April 22, 2025

Rep. French Hill
Chair
House Financial Services Committee

Rep. Maxine Waters
Ranking Member
House Financial Services Committee

Sen. Tim Scott
Chair
Senate Banking Committee

Sen. Elizabeth Warren
Ranking Member
Senate Banking Committee

Rep. Mike Bost
Chair
House Veterans Affairs Committee

Rep. Mark Takano
Ranking Member
House Veterans Affairs Committee

Sen. Jerry Moran
Chair
Senate Veterans Affairs Committee

Sen. Richard Blumenthal
Ranking Member
Senate Veterans Affairs Committee

Dear Committee Chairs and Ranking Members:

As Congress begins consideration of a reconciliation bill pursuant to the Budget Resolution (H. Con. Res. 14), the Community Home Lenders of America (CHLA)[1] writes to ask Congress to:

(1) Repeal the 10 basis point GSE fee hike extended 4 years ago to fund unrelated spending.
(2) Reject mortgage fee hikes for Veterans Administration (VA) and GSE mortgage loans.

According to **St. Louis Federal Reserve Data,** our national homeownership rate has fallen from 67.9% in the 2nd quarter of 2020 to 65.7% in the 4th quarter of 2024. This took place during a period in which mortgage rates doubled, while prices remained sticky on the high side. This has created significant affordability challenges to families achieving first-time homeownership.

As a general principle, CHLA believes that mortgage fees on federal mortgage loan programs (FHA, VA, RHS, and Fannie Mae and Freddie Mac) should NEVER be increased unless such fee hikes are based on actuarial risk or safety and soundness considerations. This principle is especially important during the current period of homeownership affordability challenges.

Unfortunately, Congress has in recent years raised federal mortgage fees solely for the purpose of funding unrelated spending. Such fee hikes harm working and middle-class Americans, especially young families just starting out economically with the dream of homeownership.

CHLA is concerned that pressures to offset the cost of the reconciliation bill could once again lead Congress to raise mortgage fees. Congress should reject this approach - and instead repeal the existing 10 basis point fee on Fannie/Freddie loans that is used for unrelated spending.

[1] CHLA is the only national trade association solely representing independent mortgage banks (IMBs).

Fannie Mae and Freddie Mac Mortgage Loans

In late 2021, Congress extended a 10 basis point (0.1%) fee on Fannie Mae and Freddie Mac single family mortgage loans for 10 more years. This was estimated to raise $21 billion in mortgage fees – not retained by Fannie and Freddie – but effectively imposed as a tax that was used to offset a portion of the $1 trillion cost of the infrastructure bill.

Under budget rules, this homeownership tax could be extended for three more years and used as an offset for other provisions of the reconciliation bill. Congress should reject such an extension.

Instead, Congress should repeal the remaining term of this artificial 10 basis point fee hike imposed on Fannie/Freddie loans. This would be a tax cut for homeownership.

We would also point out that extending these mortgage fees could undermine the financial performance of Fannie Mae and Freddie Mac – which in turn could make it harder to re-capitalize the two Enterprises, as part of a plan for their exit from conservatorship.

Veterans Affairs (VA) Mortgage Loans

In 2019, Congress raised fees (the so-called Blue Water Navy fees) on VA mortgage loans, solely in order to pay for higher VA benefits. While CHLA was very appreciative that Congress allowed these fees to expire in spring of 2023, VA mortgage guarantee fees are still elevated above the actuarial amount needed to protect taxpayers from potential VA mortgage defaults.

While we are not aware of any effort currently to raise VA guarantee fees as part of the reconciliation process, we nonetheless caution against considering such a step.

The ability to use a VA mortgage is a key earned benefit for those volunteering to defend the nation, and higher guarantee fees than necessary degrade veterans' and active-duty families' ability to use this benefit.

Federal Housing Administration (FHA) Mortgage Loans

Finally, since new FHA loans are not scored as mandatory spending, such loans (and their underlying premiums) would likely not be the subject of a reconciliation bill.

However, the negative credit subsidy scoring profits of new FHA loans each year are credited to overall appropriations scoring for the underlying THUD appropriations spending bill. Therefore, to the extent that the reconciliation bill reduces overall discretionary spending levels, this could create pressures to artificially hike FHA loan premiums.

CHLA asks Congress to reject FHA loan increases at that time, which would represent a kind of tax on homeownership, in order to pay for unrelated appropriations spending.

Thank you for your consideration of these recommendations.

Sincerely

COMMUNITY HOME LENDERS OF AMERICA