Mortgage Insurance Companies of America

April 30, 2013

Secretariat of the Joint Forum
Bank for International Settlements
CH-4002 Basel, Switzerland

RE: Response to Mortgage insurance: market structure, underwriting cycle and policy implications

Dear Mr. Schmitz-Lippert:

Financial crises understandably generate calls for reform, and the Global Financial Crisis has followed that pattern. The best legislative and regulatory reforms are the product of a deliberative process intended to examine causes and consequences, which is why the Mortgage Insurance Companies of America ("MICA")[1] is pleased to offer our thoughts on the Joint Forum's paper on **Mortgage insurance: market structure, underwriting cycle and policy implications** ("MI Paper"). Together with the Financial Stability Board's ongoing efforts regarding the shadow banking activity of "facilitating credit creation"[2], the collective inquiry has focused discussion on mortgage insurance ("MI") and its role within housing finance systems. MICA welcomes the discussion and has participated actively in it. We hope the discussion continues.

MICA generally endorses the recommendations offered by the Joint Forum. Specifically, we agree that MI providers and mortgage originators should have aligned interests and a shared commitment to strong credit underwriting standards. Supervisors can encourage interest alignment and maintain strong underwriting standards through consistent vigilance regarding market practices, including implementation of a local version of the FSB Principles for Sound Residential Mortgage Underwriting Practices ("FSB Principles"). Supervisors also should ensure that MI providers have the financial capability to accommodate the cyclicality of residential mortgage credit

[1] MICA represents private MI providers in the U.S., and its members include Genworth Mortgage Insurance Company, Mortgage Guaranty Insurance Corporation, and Radian Guaranty Inc.
[2] http://www.financialstabilityboard.org/publications/r_121118a.pdf. MICA responded to the consultation and has participated in discussions with the Work Stream 3 group on MICA's views regarding Economic Function 4 and the FSB's proposed policy toolkit. http://www.financialstabilityboard.org/publications/c_130129bt.pdf.

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markets. Further, beyond an ability to pay claims, MICA believes an MI provider's willingness to pay claims should be unequivocal in order to support market confidence in the broad use of MI.
However, MICA can offer only qualified support for the Joint Forum's recommendation regarding cross-sectoral arbitrage of reserves and capital, for two practical reasons:

- First, it is unclear how arbitrage possibilities can be determined until disputes are resolved between the U.S. Financial Accounting Standards Board ("FASB") and International Accounting Standards Board's ("IASB") draft approaches to loan loss provisioning.[3] Until a definitive loan loss provisioning standard is adopted for banks, the effect of private MI coverage on bank economic capital reserving practices is difficult to ascertain. MICA believes the combination of reserving required for private MI providers (including reserves for unearned premium, case-based delinquency, and catastrophic contingencies) and bank examination oversight limits the scope of potential arbitrage currently.[4]

- Second, bank and insurance products have different purposes and risks, so while the products may have different statutory capital requirements, it not clear that those differences should be considered regulatory "arbitrage" within the context of the MI paper. The MI purchase decision in the U.S. is not fundamentally driven by capital considerations favoring the use of private MI. MICA supports revision of existing capital standards applicable to private MI in the U.S. to ensure a more robust and risk-sensitive measure, but bank regulatory capital standards remain unclear regarding residential mortgages and private MI (due to concerns related to pending implementation of Basel III). Candidly, our principal concern relates more to the risk of being adversely selected against MI alternatives

[3] Both proposed approaches are currently out for comment. http://www.accountingtoday.com/news/IASB-Diverges-FASB-Revised-Loan-Loss-Proposals-65972-1.html.
[4] U.S. private MI and Government-subsidized approaches to reserving and capital management were compared recently in written testimony submitted to the U.S. House of Representatives' Financial Services Committee, Subcommittee on Housing and Insurance. http://financialservices.house.gov/uploadedfiles/hhrg-113-ba04-wstate-kbjurstrom-20130313.pdf?goback=%2Egde_2229028_member_235530189.

without adequate capital requirements than the loss of any systemic arbitrage opportunity.

