

October 8, 2013

VIA ELECTRONIC SUBMISSION

Federal Housing Finance Agency
OHRP Multifamily Housing Policy
400 7th Street, S.W., Room 9-261
Washington, DC 20024

Re: FHFA's Request for Public Input on the GSEs' 2014 Multifamily Scorecard

Our fourteen organizations represent a broad array of market participants involved in the financing, development, construction, ownership, and management of market rate and affordable multifamily rental housing. As organizations representing virtually all facets of the multifamily housing industry, we express our appreciation for the opportunity to provide our views regarding the Federal Housing Finance Agency's Request for Public Input on Fannie Mae and Freddie Mac's (GSEs) multifamily businesses and the development of the 2014 Scorecard.

Multifamily rental housing is critically important to our nation. Approximately 16 million to 17 million households live in multifamily rental housing (a development with five or more units). The vast majority of multifamily rental housing provides homes for households earning modest incomes, with more than 90 percent of multifamily rental apartments having rents affordable to households earning at or below the area median income. Given the importance of multifamily housing, it is vital that there be access to liquidity in all market conditions.

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 and affordable multifamily housing, Fannie Mae and Freddie Mac are effectively mandated to provide liquidity and stability in all market cycles, as well as promote prudent standards in the multifamily finance market. Their ability to address the financing needs of a range of multifamily property types has been essential, including their role in providing support to secondary, tertiary and affordable rental markets.

We believe that potential FHFA efforts to further reduce the GSEs' multifamily businesses — beyond the current 10 percent reduction applicable to 2013 — are unnecessary at this time.

Market-Driven Reduction. Market forces are already substantially reducing the GSEs' market share in multifamily finance. As FHFA is aware, when liquidity evaporated during the financial crisis, the GSEs ramped up their activities, reaching a peak market share of 59 percent of the total multifamily mortgage originations in 2009. Their share has declined since the crisis, with an estimated 41 percent of the total multifamily market in 2012, notwithstanding the fact that overall multifamily origination volumes have increased. FHFA, in our view, should refrain from intervention where market forces are naturally reducing the footprint of the GSEs in the multifamily market.

Conservatorship. FHFA serves as conservator of the assets of the GSEs. It is difficult to dispute the value to taxpayers of the multifamily business lines of the GSEs. Both businesses have been profitable and have been exceptionally prudent in their lending practices, as reflected in their credit performance with less than a 0.2 percent delinquency rate.

The GSEs' business models that rely primarily on securitization are widely recognized by the capital markets and utilize significant private capital through risk sharing arrangements that assume substantial credit risk positions. The talent of their respective staff is invaluable to the federal government. Significant shifts would place at risk the human capital in the GSEs' multifamily business lines. Mandated reductions would not conserve taxpayer assets and would lead to consequences that could jeopardize the viability and strong performance of these taxpayer-owned businesses.

Transition Forward. We believe that Congress should act to determine the future of multifamily housing finance. The heightened awareness and discussion on Capitol Hill regarding the future of housing finance are positive from both policy and practical perspectives. In order to support the transition to the end state and preserve optionality for Congress to act (among a range of policy approaches), we believe that FHFA should refrain from dismantling (wholesale or piecemeal) the existing multifamily businesses before Congress has acted. Slicing away value without a long-term focus is contrary to conservatorship principles and the need to support a transition forward.

Thus, we do not believe that FHFA should unnecessarily limit the GSEs' multifamily activities at this time. Indeed, potential reductions and uncertainty to the market could have negative impacts on rental housing at a time when demographic data suggest a greater need for workforce rental housing, particularly for low- and moderate-income households.

In conclusion, we believe that the multifamily housing market should continue to have access to liquidity throughout economic cycles. Until Congress acts to determine the future state of mortgage finance, we urge that FHFA act to preserve taxpayer value, support this essential part of the housing market, and facilitate the transition forward.

Sincerely,

American Bankers Association
American Seniors Housing Association
Council for Affordable and Rural Housing
Institute of Real Estate Management
Mortgage Bankers Association
National Affordable Housing Management
Association
National Apartment Association

National Association of Home Builders
National Association of Housing Cooperatives
National Association of Real Estate Investment
Trusts
National Association of Realtors
National Leased Housing Association
National Multi Housing Council
The Real Estate Roundtable