

April 9, 2007

The Honorable David Obey, Chairman  
The Honorable Jerry Lewis, Ranking Member  
Committee on Appropriations  
United States House of Representatives  
Washington, DC 20515

Dear Chairman Obey and Ranking Member Lewis:

As you begin consideration of the FY 2008 Budget, we are writing to express our opposition to proposed increased fees in the Administration's FY 2008 Department of Housing and Urban Development (HUD) budget. In particular, we strongly oppose the budget proposal to increase the mortgage insurance premium (MIP) on most FHA multifamily mortgage insurance programs by more than 35 percent. This increase would inflate the cost of housing for low and moderate income families and individuals across the country, including those who are elderly or disabled.

The Administration proposed this same "tax", although at a higher level, in the FY07 budget proposal. This proposal was opposed by 121 Members of the House who signed a letter to Secretary Jackson last July asking that the fee increase not be imposed. Because of Congressional action, along with over 400 letters to HUD from real estate industry professionals opposing the increase, HUD did not implement the higher premiums in FY07. The Administration has, however, proposed an increase to go into effect October 1, 2007.

These important FHA insurance programs help finance the construction, rehabilitation and improvement of rental housing in communities across the nation. The FHA multifamily programs are at the heart of the Federal government's efforts to help meet the housing needs of low and moderate income families and communities and are among the most effective federal domestic programs to produce affordable housing, with proven results. According to HUD-published data, FHA insured 704 housing developments and assisted more than 77,000 households in FY06, through the affected programs

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.

The budget proposal includes an exemption from the fee increase for properties with low income housing tax credits because these provide affordable housing. To suggest that only tax credit-assisted properties are affordable and provide a public purpose is misguided. The FHA programs have a strong public purpose, providing a key source of affordable rental housing for individuals and families throughout the country.

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This position is supported by statistics collected by the 2001 Residential Financial Survey (RFS), which is sponsored by HUD and conducted by the Census Bureau. The National Association of Home Builders (NAHB) has performed an analysis of that data which is attached. In summary, looking at only those properties financed with FHA insurance and where no subsidies are involved, in all but one of the twelve states for which data is available, more than 70% of FHA-insured rental housing is affordable to households at 60 percent of area median income. In fact, the FHA mortgage insurance programs are serving a wide range of households in need – including very-low income families where, in six of the twelve states, over 25% of the units serve families at less than 30% of median income.

These FHA multifamily insurance programs already have a negative credit subsidy and therefore cover all their costs and generate income for the government. Increasing the current mortgage insurance premiums will, according to the HUD budget proposal, generate approximately \$43 million in additional revenue. We believe this new tax will cause fewer properties to be built or rehabilitated and actually result in significantly lower income than projected. And for those properties that will continue in the FHA programs, the result will be higher rents.

The House Financial Services Committee has stated its opposition to the premium increases in its views on the budget proposal that were sent to the House Budget Committee last month. Their language states:

“The Committee notes that the Administration has proposed fee increases in the FHA multifamily loan and Ginnie Mae programs. The Committee opposes these fee increases because they will adversely [affect] HUD’s ability to provide homeownership and rental housing opportunities.”

We ask that you not include these premium increases in the FY08 budget and prohibit HUD from implementing the increases.

Committee on Healthcare Financing  
Institute of Real Estate Management  
Mortgage Bankers Association  
National Affordable Housing Management Association  
National Apartment Association  
National Association of Home Builders  
National Association of Realtors  
National Housing Conference  
National Leased Housing Association  
National Multi-Housing Council

Attachment