In short, in the current environment, we do not see any evidence or risk of cross-sectoral arbitrage from the lenders to the mortgage insurers. But given the unsettled nature of regulation and accounting, we agree that this is an issue that merits ongoing review and consideration.

Additionally, and importantly, MICA highlighted in its response to the FSB's shadow banking consultation the importance of recognizing the extent to which current U.S. MI regulatory standards address the Joint Forum's concerns and the substantial efforts in the U.S. to incorporate lessons learned from the housing market downturn regarding MI. MICA is concerned about the potential for inconsistent standards being developed for use by different financial regulators in the U.S.[5] The Joint Forum's MI Paper was written from a global perspective that was not intended to arbitrate between or within local regulatory systems, but MICA suggests that the spirit animating the Joint Forum's effort argues for consistency and uniformity regarding MI regulation within a regulatory system as well.
MICA offers more detailed responses regarding the MI Paper below.

Discussion

MICA has participated actively in U.S. and international discussions regarding insurance, banking, and general financial regulation, but direct considerations of MI have been rare. In part, this is because MI (particularly the non-governmental variety) is not used regularly on a worldwide basis. Although the MI Paper lists multiple jurisdictions within which "MI" is used, MI is used routinely only within the U.S., Canada, and Australia in terms of larger mortgage markets, and in a handful of smaller markets such as Hong Kong and Israel. Within the large MI markets, only the U.S. mortgage market has

[5] For example, currently the NAIC Working Group on Private MI has been convened to consider updates to its Model Act on MI; the Federal Housing Finance Agency is revising MI eligibility requirements used by the government-sponsored housing finance entities Fannie Mae and Freddie Mac; U.S. bank regulators implementing Basel III requested public comment on creditworthiness standards for private MI; U.S. bank regulators, securities regulators, and the U.S. Department of Housing and Urban Development are determining whether pending credit risk retention standards for securitization participants should include a private MI element in an important exception to those standards; and the U.S. Congress is debating whether or how the Federal Housing Administration's Mutual Mortgage Insurance Fund, the principal source of competition for private MI in the U.S., should be reformed to improve its negative capital ratio and restore the FHA to a more limited policy focus.

experienced the widespread distress that raised concerns regarding the use of MI and the financial fitness of MI providers.
Thus, MICA's use of U.S. market examples in our response to the MI Paper is not based on an indifference to MI arrangements characterizing other non-U.S. mortgage markets, but on the potential value in assessing how a large housing finance system using MI responded to the run-up and subsequent downturn in house prices and economic recession. Certain aspects of the U.S. MI regulatory approach worked well. As we noted recently in our response to the National Association of Insurance Commissioners' (NAIC) Mortgage Guaranty Insurance (E) Working Group's Concepts List of Potential Regulatory Changes:

> The Working Group finds an industry that has survived a national housing price decline comparable to that experienced during the Great Depression and is on track to pay more than $50 billion in claims. And, compared to other methods used to transfer or enhance residential mortgage credit risk, private mortgage guaranty insurance performed its intended role credibly during the downturn. Unprecedented interventions in the form of financial support and new market facilities were needed to stabilize national and international banking, and the capital markets. Fannie Mae and Freddie Mac were placed into conservatorship. The Federal Housing Administration's Mutual Mortgage Insurance Fund was driven into a negative capital ratio. Structured finance and credit derivative instruments caused massive losses, financial dislocation throughout the global financial system, and spawned multibillion dollar litigation. The financial guaranty insurance industry has been reduced to a fraction of its former size and influence.[6]

Of course, not all aspects of the U.S. MI regulatory system worked well. As the MI Paper notes, all MI providers were severely tested by the downturn and some providers were not able to continue writing new business. The NAIC formed its Working Group on MI to consider whether changes were needed to the Mortgage Guaranty Insurance Model Act ("Model Act") to reflect historical experience since the Model Act's original adoption. MICA strongly supports the initiative for multiple reasons. For the purposes of the Joint Forum's MI Paper and the FSB's related work on shadow banking, MICA believes that a suitably updated Model Act represents the most sensible way to incorporate the concerns expressed into practical application in

