



February 11, 2016

The Honorable Blaine Luetkemeyer
Chairman
Subcommittee on Housing and Insurance
Committee on Financial Services
2440 Rayburn House Office Building
Washington, DC 20515

The Honorable Emanuel Cleaver
Ranking Member
Subcommittee on Housing and Insurance
Committee on Financial Services
2335 Rayburn House Office Building
Washington, DC 20515

Dear Chairman Luetkemeyer and Ranking Member Cleaver:

The National Multifamily Housing Council (NMHC) and National Apartment Association (NAA) applaud your leadership in holding a hearing entitled, “The Future of Housing in America: Examining the Health of the Federal Housing Administration (FHA).” Since its inception in 1934, FHA has been a cornerstone for the construction and permanent financing and refinancing of apartments through the U.S. Department of Housing and Urban Development (HUD).

For more than 20 years, NMHC and 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 nearly 170 state and local affiliates, NAA encompasses over 69,000 members representing more than 8.1 million apartment homes throughout the United States and Canada.

FHA multifamily programs traditionally account for approximately 10 percent of the total outstanding multifamily debt. It 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 substantially in the years since the crisis, and HUD anticipates that demand for FHA multifamily mortgage insurance will remain high for the next several years.

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. According to HUD, the FHA Multifamily portfolio stands at a historically low default/delinquency rate of 0.15 percent, making it one of the soundest lenders available for multifamily borrowers.

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. NMHC/NAA encourage Congress to continue funding FHA's multifamily programs, including:

- HUD 221 (d)(4) Multifamily Loans – New Construction and Substantial Rehabilitation of Multifamily Properties
- HUD FHA 223 (f) Multifamily Loans for the Refinance or Acquisition of Multifamily Properties
- HUD FHA 241(a) Supplemental Loans
- HUD FHA 223(a)(7) Refinance of an Existing FHA Insured Multifamily Mortgages and Healthcare Mortgages

In addition, NMHC/NAA support and encourage HUD to complete the Multifamily Transformation Initiative. HUD's Office of Multifamily Programs provides mortgage insurance to HUD-approved lenders to facilitate the construction, substantial rehabilitation, purchase and refinancing of multifamily housing projects. Completing the Transformation Initiative will restructure the organization and improve transactional and operational efficiency, enhance risk management tools and implement procedures that will result in significant savings across the organization.

Affordable housing is a significant and growing challenge for American families. FHA multifamily financing plays a vital role in providing housing affordability for our nation's citizens. NMHC/NAA encourage Congress to retain and strengthen FHA as a reliable source of capital for the apartment sector. Finally, NMHC/NAA wants to be in the forefront, helping to develop creative ways for policymakers to engage the private sector to advance the shared goal of delivering safe, affordable housing.

Sincerely,



Douglas M. Bibby
President
National Multifamily Housing Council



Douglas S. Culkin, CAE
President & CEO
National Apartment Association

cc: The Honorable Jeb Hensarling, Chairman, House Financial Services Committee
The Honorable Maxine Waters, Ranking Member, House Financial Services Committee