

October 28, 2014

BY ELECTRONIC SUBMISSION

Alfred M. Pollard
General Counsel
Attention: Comments/RIN 2590-AA65
Federal Housing Finance Agency
Eighth Floor
400 Seventh Street, SW
Washington, DC 20024

Dear Mr. Pollard,

On behalf of the memberships of the National Multifamily Housing Council (NMHC) and the National Apartment Association (NAA), we are pleased to submit comments on the proposed rule issued on August 8, 2014, regarding the 2015-2017 Enterprise Housing Goals for Fannie Mae and Freddie Mac (the Enterprises). We support FHFA's assessment of the critical ongoing role for the Enterprises in the multifamily sector, and believe FHFA should promote a stable, liquid market for rental housing, including affordable multifamily properties and underserved market segments.

For more than 20 years, the National Multifamily Housing Council (NMHC) and the National Apartment Association (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. NAA is a federation of more than 170 state and local affiliates comprised of 63,000 multifamily housing companies representing 7.5 million apartment homes throughout the United States and Canada.

With over one third of all Americans choosing to rent their housing, the multifamily industry plays a key role in serving the housing needs of more than 25 million households. The ability of our industry to continue meeting the demand for rental housing depends on a consistent effort to support and improve the housing finance markets from FHFA for all rental markets, including affordable and subsidized units. The Enterprises play a key role in providing a stable source of capital to the apartment industry, and in turn help deliver an inherently affordable product to consumers.

Background

In 2010 FHFA issued its first set of housing goals for the Enterprises under the 2010-2011 Enterprise Affordable Housing Goals establishing certain benchmark goals for both single family and multifamily business. Presently FHFA is updating the goals and requesting comments on the 2015-2017 Enterprise Housing Goals. Since the first set of goals were issued, FHFA has modified the target goals, [NMHC/NAA Joint Legislative Program](#)

added sub-goals and placed a production cap on the total purchase volume for each Enterprise. NMHC has previously commented on the annual goals and particularly singled out a concern regarding the utilization of a production cap and the negative affect on the markets caused by the cap.

Similarly to the prior year's goals, this proposed rule focuses on lending to the low- and very low-income renter community through unit goals and adds a new unit sub-goal for small multifamily properties. We support this continued focus on affordable housing and endorse the addition of the small multifamily property focus as well. What is still a concern for us is the fact that the production cap is still being used to potentially constrain the Enterprises' business. We commend FHFA for providing some cap relief through the exclusion of targeted affordable properties, small properties and manufactured housing parks from the production cap, but still strongly believe that the production cap should be removed.

Influence of the Production Cap on Serving the Market

The housing goals outlined in the proposed rule call for the Enterprises to focus on serving the needs of the affordable housing market through maintaining and preserving access to housing finance. We strongly endorse this position but are concerned that the FHFA's previously issued Strategic Plan for fiscal years 2015-2019 could place a constraint that could negatively impact the full ability of the Enterprises to meet this goal. Contained in the FHFA Strategic Plan: Fiscal Years 2015-2019 is the following description about the activities of the Enterprises supporting affordable rental housing:

While FHFA will continue to impose a production cap on the Enterprises' multifamily business as part of the annual conservatorship scorecard, in order to encourage purchases in these underserved market segments, certain mission-related activities – such as affordable rental housing, buildings with less than 50 units and manufactured rental housing communities – will not count toward the production cap.

Our organizations do not believe the production cap imposed on the Enterprises fully comport with FHFA's goal to encourage purchases in underserved market segments. Leaving a cap in place does not meaningfully influence private capital participation for rental housing. Instead it holds the potential to constrain borrowers seeking financing for unsubsidized properties that are affordable at or below 80% of area median income, a business segment that represents a substantial portion of the Enterprises business. Rental subsidies are limited and subject to uncertainty in the annual Congressional authorization and appropriations process. Leaving the Enterprise caps in place without consideration for unsubsidized affordable units unfairly disadvantages the very rental products needed to address affordability challenges.

FHFA acknowledges that there are a significant number of multifamily loans maturing over the goals period that will serve to substantially increase the overall size of the market. We agree and believe this shared expectation is sufficient justification to remove the caps. However, should FHFA chose to keep

NMHC/NAA Joint Legislative Program

the cap in place, the process described below, that allows FHFA to adjust the benchmark levels based on certain market conditions for the annual housing goals, should be applied similarly to the production cap.

Under the housing goals regulation first established by FHFA in 2010, as well as under this proposed rule, FHFA may adjust the benchmark levels for any of the single-family or multifamily housing goals in a particular year without going through notice and comment rulemaking based on (1) market and economic conditions or the financial condition of the Enterprise, or (2) a determination by FHFA that “efforts to meet the goal or sub-goal would result in the constraint of liquidity, over-investment in certain market segments, or other consequences contrary to the intent of the Safety and Soundness Act or the purposes of the Charter Acts.”

Small Balance Unit Goal

The Safety and Soundness Act requires the Enterprises to report on their production volumes of low income small multifamily properties and allows FHFA to add a sub-goal for this market. FHFA is establishing a new unit based sub-goal for the Enterprises for small multifamily properties, defined as 5 to 50 units that serve low income (80% of AMI) tenants. We commend the Agency on establishing a benchmark for small multifamily properties and providing an incentive to the Enterprises to expand their offerings to owners within this market segment. This market segment plays an important role in meeting affordable housing needs across the majority of the United States. We further concur with taking a measured approach in serving this market, as it is one of the least well understood within our industry and the levels of the goals will require close monitoring during the roll out period.

Manufactured housing

Similar to small multifamily properties, manufactured housing communities serve the needs of affordable housing. This proposed rule encourages the Enterprises to serve the manufactured housing industry by making financing available for the manufactured housing parks. FHFA should be aware that the language in the rule “to encourage purchases in these underserved market segments, certain mission-related activities – such as affordable rental housing, buildings with less than 50 units and manufactured rental housing communities – will not count toward the production cap” conflicts with the fact that it is not counted towards the affordable unit goals.

As previously stated we support the GSEs serving all housing markets, including manufactured housing, and believe that the Goals should recognize the contribution towards affordable housing made by manufactured housing. We acknowledge there is an inherent challenge in determining affordability for manufactured housing which likely requires the development of a discrete methodology unique to that market segment.

We look forward to working with you and to your support of multifamily housing finance that broadly serves rental housing needs. If you have any questions, please contact David Borsos (NMHC) at 202-974-2336.

Sincerely,



Douglas M. Bibby
President
National Multifamily Housing Council



Douglas S. Culkin, CAE
President
National Apartment Association