



MORTGAGE BANKERS ASSOCIATION

September 11, 2018

Joel C. Baxley  
Administrator, Rural Housing Service  
U.S. Department of Agriculture  
1400 Independence Avenue, SW  
Washington, DC 20250-0742

**RE: Notice to Implement a Guarantee Systems User Fee for Lender Use of the Single Family Housing Section 502 Guaranteed Loan Program Automated Systems [No. 2018-14995]**

Dear Mr. Baxley:

The Mortgage Bankers Association (MBA)<sup>1</sup> would like to thank the U.S. Department of Agriculture (USDA) Rural Housing Service (RHS) for the opportunity to comment on the notice to implement a technology fee to be collected from lenders utilizing the RHS automated guaranteed loan systems.<sup>2</sup> MBA supports upgrading these RHS systems, as they are outdated and in need of critical enhancements. The collection of the fee will enable USDA to fund these future information technology enhancements to improve program delivery for both consumers and lenders. To ensure the appropriate implementation of a fee and the efficient use of the funds collected, MBA offers the following recommendations related to operational issues, disclosures, and oversight:

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<sup>1</sup> The Mortgage Bankers Association (MBA) is the national association representing the real estate finance industry, an industry that employs more than 280,000 people in virtually every community in the country. Headquartered in Washington, DC, the association works to ensure the continued strength of the nation's residential and commercial real estate markets; to expand homeownership; and to extend access to affordable housing to all Americans. MBA promotes fair and ethical lending practices and fosters professional excellence among real estate finance employees through a wide range of educational programs and a variety of publications. Its membership of over 2,200 companies includes all elements of real estate finance: mortgage companies, mortgage brokers, commercial banks, thrifts, REITs, Wall Street conduits, life insurance companies, and others in the mortgage lending field. For additional information, visit MBA's Web site: [www.mba.org](http://www.mba.org).

<sup>2</sup> 83 FR 32624, "Notice to Implement a Guarantee Systems User Fee for Lender Use of the Single Family Housing Section 502 Guaranteed Loan Program Automated Systems," July 13, 2018. Available at: <https://www.federalregister.gov/documents/2018/07/13/2018-14995/notice-to-implement-a-guarantee-systems-user-fee-for-lender-use-of-the-single-family-housing-section>.

### **Operational Issues**

- Lenders are focused on the compatibility of their loan origination system platforms with the RHS technology upgrades; therefore, it is imperative that any such upgrades are designed with a focus on the ways in which these systems interface. Integrating the RHS upgrades with standard origination systems will cut down on the amount of time it takes for lenders to receive feedback, while mitigating the chance of input errors by allowing the information to be entered only once.
- Lenders have expressed concern that there may not be sufficient timing between the announcement of the fee and the implementation date. MBA therefore recommends that USDA begin collection of the fee no earlier than the date that is 180 days after the final implementation announcement.

### **Disclosures**

- MBA recommends that USDA require preliminary estimates and final closing disclosures of the fee to better ensure a level playing field across lenders. By requiring these disclosures, accurate and transparent information will be available to borrowers who are comparing mortgage options. While some lenders may choose to pass the fee on directly to consumers, without such a disclosure requirement, others may absorb the cost and therefore not disclose the fee. Inconsistency in disclosure practices may cause consumers to presume that the fee is optional or question its validity. With clear disclosure requirements, lenders choosing to absorb the cost would disclose the fee as a line item debit and subsequently offset it with a lender credit.

### **Oversight**

- MBA firmly believes that there must be transparency and accountability regarding the use of the collected funds. As such, USDA should be clear that it is limited in the scope of acceptable uses for the funds and that these funds will not be used for unspecified or unrelated activities.
- USDA should develop a detailed implementation plan for its technology upgrades, in consultation with industry and other stakeholders. The implementation plan should include specific project descriptions, timelines, and cost estimates. USDA should publicly post a summary of the implementation plan on its website and issue notifications if significant changes are made.

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As noted above, opportunities exist to improve USDA's procedures and requirements for the technology fee, which in turn should benefit both consumers and lenders. MBA believes it is critically important to ensure reliable technology is available for borrowers and lenders who rely on USDA loan programs. Should you have questions or wish to discuss MBA's recommendations, please contact Andrea Oh, Policy Advisor, at (202) 557-2922 or [aoh@mba.org](mailto:aoh@mba.org).

Sincerely,

A handwritten signature in black ink that reads "Stephen A. O'Connor". The signature is written in a cursive style with a horizontal line extending from the end of the name.

Stephen A. O'Connor  
Senior Vice President  
Public Policy and Industry Relations  
Mortgage Bankers Association