April 21, 2015

The Honorable Hal Rogers
Chairman
House Committee on Appropriations
H-305, the Capitol
Washington, D.C. 20515

The Honorable Nita Lowey
Ranking Member
House Committee on Appropriations
1016 Longworth House Office Building
Washington, D.C. 20515

The Honorable Mario Diaz-Balart
Chairman
Subcommittee on Transportation, Housing, and Urban Development
House Committee on Appropriations
2358A Rayburn House Office Building
Washington, D.C. 20515

The Honorable David Price
Ranking Member
Subcommittee on Transportation, Housing, and Urban Development
House Committee on Appropriations
1016 Longworth House Office Building
Washington, D.C. 20515

Dear Chairman Rogers, Ranking Member Lowey, Chairman Diaz-Balart, and Ranking Member Price:

On behalf of the Mortgage Bankers Association (MBA), I am writing to express our views regarding key housing provisions in the Transportation, Housing and Urban Development appropriations bill for fiscal year 2016.

As we have historically, MBA continues to staunchly support providing the Federal Housing Administration (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. However, MBA continues to have serious concerns with HUD's unprecedented request to fund a portion of FHA's administrative costs outside of the regular appropriations process by seeking the funds through a fee on residential 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 last year, 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.

We urge your committee to provide FHA with the funding needed to function as a world-class mortgage insurance provider, one that effectively manages risk to protect the Mutual Mortgage Insurance Fund, while offering key homeownership opportunities to first-time homebuyers and low- and moderate-income families. However, we believe Congress should fund FHA's administrative costs through the annual appropriations process, as has been the practice for decades. A fee on single-family lenders, as suggested, 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.

MBA also strongly supports full funding for Ginnie Mae 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, it must have the $28.3 million it requested 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 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. It is important, however, that Ginnie Mae have the necessary funding to effectively manage the growth of these new program participants.

With respect to FHA's multifamily and healthcare finance programs, we urge your committee to provide $30 billion in commitment authority for the General and Special Risk Insurance (GI/SRI) Fund in FY 2016 as well as full 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. We further request continued support for HUD's Rental Assistance Demonstration Program, which helps recapitalize public housing. MBA also continues to support the full FHA Multifamily Transformation effort, including asset management functions, in order to modernize operations and supports HUD's request for transformation-related training of FHA multifamily staff.

Relative to another multifamily issue, by way of background, Congress established a system for 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). Nonetheless, the administration's FY 2016 request once again recommends dropping this important safeguard, which maintains a level playing field for private sector, FHA-approved multifamily lenders relative to HFAs, who would subsequently be able to hold multiple layers of government backing for both credit and debt executions. We would urge you to once again exclude this proposal from the subcommittee mark.

MBA also urges Congress to maintain for an additional year the prohibition on federal funds being used to facilitate eminent domain seizures of performing mortgage loans. By enacting this prohibition last year, as part of the omnibus appropriations bill for FY 2015, Congress was able to temporarily defuse this threat. If the ban is not renewed, the threat posed by these schemes would 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. 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 consideration of these views regarding this critical set of housing issues. As this legislation moves forward, we look forward to working with you to ensure it contains measures that promote a sustained recovery in our nation's real estate markets.

Sincerely,

Bill Cosgrove
2015 MBA Chairman
Chief Executive Officer, Union Home Mortgage Corporation

cc: All Members, House Committee on Appropriations