MORTGAGE BANKERS ASSOCIATION

April 13, 2023

The Honorable Patty Murray
United States Senate
Chair
Committee on Appropriations
S-128, United States Capitol Building
Washington, D.C. 20510

The Honorable Susan Collins
United States Senate
Vice Chair
Committee on Appropriations
S-128, United States Capitol Building
Washington, D.C. 20510

The Honorable Kay Granger
United States House of Representatives
Chairwoman
Committee on Appropriations
H-307, United States Capitol Building
Washington, D.C. 20515

The Honorable Rosa DeLauro
United States House of Representatives
Ranking Member
Committee on Appropriations
1036 Longworth House Office Building
Washington, D.C. 20515

Dear Chair Murray, Chairwoman Granger, Vice Chair Collins, and Ranking Member DeLauro:

On behalf of the Mortgage Bankers Association (MBA)[1], I am writing to share our views on the real estate finance industry's priorities within the Transportation, Housing and Urban Development (T-HUD) appropriations bill for Fiscal Year (FY) 2024.

MBA continues to support providing the Federal Housing Administration (FHA) with the resources it requires, both in staffing and systems upgrades, to maintain its countercyclical role as a government-backed mortgage insurer. Accordingly, MBA has long been a proponent of funding for staffing, project management, and potential improvements that would allow the agency to better manage its operations and the risks associated with its Mutual Mortgage Insurance (MMI) Fund. Therefore, we urge the committee to provide $165 million for FHA's MMI Program Account, as requested by HUD within President Biden's FY 2024 budget. MBA also supports the $15 million set-aside to finance the new Small Balance Mortgage demonstration, which will help increase access for mortgages for lower-priced, affordable homes. MBA encourages the department to use this demonstration program to examine how it can streamline its regulations to make the small dollar mortgage market more efficient and accessible, which would represent a key step forward for potential home buyers.

[1] The Mortgage Bankers Association (MBA) is the national association representing the real estate finance industry, an industry that employs more than 390,000 people in virtually every community in the country. Headquartered in Washington, D.C., 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 more than 2,000 companies includes all elements of real estate finance: independent mortgage banks, mortgage brokers, commercial banks, thrifts, REITs, Wall Street conduits, life insurance companies, credit unions, and others in the mortgage lending field. For additional information, visit MBA's website: www.mba.org.

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MBA appreciates and supports the enhanced level of resources provided in recent years to HUD's *Cybersecurity and Information Technology Fund* to help the agency better meet its acute information technology (IT) needs on a broad basis, including multifamily housing IT modernization. MBA also supports the specified monies from that Fund for the ongoing upgrade of FHA's decades-old single-family IT infrastructure, including allocating direct funding to fully support the multi-year FHA Catalyst's project needs in 2024. MBA continues to believe FHA Catalyst is a crucial project to help provide cloud-based platforms to reduce costs, risk, and fraud, and bring FHA in line with current industry practices. MBA thanks the committee for its repeated efforts in this regard, and believes it is vitally important that Congress continues to fund these systems upgrades to completion. The directed funds represent a crucial step forward in this multi-year effort to help FHA improve its quality assurance controls and the integrity of its systems.

With respect to FHA's multifamily and healthcare finance programs, we urge you to include $35 billion in commitment authority for the General Insurance and Special Risk Insurance (GI/SRI) Fund, as the administration requested in its FY 2024 proposal, as well as funding for rental assistance, particularly Section 8 Project-Based Rental Assistance, that is adequate to meet the needs of HUD's rental assistance programs. 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 also urge the committee to work with HUD to provide the necessary flexibility in its policies for FHA's multifamily mortgage insurance programs. While the Biden Administration is calling for significant increases in housing supply, FHA's industry partners are facing growing construction and labor costs, supply chain issues, and rising interest rates. The Multifamily Accelerated Processing (MAP) program at HUD is critical to supporting the creation of safe, decent, and affordable rental housing, and FHA's multifamily and health care program office must be encouraged to work more effectively with lenders to ensure the continued production of multifamily housing units.

The Biden FY 2024 Budget also requests $100 million for the FirstHOME Downpayment initiative to States and insular areas. The proposed set-aside within the HOME Investment Partnership Program account aims to support sustainable homeownership among first-generation, first-time homebuyers while piloting programmatic flexibilities and innovations in subsidy delivery. This additional downpayment assistance funding would help participating borrowers achieve 10 percent equity in their homes at the time of closing (including the assistance of other downpayment sources and sweat equity or personal resources, if necessary). This reduces the likelihood of default and foreclosure. Homeownership is a proven method of building wealth, but obtaining the resources to meet required downpayment and closing costs is the most significant obstacle to homeownership for potential first-time homebuyers who could otherwise afford the monthly costs of owning a home. MBA supports and encourages the committee to provide the necessary funding for this new initiative.

With respect to Ginnie Mae, MBA continues to support increased funding for staffing, training, and technology needs. Accordingly, we commended the committee in previous years for increasing funds for Ginnie Mae's administrative contract expenses, and we urge the committee to appropriate the additional funds the administration requested for FY 2024. Given Ginnie Mae's critical role in providing liquidity targeted to low- and moderate-income families, first-time homebuyers, renters, veterans, and rural households, increased funding is necessary to prudently manage the increased loan volume in the single-family and multifamily mortgage markets. MBA also notes the need for resources for Ginnie Mae to conduct several important platform modernization initiatives – including the development of "split pools" and loan-level capabilities, as well as steps that would facilitate third-party financing of mortgage servicing rights (MSRs) and permit investment in MSRs by a broader range of institutions.

Additionally, in recent years, the market share for FHA, the Veterans Affairs Home Loan Program, and Rural Housing Service single-family lending has continued to shift towards a more diversified base of smaller lenders. MBA believes this to be a positive trend for Ginnie Mae that reduces concentration risk in the program. We ask the committee to provide adequate funding that will allow Ginnie Mae to accommodate and manage the expanded issuer base.

On another Ginnie Mae issue, Congress has previously established a statutory prohibition on the use of its securitizations in HUD’s risk sharing programs, also known as Section 542 (b) and (c), by the state Housing Finance Agencies (HFAs). MBA strongly supports retaining this safeguard. This is relevant here because the administration’s budget request anticipates legislation to remove that prohibition. The proposal to remove the prohibition, as well as HUD and Treasury action to reinstate a prior, temporary direct loan program through the Treasury Department’s Federal Financing Bank (FFB), initially arose to address certain unusual market conditions that occurred during the great financial crisis. As those unusual conditions no longer persist, MBA recommends Congress maintain the Ginnie Mae prohibition, which would support a level playing field for private sector FHA-approved multifamily lenders relative to HFAs. Separately, we also recommend that HUD wind down the FFB program that has been reinstated.

MBA is once again pleased that the administration’s FY 2024 request maintains a prohibition on federal funds to facilitate eminent domain seizures of performing mortgage loans. By enacting this prohibition for the past several fiscal years, Congress has effectively defused this threat. Funding for housing and homeownership counseling is also a priority for MBA, and we commend the administration’s decision to request $66 million for this purpose. 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 group often targeted for financial fraud.

MBA appreciates your efforts on this critical set of housing issues during difficult budget circumstances. Thank you in advance for your consideration of the views expressed within this letter.

Sincerely,

Bill Killmer
Senior Vice President, Legislative & Political Affairs

cc: All Members, House Committee on Appropriations
All Members, Senate Committee on Appropriations