

November 19, 2014

The Honorable Barbara Mikulski  
Chairman  
United States Senate  
Committee on Appropriations  
S-128 Capitol  
Washington, D.C. 20515

The Honorable Richard Shelby  
Ranking Member  
United States Senate  
Committee on Appropriations  
S-146A Capitol  
Washington D.C. 20515

The Honorable Patty Murray  
Chairman  
United States Senate  
Committee on Appropriations  
Subcommittee on Transportation, Housing  
and Urban Development, and Related  
Agencies  
142 Dirksen Senate Office Building  
Washington, D.C. 20515

The Honorable Susan Collins  
Ranking Member  
United States Senate  
Committee on Appropriations  
Subcommittee on Transportation, Housing  
and Urban Development, and Related  
Agencies  
142 Dirksen Senate Office Building  
Washington, D.C. 20515

Dear Chairman Mikulski, Ranking Member Shelby, Chairman Murray, and Ranking Member Collins:

The undersigned organizations are concerned about a provision contained in S. 2438, the Transportation, HUD, and Related Agencies Appropriations Act for Fiscal Year 2015, that would assess a fee on lenders to fund certain risk management improvements in the FHA program, including the new “defect taxonomy” intended to give FHA lenders greater clarity regarding loan quality reviews. S. 2438 was approved by the Senate Appropriations Committee, but was never considered by the full Senate. In contrast, the House-passed version of this appropriations bill did not give HUD the authority to charge this new fee.

The provision in question would grant HUD’s request, originally made in the President’s FY 2015 budget, to charge lenders an administrative support fee, which would generate an estimated \$30 million annually to fund an enhanced quality assurance program for single-family loans. Specifically, the provision authorizes FHA to charge a fee not to exceed 4 basis points of the original principal balance of mortgages originated by the mortgagee that were insured during the previous fiscal year.

Our organizations share HUD’s goal to improve FHA’s quality assurance process. We have been long-time proponents of improving FHA’s technology and systems in a manner that allows the agency to better manage the risks to its Mutual Mortgage Insurance (MMI) Fund. Our view is that a strong FHA is in everyone’s best interest: consumers, taxpayers, and industry.

Unfortunately, the provision contained in S. 2438 is overly broad and could negatively impact consumers and lenders alike.

A key concern for us is that the fee will be retroactive – calculated using the previous year’s mortgage originations instead of new originations. This will retroactively raise costs on mortgages that have already been originated and insured. We believe this fee, if included in a final appropriations bill, should be calculated on a prospective basis.

We are also concerned about the overall size of the fee. While HUD only sought \$30 million for this new program, and the Senate Appropriations Committee provided \$8 million of the original request through a direct appropriation, the language in the appropriations bill does not limit HUD to collecting only the remaining \$22 million. In fact, the legislation allows FHA to charge as much as 4 basis points on aggregate lender originations – far in excess of what it needs. And because the fee is not limited only to FY 2015, HUD would be permitted to levy this charge in future years. If the final T-HUD appropriations bill contains language authorizing FHA to impose a fee on lenders to fund a new quality assurance program, we believe it should be limited in size, scope and duration to cover the specific technology improvements needed to implement the program.

Thank you for your attention to this important matter.

**American Bankers Association  
American Land Title Association  
Credit Union National Association  
Housing Policy Council  
Independent Community Bankers of America  
Leading Builders of America  
Mortgage Bankers Association  
National Association of Federal Credit Unions  
National Association of Home Builders**

cc: The Honorable Harry Reid, Senate Majority Leader  
The Honorable Mitch McConnell, Senate Minority Leader  
The Honorable Richard Durbin, Majority Whip  
The Honorable John Cornyn, Minority Whip  
The Honorable Tim Johnson, Chairman, Senate Committee on Banking, Housing, & Urban Affairs  
The Honorable Mike Crapo, Ranking Member, Senate Committee on Banking, Housing, & Urban Affairs  
The Honorable Robert Menendez, Chairman, Subcommittee on Housing, Transportation, and Community Development  
The Honorable Jerry Moran, Ranking Member, Subcommittee on Housing, Transportation, and Community Development