecting taxpayers, the current language redirects its resources to duplicating the oversight already conducted by state and federal regulators, including the Consumer Financial Protection Bureau. The impact of this regulatory overlap will be felt by borrowers as prices rise to cover these additional compliance costs, adding to the already burdensome regulatory environment, particularly for community lenders.

We believe the FMIC should focus its prudential and supervisory powers over those entities that directly attach the federal guarantee, and apply those powers equally
regardless of business model or charter. The primary market, consisting of those participants who do not attach a FMIC guarantee, should continue to rely on the existing state and federal regulatory framework along with robust counterparty oversight, subject of course to the FMIC’s ability to act in the case of a demonstrated risk to the taxpayer.

Thank you for your leadership in moving this important legislation forward and your willingness to work with all stakeholders to ensure the new housing finance system works for all market participants.