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David H. Stevens

CEO of the Mortgage Bankers Association (since April 2011)

(HUD)

Why He Matters

With more than two decades in the financial services industry, Stevens oversaw every aspect of home financing, from creating mortgages to selling them on the secondary market. Those experiences were helpful to Stevens as head of the Federal Housing Administration (FHA). Stevens was the only FHA commissioner in recent years with a strong background in home mortgages.

The FHA position is one of the most closely-watched and challenging in President Obama's administration, thanks to the 2008-2009 economic crisis and the subprime mortgage meltdown. As former head of the FHA, Stevens was responsible for ensuring the agency makes good bets on the mortgages it guaranteed. The FHA assumed the risk for almost a third of the new mortgages drafted in 2009, and critics worry that the government agency has not adequately screened applicants.

- Background

- **Career History:** Head of the FHA (March 2009-April 2011); President and COO, Long & Foster (Oct. 2008 to March 2009);President of Affilliated Businesses, Long & Foster (2006 to 2008); Executive Vice President, Wells Fargo Home Mortgage (2006); Senior Vice President and head of Single Family Business, Freddie Mac (1999 to 2006); Senior Vice President, World Savings Group
- **Hometown:** New York City

- **Alma Mater:** University of Boulder, B.A., 1983
- Web site

Stevens was born in New York City, but he grew up in Connecticut. After graduating from the University of Colorado at Boulder, Stevens took a job in 1983 at World Savings Bank, a California savings-and-loan company. There, he was a jack of all trades, working in sales and marketing, affordable lending, product development, as a loan prospector, and in communications. Eventually, Stevens was promoted to group senior vice president and national sales manager for its mortgage division.

In 1999, Stevens moved to Freddie Mac, which was seized by federal regulators in September 2008 because of a steep rise in mortgage delinquencies, to run the single-family business practice as senior vice president. In that position, he worked with lenders like banks. Stevens moved from there in 2006 to Wells Fargo Home Mortgage as executive vice president dealing with mortgage brokers.

Long & Foster

In 2006, Stevens joined Long & Foster, the largest privately-owned real-estate firm in the country. He ran the company's affiliated businesses, including its mortgage, title and insurance division. In October 2008, Stephens was named president and chief operating officer of the firm. At that point, Long & Foster was struggling with the fallout from the mortgage meltdown and credit crunch. P. Wesley Foster Jr., the company's founder, said Stevens' promotion was "designed to ensure the continued viability of our well-managed and financially stable company."

President Barack Obama tapped Stevens to run the FHA in March 2009. "David's depth of knowledge in real estate, housing and the mortgage industry will help us transform not only the way HUD does business, but help to transform the housing market as the FHA's market share continues to grow," Secretary Shaun Donovan said in a statement about Stevens' nomination in March 2009.

Stevens assumed control of the FHA at a perilous time. Though the agency, which was founded in 1934, doesn't make loans, it insures certain lenders against mortgage defaults. In 2010, the

FHA had a $400 billion mortgage portfolio and insures loans with a down payment of as little as 3.5 percent of the home's value.

The crash of the subprime industry also led to an explosion in the number of FHA home mortgages. In the 4th quarter of 2008, the agency insured 30 percent of all new mortgages, compared with about 2 percent three years ago, according to The Washington Post. Additionally, the number of FHA loans that defaulted tripled in 2008.

Some observers worried that the FHA is setting up a second housing bubble. In the first six months of 2009, it backed nearly 2 million mortgages worth at least $328 billion and insured 21.5% of all new mortgages last year, up from fewer than 6% in 2007.

The FHA's increased scope, coupled with the increasingly tenuous mortgage industry, has led some policymakers to question whether the FHA has the personnel and technology to properly scrutinize the lenders it works with.

"It's not the least bit implausible to be concerned about the ever-deteriorating performance of the FHA portfolio," UCLA finance professor Stuart Gabriel told the Los Angeles Times in 2009. "The jury is out as to whether the FHA is going to need a government infusion."

The fear was based in part on the percentage of FHA loans that are delinquent or in foreclosure. In 2009, the percent of borrowers who missed at least three mortgage payments jumped to 9.1 from 6.5. And its secondary reserve fund may fall below 2 percent of all mortgages on its books. This has some critics calling the FHA to raise the down payment it requires.

Stevens told the Los Angeles Times that the agency was trying to reduce risk by lending to people with higher credit scores. He also said the FHA requires all borrowers to document their incomes and insures only standard, 30-year fixed-rate mortgages.

"No one's more risk-averse in FHA's history than me, but I do worry about people jumping to legislative solutions that are not based on factual information," he told the L.A. Times. "We're not going to need a taxpayer bailout ... it's a fact."

Home Equity Loans

When Stevens was president of Long & Foster, he tried to educate consumers about the differences between home-equity loans, which act like a fixed-term second mortgage, and home-equity lines of credit, which operate like a credit card. "We have to be very careful to find out exactly what these customers are asking for and how they want to use their money," Stevens told The Washington Post in 2008. "Then we can help them decide whether they want a home-equity loan or a home-equity line of credit."

He said that most borrowers prefer the credit line once it is explained to them. "People want the loan available for its flexibility," Stevens said.

Stevens worked at HUD alongside Shaun Donovan, the department's secretary and Ron Sims , the department's deputy.

The National Association of Realtors hailed Stevens' selection.

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