MORTGAGE BANKERS ASSOCIATION

June 11, 2019

The Honorable Maxine Waters
Chairwoman
Committee on Financial Services
U.S. House of Representatives
2129 Rayburn House Office Building
Washington, D.C. 20515

The Honorable Patrick McHenry
Ranking Member
Committee on Financial Services
U.S. House of Representatives
2221 Rayburn House Office Building
Washington, D.C. 20515

Dear Chairwoman Waters and Ranking Member McHenry:

On behalf of the Mortgage Bankers Association (MBA), I am writing to express our views on a number of housing finance-related bills scheduled to be considered for markup by the Committee on Financial Services on June 11, 2019.

H.R. 3167, the *National Flood Insurance Program Reauthorization Act of 2019*

MBA supports the Committee's efforts to reform and reauthorize the National Flood Insurance Program (NFIP). H.R. 3167, the *National Flood Insurance Program Reauthorization Act of 2019*, is a positive step forward in the long-running NFIP reform debate, and we applaud the Chairwoman's and Ranking Member's bipartisan efforts to provide greater certainty to the more than five million homeowners and businesses that depend on the program for flood damage protection.

MBA supports numerous provisions in the bill, including those designed to ensure that low-income families can more readily afford their flood insurance rates, as well as those that seek to enhance the Federal Emergency Management Agency's (FEMA) mapping program to ensure that maps include property-level information using modern technology. MBA also supports the bill's focus on mitigation through the use of state revolving loan funds, reforms that augment the funds available to the Increased Cost of Compliance program, as well as a pilot program for community-based flood insurance. We further support the bill's continuous coverage requirements that will allow policyholders to move without penalty from private flood insurance policies back to the NFIP.

While we recognize the intent of including an option for coverage through the use of umbrella policies for commercial properties, we were disappointed to see the legislation did not explicitly eliminate the NFIP's mandatory purchase requirement for all commercial properties, as included in previous iterations of House-passed NFIP reforms. MBA strongly supports an exemption for commercial and multifamily properties from the mandatory purchase requirements of the NFIP, while preserving the eligibility of commercial properties to purchase NFIP coverage voluntarily. The commercial opt-out provision would reduce costs and expand flood insurance options for eligible properties by streamlining the existing process of overlapping NFIP and private policies to achieve sufficient insurance coverage.

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H.R. 2162, the *Housing Financial Literacy Act of 2019*

MBA has long advocated for increased access to housing counseling as a means to provide a more positive experience for first-time homebuyers unfamiliar with the homeownership process, as well as for other underserved communities. MBA has also consistently supported the essential need for Federal Housing Administration's (FHA) counter-cyclical single-family mortgage insurance programs, which are supported by the Mutual Mortgage Insurance (MMI) Fund. A sound MMI Fund is the foundation of a sustainable and accessible FHA program, making the prudence and stability of FHA's premium structure of key importance to our members.

The *Housing Financial Literacy Act of 2019,* H.R. 2162, would require the Department of Housing and Urban Development (HUD) to discount mortgage insurance premium payments for those first-time homebuyers who complete a HUD-approved housing counseling program. While MBA conceptually supports the goals of this bill, including improving financial literacy and making homeownership more attainable, MBA also recommends that any legislative change to FHA's premium structure maintain HUD's discretion to set insurance premiums that are consistent with actuarial evidence accepted by HUD.

H.R. 3141, the *FHA Loan Affordability Act of 2019*

MBA also appreciates the Committee's efforts to increase the affordability of FHA-insured loans, particularly given the program's historic role in serving first-time homebuyers. The *FHA Loan Affordability Act of 2019*, H.R. 3141, would eliminate the program's current practice of collecting insurance premiums for the life of the loan, instead reverting to an earlier policy by which such premiums are no longer charged after the insured principal balance falls below 78 percent of the sales price or the original appraised value.

This bill would structure FHA mortgage insurance in a manner that is more comparable to private mortgage insurance in the conventional market, though it is unclear how such a policy would impact FHA decisions regarding the upfront insurance premium – or the overall health of the MMI Fund. MBA recommends that these consequences be analyzed thoroughly as the Committee and HUD consider such program changes.

H.R. 3154, the *Homeownership for Dreamers Act*

Finally, MBA welcomes the Committee's consideration of the *Homeownership for Dreamers Act*, H.R. 3154, which is designed to provide clarity to the lending community regarding the eligibility of Deferred Action for Childhood Arrivals (DACA) recipients for federally-insured mortgage programs or loans eligible for purchase by the Government-Sponsored Enterprises.

According to data from U.S. Citizenship and Immigration Services within the Department of Homeland Security, there are more than 700,000 DACA recipients, with 173,180 between the ages of 26-30 – an age cohort primed for first-time homeownership. Many of the federally-backed housing finance programs, however, do not adequately specify whether lenders are in compliance with their various eligibility requirements when originating loans to DACA recipients.

As MBA members strive to provide access to affordable home loans for a wide range of borrowers in communities across the country, they require clear rules regarding the treatment of DACA recipients as eligible borrowers. Legislation that clarifies borrower eligibility criteria, for DACA recipients or other borrowers, would provide certainty to lenders and allow MBA members to better serve a diverse set of communities and customers.

Conclusion

Thank you as always for the consideration of the views expressed within this letter. We look forward to our continued work together to promote a more competitive and sustainable real estate finance market in the United States.

Sincerely,

Bill Killmer
Senior Vice President, Legislative and Political Affairs

cc: All Members: Committee on Financial Services