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STAFF DIRECTOR AND
CHIEF COUNSEL

U.S. House of Representatives
Committee on Financial Services
2129 Rayburn House Office Building
Washington, DC 20515

October 17, 2007

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

Dear Mr. Secretary:

It has come to our attention that the Department of Housing and Urban Development may publish in the Federal Register, as soon as this Thursday, a substantial increase in the fees FHA charges for insured multifamily rental housing loans. We write to urge HUD not to publish such a fee increase at this time.

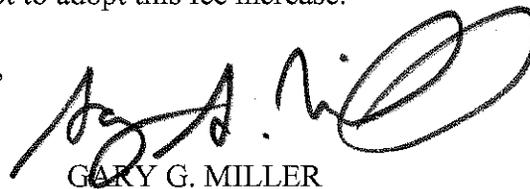
As you know, on July 30, 117 House members sent you a letter asking HUD not to implement the FHA multifamily loan fee increase included in HUD's FY 2008 budget. That letter pointed out that such fees are not necessary, since these loans produce a negative credit subsidy absent such fee increases, and that the fee hikes would raise the cost of affordable rental housing projects and make many proposed projects no longer financially viable. A copy of that letter is enclosed.

Moreover, just last month, the House approved FHA reform legislation, H.R. 1852, by a vote of 348 to 72. That bill included a provision, adopted as an amendment in committee by voice vote, prohibiting any FHA fee (premium) increase unless the HUD Secretary determines, pursuant to rulemaking, that, absent such increase, a credit subsidy appropriation would be needed. In addition, that same week, the Senate Banking Committee approved their FHA reform bill by a vote of 20 to 1, which included a virtual identical prohibition, except that the Senate provision is only effective through the end of Fiscal Year 2008. These provisions unequivocally state the will of Congress that FHA multifamily loan fees should not be unnecessarily increased under the present circumstances in which the program already produces a negative credit subsidy.

In light of the recent turmoil in our mortgage markets and the rise in defaults and foreclosure, this is not the time to be adding to the cost of producing new affordable rental housing. Therefore, we respectfully ask you not to adopt this fee increase.

Sincerely,


BARNEY FRANK


GARY G. MILLER

Honorable Alphonso Jackson
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October 17, 2007


MAXINE WATERS


SPENCER BACHUS


SHELLEY MOORE CAPITO


JUDY BIGGERT

Enclosure

Congress of the United States
Washington, DC 20515

July 30, 2007

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

Dear Mr. Secretary:

We are writing to ask that HUD not implement the proposal in the Fiscal Year (FY) 2008 HUD budget to increase fees on FHA mortgage loans for affordable rental housing units.

The FHA insured multifamily loan programs are an important source of affordable financing for construction, rehabilitation, and improvement of affordable rental housing units across the nation. According to HUD data, these programs insured over 700 developments, helping to provide financing for over 77,000 households, in FY 2006.

The FY 2008 budget proposes increases of more than 35% in the Mortgage Insurance Premium (MIP) on most Federal Housing Administration (FHA) multifamily housing programs. These significant proposed fee hikes would raise the cost of rental housing projects financed through FHA, which costs would likely be passed along to renters in the form of higher rents. These fee hikes would also likely mean that many proposed projects would no longer be financially viable, and would therefore not go forward.

Moreover, the proposed fee increases are not justified from a budgetary point of view. As the FY 2008 budget shows, these FHA multifamily mortgage loan programs already make a "profit" for the taxpayer -- that is, they show a negative credit subsidy without the fee hikes. Therefore, imposition of fee increases serves only to raise money for the general treasury, at the expense of affordable rental housing development.

