



NATIONAL
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HOUSING
COUNCIL

July 15, 2024

The Honorable Sandra L. Thompson
Director
Federal Housing Finance Agency
Division of Bank Regulation
400 Seventh Street SW, 7th Floor
Washington, DC 20219

RE: Request for Input: Federal Home Loan Bank Core Mission Activities and Mission Achievement

Dear Director Thompson:

The National Multifamily Housing Council (“NMHC”) and the National Apartment Association (“NAA”) (together, the “Associations”), and their members – owners, managers, developers, and financiers in the nation’s multifamily housing industry. On behalf of the Associations, we provide these comments to the Federal Housing Finance Agency (“FHFA”) in response to its Request for Input for the Federal Home Loan Bank Core Mission Activities and Mission Achievement (the “RFI”). The Associations appreciate and commend FHFA’s ongoing commitment to assess the status of the FHLBank system and seek public input as it considers additional changes to the current system in order to enhance the benefits each FHLBank offers to communities nationwide, and in doing so, extend the reach of the applicable programs and initiatives to further the FHLBank system’s statutory mission.

BACKGROUND:

For almost 30 years, NMHC and NAA have partnered to provide a single voice for America's apartment industry. Their combined memberships are engaged in all aspects of the apartment industry, including ownership, development, management, finance, and suppliers partners/service providers. NMHC represents the principal officers of firms that own, develop, manage, and finance apartments. As a federation of more than 145 state and local affiliates, NAA encompasses over 95,000 members, 141 affiliates, and more than 11.6 million apartment homes globally. The apartment industry today plays a critical role in housing this nation's households by providing apartment homes to approximately 38.9 million residents, contributing \$3.4 trillion annually to the economy.

The Associations are acutely aware of the affordable housing crisis facing communities around the country. Each year, more and more American are unable to afford rental payments for their homes due to the lack of supply, barriers to development, and regulatory burdens. In fact, the total share of cost-burdened households (those paying more than 30 percent of their income on housing) increased steadily from 28% in 1985 to 36.9% in 2021 and is growing, while others have been priced out of their



NATIONAL
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applicable communities altogether.¹

The Associations appreciate the importance of the FHLBank system to the current nationwide housing market. However, the FHLBank system has traditionally focused on advancing *single family housing* for communities across the country. Respectfully, there has been a significant missed opportunity on the part of the FHLBank system when it comes to *multifamily housing*. The current economic environment and FHFA's decision to conduct a review of the FHLBank system provide the perfect opportunity for the FHFA and broader FHLBank system to add additional and much-needed focus on multifamily housing efforts, and in doing so, advance its affordable housing and community development statutory mission in a more effective and efficient manner. Accordingly, the Associations respectfully urge FHFA to focus on multifamily housing in exploring and implementing improvements to the FHLBank system given the positive impacts such investments will have in helping to solve the nation's affordable housing crisis for all communities, particularly underserved, urban, and rural communities. However, while the Associations encourage the FHFA's improvements to the FHLBank system, they request that FHFA consider the limits to its authority in adopting regulatory changes and take only those actions it is permitted to take pursuant to statutory law and work with Congress to enact changes that are not within its purview.

RECOMMENDATIONS FOR CORE MISSION ACTIVITIES, MISSION ACHIEVEMENT AND MEMBER INCENTIVES

FHFA has requested input on the FHLBank's mission statement, measurements of mission achievement and incentive programs. In response to this RFI, the Associations recommend the following actions for FHFA's consideration.

- **Mission Statement and Mission Achievement**

The Associations support the current mission statement, and, in its efforts to update the same, encourage FHFA to maintain and strengthen the statement's focus on providing liquidity in support of multifamily housing.

In updating the metrics for evaluation of each FHLBank's mission achievement, FHFA requested feedback on developing measures of mission achievement. Given the critical role multifamily housing plays in providing housing for lower income households and groups with identified needs, the Associations urge FHFA in evaluating mission achievement to provide greater weight to activities that support multifamily housing, including providing liquidity for multifamily projects and improving its advance programs to better support multifamily housing. The Associations also encourage FHFA to identify certain types of projects and collateral supported by advances as high importance, such as adaptive reuse of underutilized retail and office space and construction of transit-adjacent housing and

¹ NMHC tabulations of 1985 American Housing Survey microdata, U.S. Census Bureau; 2021 American Housing Survey, U.S. Census Bureau.



