NATIONAL MULTIFAMILY HOUSING COUNCIL

NATIONAL APARTMENT ASSOCIATION

September 14, 2015

Mel Watt
Director, Federal Housing Finance Agency
Eighth Floor
400 Seventh Street, SW
Washington, DC 20024

Dear Director Watt,

The National Multifamily Housing Council (NMHC) and the National Apartment Association (NAA) would like to take the opportunity to provide input to the FHFA regarding the multifamily production cap as it begins to determine the 2016 GSE Scorecard objectives.

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.

Multifamily rental housing is critically important to our nation and, by its very nature, tends to be affordable. A variety of capital sources support the multifamily housing market. Each capital source is unique in its emphasis, market sensitivities, and scalability. For the financing and support of quality workforce and affordable multifamily housing, Fannie Mae and Freddie Mac are mandated to provide liquidity and stability in all market cycles, as well as to promote prudent standards in the multifamily market, as reflected in their extremely low delinquency and loss rates.

Their ability to address the financing needs of a range of multifamily property types and geographic markets has played a counter-cyclical role, including providing support to secondary, tertiary and affordable rental markets. Both GSE multifamily businesses have done so in a manner that incorporates substantial private capital bearing significant credit risk in their core activities. We support FHFA's assessment of the critical ongoing role for the Enterprises in the multifamily sector, and believe

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FHFA should promote a stable, liquid market for rental housing, including affordable multifamily properties and underserved market segments.

Beginning in 2012, the first year FHFA established a production cap on the total volume of GSE multifamily purchases, we expressed our concern that it would create uncertainty and disrupt a recovering market. We expressed this same concern in each of the following years when some form of a purchase volume cap was placed on their business. Earlier this year the cap did, in fact, cause uncertainty and market disruption in what is now a strong vibrant market. We commend FHFA for being receptive to market input and acting in a manner that temporarily alleviated the disruption.

The ability of our industry to continue meeting the demand for rental housing depends on a consistent and stable apartment housing finance system for all rental markets, including affordable and subsidized units. Our industry relies on access to a broad array of capital sources to meet its borrowing needs. Among the variety of financial market sources available, 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. Having an imposed lending constraint has already demonstrated the ability to disrupt a strong and stable lending environment that the apartment industry requires.

Looking forward to 2016

As FHFA looks forward in establishing the 2016 Scorecard for the Enterprises our message remains the same in opposing a production cap. The production caps are inherently artificial and disruptive because of their arbitrary nature. Additionally, the caps have the potential to hamper the efforts of borrowers seeking financing for properties affordable at 100% of area median income or below, with or without subsidy, which represents a substantial portion of the Enterprises' business. Over the past decade--a period that includes an overheated economy, a broad-based economic downturn and today a market trying to meet swelling demand, the GSE business models worked. They stepped in when the private markets could not, and then their market share shrank back to historic levels when the private markets returned. Further, every year over that entire decade nearly 90% the GSEs' annual purchase volume served renters who were at or below 100% of AMI providing financing for a key affordable rental market. The cap only serves to create market uncertainty and disruption when stable financing sources are most needed by the apartment owners.

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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
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