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[6] http://www.naic.org/meetings1304/committees_e_mortgage_guaranty_insurance_wg_2013_spring_nm_materials.pdf. The private MI industry response is found at Attachment F (pp. 31-39 of the Working Group materials).

the U.S. The Model Act framework already includes provisions that have shaped market practices regarding MI in ways consistent with the recommendations offered by the Joint Forum in the MI Paper and the FSB in its prudential toolkit for entities facilitating credit creation.[7] The Working Group's updating exercise will strengthen these tendencies further. The exercise also might have value for policymakers considering the use of MI in their housing finance markets.

MICA offers the following specific responses regarding the Joint Forum's recommendations in the MI Paper.

Recommendation 1. Policymakers should consider requiring that mortgage originators and mortgage insurers align their interests.

MICA strongly supports this recommendation, which also has been raised by the FSB's policy toolkit suggestion of mandatory risk-sharing. In the U.S., private MI has been offered on a partial, "top cover" basis since the 1950s. Together with the borrower's down payment and any equity accumulated through loan amortization, private MI is intended to absorb the first loss, but not the entire exposure. Credit risk is shared, not simply transferred to the MI provider. Additionally, the MI contract allocates rights and responsibilities between the MI provider and the insured policyholder or beneficiary, and this clearly aligns interests on a life of loan basis (the customary length of cover in the U.S. MI market). In that way, lenders are incented to screen credit responsibly, ensure timely payments by borrowers, and act forthrightly to manage loan delinquencies and mitigate losses associated with delinquency and foreclosure. Lender actions in reducing delinquencies and related losses (to avoid loss exposure) also reduce the loss frequency and severity for the MI provider. Large private, government-sponsored, and government-guaranteed secondary markets complicate, but do not eliminate, this alignment of interests.

MICA would not support any compulsory risk retention directed specifically to MI arrangements, however. The Working Group raised that possibility within the context of updating the Model Act. We noted the unintended consequences of seeking more lender "skin in the game" could be substantial. A compulsory minimum retention by the lender ignores the existing alignment of interests,

[7] As the FSB noted in its consultation paper (see fn. 2 above at p. 18, fn. 12), "[c]redit insurers and guarantors are, in essence, insurance companies. It can therefore be argued that they should be prudentially supervised like any other insurance company. Where this is the case, the tools may be viewed as considerations informing the prudential regime, rather than separate tools."

complicates the accounting sale treatment of the loan to a secondary market investor, possibly conflicts with the "qualified residential mortgage" rule being developed under the Dodd-Frank Wall Street Reform and Consumer Protection Act's risk retention provisions, and threatens the continuing routine use of private MI by loan originators. MICA finds interesting the Joint Forum's suggestion that claims costs should be controlled by the party with the greatest exposure (as the MI Paper notes, "[i]in most cases, this will be the mortgage insurer."). Private MI contracts in the U.S. do not give the MI provider the ability to control servicing of the loan, but do give the MI provider important rights to be informed and be consulted with regarding actions taken (or not). Like the compulsory risk retention concept, any constraint applied to MI but not to MI alternatives risks boosting the popularity of those alternatives, which not only harms the MI industry but also other market participants, and perhaps more importantly, could introduce significantly greater risk into the overall mortgage market.

Recommendation 2. Supervisors should ensure that mortgage insurers and mortgage originators maintain strong underwriting standards.

MICA strongly supports this recommendation, which also has been raised by the Working Group within the context of updating the Model Act. The Model Act already requires use of a prudent underwriting standard.[8] The Working Group asked whether specific minimum underwriting standards were needed to supplement the existing prudential standard.

