



November 7, 2022

Mr. Ethan Handelman
Deputy Assistant Secretary for Multifamily Housing
U.S. Department of Housing and Urban Development
451 7th Street, SW
Washington, DC 20410

Re: Request to Update Large Loan Policy for FHA Multifamily

Mr. Handelman:

On behalf of the Council for Affordable and Rural Housing (CARH), the Mortgage Bankers Association (MBA), the National Apartment Association (NAA), the National Association of Home Builders (NAHB), the National Association of REALTORS® (NAR), the National Leased Housing Association (NLHA) and the National Multifamily Housing Council (NMHC) we are writing to request your consideration on a matter important to the apartment industry and the residents we serve. We ask that the Department of Housing and Urban Development (“the Department”) increase the large loan limit threshold found in the Multifamily Accelerated Processing (MAP) Guide from \$75 million to \$120 million and review certain loan requirements we believe are unreflective of market circumstances and unresponsive to borrower needs.

FHA is an important source of capital for the multifamily industry, providing loan products complimentary to other debt sources in addition to its countercyclical, stabilizing role through all stages of an economic cycle. It is for these reasons, we believe the Department and apartment industry are aligned in our desire to see FHA active in the market in a prudent, beneficial manner for housing providers and residents. We believe a review of certain existing program policies demonstrates 1) the current \$75 million large loan limit does not appropriately reflect the variable cost drivers of multifamily housing, with recent years representing a particularly acute increase across a variety of cost components¹, 2) the intense underwriting scrutiny of large loans does not reflect the risk profile of the borrowers, quality of the collateral, or observed loan performance by the impacted loans, 3) large loans issued through FHA’s 221(d)4 program, play an important role in the effort to address America’s rental housing supply shortage and related affordability crisis, but current debt service coverage ratio requirements well exceeding alternative capital sources makes this tool less attractive to developers, and 4) the

¹ <https://www.nmhc.org/research-insight/research-report/nmhc-nahb-cost-of-regulations-report/>

collective impact of these policy concerns is a limitation on the ability of FHA and the Department to pursue stated goals and commitments², including affordability and energy efficiency.

The apartment industry today plays a critical role in housing this nation's households by providing apartment homes to 19.4 million households, contributing \$3.4 trillion annually to the economy while supporting 17.5 million jobs.³ We applaud the Department, Secretary Fudge, and Deputy Assistant Secretary Handelman for consistently highlighting and seeking to address a challenge our members struggle with every day; the supply shortfall of multifamily housing inadequate to meet the nation's housing needs. According to Hoyt Advisory Services, the U.S. needs to build 4.3 million more apartments by 2035 to meet the demand for rental housing.⁴ A factor limiting our ability to meet current and future demand is the increasing difficulty of building housing that is affordable to a wide range of income levels. For example, according to the Harvard Joint Center for Housing Studies, between 2012 and 2019, the price of vacant commercial land doubled, while the combined costs of construction labor, materials and contractor fees increased by 39%. The current policy related to large loan limits and loan terms renders FHA less able to fulfil its countercyclical role under today's challenging market conditions and limits the ability of FHA to pursue its stated purpose.

We request that you increase the large loan limit threshold to \$120 million on an expedited basis and conduct a review of the loan product fit in the debt capital markets, to ensure FHA is appropriately balancing safety and soundness of the (GI/SRI) Fund with the need to provide usable financing options for apartment industry and the residents we serve.

We appreciate your consideration of our requests, and welcome additional discussion between the Department and industry stakeholders should you find that of value. If you have any questions or if you would like to discuss our views expressed in this letter, please contact Cindy Chetti, Senior Vice President of Government Affairs at NMHC by telephone at 202-974-2300 or by email at cchetti@nmhc.org.

Sincerely,

Council for Affordable and Rural Housing
Mortgage Bankers Association
National Apartment Association
National Association of Home Builders
National Association of REALTORS®
National Leased Housing Association
National Multifamily Housing Council

² <https://www.whitehouse.gov/briefing-room/statements-releases/2022/05/16/president-biden-announces-new-actions-to-ease-the-burden-of-housing-costs/>

³ NMHC Quick Facts

⁴ Hoyt Advisory Services, "Estimating the Total U.S. Demand for Rental Housing by 2035." (2022).