

Statement of Brian D. Montgomery
Nominee, HUD Assistant Secretary for Housing-Federal Housing
Commissioner
Senate Committee on Banking, Housing, and Urban Affairs
Thursday, October 26, 2017

Version 6.1

Thank you Chairman Crapo, Ranking Member Brown, and members of the Committee, I am honored to appear before you today and to once again be considered to serve as HUD's Assistant Secretary for Housing and Federal Housing Commissioner.

I am grateful to President Trump and Secretary Carson for their confidence in my abilities to serve in such an important position.

If I could, I'd like to take a moment to introduce my wife Katy and my daughter Emily and son Thomas, and thank them for being here with me today.

Mr. Chairman, I was humbled by the confidence this Committee placed in me twelve years ago and sincerely hope I earned your trust while serving as FHA Commissioner from 2005 to 2009 including six months into the Obama Administration.

Some of my Republican friends and colleagues still ask why I agreed to serve in a Democratic Administration and my answer has always been the same: "they asked for my help." It was that simple.

Now when I'm asked why I would want to return to HUD, the answer is just as simple: "I believe I can make a positive difference."

Public service is an honor, one I take seriously, and if confirmed, I will again do my best to further equal access to affordable rental and homeownership opportunities, and seek solutions to restore vitality to the housing market.

During my tenure at HUD, I'm proud of the work we did to preserve FHA as a viable option for homebuyers. Working collaboratively with this committee, we were able to pass the Housing and Economic Recovery Act of 2008, or HERA.

That legislation placed FHA on sounder financial footing by kicking out the seller-funded down-payment schemes that were hurting borrowers and decimating the FHA Insurance Fund of more than \$15 billion in losses according to the FHA Actuarial Review contractor.

We were also able to expand homeownership opportunities by giving borrowers, especially minorities and first-time homebuyers, a safer option than the subprime loans that were so prevalent at the time.

FHA played no role in the housing boom or collapse, but it was FHA that stepped in and provided more than \$1 trillion in mortgage liquidity that helped more than 8 million families purchase or retain their homes between 2008 and 2012.

I'm extremely proud of the effort of the FHA staff who also further proved the critical role FHA plays during housing downturns.

Putting an exclamation point on FHA's storied role, a well-known economist said in 2011: "if FHA lending had not expanded after private mortgage lending collapsed, the housing market would have cratered, taking the economy with it."

Nearly ten years after the housing collapse, there is still much more that needs to be done. The homeownership rate today is roughly the same as it was in 1968, and there is a profound lack of affordable rental housing in too many communities.

In fact, HUD's latest "Worst Case Housing Need" report released in August 2017 indicated that in 2015 more than 8.3 million lower income renter households not receiving housing assistance paid more than half their income in rent.

And while the housing market continues to recover, far too many credit-worthy borrowers – many of them prospective first-time homebuyers including minorities and young families – are being left out.

The Urban Institute has estimated that more than 6 million more mortgages would have been made between 2009 and 2015 if credit standards had been similar to the reasonable ones in place in 2001, well before the housing boom.

One reason for the tight credit environment is that lenders remain hyper-sensitive about defaults and claims out of fear of heavy-handed enforcement actions. To be clear, fraud and

misrepresentation have no place in any industry much less the one that represents the largest investment most families will ever make, but I wonder if we haven't gone too far.

We must do a better job of providing regulatory clarity to mortgage lenders. It's time we treat them more like business partners than adversaries.

Another key part of FHA's mission is supporting safe and affordable rental housing. During my previous tenure as FHA Commissioner, we made unprecedented changes to leverage private capital with federal resources in order to increase the supply of quality rental housing for people with limited incomes.

I was pleased to see Secretary Donovan and his team continue to support this important objective and greatly expand it. But, as rental housing cost burdens grow and worst-case housing needs remain unmet, clearly there is more work that needs to be done.

I also believe the role of non-profit housing organizations who are at the forefront of developing housing solutions could be better utilized.

Another high priority, if I'm confirmed, will be to address FHA's outdated IT systems.

While the GSEs have spent millions of dollars upgrading their technology, FHA is still looking for loose change under the sofa cushions. That has to end.

FHA and Ginnie Mae generate billions in receipts and I strongly believe must make investments to fund IT improvements.

Doing so will help reduce the financial risk to taxpayers and ensure that FHA can operate on a stable platform for years to come.

Finally, I want to give you my pledge that we will do everything we can to help the people impacted by the hurricanes that ravaged my home state of Texas, as well as Florida, Puerto Rico, the Virgin Islands, and the recent wildfires in northern California.

I'm no stranger to disaster recovery, having experienced first-hand the rebuilding process following Hurricanes Katrina and Rita. I know the HUD staff continues to work hard to help those displaced or otherwise impacted by the recent barrage of natural disasters.

I'd like to thank the Committee for your time today, and consideration of my nomination to serve as FHA Commissioner. I look forward to your questions.

#