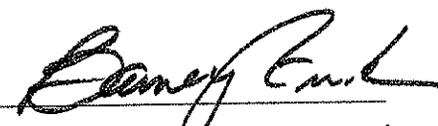
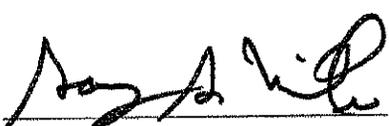
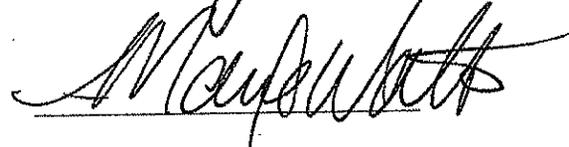
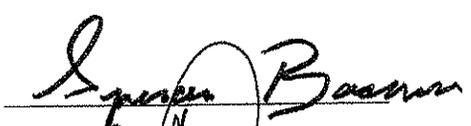
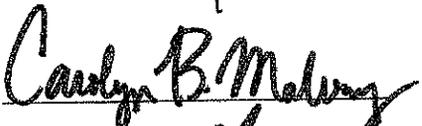
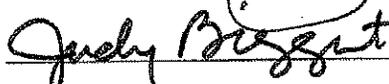
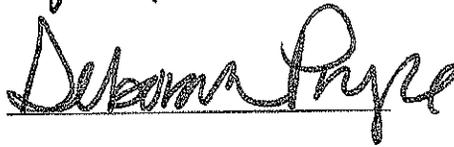
In an April 9, 2007 letter to Appropriations Chairman Obey and Ranking Member Lewis, a broad coalition of housing and real estate groups opposed this proposal, referring to it as a "tax," and pointing out that the proposal is similar to one from last year's FY 2007 budget. That letter makes the point that *"Increasingly, these programs also are a vital mechanism for ensuring decent, safe and affordable apartments for the many teachers, nurses and municipal workers who cannot afford to live close to where they work. Placing added costs on the FHA multifamily insurance program will increase already*

escalating costs of development and preservation and will compound the problems facing those attempting to create and preserve the nation's workforce rental housing stock."

In addition, last year's Committee Report for the House FY 2007 TTHUD appropriations bill included report language expressing concern about last year's similar proposal to raise FHA multifamily rental fees. That report stated 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 further stated that *"Raising program costs can only diminish the contribution of these programs in expanding lower cost housing opportunities,"* and that *"imposing further constraints on FHA rental housing development makes little sense."*

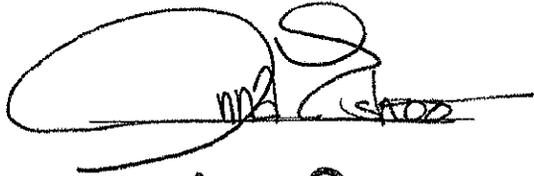
We appreciate the fact that HUD took no action last year to implement these fee hikes. However, we write in opposition to such fee increases being proposed again this year, and urge HUD not to take action this year on this proposal.

Sincerely,

 Nancy Cook	 Doug A. White
 Marybeth	 Stephen Bauman
 Carolyn B. Maloney	 C. B. King
 Michael G. Hironaka	 Judy Biggert
 David P. Bonior	 Deborah Pryce
 Nydia M. Velázquez	 Richard A. Blumenthal

<u>Danny L. Davis</u>	<u>Deir Price</u>
<u>Carroll</u>	<u>Henry A. Weyman</u>
<u>Heidi</u>	<u>Ken Calvert</u>
<u>Donald M. Payne</u>	<u>Brad Sherman</u>
<u>Elyse E. Cummings</u>	<u>Lynn Woodsey</u>
<u>Jose E. Senano</u>	<u>John M. Holt</u>
<u>Chuk Fadd</u>	<u>Maxin Berg</u>
<u>Corine Brown</u>	<u>Dennis Kuirish</u>
<u>Alisa de Montje</u>	<u>William O. Cleburn</u>
<u>Julia Cannon</u>	<u>Louise Slaughter</u>
<u>Rubin Hinojosa</u>	<u>Sheila Jackson Lee</u>

Ron Paul

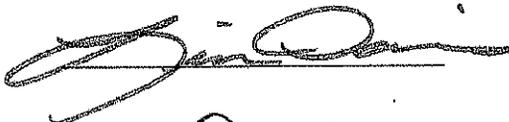


John Davis

Charles A. Wilson

Tom Farnham

Kathy Caster



Ed Perlmutter

Randy Ruysh

Wm. Jay Clay

Chris M

Shirley E. Watson

Mike A. Brady

Stephen J. ...

