

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

March 15, 2010

The Honorable Rosa DeLauro
Chairwoman
Subcommittee on Agriculture, Rural Development, Food and Drug
Administration, and Related Agencies
Committee on Appropriations
Room 2362-A Rayburn House Office Building
Washington, DC 20515

Dear Chairwoman DeLauro:

As you know, the Department of Agriculture's Rural Housing Service (RHS) Section 502 single-family loan guarantee program has seen unprecedented demand in the last several years. Despite a more than three-fold increase in loan authority since Fiscal Year (FY) 2006, RHS recently indicated that it expects to exhaust the \$12 billion in FY 2010 loan authority authorized by Congress by May 1. Should this occur, RHS will be unable to process any new guaranteed loans for the remainder of the Fiscal Year.


Given the continued uncertainty in the mortgage credit markets, we believe it is critical that Congress take immediate steps to address this problem and ensure that low and moderate-income rural families continue to have access to safe and affordable mortgage products. One such step could include providing additional loan commitment authority combined with an additional credit subsidy appropriation. We recognize of course that such an approach presents a challenge because it would require a supplemental appropriation at a time when we are faced with tight budget constraints and difficult funding choices.

Another possible solution that would not require a credit subsidy appropriation would be to provide additional loan commitment authority combined with additional loan guarantee fees. We note that the President's FY 2011 budget proposes such an approach. Under the President's proposal, the up-front loan guarantee fee for new purchases would be capped at 2%, the up-front fee for refinanced loan guarantees would be increased from .5% to 1%, and a new annual premium of .15% would be assessed on borrowers. According to the President's budget, the proposed new fee structure, which is similar to the fee structure used by the Federal Housing Administration, is projected to raise sufficient revenue to avoid the need for Congress to continue providing a credit subsidy appropriation in FY 2011 and beyond. The impact of the new fees on borrowers is expected to be approximately \$11 per month for a \$120,000 loan.


The staff of the Financial Services Committee is available for any information you may want from us and we as Members are, of course, ready to work with you.



BARNEY FRANK
Chairman



MAXINE WATERS
Chairwoman
Subcommittee on Housing and Community
Opportunity



DENNIS MOORE
Member of Congress



RUBÉN HINOJOSA
Member of Congress



JOE BACA
Member of Congress