May 24, 2022

The Honorable Patrick Leahy
United States Senate
Chairman
Committee on Appropriations
S-128, United States Capitol Building
Washington, D.C. 20510

The Honorable Richard Shelby
United States Senate
Vice Chairman
Committee on Appropriations
S-128, United States Capitol Building
Washington, D.C. 20510

The Honorable Brian Schatz
United States Senate
Chairman
Subcommittee on Transportation,
Housing and Urban Development
142 Dirksen Senate Office Building
Washington, D.C. 20510

The Honorable Susan Collins
United States Senate
Ranking Member
Subcommittee on Transportation,
Housing and Urban Development
142 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Chairman Leahy, Vice Chairman Shelby, Chairman Schatz, and Ranking Member Collins:

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) 2023.

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 administrative contract expenses, as requested by HUD within President Biden's FY 2023 budget.

A well-funded FHA will allow the agency to bolster its mission to assist creditworthy borrowers who are currently underserved. To further this goal, MBA encourages the committee to direct HUD to conduct a review of FHA single-family mortgage insurance policies, practices, and products to

[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.

1919 M STREET NW, 5th FLOOR • WASHINGTON, DC 20036 • MBA.ORG • (202) 557-2700

identify any barriers or impediments to facilitating mortgage insurance for small dollar mortgages. Requiring the department to examine how it can streamline its regulations to make the small dollar mortgage market more efficient and accessible is a key step forward for potential home buyers.

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 multi-family housing IT modernization. MBA also supports the specified $25 million 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 2023. MBA believes FHA Catalyst is a crucial project intended to modernize FHA's IT infrastructure and to provide cloud-based platforms to reduce costs, risk, and fraud, and bring FHA in line with current industry practices. We thank the committee for its repeated efforts in this regard. To date, Project Catalyst has made significant improvements to FHA's technology infrastructure, and it is vitally important 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 multi-family 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 2023 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 provide HUD with the funding and encouragement necessary to address the extended processing delays now experienced by developers in the pipeline for FHA multi-family and healthcare financing. Delays to produce this sorely needed affordable rental and healthcare financing can be up to six months simply to assign an underwriter to begin processing loan applications. These programs are successful, as approximately $29 billion in HUD/FHA-insured multi-family transactions closed in FY21 (up 55% from the previous year), and healthcare facility transactions remained consistently strong, closing approximately $4 billion in FY21.

MBA appreciated Congress providing appropriate guidance to the department in the FY 2022 omnibus appropriations bill to address these delays. Unfortunately, and despite HUD's work to mitigate such long interruptions, current resources have been insufficient to manage the demand. In the short term, HUD should be provided with sufficient funding to grow its staff and the FHA's use of third-party service providers to help achieve this goal, especially as housing affordability becomes an increasingly pressing issue in so many communities across the country.

With respect to Ginnie Mae, MBA continues to support an increased level of 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 consider additional funds above the President's request for FY 2023. 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 multi-family 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 multi-family lenders relative to HFAs. Separately, we also recommend that HUD wind down the FFB program that has already been reinstated.

MBA is once again pleased that the administration's FY 2023 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 been able to effectively defuse this threat. Funding for housing and homeownership counseling is also a priority for MBA, and we commend the administration's decision to request $65.9 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 traditionally high-risk group 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, Senate Committee on Appropriations