



March 9, 2015

Mr. Biniyam Gebre
Acting Assistant Secretary for Housing - Federal Housing Commissioner
U.S. Department of Housing and Urban Development
451 7th Street, SW
Washington, DC 20024

Dear Acting Commissioner Gebre,

HUD's fiscal year 2016 budget once again requests authority for the Federal Housing Administration (FHA) to charge lenders an administrative support fee, which would be used to enhance FHA's administrative contract support and information technology systems. The proposal is identical to one that was included in last year's budget request, but rejected by Congress.

The Mortgage Bankers Association (MBA) staunchly supports providing FHA with the resources, both in staffing and systems upgrades, it needs. We fully support HUD's request for \$174 million for FHA's administrative expenses – in fact, each year, MBA has consistently advocated for Congress to fully fund HUD's requests in this area.

However, MBA continues to have serious concerns with the unprecedented step of funding FHA's administrative costs outside of the regular appropriations process by seeking the funds through a fee on lenders – a fee that will undoubtedly be passed along to consumers, raising the cost of mortgage credit just as the housing markets are showing signs of recovery.

More than a year after it was initially proposed, HUD has yet to provide any of the details sought by both Congress and stakeholders regarding the manner in which the fee would be structured and how the revenue will be used. The Senate Appropriations Committee, in its report language, directed HUD to submit a detailed plan for how it will allocate the funds, and called on FHA to provide clear and consistent guidance to lenders so that they can better assess risk associated with the mortgages they originate. While the Department was not legally bound to do so, it is nevertheless unfortunate that HUD has still not provided this information.

Beyond this lack of crucial information, if Congress does authorize FHA to charge lenders a fee, significant changes need to be made to HUD's original proposal. Any fee charged to lenders for a quality assurance initiative should be limited in size, scope and duration to cover the specific technology improvements needed to implement the program. The fee should be limited to the amount HUD needs to finish its system upgrades and implement the new quality assurance programs. In addition, lenders should be permitted to remit the fee on a loan-by-loan basis over the course of the year, rather than as a retroactive lump sum payment based on the previous year's loan production.

During recent testimony before a House appropriations subcommittee, Secretary Castro responded to a question posed by Representative Kevin Yoder (R-KS) about whether this would be a perpetual fee by stating that "right now" you are asking for the authority in Fiscal Year 2016. This seems to

contradict the actual language sought by HUD, which amends the National Housing Act and authorizes the fee to be charged “each fiscal year,” with no sunset clause.

I want to state once again MBA’s strong support for providing FHA with every dollar it needs to function as a world-class mortgage insurance provider, one that continues to offer key homeownership opportunities to traditionally underserved populations such as first-time homebuyers and low-to-moderate income families.

Similarly, we share your long-standing goal of improving FHA’s quality assurance process – a vital issue for FHA lenders. However, we believe Congress should fund these programs through the annual appropriations process, as they have been for decades. A fee on lenders would set a dangerous precedent, wherein federal housing programs would tax the very borrowers they are intended to serve in order to fund priorities the administering agencies have failed to convince Congress to support.

Understanding the many demands on your busy schedule, I look forward to discussing this critical issue with you in person in the coming weeks. The MBA staff will be in touch with your office shortly to seek a meeting time at your earliest convenience. We stand ready to work with you, hand in hand, in an effort to secure full congressional funding for these important programs.

Sincerely,

A handwritten signature in black ink, appearing to read "Bill Cosgrove". The signature is fluid and cursive, with a long, sweeping underline that extends to the right.

Bill Cosgrove
Chairman
Mortgage Bankers Association