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give additional weight to members engaging in activities that support these types of projects. Finally, in evaluating a member's mission achievement, the Associations support an approach focused on a member's core mission activities, which approach provides a more accurate reflection of a member's impact on housing and community development than an evaluation based on a member's mission focus.

While improvements to the FHLBank system's mission statement and mission achievement guidelines will increase *current* members' activity in housing and community development, the Associations encourage expanded access to membership so that more institutions are able to further the FHLBank system's mission. In particular, the Associations encourage FHFA to work with Congress to expand membership access to Independent Mortgage Bankers ("IMBs"). IMBs are significant originators and servicers of both single-family and multifamily loans. The present membership structure of the FHLBank prevents IMBs from becoming part of the FHLBank system, however broadening the eligible FHLBank membership to include IMBs could allow the system to better achieve its mission of serving affordable housing and community support. The IMBs could use the FHLBanks during times of economic stress when their traditional banking relationships may become impacted. Additionally, the IMBs could originate and obtain financing on a collateralized basis for multifamily originations. The Associations recognize maintaining the safety and soundness of the FHLBank system is a critically important step and should be carefully considered when allowing new members to enter the system. In adopting improvements to the implementation of membership requirements, the Associations encourage the FHFA to do so in a manner that strikes an appropriate balance between safety and soundness and the entrance of new members.

- **Member Incentives**

FHFA is considering an incentive-based evaluation program that provides additional benefits to members that demonstrate a greater commitment to housing and community development activities. The Associations support this approach and believe this will result in greater investment in affordable housing, as members will have an incentive to go above and beyond baseline thresholds of mission achievement.

FHFA has requested input on incentives for members that exceed the baseline threshold for mission achievement. The Associations support incentives such as grants, discounted rates, extended terms for advances, expanded access to Affordable Housing Programs and other similar programs and qualification under the Community Reinvestment Act for members that engage in greater activity in support of the FHLBanks' mission. In addition to encouraging members to engage in greater core mission activities, these incentives will allow such members to further increase their funding activities for affordable housing.

The Associations also support creating a level playing field for accessing these incentives that are dependent on a member's activities rather than the member's size. Community banks, credit unions and community development financial institutions ("CDFIs") play an important role in providing mortgage loans for affordable housing, including multifamily housing, and these institutions fill a market need for smaller loans. The Associations encourage incentivizing these small and mid-sized financial institutions to become



more involved in the multifamily housing lending. In addition to supporting these institutions through an incentive-based mission achievement program, the Associations encourage Congressional action to authorize smaller financial institutions with assets below the statutory cap to pledge Community Financial Institution collateral to secure FHLBank advances.

CONCLUSION:

On behalf of the Associations, we applaud FHFA's efforts to review the status of the FHLBank system and determine what steps can be taken to improve the effectiveness and efficiency of the system's programs going forward. As noted in this comment letter, multifamily housing has traditionally not been a major focus of the FHLBank system. Given the fact that the increased supply of multifamily rental housing at all price points in all markets will play a vital role in promoting economic growth and encouraging household stability for all American households, the Associations strongly urge FHFA and the broader FHLBank system to consider incorporating the multifamily housing sector into its various programs and initiatives. As the FHLBanks consider this newfound focus on the multifamily housing sector, the Associations stand ready to work with the FHFA, FHLBanks, Congress, and other stakeholders, to further these efforts in an effective manner.

Sincerely,

A handwritten signature in black ink, appearing to read 'Robert Pinnegar', with a long horizontal flourish extending to the right.

Robert Pinnegar
President & CEO
National Apartment Association

A handwritten signature in black ink, appearing to read 'Sharon Wilson Géo', with a long horizontal flourish extending to the right.

Sharon Wilson Géo
President
National Multifamily Housing Council