

Statement of Carol Galante
Nominee, HUD Assistant Secretary for Housing-Federal Housing Commissioner
Senate Committee on Banking, Housing, and Urban Affairs
Thursday, November 17, 2011

Good morning, Chairman Johnson, Ranking Member Shelby, and Members of the Committee.

I am honored to appear before you today and humbled by President Obama's and Secretary Donovan's decision to nominate me as Assistant Secretary for Housing – FHA Commissioner. I would also like to thank the Committee for scheduling this hearing and considering my nomination.

Before I begin, I would like to introduce my youngest son, Chris Roberts, who is here today. He and my older son, Matt are both exceptional young men who I know will make the world an even better place as they proceed through their careers. I also want to thank my wonderful husband of 26 years, Jim Roberts. Without his steadfast support, I would not be sitting before you all today.

Mr. Chairman, my entire professional life has been dedicated to real estate development and finance, community planning, and affordable housing and economic development. My more than three decades of experience in all three business lines served by FHA—single family, multifamily, and healthcare—has equipped me with a deep understanding of the industries, organizations and individuals that HUD serves.

Immediately before my appointment as Deputy Assistant Secretary for Multifamily Housing at HUD and my subsequent tenure as Acting Assistant Secretary of Housing, I served for 13 years as President and Chief Executive of BRIDGE Housing Corporation, the largest non-profit housing developer in California. During my tenure, I developed BRIDGE into a financially sustainable family of companies with annual revenues in excess of \$115 million and assets of more than \$1 billion dollars. I also developed new and innovative business lines to serve our mission such as HOMEBricks which assists first time homebuyers to access affordable ownership opportunities.

At BRIDGE, and throughout my career, I have worked to demonstrate that partnership between the government, private and nonprofit sectors to create opportunity is not just good policy – but smart business. And I brought that conviction with me to HUD.

As the Deputy Assistant Secretary for Multifamily Housing, I led major changes in the Office. Under my leadership, FHA multifamily lending grew from an annual level of \$2.5 billion in 2008 to over \$12 billion in 2011 – providing key liquidity to this market segment during the toughest housing environment since the Great Depression.

In addition, I led the first major overhaul of underwriting standards and loan documents in the 40 year history of the FHA Multifamily Insurance Program. These changes allow us to more effectively manage risk while better aligning programs with the norms and practices of the private sector.

As Acting Assistant Secretary for Housing, I have continued to focus on making FHA's programs work for all of our stakeholders. Toward that end, I am spearheading a major overhaul of HUD's Housing Counseling Program, including the development of a new Office of Housing Counseling.

Given that families receiving housing counseling are twice as likely to receive a mortgage modification, this work is particularly important as our economy continues to recover.

In addition, I have placed a strong focus on risk management. This includes continued development of FHA's Office of Risk Management and Regulatory Affairs, as well as a commitment to hold lenders accountable for non-compliance with FHA's requirements. Just last week, I hosted a "kick-off" meeting with FHA's new Senior Advisor for Risk and many of the recently hired Credit Risk Officers, along with their counterparts in all of the Program offices so that we can ensure risk management is fully integrated into FHA operational practices.

If confirmed by the Senate, I will continue to provide effective leadership for FHA in achieving its important role of providing liquidity in the nation's housing markets while maintaining a strong focus on protecting the Department's insurance funds.

As is clear from the report we released on Tuesday regarding the current status of the FHA Mutual Mortgage Insurance Fund, FHA is at a critical juncture. As a result of the sweeping reforms instituted under Secretary Donovan's leadership, the MMI capital reserve remains positive and we have originated the highest quality books of business in FHA's history. However, the residual effects of poor performing books from prior years will require FHA to be vigilant in managing its business moving forward.

Therefore, should I be confirmed, my highest priority would be the balancing of FHA's historic mission with responsible management of risk. At this important point in our economic recovery, ensuring the flow of mortgage capital necessary to restore our housing markets is vital. And FHA is playing a key countercyclical role in that effort, particularly for low-to-moderate income, minority and first-time homebuyers. However, FHA can fulfill its mission only if it effectively manages the resources that make its programs available.

Thank you again for your time and for considering my nomination. I appreciate the opportunity to be here and, if I am honored to be confirmed, I will work hard to earn your ongoing trust.