

July 28, 2010

The Honorable Harry Reid  
Majority Leader, United States Senate  
522 Hart Senate Office Building  
Washington, DC 20510

The Honorable Mitch McConnell  
Minority Leader, United States Senate  
361-A Russell Senate Office Building  
Washington, DC 20510

The Honorable Chris Dodd  
Chair, Senate Committee on Banking, Housing, and  
Urban Affairs  
448 Russell Senate Office Building  
Washington, DC 20510

The Honorable Richard Shelby  
Ranking Member, Senate Committee on Banking,  
Housing, and Urban Affairs  
304 Russell Senate Office Building  
Washington, DC 20510

Dear Senators:

Reform of the nation's housing finance system is critical to America's economy and to protecting taxpayers from risk. Over the past few years, the Federal Housing Administration's (FHA) role in the housing finance system has significantly increased. On June 10<sup>th</sup>, the House overwhelmingly passed H.R. 5072, the FHA Reform Act of 2010, by a bipartisan vote of 406-4. This bill helps FHA strengthen its risk management and secure its financial soundness.

Due to declines in home prices, FHA's excess capital reserve account has fallen dramatically. Without the financial reforms in H.R. 5072, the chances will be much greater that this shortfall will land on the backs of taxpayers. The Congressional budget office estimates that passage of this legislation will decrease federal spending by \$2.5 billion over the next 5 years.

The legislation gives FHA the authority to increase the annual premium charged to FHA borrowers, helping to ensure that risks of government-backed mortgages are not placed on taxpayers. FHA cannot make this change without legislation.

The legislation also provides for increased enforcement power, authorizing FHA to seek indemnification for improper underwriting—a power universally available in the private mortgage market. Indemnification that is fair, clear, and transparent enables FHA to ensure that lenders are held accountable for their practices.

FHA cannot fully protect taxpayer resources without these critical risk management provisions. We urge the Senate to act now and adopt H.R. 5072 prior to the August district work period.

Sincerely,

American Mortgage Cooperative  
The Community Mortgage Banking Project  
Community Mortgage Lenders of America  
Consumer Mortgage Coalition  
Housing Policy Council  
Mortgage Bankers Association  
Mortgage Insurance Companies of America  
National Association of Counties  
National Association of Home Builders  
National Association of REALTORS®  
U.S. Conference of Mayors