FHA MULTIFAMILY AND THE APARTMENT INDUSTRY

NMHC/NAA Viewpoint

FHA's multifamily programs account for 9.2 percent of the total multifamily mortgage market. The programs provide a material and important source of capital for underserved segments of the rental market, and do so while maintaining consistently high loan performance standards.

Since its inception in 1934, FHA has been a cornerstone for the construction and permanent financing and refinancing of apartments. While it accounts for 9.2 percent of the total outstanding multifamily mortgage debt, it is a material and important source of capital for underserved segments of the rental market.

FHA multifamily is best known for offering an alternative source of construction debt to developers that supplements bank and other private construction capital sources. It also serves borrowers with long-term investment goals as the only capital provider to offer 35-40-year loan terms. FHA lending is essential to borrowers in secondary markets, borrowers with smaller balance sheets, new development entities, affordable housing developers and non-profit firms, all of which are often overlooked or underserved by private capital providers.

In normal capital markets, FHA plays a limited, but important, role in the rental housing sector. During the economic crisis, however, FHA became virtually the only source of apartment construction capital. Applications have increased from $2 billion annually to $10 billion, and HUD anticipates that demand for FHA multifamily mortgage insurance will remain high for the next several years.

53,000

Number of multifamily loans insured by FHA since its inception, including 13,000 currently in its portfolio.

FHA's Multifamily Programs have continually generated a net profit, and have met all losses associated with the financial crisis with reserves generated by premiums paid through the loan insurance program structure. Because premiums have consistently reflected the risk associated with the underlying loans, and because underwriting requirements have remained strong within the program, FHA's Multifamily Programs are able to operate as self-funded, fully covered lines of business at HUD. Some programs have struggled during the real estate down turn; however any losses have been covered by the capital cushion the multifamily programs collectively generate.

It is important to the apartment industry that FHA continues to be a credible and reliable source of construction and mortgage debt. FHA not only insures mortgages, but it also builds capacity in the market, providing developers with an effective source of construction and long-term mortgage capital.