We said "no" for two reasons. First, as Recommendation 2 notes with the use of the conjunctive "and", MI providers and mortgage originators must maintain strong underwriting standards. Two distinct standards raise possibilities for conflict or confusion, however, and lenders are in a better position to have matters resolved in their favor in the U.S., where use of MI is not mandated. An MI with required underwriting standards highlights the attractiveness of MI alternatives without required underwriting standards.

Second, and related to Recommendations 3 and 4 in the MI Paper, converting those underwriting standards into risk inputs used in the capital modeling approach applied to MI providers is an efficient alternative to the risk of dueling underwriting standards. A capital

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[8] Section 10(C) of the Model Act states that "[n]o policy of mortgage guaranty insurance, excluding policies of reinsurance, shall be written unless and until the insurer has conducted a reasonable and thorough examination of the evidence supporting credit worthiness of the borrower and the appraisal report reflecting market evaluation of the property and has determined that prudent underwriting standards have been met."

model that is sufficiently risk-sensitive to incorporate meaningful consequences for insuring (more or less) risky loans creates useful incentives for MI providers to select and monitor risk. The incentives are particularly effective in the case of U.S. private MI providers, which are limited to insuring 1-4 family residences secured by a mortgage and further are required to operate on a single purpose, "mono-line" basis. There are meaningful limits to portfolio diversification.

One other concern should be mentioned regarding Recommendation 2. As the MI Paper notes, MI commonly appears first as a government-supported or sponsored facility intended to address some perceived housing finance policy issue. This policy-based activity is not always conducted using commercial underwriting principles, which can complicate a private MI provider's efforts to establish and maintain commercial standards. The issue is manageable where the government facility has a limited scope or is explicitly designated as a residual market facility only accessible if the loan application has been rejected by the commercial market. The issue is less manageable in markets like the U.S., where government-operated MI facilities have broad authority to insure, offer more liberal credit guidelines and underwriting, and (depending on trading prices of mortgage securities explicitly guaranteed by the U.S. government) might offer "best execution" to the lender and borrower compared to the private MI alternative. "Strong underwriting standards" need to apply consistently across the entire market and not have policy-based exceptions or carve-outs. Otherwise, Recommendation 2 has obvious limits.

Recommendation 3. Supervisors should be alert to – and correct for – deterioration in underwriting standards stemming from behavioral incentives influencing mortgage originators and mortgage insurers.

MICA strongly supports this recommendation, which we believe will be aided to a considerable extent in the U.S. by adoption of a more risk-sensitive capital modeling standard in the updated Model Act. MICA also is encouraged by the efforts undertaken in the U.S. to develop a series of reforms directed at the mortgage market (collected in Title XIV of the Dodd-Frank Wall Street Reform and Consumer Protection Act, (Pub.L. 111–203, H.R. 4173)), particularly the "qualified mortgage" definition, and the rule implementing the definition. Lenders lobbied vigorously for a definition that incorporated prudential underwriting without imposing an unduly narrow standard. The incentive for maintaining activity within the "QM" definition is "safe harbor" protection against litigation, but lenders are not prohibited from making non-QM loans. Presumably,

supervisors could monitor relative volumes of QM and non-QM loans as a proxy for the maintenance or deterioration of underwriting standards.

The MI Paper's underwriting matrix offers a convenient shorthand description regarding how underwriting standards might shift throughout the mortgage credit underwriting cycle and who is responsible for the shift. However, the matrix has significant limits to mortgage markets where use of MI is not mandated: the matrix appears to assume a closed system with no alternatives to MI for the mortgage originator. In the U.S., lenders have ready alternatives to private MI, including MI programs offered by the U.S. and state governments, capital markets (structured finance and credit derivatives) products, lender self-insurance, and structured loan arrangements (in which loans of senior and junior priority are originated simultaneously, with the junior loan providing the credit enhancement on the senior loan). The MI Paper mentions those alternatives, but perhaps underestimates the adverse selection pressure generated on the private MI by the alternatives.

