September 29, 2016

Federal Housing Finance Agency
Office of Financial Analysis and Modeling
400 7th Street SW, 9th Floor
Washington, D.C. 20219

To Whom It May Concern,
Thank you for the opportunity to comment on credit risk transfer strategies. We are most interested in an equal playing field for all lenders. Our comments are specifically addressing questions B1 and B2.

Question B1: What credit risk transfer strategies work best for small lenders? Why?

The only strategy mentioned in the document that would at all work for smaller lenders is the sharing of credit risk through mortgage insurance. Different mortgage insurance structures could give smaller lenders the ability to offer borrowers more financing options. It could also relieve the GSEs of credit risk immediately.

Question B2: Do other types of front-end credit risk transfer work better for small lenders than collateralized recourse transactions? How so?

Collateralized recourse transactions are an innovative way transfer credit risk and reward the lender for making quality loans. Unfortunately, smaller lenders that are seller/servicers are unable to participate due to the cost and complexity of structuring these transactions. Of course, non-seller/servicers have no way to participate in this type of transaction. Until there are major changes made to the secondary market as it currently exists, there is no way smaller lenders can successfully participate in collateral recourse transactions.

Kind regards,

William Schwietz
Government Affairs Committee Chair

Cc: Brian Call, President
Pat Martyn, Executive Director
MMA Executive Council

MINNESOTA MORTGAGE ASSOCIATION
5200 Willson Road • Suite 310 • Edina, MN 55424
Phone 952-345-3240 • efax 952-516-5550
www.themma.org