



July 20, 2023

The Federal Housing Finance Agency  
Office of Multifamily Analytics and Policy  
400 7th Street, S.W.  
Washington, D.C. 20219

To Whom it May Concern in the Office of Multifamily Analytics and Policy:

Our property management company, BH Management Services, operates over 106,000 unit in 360 properties located in 30 states and our multifamily investment company, BH Equities, is currently the 22<sup>nd</sup> largest multifamily owner in the United States. We operate conventional multifamily housing (with a strong presence in workforce housing), student housing and Build-To-Rent (BTR) communities. We employ 2,800 people and are headquartered in Des Moines, Iowa and Dallas, Texas with regional offices around the country.

We take our responsibility to our residents seriously and strive to create thriving communities and successful resident experiences. As such, we appreciate the importance of federal, state and local laws and regulations already in place that create rights and responsibilities for rental housing residents and providers.

BH was recognized in 2023 as Freddie Mac's Impact Sponsor of the Year as a direct result of our long-term Green Program (water and utility savings programs that directly benefit resident water and electric bills) along with our positive pay rent reporting initiative. We employ a diverse employee base: 71% of our managers are female and over 57.4% of our employees are people of color. We are an active user of both Freddie Mac and Fannie Mae loan programs with billions of loans outstanding and in good standing. We are a long-time Select Sponsor with Freddie Mac.

As a multifamily housing provider, resident rights are a critical part of the rental housing system and we are committed to providing safe, quality housing at a fair price for renters in all of our communities. As such, we caution against any FHFA efforts that could increase the risks associated with using Enterprise programs or limit broader housing availability and affordability goals, especially at this time of market uncertainty.

It is vital that FHFA remain focused on the Enterprises stated mission which is, "to serve as a reliable source of liquidity and funding for housing finance and community investment."<sup>1</sup>

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<sup>1</sup> About FHFA | Federal Housing Finance Agency "Mission", available at <https://www.fhfa.gov/AboutUs>.



## **Importance of Enterprise Capital Availability**

Many factors influence the ability of the multifamily housing industry to meet the nation's growing demand for rental housing, but the availability of consistently reliable and competitively priced capital is the most essential.

The Enterprises' multifamily programs serve a critical public policy role and ensure that multifamily capital is available in all markets at all times, so that multifamily housing providers, like us, can address the broad range of America's housing needs from coast to coast and everywhere in between.

We have seen evidence of the negative impact of current market conditions on multifamily housing finance and development—causing many in our industry to cut back significantly on new apartment construction. The actions contemplated in this RFI would impose confusion in the market and increase market uncertainty. This in turn would deter much-needed investment in housing supply and increase costs for housing providers and residents alike.

## **Rental Housing is Largely a State and Local Issue**

The relationships between multifamily housing providers and residents, the communities we serve, and the broader housing market are governed by layers of federal, state and local statutes, case law, regulations, and private contractual agreements—all providing specific rights and responsibilities. This includes building codes; contractual notices and disclosures; fair housing; eviction processes; consumer reporting and debt collection laws; and enforcement provisions to guard against fraud and abuse. Lease agreements outline the rights and responsibilities between residents and housing providers and are enforced by state and local courts.

Given that our policies and operations are largely governed by state and local laws and regulations based on local real estate market conditions, any one-size-fits-all new “protections” will undoubtedly lead to misaligned requirements that do not account for the unique housing needs of each of the communities we serve, nor other communities in dire need of affordable housing opportunities. In many cases, it could create a conflicting set of obligations or requirements.

## **Rent Control and Other Price Control Measures Have Been Repeatedly Proven to Limit the Supply of Rental Housing and Increase Costs**

America's renters and multifamily housing providers share the larger goal of addressing housing needs nationwide. Rent control research, however, has proven repeatedly that rent control is a failed policy that does not get at the root of the challenge—our nation's lack of supply. In fact, while rent control and rent stabilization laws purport to improve housing affordability, they often have exactly the opposite outcome and lead to increased costs and a reduction in the available supply of rental housing.

Layered on top of the aforementioned concerns are the many complexities that would result if a federal agency attempted to make broad assessments about rent at the federal level without input



from local or state officials per applicable jurisdiction. FHFA should avoid any type of rent regulations, including rent control, rent stabilization or pricing policies as they would harm national affordability goals by deterring investment in much needed housing production, including the Enterprises' backed secondary mortgage market.

BH is known for buying and renovating Class B multifamily properties. We invest in clubhouse and building renovations, amenity spaces and improved unit interiors. At these properties, our rents typically are well below Class A rents and our residents are primarily “renters by necessity”. Our goal is to take the obsolescence out of Class B properties and provide affordable homes. If rents are artificially limited in a market, we are less likely to acquire properties and invest capital to improve real estate with a limited or unclear return.

### **Federal Policies Should Target the Root Causes of Eviction, As It Is Almost Always a Last Resort**

Evictions are a troubling experience for all parties involved, thus it is a last resort for us as housing providers. Private, public and non-profit rental housing providers engage in the eviction process as their only legal remedy to remove a resident who has breached the lease. While most evictions are premised on non-payment of rent, other causes include lease violations, fraud during the application process and other criminal activities.

We seek to mitigate evictions, most often by working with affected residents on payment plans and connecting them with social services.

We experienced a large spike in past due rent during 2020 and 2021. We helped our residents source over \$89 million of rent relief from over 500 programs nationwide funded primarily by the CARES Act. However, it was not enough to offset the higher-than-normal rent delinquencies that started in COVID and have continued along with the spike in fraudulent applications. We reviewed the applications from the past six months of evictions and 60% of them appeared to have some level of fraud – fake paycheck stubs, falsified social security card or fake ID. These applicants have no intention of paying rent because they know it will take 6-8 months to evict. Our solution to this problem is improving our review of all applications by centralizing our screening process and introducing new AI-based technology to support our specialist's review of each application. This is expensive and time consuming, but we believe that the path to reduce evictions is to prevent fraudulent applications from being approved and moved in. While there is much focus on housing affordability and housing providers, there has been little acknowledgment of the challenges being presented, notably increased delinquency and in some instances crime, by the sizable increase in fraud and organized efforts to obtain through deceit.

### **Conclusion**

We share the Administration's commitment to addressing the affordable housing crisis in our nation. However, imposing additional obligations for Enterprise multifamily borrowers will create instability in an already challenged market and undermine the important goals of fostering a



healthy housing market, increasing supply, and creating successful apartment communities. Inherent in ensuring stability for our nation's renters, is maintaining the current and future viability of the rental housing supply in this country. As such, respectfully, FHFA should refrain from placing new or expanded federal obligations on private rental housing providers and instead focus on leveraging federal resources in the form of incentives to bolster new affordable housing supply.

Sincerely,

BH Management Services

BH Equities