

Okay so reading this blog is like [getting the news 6 weeks early](#) . Granted, I thought it would make the news at the end of September, and here it is in [today's Times](#)

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The Federal Housing Administration said Thursday that its cash reserves had dwindled significantly in the last year as housing prices slumped and many of its borrowers defaulted on their mortgages.

Still, government housing officials stressed that the agency, which insures loans made by private lenders, would not need a direct bailout.

And this...

Brian Montgomery, who ran the F.H.A. for the Bush Administration, said in a recent interview that the agency felt it had no choice but to open the doors wide to all applicants. Otherwise, the housing market might have failed completely.

“We had to let these loans through,” said Mr. Montgomery, citing pressure from Congress, the real estate industry and the White House.

Mr. Montgomery, who is now a consultant, said anyone dismayed by the possibility of yet

another bailout should be feeling a completely different emotion toward the [Department of Housing and Urban Development](#) and, for that matter, himself : gratitude.

“They should be going over to the H.U.D. building and frankly thanking the career staff for saving them from a Depression,” he said.

The FHA program does not lend money. It insures mortgages for which borrowers pay premiums when they buy homes. We've just been through an insane mortgage market and FHA has been in the black for about 75 years since it was created in 1932 (check me on that). So this will shake out. Don't freak out. As the mortgage market stabilizes, so will the FHA program. The FHA loan insurance program saw an enormous rise in activity as the craziness in mortgages saw the same -- it used to be that nobody used the program because conventional programs were more competitive. That day will soon arrive again.

What mortgage markets need and will soon see again is an overall return to normalcy. That's the big picture.