



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

October 9, 2007
(House Rules)

STATEMENT OF ADMINISTRATION POLICY

H.R. 2895 – National Affordable Housing Trust Fund Act of 2007

(Rep. Frank (D) Massachusetts and 16 cosponsors)

The Administration strongly supports Federal assistance to individuals and families that lack the means to afford adequate housing. However, the Administration strongly opposes the establishment of an Affordable Housing Trust Fund financed by diverting Federal Housing Administration (FHA) receipts and housing-related Government Sponsored Enterprises (GSEs) revenues. Accordingly, if H.R. 2895 were presented to the President, his senior advisors would recommend that he veto the bill.

The existing appropriations process provides ample opportunities for the Administration and Congress to make housing investments serving the same purpose and goals as the Affordable Housing Trust Fund. The activities and program design of the Trust Fund in H.R. 2895 are largely redundant with those of the HOME Investment Partnerships Program of the Department of Housing and Urban Development (HUD). The Administration strongly urges Congress not to create a duplicative program and instead fully fund the President's request for the high-performing, flexible HOME program, which has an effective track record for producing affordable housing for low-income families.

An Affordable Housing Trust Fund based on additional FHA receipts that result from the Expanding American Homeownership Act of 2007 would increase spending and disrupt the appropriations process. FHA receipts already offset discretionary spending in both the President's Budget and appropriations bills, and a new program that directly or indirectly spends these receipts would increase net discretionary spending or force corresponding reductions in other housing assistance programs.

Furthermore, tying financing for the Trust Fund to FHA receipts would be counterproductive. FHA receipts fluctuate from year to year due to changes in the housing market and the performance of FHA-insured loans. In years when there are lower FHA receipts, the proposed program would get less funding. It is exactly during these periods that one would expect more funding for affordable housing to be necessary. This proposal could also jeopardize the solvency of the FHA insurance fund in the long term. To protect itself from large and unexpected claims, FHA may have to consider charging higher premiums than it otherwise would or ration credit to homebuyers to keep the program solvent. Either way, financing this proposal with FHA receipts could mean fewer low income families have access to affordable FHA mortgages in the long term.

In addition, the Administration strongly opposes any provisions that would divert GSE funds to an Affordable Housing Trust Fund. This proposal would create an undue and counterproductive

reliance on Fannie Mae and Freddie Mac by tying the potentially unlimited growth of an Affordable Housing Trust Fund to the annual amount of the enterprises' mortgage business. Finally, the Administration remains concerned that the Affordable Housing Trust Fund not be susceptible to political influences that could compromise the goals of assisting as many low income families in need as possible.

The Administration remains committed to modernizing FHA and bringing real reform to the housing GSEs, and looks forward to continuing to work with the Congress through the appropriations process to fund affordable housing efforts through existing programs.

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