Chairman Duffy, Ranking Member Cleaver, members of the Subcommittee, it is my privilege to appear before you on behalf of the National Multifamily Housing Council and the National Apartment Association to provide the multifamily industry's perspective on housing finance reform.

My name is Bob DeWitt, and I am the President and CEO of GID Investment Advisers, a privately-held, vertically-integrated, diversified real estate operating company that develops, owns and manages a portfolio of existing and under-development rental apartment properties. I serve as Chairman of the National Multifamily Housing Council.

The apartment sector is a competitive and robust industry that helps nearly 39 million people live in homes that are right for them. We help build vibrant communities by offering housing choice, supporting local small businesses, creating millions of jobs and contributing to the fabric of communities across the country.

Today, we are experiencing fundamental shifts in our housing dynamics, as more people are moving away from buying houses and choosing to rent apartments. More than one in three Americans rent, and 19 million of those households are building their lives in apartments. In the past five years, an average of 600,000 new renter households were formed every year. This increased demand will generate a need for 4.6 million new apartments -- at all price points -- by 2030. To meet that demand, we will need to build an average of at least 325,000 new apartments every year; yet, on average, just 244,000 apartments were delivered from 2012 through 2016.

The apartment industry is extremely capital intensive. Therefore, it is critical that housing finance reform provide consistent access to debt capital across geographies, markets, and product types if we are to meet the current and future demand for rental housing in America.

Today, private capital dominates multifamily markets. Banks, life insurance companies, commercial mortgage-backed securities, and, to a lesser extent, pension funds and private mortgage companies are all key sources of capital for the multifamily industry.

Unfortunately, private capital alone is insufficient. Even during healthy times, the private market has been unwilling or unable to meet the totality of the multifamily industry's capital needs. For example, banks are limited by capital requirements and have rarely been a source of long-term financing, life insurance companies typically comprise less than 10 percent of the market and finance higher-end properties, and CMBS has also not fully returned to pre-crisis levels.

As this Committee considers housing finance reform, it is critical to remember that the Enterprises have ensured capital availability regardless of prevailing economic conditions. They have operated with great distinction -- even during the financial crisis – and the Committee should build on their success to ensure liquidity, stability and affordability in the growing multifamily housing market.

In this regard, we urge you to consider the following key six principles:

First and foremost, it is essential that a reformed housing finance system **maintain an explicit, paid-for federal guarantee for multifamily-backed mortgage securities available in all markets at all times.**

Second, recognizing the **inherent differences between the single family and multifamily sectors**, both in how they operate and how they have performed, will require different solutions to avoid putting at risk the nearly 39 million Americans who rely on the apartment industry for their housing. The positive performance of the GSE's multifamily programs are a direct result of their adherence to prudent underwriting standards, sound credit policy, and, most importantly, placing private capital at risk ahead of tax dollars.

Third, we share the view that ***private capital should dominate the multifamily sector wherever and whenever possible***. Reform should ensure continued private-sector participation.

Fourth, Congress should ***protect taxpayers by continuing risk sharing and private capital participation.*** Each GSE utilizes its own risk-sharing multifamily model that protects it from losses and places private capital in the first loss position. These models worked effectively through the economic downturn in shielding taxpayers from the bill for credit losses.

Fifth, Congress must **retain the successful components of the existing multifamily programs in whatever succeeds them**. Establishing a new business model for the multifamily businesses would only serve to disrupt capital flows to the apartment industry. The Enterprises' technology, processes, and personnel must be preserved as the Committee evaluates a new housing finance system.

Sixth, Congress should ***avoid market disruptions during the transition to a new system by clearly defining*** the government's role in a reformed system and the timeline for transition.

Finally, it is critical that the Federal Housing Administration continues to be a reliable source of construction and mortgage debt. FHA insures mortgages and is a source of construction and long-term debt for affordable and workforce housing.

Thank you for the opportunity to testify today, and I look forward to answering your questions.