

**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."

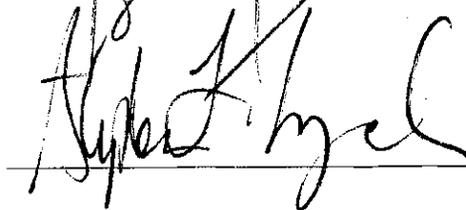
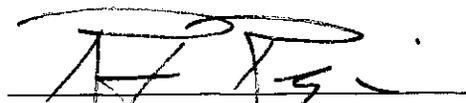
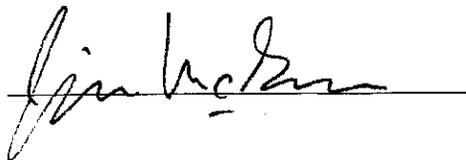
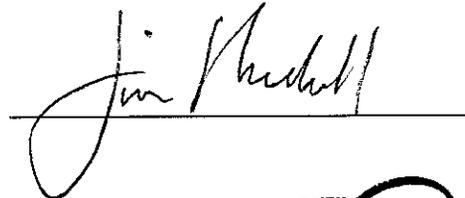
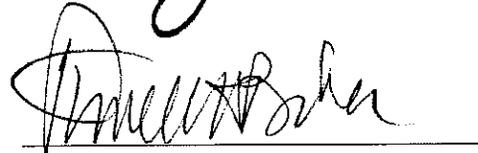
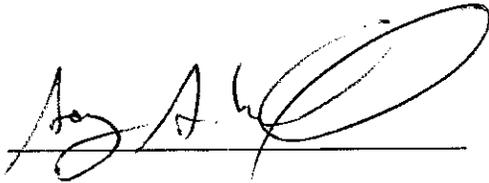
More recently, the Committee Report for the House FY 2007 TTHUD appropriations bill included report language expressing concern about this proposal. The report states that "The Committee sees no merit in the Administration's argument that these mortgage premiums should be raised because these programs 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

Antoin Davis

Pete Stark

Dwight Roper

Jim Tamm

Carolyn McCarthy

Debbie Wasserman Schultz

Anders Lunde

Wm. Lacy Clay

Rick Warren

Hilda M. ...

Barbara Lee

Paul Smith

Michael Wittman

Leis Cappe

George C. Kilpatrick

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Julia Casan  
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Margaret Owens  
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Bob Key

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Sue Kelly

Ben Hagan

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Sam Farr

J. Matheson

Karla Sanchez

Russ Conner

Virgil Goode

Konrad Giff

Dennis J. Kuenick

Danny Davis

Chafetz

[Signature]

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Betty McAllen

Vitell

Bill Jenkins

Ben Hill

Randy Menzies

John Shulman

Mike Dahn

Jed Strickland

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Katherine Harris

Stephen P. Jones

Todd R. Platts

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Ad A. Brady

Jan Stohatzky

John Lewis

Patrick O. Kennedy

Robert Wexler

Jim Langevin

Mark Foley

Archie D. Simpson

Mike McIntyre

Randy Kuhl

John Barrow



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