



July 20, 2022

The Honorable Maxine Waters  
Chairwoman  
Committee on Financial Services  
U.S. House of Representatives  
Washington, DC 20515

The Honorable Patrick McHenry  
Ranking Member  
Committee on Financial Services  
U.S. House of Representatives  
Washington, DC 20515

Dear Chairwoman Waters and Ranking Member McHenry:

The National Multifamily Housing Council (NMHC) and the National Apartment Association (NAA) are writing to thank you for holding a hearing entitled, “Housing in America: Oversight of the Federal Housing Finance Agency.” As conservator and regulator for Fannie Mae and Freddie Mac (the Enterprises), Federal Housing Finance Agency (FHFA) Director Sandra Thompson is twice responsible for a critical source of capital for the multifamily industry. The Enterprises are uniquely able to support stability in our capital markets, help address housing affordability challenges across our nation, and encourage a focus on housing equity within the diverse communities where they participate.

For more than 25 years, NMHC and NAA have partnered 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 over 1,700 of the industry’s largest and most prominent firms. As a federation of more than 141 state and local, and global affiliates, NAA encompasses over 92,000 members representing more than 11 million apartment homes globally. One-third of all Americans rent their housing, and 36.8 million of them live in an apartment home.<sup>1</sup>

Our organizations believe that appropriate oversight of FHFA and the Enterprises they steward must have housing affordability and access to capital as central themes of the discussion. The connection between economic opportunity and housing is well documented. Having a roof over one’s head and where it is located is the single most essential element impacting equity. Having access to decent housing impacts health, education, employment and a person’s ability to build individual wealth. Addressing our nation’s housing challenge, in general, and more specifically this nation’s housing affordability crisis, is crucial to promoting economic opportunity in our country. To the extent FHFA remains focused on this mission and provides evidence through oversight hearings, it can help build paths to better opportunity in neighborhoods, with access to better schools, services, jobs and transportation.

Today’s housing supply is insufficient to meet our nation’s housing needs; and while we need housing at all price points, the most pressing is the need for housing for low- and

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<sup>1</sup> NMHC tabulations of 2020 American Community Survey microdata.

middle-income populations. For decades, America has witnessed the escalating challenge created by demographic shifts, public policy decisions and economic factors culminating in the inability of families to rent, buy or maintain stable, affordable and safe homes. This marketplace reality should provide context in which the Committee conducts oversight of FHFA in today's hearing and in the future.

Those at the lowest end of the income spectrum are especially vulnerable to these problems. More than one-quarter of renter households (28.3 percent) earn less than \$24,000 annually.<sup>2</sup> For these households, an affordable unit means one with a monthly rent of under \$600. However, the number of low-cost units renting for less than \$600 per month fell by 3.9 million between 2011 and 2019, reducing their share of the rental stock to just 22 percent.<sup>3</sup>

Housing for this population is also the hardest segment to build for without subsidy, given the costs associated with development. For many families, the shortage of rental housing that is affordable creates significant hurdles that make it even more difficult to pay for basic necessities like food and transportation. Ultimately, this also negatively impacts their future financial success. In June, Fannie Mae and Freddie Mac submitted housing equity plans to FHFA highlighting the ways in which they can assist in the production of affordable housing, which we hope the Committee will monitor going forward for progress toward this goal.

However, housing affordability challenges are not unique to lower-income households. The total share of cost-burdened apartment households (those paying more than 30 percent of their income on housing) increased steadily from 42.4 percent in 1985 to 54.7 percent in 2019, while more than 25 percent paid more than half of their income on housing in 2019.<sup>4</sup> Consider that the median asking rent for an apartment completed in the second quarter of 2021 was \$1,669, a 17 percent increase from the same period in 2016.<sup>5</sup> For a renter to afford one of those units at the 30 percent of income standard, they would need to earn at least \$66,760 annually.

## **Oversight of FHFA & Housing Finance Reform**

Federal policymakers must recognize that any discussion of housing finance reform is inherently a discussion of housing affordability. As FHFA continues in its conservator role and Congress considers housing finance reform, ensuring a stable future for rental housing is a critical component in addressing housing affordability for all income levels. One of the foremost priorities of federal policy makers should be getting multifamily right in any housing finance reform effort by recognizing its unique characteristics; it

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<sup>2</sup> NMHC tabulations of 2020 American Community Survey microdata.

<sup>3</sup> Harvard Joint Center for Housing Studies, "America's Rental Housing" (2022), available at [https://www.jchs.harvard.edu/sites/default/files/reports/files/Harvard\\_JCHS\\_Americas\\_Rental\\_Housing\\_2022.pdf](https://www.jchs.harvard.edu/sites/default/files/reports/files/Harvard_JCHS_Americas_Rental_Housing_2022.pdf)

<sup>4</sup> NMHC tabulations of American Housing Survey microdata (1985 – 2019).

<sup>5</sup> Joint Center for Housing Studies of Harvard University, *America's Rental Housing 2022*, pg. 28. [https://www.jchs.harvard.edu/sites/default/files/reports/files/Harvard\\_JCHS\\_Americas\\_Rental\\_Housing\\_2022.pdf](https://www.jchs.harvard.edu/sites/default/files/reports/files/Harvard_JCHS_Americas_Rental_Housing_2022.pdf).



is the single most critical factor to ensuring that the apartment industry can meet the nation's growing rental housing demand.

The Enterprise's multifamily businesses are an essential provider of debt capital for the apartment industry. The GSEs serve all markets and all income levels and have been particularly effective at providing capital to multifamily properties that serve low- and middle-income renters. For over a decade more than 80 percent of their business has served that segment of renters. Preservation of the mortgage liquidity currently provided by the GSEs in all markets during all economic cycles is critical. NMHC urges lawmakers to recognize the unique needs of the multifamily industry. We believe the goals of a reformed housing finance system should be to:

- Maintain an explicit federal guarantee for multifamily-backed mortgage securities available in all markets at all times;
- Ensure that the multifamily sector is treated in a way that recognizes the inherent differences between the multifamily and single-family businesses; and
- Retain the successful components of the existing multifamily programs in whatever succeeds them.

These principles should be the focus of any oversight effort by Congress along with steps taken by FHFA as conservator, toward a reformed structure that preserves the high quality and value of the current multifamily secondary mortgage market's activities.

We encourage the Committee to explore actions FHFA is taking with regard to the Enterprises to continue their positive loan performance metrics resulting from adherence to prudent underwriting standards, sound credit policy, effective third-party assessment procedures, conservative loan portfolio management and, most importantly, risk-sharing and risk-retention strategies, which collectively result in strong taxpayer protection and stable capital markets for multifamily borrowers. We believe further topics for oversight include management of the multifamily lending caps at both Enterprises to avoid market disruptions, efforts to address housing affordability for the rental market to ensure all Americans have a safe and decent place to call home.

FHFA has guided the Enterprises through a tumultuous chapter and helped set them on a course for a bright future. Going forward, Congress should hold FHFA to its word when it commits to supporting the needs of the multifamily marketplace, and together pursue a shared goal of healthier housing markets for renters across the country.

Sincerely,

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National Multifamily Housing Council

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