MORTGAGE BANKERS ASSOCIATION

July 20, 2022

The Honorable Nancy Pelosi
Speaker
U.S. House of Representatives
H-232, The Capitol
Washington, DC 20515

The Honorable Kevin McCarthy
Minority Leader
U.S. House of Representatives
H-204, The Capitol
Washington, DC 20515

The Honorable Rosa L. DeLauro
Chairwoman
Committee on Appropriations
U.S. House of Representatives
H-307, United States Capitol Building
Washington, D.C. 20515

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

Dear Speaker Pelosi, Leader McCarthy, Chairwoman DeLauro, and Ranking Member Granger:

On behalf of the Mortgage Bankers Association[1] (MBA), I am writing to share our views on the real estate finance industry's priorities within the Transportation, and Housing and Urban Development, and Related Agencies (T-HUD) and the Financial Services and General Government (FSGG) bills for Fiscal Year (FY) 2023, which will be included in H.R. 8294, a minibus of six FY 2023 appropriations bills, being considered by the full House of Representatives this week.

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. We therefore appreciate the $150 million you have provided for FHA's administrative contract expenses, which is consistent with FY 2022 funding levels.

MBA supports a judicious approach to managing the solvency of the MMI Fund and has long believed that FHA should maintain a sufficient cushion over the statutory minimum reserve ratio to ensure it can carry out its critical mission. With reserves now four times the minimum statutory ratio,

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[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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strong performance among FHA borrowers who recently exited forbearance, and housing affordability strained due to a rapid run-up in interest rates and home prices, MBA believes the timing is appropriate for a reduction in FHA's Mortgage Insurance Premium (MIP). MBA urges Congress to support the Department of Housing and Urban Development's (HUD's) efforts to reduce the MIP and make housing more affordable for entry-level homebuyers.

A well-funded FHA will allow the agency to bolster its mission to assist creditworthy borrowers who are currently underserved. To that end, MBA appreciates language in the T-HUD Subcommittee's report that directs HUD to complete an overdue review of FHA single-family mortgage insurance policies, practices, and products to 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 $16.7 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 appreciate the inclusion of $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.

MBA appreciated Congress providing appropriate guidance to HUD within the FY 2022 omnibus appropriations bill to address the extended processing delays experienced by developers in the "pipeline" for FHA multi-family and healthcare financing. We encourage the inclusion of similar language in any final FY 2023 omnibus appropriations agreement (as consideration of HUD funding continues this year) as delays continue in some regions of the country. 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 streamline the underwriting process, especially as housing affordability remains an increasingly pressing issue in so many communities.

With respect to Ginnie Mae, MBA continues to support increased funding for staffing, training, and technology needs. While we appreciate the committee's appropriated $33.5 million for this purpose, we reiterate our support of the President's funding request of $42.4 million 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 Ginnie Mae's efforts 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.

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 as the T-HUD committee report included language urging HUD to extend the program beyond its planned September 2024 sunset date. MBA instead recommends that HUD wind down the FFB program that was reinstated in 2021. 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 and preserve a level playing field for private sector FHA-approved multi-family lenders relative to HFAs.

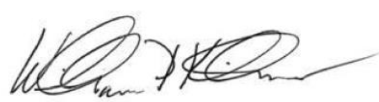
MBA is pleased that the T-HUD Subcommittee’s FY 2023 bill maintains a prohibition on federal funds to facilitate eminent domain seizures of performing mortgage loans. By enacting this prohibition for the past several fiscal years, Congress has been able to effectively defuse this threat. Funding for housing and homeownership counseling is also a priority for MBA, and we commend the inclusion of $70 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 providing counseling for reverse mortgages (a program requirement) for seniors.

Regarding the provisioning of tax transcript data for use during financial transactions, MBA appreciates the inclusion of language in the FSGG Subcommittee’s report encouraging the Internal Revenue Service (IRS) to engage with industry partners and field their recommendations and concerns as it relates to the development and implementation of the new, near real-time Income Verification Express Service (IVES). The current IVES system permits a financial services provider to submit a taxpayer-authorized Form 4506-C to the IRS to obtain tax transcripts to verify a credit applicant’s income, helping to prevent fraud and ensure accurate underwriting. Unfortunately, today’s system is fax-based, which results in IRS response times ranging from five to twenty days. As part of the bipartisan *Taxpayer First Act*, passed in 2019, Congress required the IRS to build an industry-funded system to speed up the process of verifying tax transcript data during a financial transaction. MBA is concerned that the proposed IRS solution will not meet the near real-time requirement of the law, while adding an unnecessarily complex process for the consumer.

More specifically, we object to the IRS plan to change the nature of the financial institution and IRS relationship. In today’s process, the financial institution is responsible for authenticating the consumer/taxpayer and obtaining a signed authorization to obtain the tax transcript. Given the law’s directive for a near real-time solution, we expected the IRS to automate the transmission of the signed authorization to the IRS through a secure application programming interface (API). The proposed IRS solution instead introduces an added layer of friction to this process by requiring consumers to exit their financial transaction and go to the IRS website to create an account and then reauthorize the request to release the tax transcript. This step is redundant, complex, and time-consuming – the likely result of which is that many consumers will not create a new account with the IRS. Consumers are not the direct users of the IVES system and should not be required to interact with the IRS to verify their identity when applying for a financial product. The IVES system is separate and distinct from the tax filing process and is used by financial institutions and their service providers, who are already required under federal regulations to verify the identity of their customers and do so under the current IVES process. This unnecessary complexity would substantially interrupt the borrower qualification and credit underwriting process without any benefit to the integrity of the IVES system, while increasing costs to the consumer. A secure, functional, and timely application programming interface (API)-based system is critical to credit underwriting and fraud prevention

MBA appreciates your efforts on this critical set of issues impacting housing and real estate finance as a part of these challenging budget discussions. Thank you in advance for your consideration of the views expressed within this letter.

Best regards,



Bill Killmer
Senior Vice President
Legislative & Political Affairs

cc: The Honorable David Price, Chairman, Transportation, and Housing and Urban Development, and Related Agencies Subcommittee
The Honorable Mario Diaz-Balart, Ranking Member, Transportation, and Housing and Urban Development, and Related Agencies Subcommittee
The Honorable Mike Quigley, Chairman, Financial Services and General Government Subcommittee
The Honorable Steve Womack, Ranking Member, Financial Services and General Government Subcommittee