



Testimony of Brian D. Montgomery

Nominee to be Deputy Secretary of Housing and Urban Development

Senate Committee on Banking, Housing, and Urban Affairs

November 20, 2019

Thank you Chairman Crapo, Ranking Member Brown, and members of the Committee, I am honored to appear before you today to be considered for the position of Deputy Secretary of the Department of Housing and Urban Development (HUD).

If I could, I'd like to take a moment to thank my family, including my wife, Katy, my two children, Emily, age 13, and Thomas, age 10, as well as my parents and sisters for their love and support over the many years. Sadly, my dad passed away two years ago, but my mom, the daughter of Mexican immigrants, is in Houston and I am grateful for all the sacrifices they made that allowed me to be here today.

I would also like to express my gratitude to President Trump and Secretary Carson for the confidence they have in me to serve in such an important role at the Department.

Working with Secretary Carson for the past one and a half years has provided me with a new understanding of what it truly means to serve. It has been an honor and I look forward to advancing HUD's mission together as his Deputy.

Mr. Chairman, I was humbled by the trust this Committee placed in me to serve as FHA Commissioner from 2005 to 2009 and again in this Administration. I have always believed that the work we do at HUD transcends party lines. It's making sure every hardworking American has a fair shot at the American Dream.

During my tenure at HUD, which has spanned six years, three administrations, and *both* parties, I'm proud of the work we did to preserve FHA as a viable option for homebuyers.

Just last week I was pleased to present HUD's Annual Report to Congress regarding the status of FHA's Mutual Mortgage Insurance (MMI) Fund for fiscal year (FY) 2019.

This year's Annual Report reflects the significant progress FHA has made since this Administration took office to improve the fiscal health of the MMI Fund, protect taxpayers, and continue serving American homebuyers.

The MMI Fund is as sound as it has been in over a decade with a capital ratio of 4.84 percent. In FY 2019 FHA insured forward mortgages for 990,000 households, of which 615,000, were first-time homebuyers. In addition, over one third of FHA's purchases mortgages went to serve minority homebuyers.

One way we have sought to strengthen FHA has to been to clarify regulatory expectations so that responsible lenders can confidently and fully participate in the program.

For example, market participants' concerns about uncertain and unanticipated False Claims Act liability for underwriting defects has led many depository lenders to largely withdraw from FHA lending. Today, depository institutions originate less than 14 percent FHA-insured mortgages, down significantly from approximately 44 percent in 2010. To address these concerns, in October, HUD and the Justice Department signed a Memorandum of Understanding (MOU) for cases brought under the False Claims Act against FHA lenders. This MOU provides a framework to apply remedies for FHA lender violations in a consistent, uniform and appropriate way. In addition, FHA updated its certifications and defect taxonomy to better assess the appropriate remedies for program violations. This suite of reforms should make affordable FHA-insured mortgages more accessible to qualified borrowers and reduce risks within the FHA program.

We are also working to expand and strengthen loss mitigation options for borrowers. Under my tenure, FHA made permanent the "Disaster Standalone Partial Claim" for disaster victims who are rebuilding or buying another home following a disaster. This option covers up to 12 months of missed mortgage payments via an interest-free second loan on recovering families' home.

In recent years, HUD has been asked to play a greater role in long-term recovery after natural disasters. If I'm confirmed as Deputy Secretary, I want to give you my pledge that we will do everything we can to help the people impacted by the hurricanes that ravaged so many states, from my hometown of Houston to North Carolina and Puerto Rico, as well as the most recent wildfires in California.

In 2017, for the first time in the history of HUD's administration of disaster recovery, Congress provided mitigation funds as part of a CDBG-DR appropriation. To deliver on

this mission, I have visited Puerto Rico to meet with the island's political leadership and with the officials at Vivienda who are responsible for administering the CDBG-DR grant. We are committed to ensuring the record funding going to Puerto Rico reaches the people in need and helps them recover and build a more resilient future.

I further note that HUD has one of the most tenured workforces in the federal government, and its headcount has decreased by more than 60 percent over the past 20 years. It is a priority that we have the right work force to fulfill HUD's important missions in the years to come, and we are working hard to make that happen.

Finally, HUD's housing finance reform plan, released in September, calls for additional improvements to FHA's policies, technology, and operations. I would note that during my first tenure in this job, back in 2008, we were able to work closely with the leaders of this committee, including Senators Shelby and Reed, to pass a landmark FHA modernization bill. I sincerely hope we can continue that work in the year ahead and pass meaningful, bipartisan housing finance reform.

I'd like to thank the Committee for your time this morning, and your consideration of my nomination to serve as Deputy Secretary. I look forward to your questions.