

Congress of the United States

Washington, DC 20515

July 26, 2006

Honorable Alphonso Jackson
Secretary
Department of Housing and Urban Development
451 7th St. SW
Washington, DC 20410

Dear Mr. Secretary:

We are writing to ask that HUD withdraw its proposal to increase fees on FHA loans for affordable rental housing and health care.

On June 28th, HUD published in the Federal Register a notice of its intent to implement its FY 2007 budget proposal to impose a 71 percent fee increase on a wide range of FHA affordable multi-family housing and health care mortgage loan programs. We ask you to withdraw this proposal, since the increases would do serious harm to these vital programs, and as such fee increases are not needed to keep these programs in the black.

On March 13, a broad coalition of groups wrote TTHUD Appropriations Committee Chairman Lewis to “strongly oppose” this proposal. Groups signing on to this letter include the National Association of Homebuilders, the National Association of Realtors, the Mortgage Bankers Association, the American Association of Homes and Services for the Aging, and the Committee on Healthcare Financing. This letter states that such fee hikes “would inflate the cost of housing for low and moderate income families and individuals across the county, including those who are elderly or disabled.”

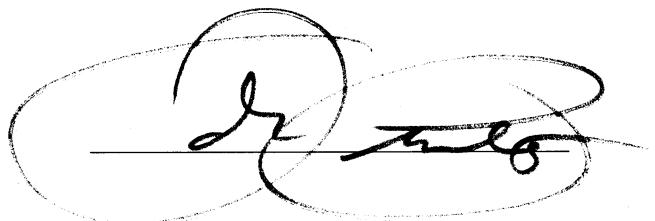
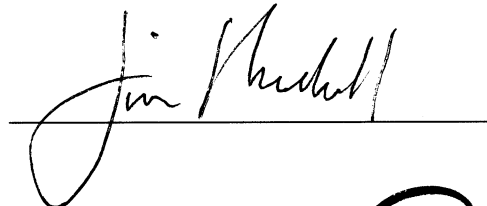
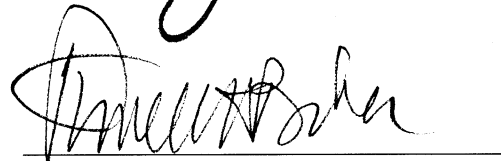
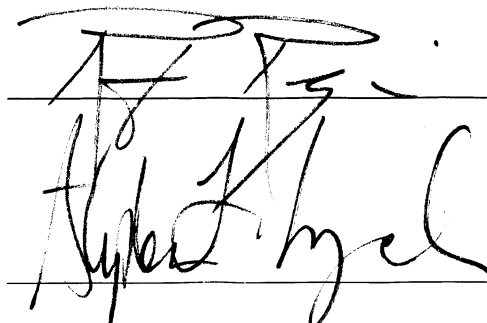
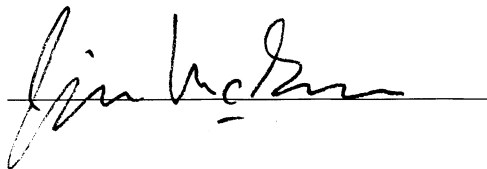
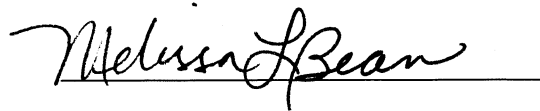
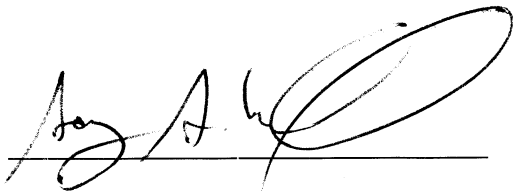
More recently, the Committee Report for the House FY 2007 TTHUD appropriations bill included report language expressing concern about this proposal. The report states that “The Committee sees no merit in the Administration’s argument that these mortgage premiums should be raised because these programs have not clearly demonstrated effectiveness in meeting affordable housing goals.” The report states that “Raising program costs can only diminish the contribution of these programs in expanding lower cost housing opportunities,” and points out that “imposing further constraints on FHA rental housing development makes little sense.”

Moreover, this increase is not justified from a budgetary point of view. As the Administration’s own budget clearly shows, the programs being subjected to this fee hike would have a negative credit subsidy without any fee increase. The Administration’s rationale for this increase appears to be that such fee hikes are needed to cover related administrative costs. However, the TTHUD appropriations report language points out that the Federal Credit Reform Act of 1990 “mandates that administrative costs associated with loan guarantee programs be paid from discretionary appropriations rather than being reflected in the credit programs financing.” Thus, the effect of HUD’s proposed fee increase is simply to raise money for the general treasury, at the expense of affordable housing and healthcare loan programs.

Finally, the TTHUD report language notes that "However, no detailed explanation has been given for the amount of this premium increase, its likely adverse effect on loan volume and affordable rental housing production, or the resulting rent increases necessary to cover the cost of the larger premium payments." The report concludes by directing HUD "to submit to the appropriate Committees of Congress a thorough assessment of the potential adverse effects of the proposed premium structure, including the evaluation of alternatives such as utilizing negative subsidy and program revenues to cover administrative costs, before proceeding with implementation of the fee increases proposed in the budget."

The cursory language in HUD's June 28th notice does not address any of these issues or concerns. Therefore, we ask HUD to withdraw this proposed fee increase.

Sincerely,



Tom Feeney

Harold

Tim Ryan

Charles A. Ziegler

Arthur Davis

Pat Clark

Dwight Roper

Jim Tronstad

Carolyn McCauley

Debbie Wilson Schull

Anders Lunde

Wm. Tracy Clay

Richard

Hilda Mrs

Barbara Lee

Brad Smith

Michael Utterback

Lois Cappe

Carolyn C. Kijak

Michael E. Casper

Geoff James

Julia Casan
Don Shon

Michael Kennedy

Rail M. Hugel

Vic Snyder

Kelvin Emanuel

Judy Biggart

Am. Johnson

Rale K. Kline

Don Young

Alicia H. Martin

Hani Price

Ernie L. Enger

J. Lewis

Tom M. F.

Gary L. Adams

Melvin G. Webb

Charles

Lee Calvert

McNeil.

Donald M. Payne

Shel Brown

Paul King
Chaka Farrow

Madison

James

Tom

Tom Lantos

Ben Card

Joe E. Suant

Carolyn B. Maloney

Margaret Owens

John

Bob Key

Darlene Hooley

Bobby L. Rust

Al Capell

Rubin Hernandez

Juan Oberto

Walden

Frank Martinez

Alfred Hastings

Mafu Watts

David Myder

Elyot Carrington

Herb A. Wapman

Bill DeLuna

Michael R. McNulty

Sue Kelly

Ben H. Hagan

Daniel Lipsinski

Sam Farr

J. Waxman

Luella Sanchez

Russ Carnahan

Virgil Goode

Kondrat Giffen

Dennis J. Kucinich

Danny Davis

Chafetz

[Signature]

Jim Ryan

Betty McClellan

Vet [Signature]

Bill Jenkins

Ben Hise

Randy Menzies

John [Signature]

Mike Dahn
Jed Strickland

John Lewis
Patrick O. Kennedy

Joe Baca

Robert Wurf

Katherine Harris

Jim Langerwin

Stephanie Tubbs Jones

Mark Foley

Todd R. Platts

Archie D. Sanchez

J. L. McElroy

Mike McIntyre

Ad A Brady

Randy Kuhl

Jan Schakel

John Barrow

