MORTGAGE BANKERS ASSOCIATION

June 24, 2015

The Honorable Thad Cochran
Chairman
Senate Committee on Appropriations
S-128, The Capitol
Washington, D.C. 20510

The Honorable Barbara Mikulski
Ranking Member
Senate Committee on Appropriations
S-128, The Capitol
Washington, D.C. 20510

The Honorable Susan Collins
Chairman
Subcommittee on Transportation, Housing, and Urban Development
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
Senate Committee on Appropriations
728 Hart Senate Office Building
Washington, D.C. 20510

Dear Chairman Cochran, Ranking Member Mikulski, Chairman Collins, and Ranking Member Reed:

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 reported through subcommittee just yesterday.

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 would involve an amendment to the National Housing Act for permanent assessment authority prior to defining how the resources obtained would be utilized for purposes of quality assurance.

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. This need is particularly critical in the wake of FHA's recently released Single Family Loan Quality Assessment Methodology, also known as its "loan-level defect taxonomy." However, we believe that Congress should fund FHA's administrative costs through the annual appropriations process, as has been the practice for decades.

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 needs the $28.3 million 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 through the full Appropriations Committee and to the floor, 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, Senate Committee on Appropriations