

May 3, 2011

Honorable Scott Garrett
Chairman
Committee on Financial Services
Subcommittee on Capital Markets and Government Sponsored Enterprises
U.S. House of Representatives
Washington, DC 20515

Dear Chairman Garrett:

The National Multi Housing Council (NMHC) and National Apartment Association (NAA) support your legislation, *The United States Covered Bond Act of 2011* (H.R. 940), as a means of providing additional liquidity in the housing marketplace and believe it could play a role in financing workforce housing.

The multifamily industry welcomes Congressional efforts to create a framework for covered bonds so they may serve as an additional source of capital for apartments. Covered bonds may provide the added capital necessary for our nation's banking system to support the surging demand for rental housing we are currently experiencing.

However, it is unclear whether covered bonds would actually increase the amount of credit that banks would make available to apartment firms. Indeed, the covered bond structure limits issuer lending volumes by requiring them to hold loans on their balance sheets and retain capital reserves in case of losses. Moreover, banks could simply replace some of their whole loans with covered bonds.

For these reasons, we can only conclude that a covered bond market might augment—but could not adequately replace—any of the active components of the U.S. multifamily finance marketplace, including commercial mortgage-backed securities issued by investment banks, along with mortgages funded by GSEs, life companies, banks, and other balance sheet lenders.

We greatly appreciate your efforts and look forward to working with the Subcommittee on this effort. Should you require any assistance, please contact David Cardwell at 202/974-2336 or via e-mail at DCardwell@nmhc.org.

Sincerely yours,



Douglas M. Bibby
President
National Multi Housing Council



Douglas S. Culkin, CAE
President
National Apartment Association