



MORTGAGE BANKERS ASSOCIATION

**Statement for the Record
Before the Senate Banking, Housing, and Urban Affairs
Committee
Subcommittee on Housing, Transportation, and Community
Development
On behalf of the
Mortgage Bankers Association**

Hearing on Rural Housing Legislation

May 2, 2023

2:45 P.M.

Dirksen Senate Office Building 538

Testimony of the Mortgage Bankers Association
Senate Banking, Housing, and Urban Affairs Committee
Subcommittee on Housing, Transportation, and Community
May 2, 2023

Thank you for the opportunity to share the views of the Mortgage Bankers Association (MBA)¹ on rural housing legislation. Your oversight of the U.S. Department of Agriculture's (USDA) Rural Housing Service (RHS) is important, and our membership appreciates your consideration of the lender perspective regarding rural homeownership programs. Our members are indispensable partners to RHS, as they are both the providers and servicers of RHS loans. Updating and reauthorizing RHS programs is an important part of a comprehensive strategy needed to meet the nationwide shortage in access to affordable housing. These programs are worthy of our nation's commitment to them. RHS loan programs play a vital role in increasing the availability of mortgage credit for rural Americans.

I would like to start by thanking you and Senator Mike Rounds for your work on the draft legislation, to be entitled the "*Rural Housing Service Reform Act of 2023*." While still in draft form, the bill is needed to ensure RHS has the necessary authority to continue its housing preservation and revitalization programs. MBA commends the bill's emphasis on authorizing the staffing and information technology needed to support robust RHS lending. The aging technological infrastructure that is the backbone of RHS lending operations is outdated and in need of substantial upgrades. RHS systems are less advanced than those used by several other agencies charged with delivering government housing programs, as well as the housing Government Sponsored Enterprises (GSEs) Fannie Mae and Freddie Mac, or by most lenders. Dedicated resources are needed to ensure RHS can keep pace with changes in the market, evolving data security threats, and changes in the ways in which mortgage loans are originated and serviced. In this regard, MBA would encourage USDA to leverage the Mortgage Industry Standards Maintenance Organization's (MISMO) industry standards setting process in support of its modernization initiatives.

MBA appreciates that the draft legislation increases the threshold for RHS's Section 504 Home Repair program. This program provides loans to very-low-income homeowners to repair, improve or modernize their homes or grants to elderly very-low-income homeowners to remove health and safety hazards. This is an important program in RHS's arsenal to preserve existing housing stock. Raising the home repair threshold will make the program better align with the needs of rural homeowners.

¹ The Mortgage Bankers Association (MBA) is the national association representing the real estate finance industry, an industry that employs more than 390,000 people in virtually every community in the country. Headquartered in Washington, D.C., the association works to ensure the continued strength of the nation's residential and commercial real estate markets, to expand homeownership, and to extend access to affordable housing to all Americans. MBA promotes fair and ethical lending practices and fosters professional excellence among real estate finance employees through a wide range of educational programs and a variety of publications. Its membership of more than 2,200 companies includes all elements of real estate finance: independent mortgage banks, mortgage brokers, commercial banks, thrifts, REITs, Wall Street conduits, life insurance companies, credit unions, and others in the mortgage lending field. For additional information, visit MBA's website: www.mba.org.

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MBA is also pleased to see the draft legislation propose new language requested to decouple rental assistance from a multi-family mortgage. The decoupling language will allow RHS to continue to provide rental assistance to certain properties that no longer have multifamily housing direct loans through Section 515. The additional rental assistance ensures safe and affordable housing for tenants and helps with rehabilitating and preserving housing properties in rural areas.

As the legislation advances, MBA would also encourage you to include a provision to authorize RHS to update Accessory Dwelling Unit (ADU) underwriting requirements. At present, RHS prohibits the use of rental income derived from an ADU to determine eligibility for a loan. This is a major impediment to financing ADUs in rural communities, and puts the RHS program at a disadvantage relative to FHA, which has recently proposed utilizing rental income sourced from ADUs. Broader use of ADUs can provide USDA with additional, much-needed affordable housing options that can be used to facilitate multi-generational housing – while maintaining independence and privacy.

Although small in volume relative to the scale of the multi-trillion-dollar mortgage market, both single family and multifamily RHS loans are meaningful lifelines to economic security for the individuals they help and the communities they bolster. It is imperative to be mindful of this small market share when discussing any potential reforms and proposals that might further restrict lending or impose additional costs on service delivery.

The rural housing legislation being discussed today comes at a time when there are new challenges to serving homeowners – from helping our employees and customers recover from the economic impact of COVID-19 to originating a home loan when the average contract interest rate for 30-year fixed-rate mortgages with conforming loan balances remains elevated above 6%. Rural communities face a well-documented shortage of suitable housing stock and chronic underproduction of homes that meet the needs of the rural workforce. I would encourage the Senate to build on your bipartisan efforts and advance a comprehensive housing package, including the Neighborhood Homes Investment Act single family rehabilitation and reconstruction tax credit, Low- and Middle-Income Housing Tax Credits improvements and enhancements, and the Affordable Housing Bond Enhancement Act to simplify and improve the Mortgage Revenue Bond (MRB) and Mortgage Credit Certificate (MCC) programs – further strengthening the rural housing supply.

Once again, MBA appreciates the opportunity to comment on the *Rural Housing Service Reform Act of 2023* discussion draft and your leadership in bringing this important bill before the Senate. We look forward to our continued work together on this initiative as this bipartisan effort progresses this Congress.