



NATIONAL
MULTIFAMILY
HOUSING
COUNCIL



October 2, 2017

The Honorable Jeb Hensarling
Chairman
House Financial Services Committee
2129 Rayburn House Office Building
Washington, DC 20515

The Honorable Maxine Waters
Ranking Member
House Financial Services Committee
2129 Rayburn House Office Building
Washington, DC 20515

Dear Chairman Hensarling and Ranking Member Waters:

Thank you for your leadership on housing finance reform and for holding this hearing entitled, “Sustainable Housing Finance: An Update from the Director of the Federal Housing Finance Agency.”

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. As a federation of more than 160 state and local affiliates, NAA encompasses over 73,000 members representing nearly 9 million apartment homes globally.

We are experiencing fundamental shifts in our housing dynamics, as more people are moving away from buying houses and choosing apartments. 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 one million new renter households were formed every year, which is a record amount. This increased apartment demand means a critical need for 4.6 million new apartments at all price points by 2030. Access to capital to meet this demand is a crucial need of the apartment industry.

The bursting of the housing bubble exposed serious flaws in our nation's housing finance system. Yet, those shortcomings were confined to the single-family residential home mortgage sector. The Government-Sponsored Enterprises' (the Enterprises) multifamily programs were not part of the meltdown, and have generated over \$29 billion in net profits since the two firms were placed into conservatorship.

More than just performing well, the Enterprises' multifamily programs serve a critical public policy role. Even during normal economic times, private capital alone cannot fully meet the industry's financing demands. Many factors influence the apartment industry's health and its ability to meet the nation's growing demand for rental housing, but the availability of consistently reliable and competitively priced capital is absolutely essential.

The Enterprises ensure that multifamily capital is available in all markets at all times, so the apartment industry can address the broad range of America's housing needs from coast to coast and everywhere in between. Further, their business models weathered the recession, producing a strong credit performance with low delinquencies and losses. In fact, the multifamily model can provide valuable components that lawmakers and stakeholders can use as a basis for crafting a long-term solution for housing finance reform.

NMHC/NAA urge the Committee to recognize the unique needs of the multifamily industry. We believe the goals of a reformed housing finance system should be to:

1. Maintain an explicit, paid-for federal guarantee for multifamily-backed mortgage securities available in all markets at all times;
2. Recognize the inherent differences of the multifamily business from the single-family business;
3. Promote private market competition;
4. Protect taxpayers by keeping the concept of the Enterprises' multifamily first-loss risk sharing model;
5. Retain the successful components of the existing multifamily programs in whatever succeeds them;
6. Avoid market disruptions during the transition to a new finance system.

We look forward to working with the Committee as you undertake this important work.

Sincerely,



Doug Bibby
President
National Multifamily Housing Council



Robert Pinnegar, CAE
President & CEO
National Apartment Association