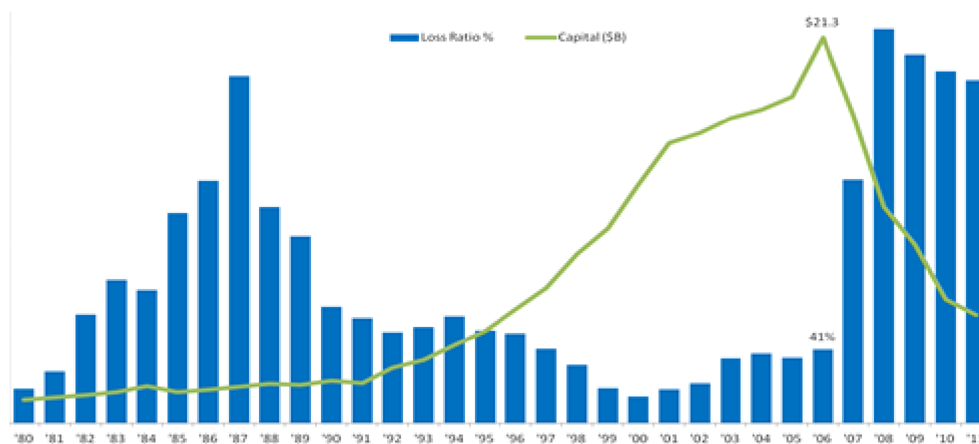
If the policy intent is to minimize "weak/weak" (MI/originator standards) conditions consistently, then the adverse selection risk needs to be examined more by financial system regulators and supervisors of the mortgage originators. The need is particularly acute when the MI providers are organized on a single-purpose, "mono-line" base because withdrawing significant insuring capacity is neither practical or helpful from a policy perspective (if the goal is to preserve liquidity and reduce performance volatility in the portion of the mortgage market historically requiring MI). Further attention given to the adverse selection issue also would enable a thoughtful response to the Joint Forum's interest in ensuring the fair treatment of consumers as well. The traditional insurance rate balancing act to achieve rates that are "neither excessive nor inadequate" is easier to do well when the perspective used is a long-term actuarial one suited to the risk, not a short-term competitive need to beat the latest non-insurance MI product alternative. Borrowers discovered during the downturn the undisclosed limits to MI product alternatives that made subsequent loan modifications and refinancing more difficult, frustrating broader public policy aims as well.

Recommendation 4. Supervisors should require mortgage insurers to build long-term capital buffers and reserves during the valleys of the underwriting cycle to cover claims during the peaks.

MICA strongly supports this recommendation. The Joint Forum is correct in emphasizing the cyclicality of residential mortgage credit. The distinction we would draw between cycles relates to whether the cycle is more regional or national in scope. The U.S. private MI industry has weathered multiple regional downturns since the 1950s, but national downturns such as the Great Depression of the 1930s and the most recent downturn are unique in their length and severity.

The most recent downturn stressed all mortgage market participants (including the private MIs and the FHA), but the MI industry did not collapse, due in substantial part to the strength of the current MI regulatory framework. In particular, contingency reserves have performed well during the recent downturn as a "long-term capital buffer". MICA does not favor any fundamental adjustment to the current structure of contingency reserves in the U.S., and we echo the Joint Forum's support for similar functional approaches in other markets. MICA believes that a more risk-sensitive capital standard obviates the need for further adjustments to any catastrophic reserving approach like contingency reserves.

However, the downturn made clear that a more refined approach to capital modeling was advisable. Private MI providers entered the most recent downturn with substantial amounts of capital measured on the prevailing regulatory basis of a risk-to-capital ratio (where "risk" was treated as more or less fungible).[9]



[9] MICA included this chart in its response to U.S. bank regulators on Basel III implementation proposals. http://www.fdic.gov/regulations/laws/federal/2012-ad-95-96-97/2012-ad-95-96-97_c_1020.pdf.

