

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

March 15, 2010

The Honorable Tom Vilsack
Secretary
U.S. Department of Agriculture
1400 Independence Avenue, SW
Washington, DC 20250

Dear Secretary Vilsack:

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, we understand that RHS estimates that it will exhaust the \$12 billion in FY 2010 loan guarantee 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.

Congress and the Administration recognized the important role that rural housing programs play in supporting homeownership in rural communities for very low, low and moderate income borrowers, preserving jobs and promoting economic recovery by appropriating \$200 million in funds to support an additional \$11 billion in direct and guaranteed loans as part of the American Recovery and Reinvestment Act of 2009 (P.L. 111-5). Given the importance of rural housing in the economic recovery effort and the continued uncertainty in the mortgage credit markets, we urge the Administration to work with Congress in identifying and implementing a solution 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 solution 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. On this point, we would not support any policy or proposal that would shift funds or budget authority away from the Section 502 single-family direct loan program or other rural housing programs targeted to low-income families to the Section 502 single-family guaranteed loan program to pay for the additional budget authority.


Another possible solution that would not require a credit subsidy appropriation by Congress 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 – to cap the up-front loan guarantee fee for new purchases at 2%; to increase the up-front fee for refinanced loan guarantees from .5% to 1%; and to establish a new annual premium of .15% for new and refinanced loans. According to the 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. In addition, we note that the proposed new fees are projected to save approximately \$173 million, which we believe should be used to support other

RHS loan programs, including the Section 502 direct loan program, the Section 504 home repair program, the Section 515 rural rental housing program, the Section 516 farm labor housing program and the multi-family revitalization demonstration program.

We look forward to working with you and Members of your staff, and the Appropriations Committee, in dealing with this issue.



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

cc: The Honorable Dallas Tonsanger, Undersecretary for Rural Development
Ms. Tammye Treviño, Administrator, Rural Housing Service