

February 13, 2014

The Honorable Mel Watt  
Director  
Federal Housing Finance Agency  
Office of the Director  
400 Seventh Street, SW  
Washington, DC 20024

Dear Director Watt,

We congratulate you on your confirmation as Director of the Federal Housing Finance Agency (FHFA). The undersigned organizations, which support continued liquidity in the multifamily rental housing market, look forward to working with you in your capacity as regulator and conservator of the GSEs' multifamily housing finance activities.

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 effectively 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 rates. Their ability to address the financing needs of a range of multifamily property types and geographic markets has played a pivotal, 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.

In August 2013, FHFA invited comments on the development of a 2014 scorecard regarding the extent to which, if any, FHFA should limit the multifamily activities of the GSEs. The undersigned organizations, along with apartment owners, investors, lenders, interest groups and members of Congress, each provided detailed input to FHFA on the related options. The overwhelming recommendation was not to interfere with the GSEs' multifamily activities, particularly with any specific measures that would impose a blunt volume reduction or micromanage through the restriction of products, credit and other program activities. This viewpoint is based on, among other things, the strong competition in the multifamily finance market today that has already significantly reduced the GSEs' multifamily market share.

FHFA's action for 2013 (a mandated 10 percent reduction in each of the GSEs' multifamily volumes) increased market uncertainty with regard to GSE multifamily lending and created a disruption for apartment owners and lenders through sudden, unexpected regulatory action. Stability and consistency are critically important to multifamily housing finance, and taking further blunt action could disrupt market liquidity and signal considerable uncertainty to the market and the two multifamily businesses that are effectively taxpayer assets with value. Indeed, while the GSEs are in conservatorship, FHFA should allow market competition — which continues to be robust — to naturally impact the footprint of the GSEs in multifamily finance.

Finally, we believe that FHFA should re-examine its Strategic Plan for the GSEs in conservatorship with regard to the GSEs' multifamily business, which, to date, has focused exclusively on the theme of "contraction." We recommend the consideration of other strategic themes that are forward-looking — to build an even stronger foundation for a stable and resilient multifamily housing finance system that continues to attract significant private capital, while ensuring an appropriate government guarantee to promote stability and liquidity throughout market cycles.

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 Thomas Kim (MBA) at 202-557-2745 or David Cardwell (NMHC) at 202-974-2336.

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 Realtors  
National Leased Housing Association  
National Multifamily Housing Council  
The Real Estate Roundtable**