NATIONAL MULTIFAMILY HOUSING COUNCIL

NATIONAL APARTMENT ASSOCIATION

Multifamily Industry Requests for Housing Finance Reform:

Necessary Elements for a Future Housing Finance System

- **Government Guarantee:** The new system must have access to an explicit, government guaranteed backstop at the mortgage-backed security level. Given the market failure of the private sector to meet the apartment industry's broad capital needs, an explicit federal "backstop" guarantee for multifamily-backed mortgage securities should be available in all markets at all times.
- **Uniqueness of Multifamily Business:** Housing finance reform must reflect the different mortgage finance system for multifamily properties. A "one size fits all" approach based on the single-family market cannot work. Many opinions have been offered on housing finance reform but most focus exclusively on the single-family market ignoring the unique differences between the two markets. Many of the conservative operating principles governing Fannie Mae and Freddie Mac's multifamily businesses offer a solid framework for housing finance reform efforts, especially because they promote risk sharing that puts private capital before the taxpayer.
- **Broad Liquidity:** The mission of the new system should focus on providing broad liquidity support, not just emergency financing**,** to all markets at all times. The system must be consistently available. Moreover, it would be impossible to turn on and off a government-backed facility without seriously jeopardizing capital flows.
- **Taxpayer Protection:** Continued involvement of the private markets and protection for taxpayers by keeping the concept of the GSE multifamily first loss risk sharing models which put private capital ahead of taxpayers.
- **Private Market Competition:** Promote healthy competition and ensure that fees are structured to not crowd out private capital. Private markets are competitive today, providing the majority of multifamily debt. Housing finance reform should not reduce this level of market participation.
- **Strong Risk-Based capital:** Ensure that the new entities are adequately capitalized to effectively manage risk and have the ability to cover losses**.**
- **Empowered Regulator:** The regulator must have independence and experience in the multifamily industry.

Policy Considerations for a Future Housing Finance System

- **Affordable and Workforce Housing:** It is tempting to believe that more can be done to address affordability through housing finance reform, namely through imposing limitations on federal guarantees or other mandated benchmarks. We caution policymakers not to overreach, as such well-intended moves, if overly prescriptive, could have adverse consequences. Housing finance reform cannot address all affordability concerns, as there are factors beyond the reach of the finance system that contribute to housing expense and limit new supply. Providing financing options that support the development, long-term ownership and operation of multifamily properties while developing loan products that meet underserved markets is the most effective way a housing finance system can meet our nation's housing affordability challenges.

- **Transition:** Disruptions during the transition to the new system should be avoided. Specifically, personnel, systems, processes, portfolio and issued securities must all be maintained during the transition to the new system.
- **Limited Portfolio:** The structure should allow the ability to retain limited portfolio lending without a federal guarantee. This will allow for loan aggregation, pilot programs, and targeted transactions.

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