The Honorable Tom Cole
Chairman
THUD Appropriations Subcommittee
House Committee on Appropriations
2358-A Rayburn House Office Building
Washington, DC. 20515

The Honorable Mike Quigley
Ranking Member
THUD Appropriations Subcommittee
House Committee on Appropriations
1016 Longworth House Office Building
Washington, DC. 20515

The Honorable Brian Schatz
Chairman
THUD Appropriations Subcommittee
Senate Committee on Appropriations `
Room S-128, The Capitol
Washington, DC. 20510

The Honorable Cindy Hyde-Smith
Ranking Member
THUD Appropriations Subcommittee
Senate Committee on Appropriations
Room S-128, The Capitol
Washington, DC. 20510

December 18, 2023

Dear Chairs and Ranking Members:

As Congress continues the process of reconciling House and Senate versions of the Fiscal Year (FY) 2024 Transportation and Housing and Urban Development ("T-HUD") Appropriations bill, we write to express our strong support for full funding of FY 2024 budget request levels for salaries and expenses for both the Federal Housing Administration (FHA) and for the Government National Mortgage Association (Ginnie Mae).

The Fiscal Responsibility Act of 2023 ("the budget agreement") enacted this past spring contained an overall discretionary spending level of 1% below FY 2023 spending levels. At this time, it is unclear whether FY 2024 HUD funding will be approved through a traditional conference report, a continuing resolution, or a reversion to the budget agreement default process. All three of these outcomes point towards an overall 1% cut in discretionary spending – a result that raises serious concerns about funding levels for FHA and Ginnie Mae, considering the critical role these programs play in support of affordable homeownership.

FHA is the most important mortgage option for affordable mortgage loans for first-time, minority, and other underserved homebuyers – responsibly serving qualified borrowers with low down payment requirements or minor credit blemishes. As FHA is projected to generate $2.75 billion in profits (negative credit subsidies) in the FY 2024 budget, it seems counterintuitive to underfund requests for administrative accounts that support FHA.

Similarly, Ginnie Mae plays a critical role in guaranteeing securities backed by FHA loans, as well as Rural Housing Service (RHS) and Veterans Administration (VA) single family loans. Ginnie Mae is projected in the FY 2024 budget to generate $1.41 billion in profits (negative credit subsidies). Therefore, as with FHA, the requests for administrative accounts that support Ginnie Mae also appear fully warranted.

Federal Housing Administration (FHA)

According to FHA's 2023 Annual Report, last year FHA served more than 478,000 first-time homebuyers — equivalent to 82 percent of its forward mortgage purchase volume. FHA also served almost 33,000 senior homeowners through FHA's Home Equity Conversion Mortgage (HECM) program.

Fully funding FHA salaries and expenses is essential for the efficient operation of FHA's complex insurance programs and necessary to fulfill the agency's dual responsibilities to provide access to credit for millions of lower-income households *and* to manage mortgage credit risk in a safe and sound manner. FHA also has responsibility to oversee its insurance-in-force on outstanding loans, including facilitating loss mitigation by servicers on defaulted loans, to keep more borrowers in their homes and reduce claims payments.

FHA salaries and expenses are also necessary to carry out the many worthy homeownership initiatives highlighted in the agency's 2023 Annual Report - including rejuvenating the FHA 203(k) rehab program, increasing small balance FHA loans, supporting manufactured housing, moving to electronic submission of claims to eliminate paper claims, streamlining HECM reverse mortgage claims submissions, and modifying income calculations to include rent payments on Accessory Dwelling Units (ADUs).

FHA is funded within HUD's Office of Housing, which includes other activities such as rental housing. The FY 2024 Budget Request for the HUD Office of Housing was $500 million, a $35 million increase compared to the FY 2023 funded level of $465 million. We appreciate the fact that both the House and Senate Appropriations Committees approved funding close to this requested level – with the Senate panel approving $497 million and the House $488.5 million. We urge conferees and congressional leaders to place a high priority on the Office of Housing account – funding this at the higher Senate level.

Separately, we call attention to the importance of continuing to fund the modernization of FHA's Information Technology (IT) systems, particularly with respect to funding for its Catalyst initiative.

Absent action on full year funding, we are deeply concerned that a 1% cut against 2023 levels per the spring budget negotiation would prove inadequate and substantially undermine FHA's ability to fulfill its baseline responsibilities and pursue the initiatives identified above.

Ginnie Mae

The FY 2024 Budget Request for Administrative Contract Expenses for Ginnie Mae is $61 million. This would be a $21 million increase over the FY 2023 approved level. The House THUD appropriations bill funded this account at $51 million, and the Senate THUD appropriations bill funded this account at $54 million. In contrast, a 1% cut below the FY 2023 level of $40 million would put important Ginnie Mae initiatives at risk.

It is essential that Ginnie Mae has the resources and staff the agency needs to carry out its responsibilities and focus on core mission, including oversight of the 300-plus financial institutions ("issuers") that rely on Ginnie Mae securities to access the capital markets. These companies turn to Ginnie Mae to guarantee securities composed of loans backed by FHA, RHS, and VA loans. This broad base of issuers is vital to maintaining a competitive mortgage market and keeping mortgage rates as low as possible to maximize consumer choices. With the rapid increase in long-term mortgage rates, homeownership affordability is strained, which makes the competition created by a broad issuer base particularly critical.

Further, it is critical that Ginnie Mae have the resources to proactively work on initiatives to enhance market liquidity for issuers, to support their ability to make principal and interest advances to Ginnie Mae investors when borrowers are delinquent, and to buy loans out of pools in order to perform essential loss mitigation. Development of expanded liquidity options would maximize issuer participation in the program and reduce Ginnie Mae's exposure and need to intervene in cases where an issuer is unable to meet its advance obligations.

In short, a 1% cut to the Ginnie Mae account would result in harmful mortgage market impacts and taxpayer risks. As noted, both the House and Senate THUD bills recognized this and funded increases of $11 million and $14 million, respectively. Whatever the process utilized to finalize HUD funding, the higher Senate funding increase to the Ginnie Mae account should be the absolute minimum that is prescribed.

Moreover, in light of the critical role Ginnie Mae plays in homeownership (combined with the funding needs enumerated above) and the fact that the agency produces significant taxpayer profits – we believe that the additional, requested expenditure of $61 million would be a sound investment.

Conclusion

In closing, we appreciate the tight budget constraints governing the difficult budget and appropriations choices before the Congress. However, FHA and Ginnie Mae play a critical role in helping to meet our nation's homeownership challenges. These two agencies contribute over $4 billion in negative credit subsidies to the appropriations process. Accordingly, we believe it is both fair and appropriate to fund the FHA and Ginnie Mae accounts within the FY 2024 THUD appropriations conference report at the originally requested levels.

We appreciate your consideration of the views expressed within this letter.

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Housing Policy Council
Leading Builders of America
Mortgage Bankers Association
National Association of Home Builders
National Association of Realtors®
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