November 6, 2020

Rep. Nydia Velazquez
2302 Rayburn House Office Building
Washington, DC 20515-3207

Dear Rep. Velazquez:

The undersigned organizations representing affordable housing developers, owners, and lenders are pleased to support your bill to reinstate and expand the successful multifamily risk-sharing partnership between HUD/FHA and the Treasury Department/Federal Financing Bank (FFB). This partnership has proven to be an excellent source of long-term, fixed-rate mortgages for urgently needed affordable rental housing.

As you know, long-term, fixed-rate mortgages are important for affordable multifamily housing because they provide financial stability, but they are not widely available in the private market. Short-term and adjustable-rate mortgages create risk for affordable housing, which typically does not generate the large cash flow needed to sustain higher mortgage payments when interest rates rise.

Under FHA's multifamily mortgage risk-sharing program, lenders take 50 percent of the credit risk and use their own underwriting policies and procedures as approved by FHA. FHA risk-sharing maintains underwriting rigor while shortening approval and closing times, saving money, increasing flexibility, and improving reliability. The program works well for affordable buildings and loans of all sizes, including the smaller properties that are so important to neighborhoods and rural areas but are often hard to finance.

Risk-sharing is the only FHA multifamily mortgage program that requires affordability. From the first FHA-FFB pilot transaction in 2014 through the termination of FFB funding commitments in 2018, state and local housing finance agencies (HFAs) used FFB funding to provide $2.4 billion in mortgage financing for 24,754 apartments. Risk-sharing loan performance has been exemplary, with virtually no losses, even prior to the advent of the FHA-FFB partnership and through the Great Recession. Under your bill, community development financial institutions would also participate as lenders.

The FHA-FFB program is also good for taxpayers and HUD because: it reduces the federal government's risk exposure by 50%; it uses HUD/FHA staff more efficiently by delegating to lenders the primary responsibility for loan underwriting and processing; and according to OMB, each dollar of FHA-FFB financing generates 11 cents in budget savings, which HUD can use to support additional affordable housing.

Thank you for your leadership in support of the FHA-FFB partnership and affordable housing.

Sincerely,

Council for Affordable and Rural Housing
Enterprise Community Partners, Inc.
Housing Partnership Network
Leading Age
Local Initiatives Support Corporation
Low Income Investment Fund
Institute of Real Estate Management

National Affordable Housing Management Association
National Apartment Association
National Association of Affordable Housing Lenders
National Association of Home Builders
National Association of Housing Cooperatives
National Association of Local Housing Finance Agencies
National Association of Realtors
National Council of State Housing Agencies
National Housing Conference
National Housing Trust
National Leased Housing Association
National Multifamily Housing Council
Opportunity Finance Network
Stewards of Affordable Housing for the Future