Clearly, based on the industry's performance noted in the Joint Forum's MI paper, the capital buffer was unable to prevent some providers from ceasing the writing of new business and the rest experienced challenging capital positions (measured either by regulatory standards or rating agency opinions). The FSB's concerns with minimum capital and enhanced risk management to capture tail events are similar. The important lesson learned was the need for a more risk-sensitive capital standard to ensure that capital and risk are more tightly connected. The lesson must be applied more broadly than MI providers, however. Indeed, the Joint Forum and Financial Stability Board's cross-sectoral representation and orientation are uniquely suited for the task. Building substantial long-term capital buffers for MI but not for MI product alternatives (and their providers) is likely to encourage adverse selection and discourage the use of MI in favor of less regulated and less capitalized structures. Given the complexity of comparing regulatory frameworks, and sometimes the opacity of product providers operating under lightly regulated regimes, this task is not an easy one. It will be difficult to create workable capital approaches that allow MI to perform its intended role without placing MI within a broader credit risk transfer/enhancement context. But work on this important effort is underway, and MICA welcomes the opportunity to collaborate with the Joint Forum on this important effort.

Recommendation 5. Supervisors should be aware of and mitigate cross-sectoral arbitrage which could arise from differences in the accounting between insurers' technical reserves and banks' loan loss provisions, and from differences in the capital requirements for credit risk between banks and insurers.

MICA supports the regulatory and supervisory principle of distinguishing between bona fide credit risk transfer and transactions done primarily for the purpose of realizing a regulatory advantage (like those discussed in the Basel Committee's consultation on "Recognizing the cost of credit protection purchased").[10] However, MICA believes the Joint Forum's Recommendation 5 should be studied further before being included in the final version of the MI Paper.

Our caution rests on pragmatic grounds for reserving practices and capital standards. The Joint Forum notes the incomplete status of the IFRS and U.S. GAAP requirements for insurance contracts and financial instruments. We would note further the outstanding difference between proposed IFRS and U.S. GAAP standards for loan-loss reserving. Given the uncertainty, it is unclear to us whether a

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[10] http://www.bis.org/publ/bcbs245.pdf.

cross-sectoral arbitrage exists regarding reserving practices and how meaningful the possibility is if it does exist. Within the U.S. residential mortgage market, private MI is obtained by originators to satisfy the credit enhancement requirements for Fannie Mae and Freddie Mac regarding loans exceeding an 80% loan-to-value ratio, by banks seeking to avoid a higher regulatory capital charge for loans exceeding a 90% LTV ratio or otherwise by banks and other investors as part of their enterprise risk management. None of these reasons relates to loan-loss reserving considerations. Indeed, under current reserving standards, it is unclear how much credit is given for the partial, top cover variety of insurance offered by private MI providers in the U.S. To be sure, the U.S. market is not the same as the rest of the world, but the reference to cross-sectoral arbitrage with regard to reserving appears premature to us.

"Capital" is mentioned briefly in the Joint Forum's MI Paper as part of Recommendation 5. MICA has similar reservations regarding a firm reference to any arbitrage possibilities at this point. Basel III is still being implemented, and (as explained above, at least in the U.S.) the insurance capital standard represents a work in progress. It is unclear to us how one would systematically determine whether a genuine arbitrage exists between the two capital standards at this point. Further, MICA would make three other points regarding capital:

- First, we noted the product universe of MI alternatives: without a similar investigation of arbitrage possibilities for MI alternatives, Recommendation 5 lacks the necessary context to assess the materiality of any MI arbitrage for an originator.

- Second, the MI Paper notes the use in some local regulatory jurisdictions of an incentive to use MI based on its perceived risk management, credit enhancement, and public policy benefits. Recommendation 5 does not distinguish between incentives and arbitrage.

- Third, persons investigating arbitrage possibilities from a regulatory or supervisory perspective sometimes look simply at the amount of capital held by an entity rather than the purposes for which it is held. In the case of banks, capital is held against the prospect of unexpected loss regarding assets of uncertain value. In the case of MI providers, capital is held to ensure the ability to meet claim demands. The capital required for each might be different without constituting an illegitimate arbitrage.