John ...

William J. ...

Ron ...

Patrick O. Kennedy



Ben ...

Jim ...

Jim Marshall

~~Bob~~
Mark J. Jorgensen

Jay McRay
John P. Jordan
Caryn McCarty

Pete J. Tiller

~~Janet~~
Kendrick Bitter

Liz Capps

Keith Allen

Paul Wilson

Jim Thometal

~~John~~

John Lewis

~~John~~

John Welch

Jim McRaneth

Alvin Linn

Geoff Jarvis

~~John~~

Janet Rose

Melna Drake

J. Matheson
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Joe Ann

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Sam Farr

Linda J. Satch

C. A. Dutch Ruppelberger

John Longman
Bob Filan
Maurice [unclear]

Delvin L. Watt
Rahn Emanuel

Jim Langwin
Peter J. Vichosky

R. D. [unclear]
Muel H. Muel

Tom Lantz

Joseph [unclear]
Don [unclear]

Helde L. [unclear]

Ernie Enger
Yette D. Clarke

John Campbell
Allen Boyd

**Co-Signers – July 30, 2007 letter to HUD Secretary Jackson –
Proposed Increase in FHA Multifamily Loan Fees**

Barney Frank	Gary Miller
Maxine Waters	Spencer Bachus
Carolyn Maloney	Charles Rangel
Luis Gutierrez	Judy Biggert
David Obey	Deborah Pryce
Nydia Velazquez	Richard Baker
Danny Davis	David Price
Eleanor Holmes Norton	Henry Waxman
Ike Skelton	Ken Calvert
Donald Payne	Brad Sherman
Elijah E. Cummings	Lynn Woolsey
Jose Serrano	John McHugh
Chaka Fattah	Marion Berry
Corrine Brown	Dennis Kucinich
Alcee L. Hastings	William Delahunt
Julia Carson	Louise Slaughter
Ruben Hinojosa	Sheila Jackson-Lee
Ron Paul	Diane Watson
Anna Eshoo	Robert Brady
Artur Davis	Stephen Lynch
Charles Wilson	Fortney Pete Stark
Tom Feeney	Melissa Bean
Kathy Castor	Ron Klein
Lincoln Davis	Patrick Kennedy
Ed Perlmutter	David Scott
Randy Neugebauer	Brian Higgins
William Clay	James McGovern
Christopher Murphy	Jim Marshall
Paul Hodes	Jim Ramstad
Charles Gonzalez	Dan Boren
Jerry McNerney	John Lewis
John Sarbanes	Al Green
Carolyn McCarthy	Jerry Weller
Patrick Tiberi	Jim McDermott
Janice Schakowsky	Albio Sires
Kendrick Meek	Geoff Davis
Lois Capps	Anthony Weiner
Keith Ellison	Sander Levin
Paul Gillmor	Thelma Drake
Jim Matheson	Vic Snyder
Raul Grijalva	Bruce Braley
Tim Ryan	Neil Abercrombie
John "Randy" Kuhl Jr.	Tim Mahoney

Michael Capuano
Brad Miller
Daniel Lipinski
Chris Van Hollen
Joe Donnelly
Loretta Sanchez
Gwen Moore
John Conyers Jr.
Bob Filner
Maurice Hinchey
Melvin Watt
Rahm Emanuel
James Langevin
Peter Visclosky
Dennis Moore
Michael Michaud

Joe Baca
Betty Sutton
Michael Honda
John Hall
Sam Farr
Linda Sanchez
C.A. Dutch Ruppersberger
Tom Lantos
Joseph Crowley
Adam Smith
Hilda L. Solis

Eliot Engel
Yvette Clarke
John Campbell
Allen Boyd