February 29, 2016

Edward L. Golding
Principal Deputy Assistant Secretary for Housing
Federal Housing Administration
U.S. Department of Housing and Urban Development
451 7th Street, SW
Washington, DC 20410

Subject: Comment on FR–5876–N–02 Changes in Certain Multifamily Mortgage Insurance Premiums

Dear Mr. Golding:

The National Multifamily Housing Council (NMHC) and National Apartment Association (NAA) thank you for the opportunity to comment on the recent announcement of the reduction in the Mortgage Insurance Premium Changes (MIP) rates on multifamily loans described in 'FR–5876–N–02 Changes in Certain Multifamily Mortgage Insurance Premiums.'

For more than 20 years, NMHC and NAA have partnered in a joint legislative program to provide a single voice for America's apartment industry. Our combined memberships are engaged in all aspects of the apartment industry, including ownership, development, management and finance. NMHC represents the principal officers of the apartment industry's largest and most prominent firms. As a federation of nearly 170 state and local affiliates, NAA encompasses over 69,000 members representing more than 8.1 million apartment homes throughout the United States and Canada.

First and foremost, we applaud the proposed reduction in MIP rates for qualifying multifamily loans that FHA guarantees. It shows leadership and a strong commitment to supporting the mission of FHA in providing cost effective capital for affordable multifamily properties as well as properties that are energy efficient. We believe these steps will make a positive, meaningful impact on the apartment industry.

We also would like to offer some suggestions and requests for clarifications:

Inclusionary Zoning: Across much of the country, municipalities are seeking ways to address housing affordability and are using a variety of tools including inclusionary zoning. Studies have shown that inclusionary zoning may not be the most cost effective way to address the problem, and can actually lead to fewer units being delivered in certain markets. Concerns about the efficacy of inclusionary zoning aside, local governments are currently using the policy in various term lengths and unit percentages, without standardization across jurisdictions. Under the current MIP change proposal, properties subject to inclusionary zoning agreements are only eligible for a reduced MIP rate if the term of the agreement is 30 years or longer. In comparison, LIHTC or PBRA properties in this same pricing bucket only have to have compliance periods of 15 years. We ask that consideration be given to reducing the inclusionary zoning required compliance period from 30 to 15 years to be equal to LIHTC and PBRA.

Fee Caps: Capping the total fees for originating loans on affordable properties helps to keep these properties affordable. A $2 million minimum loan size recognizes that there are a number of fixed costs in originating a loan that cannot be adequately covered through a set percentage of loan proceeds. However, FHA should examine the $2 million minimum loan size to determine if the 5% cap on fees is adequate to cover expenses for loans that fall into the $2-5million range. Otherwise, it may reduce the competitiveness for properties that serve housing affordability. This examination should be done with consideration of FHA's existing Small Loan Risk Share program where small loans are defined as under $3 million.

Energy Efficiency: Offering reduced MIP rates for any multifamily loans insured by FHA that meet certain requirements is a strong recognition of the value of energy efficiency for the apartment industry. The flexibility to use a broad variety of green certifications is a positive first step in obtaining the reduced MIP rate. However, the additional requirement that a qualifying property achieve a specific Energy Star score prevents participation by a significant portion of the multifamily industry. While EPA's Energy Star Portfolio Manager can serve as a very good benchmarking tool for the industry, local restrictions on access to whole building data have stymied efforts of property owners to benchmark usage throughout a property and often only common areas are able to be benchmarked. The lack of whole building data for many property owners will prevent those properties from gaining access to the lower MIP rates. NMHC has been supporting efforts to broaden access to whole data however, in the near term most areas of the country will not have utility programs in place to provide this information. Therefore, we strongly encourage FHA to reconsider and revise the Energy Star score requirement in recognition of the many situations where no whole building data is available. Clarification on how these situations will be addressed is also warranted; otherwise, a large number of property owners who have invested in energy efficient systems will be ineligible to receive the reduced MIP rates.

The proposed rule allows properties to receive the lower MIP rate as long as within 12 months the property receives a green certification, enrolls in Portfolio Manager and achieves a minimum score of 75. First, Portfolio Manager requires 12 months of benchmarking data so meeting the 12-month deadline after loan closing will not be possible. The required timeframe should be extended to 18 months. Second, the language is unclear as to what protocols HUD may impose if a property fails to receive its certificate or fails to enroll in Portfolio Manager or fails to receive and maintain a score of 75. The specific protocols and steps HUD would take to cure require greater clarity.

Finally, small properties make up the majority of all apartment buildings and often serve housing affordability very effectively. Small properties of under 20 units are not eligible for Energy Star Portfolio Manager effectively blocking them from taking advantage of the reduced MIP rate. FHA should consider exempting smaller properties from having to use Energy Star Portfolio Manager to qualify for the reduced MIP.

Affordable housing is a significant and growing challenge for American families. FHA multifamily financing plays a vital role in supporting housing affordability for our nation's citizens, and these proposed changes represent positive, measurable steps in this regard. NMHC/NAA look forward to working with you to maximize the impact of these program enhancements.

Sincerely,

Douglas M. Bibby
President
National Multifamily Housing Council

Douglas S. Culkin, CAE
President & CEO
National Apartment Association