In summary, MICA supports the intent underlying Recommendation 5 but must offer a "Scotch verdict" of not proven (or not yet capable of being proven) regarding loan-loss reserving and capital arbitrage possibilities.

Recommendation 6. Supervisors should apply the FSB Principles for Sound Residential Mortgage Underwriting Practices to mortgage insurers noting that proper supervisory implementation necessitates both insurance and banking expertise.

MICA strongly supports this recommendation. We also agree with the Joint Forum's view that application of the FSB Principles would address most of the concerns expressed regarding MI. Within the U.S. context, much work has been done already on developing, monitoring, and enforcing appropriate standards for the verification and documentation of borrower-related information, sustainable debt-to-income limits, LTV ratios that ensure borrower "skin in the game", and appraisal reform. The efforts remain a work in progress, but there have been genuine efforts undertaken by regulators, supervisors, and mortgage market participants to implement lessons learned from the downturn.

Regarding Principle 5 of the FSB Principles (Prudent Use of Mortgage Insurance), we would observe that substantive progress has been made in each of the three sub-parts discussed by the FSB. The "qualified mortgage" standard created by Dodd-Frank and its ongoing regulatory implementation reinforced the existing market practice for lenders to underwrite their own loans, even those on which lenders are seeking mortgage insurance. Similarly, lenders undertake counterparty risk management reviews of MI providers (in the case of banks and thrifts, pursuant to supervisory guidance) in addition to relying on external assessments of creditworthiness. MICA is seeking to streamline this creditworthiness determination further by the development of a transparent MI industry capital model that measures ability to pay claims. The MI industry also has responded to concerns regarding willingness to pay by strengthening policy wording and revamping underwriting, quality control, and claim management processes to provide additional clarity regarding what is covered. Finally, we have discussed above the breadth and depth of regulatory scrutiny regarding the business of private MI. The collective effort carries with it coordination and consistency risks, but not the risk of any material concern being overlooked.

However, we would request that the Joint Forum and FSB acknowledge the value of consistency across the range of MI providers and suppliers of MI product alternatives. For example, in the U.S., the

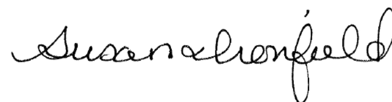
FHA delegates underwriting to its lenders, is currently operating at a negative capital ratio, offers lenders the benefit of zero risk weighted credit protection as a result of its sovereign status, and is subject to legislative rather than administrative oversight. FHA also has authority to develop its own "qualified mortgage" standard (as do other governmental MI facilities). Private and governmental MI facilities sometimes have different purposes, but at least within the U.S. the overlap between private MI and its governmental counterparts is substantial. The potential for mischief arising from inconsistent standards is substantial.

We have discussed our adverse selection concerns throughout this response. Recommendation 6 would be strengthened by its application for MI product alternatives as well. Private MI providers in the U.S. have made significant, long-term commitments of capital and expertise to meet the needs of a segment of the mortgage market where lender credit conservatism sometimes collides with public policy aims to enable greater access to homeownership for low-wealth individuals. We have played this role for over 50 years through the mortgage credit cycle on a highly transparent basis, and are seeking to implement the excellent suggestions offered by the Joint Forum, the FSB, and counterpart U.S. regulatory and supervisory authorities. It is unhelpful for opportunistic, pro-cyclical, and opaque alternatives not to be held to standards applicable to us.

Conclusion

The Joint Forum's MI Paper represents a thoughtful piece of work that complements the FSB's ongoing shadow banking efforts. Its recommendations reflect measures being undertaken within the U.S., which should ensure that the private MI industry can continue to play its customary role in the U.S. residential mortgage market. In turn, policymakers outside the U.S. might find our experience and the resulting changes helpful in their local markets and regulatory systems. We would be delighted to respond to any questions, comments, or concerns raised in this letter, and stand ready to provide any further assistance needed for the Joint Forum to complete its work.

Sincerely,



Susan Ironfield