MORTGAGE BANKERS ASSOCIATION

July 26, 2017

The Honorable Thad Cochran
Chairman
Senate Committee on Appropriations
113 Dirksen Senate Office Building
Washington, D.C. 20510

The Honorable Patrick Leahy
Vice Chairman
Senate Committee on Appropriations
437 Russell Senate Office Building
Washington, D.C. 20510

The Honorable Susan Collins
Chairman
Subcommittee on Transportation, Housing and Urban Development, and Related Agencies
Senate Committee on Appropriations
413 Dirksen Senate Office Building
Washington, D.C. 20510

The Honorable Jack Reed
Ranking Member
Subcommittee on Transportation, Housing and Urban Development, and Related Agencies
Senate Committee on Appropriations
728 Hart Senate Office Building
Washington, D.C. 20510

Dear Chairman Cochran, Vice Chairman Leahy, Chairman Collins, and Ranking Member Reed:

On behalf of the Mortgage Bankers Association (MBA), I am writing to share our industry's views on its priorities within the Transportation, Housing and Urban Development (T-HUD) appropriations bill for fiscal year 2018.

MBA continues to staunchly support providing the Federal Housing Administration (FHA) with the resources, both in staffing and systems upgrades, it needs. For example, MBA supports HUD's request for $160 million in administrative contract expenses for FHA, with the proviso for an additional $30 million based on the volume and timing of additional guaranteed loan commitments.

We are, however, grateful that over the past three budget cycles Congress has <u>not</u> granted HUD the authority to charge a fee to single-family lenders as a funding mechanism to cover FHA's administrative costs. Instead, we have urged Congress to fund FHA's needs through the regular appropriations process, as has been the practice for decades. We are pleased that appropriators and the full Congress, within the T-HUD title of the FY17 "omnibus" funding bill, specifically designated a $4 million set-aside for FHA from HUD's Information Technology Fund (ITF). Given the scope of need, additional ongoing appropriations or set-asides from the HUD ITF for FHA systems improvements are warranted. We believe this is a far better way to fund FHA's technology needs – which remain critical and merit increased funding – rather than through an unprecedented off-budget fee that will ultimately raise the cost of homeownership and be passed on to the very borrowers FHA is designed to serve.

MBA further supports providing the full $25.4 million requested for Ginnie Mae's staffing, training and technology needs. Given Ginnie Mae's key role in providing liquidity targeted to low- and moderate-income families, first-time homebuyers, renters, veterans and rural households, this funding level is necessary to prudently manage the increased loan volume in the single-family and multifamily mortgage markets. In addition, in recent years, market share for FHA, VA and Rural Housing Service single-family lending has shifted toward a more diversified base of smaller lenders. This has been a positive trend for Ginnie Mae that reduces concentration risks in the program, but merits increased funding to support counterparty risk management of the expanded issuer base.

With respect to FHA's multifamily and healthcare finance programs, we urge the Committee to once again provide $30 billion in commitment authority for the General and Special Risk Insurance (GI/SRI) Fund in FY 2018, as well as adequate funding for rental assistance, particularly Section 8 Project Based Rental Assistance. Together, these programs permit private sector lenders to continue to finance workforce and affordable apartments and residential healthcare facilities that serve millions of Americans.

Relative to another multifamily issue, and by way of background, Congress established a protection for the government with regard to financing FHA multifamily loans through Ginnie Mae by providing a statutory prohibition on the use of Ginnie Mae securitizations in HUD's risk sharing programs, also known as Sections 542 (b) and (c), by Housing Finance Agencies (HFAs). MBA strongly supports retaining this safeguard. In the administration's budget request, HUD anticipates substantially growing a direct loan program through the U.S. Department of Treasury's Federal Financing Bank, which is a government-to-government execution for these Section 542 loans. MBA recommends maintaining a level playing field for private sector, FHA-approved multifamily lenders relative to HFAs. We believe it is appropriate that the Committee maintain the prohibition and also consider the operational costs of and risks to the Federal Financing Bank for HUD Section 542 loans.

MBA's members who finance FHA multifamily or residential healthcare apartment properties must pay prevailing wages, as appropriate, per the Davis-Bacon Act. However, HUD recently has been requiring <u>multiple</u> wage rates to be paid at residential new construction and/or substantial rehabilitation projects without any clear explanation as to why these new requirements should apply. We urge the Committee to carefully examine the burden this newly-established practice by HUD is causing, and the impact of this practice on the provision of much needed residential rental housing, in an effort to require HUD to return to its long-standing prevailing wage policy.

Based on administrative actions taken by HUD during the prior administration, MBA strongly recommends that the appropriations bill include a new section that would prohibit the use of federal funds to either newly guarantee or insure any FHA mortgage where the property is subject to a Property Assessed Clean Energy (PACE) loan or other related obligation (including those billed as taxes or assessments). This action is necessary because most PACE financing supersedes the FHA's first lien position, either through its categorization as a property tax or through a super-lien status granted by state law. Simply put, this undermines the government's collateral position and disrupts the very nature of secured lending. While energy efficient home improvements can be beneficial for some homeowners, these loans pose a grave risk to traditional lien priority and are a serious risk to the FHA program and to consumers.

MBA further recommends that the appropriations bill maintain for a fourth year the prohibition on federal funds being used to facilitate eminent domain seizures of performing mortgage loans. By enacting this prohibition for the past three fiscal years, Congress was able to defuse this threat. If the ban is not renewed, the threat posed by these schemes would undoubtedly return. The introduction of this new risk to the housing finance system would severely impact the return of private capital to our markets, and would undermine congressional efforts to successfully transition to a new housing finance system.

Funding for housing and homeownership counseling is also a priority for MBA and we urge the Committee to include the requested $47 million (or more) for this purpose. These funds are critical to assisting homeowners facing foreclosure, helping first-time homebuyers navigate the challenges of the purchase process and counseling for reverse mortgages (a program requirement) for seniors, a traditionally high-risk group for financial fraud.

Thank you for your work regarding this critical set of housing issues during a difficult budget environment. We look forward to working with you as this legislation moves through Committee and to the Senate floor.

Sincerely,

Bill Killmer
Senior Vice President, Legislative & Political Affairs

cc: All Members, Senate Committee on Appropriations