



Federal Housing Finance Agency
Office of Multifamily Analytics and Policy
400 7th Street SW, 9th Floor
Washington, D.C. 20219

Re: Tenant Protections for Enterprise-Backed Multifamily Properties: Request for Input

The Insurance Institute for Business & Home Safety (IBHS) is pleased to offer the following comments for your consideration in response to the Federal Housing Finance Agency's *Request for Input for Tenant Protections for Enterprise-Backed Multifamily Properties*. IBHS is a 501(c)(3) organization enabled by the property insurance industry's investment to fund building safety research that leads to real-world solutions for home and business owners, helping to create more resilient communities.

Severe weather disrupts lives, displaces families, and drives economic loss. IBHS delivers top-tier science and translates it into action so we can prevent avoidable suffering, strengthen our homes and businesses, inform the insurance industry, and support thriving communities. The perils we study at IBHS are part of the natural world in which we live, but social and economic disasters occur when these perils meet human populations that live or work in harm's way. In order to break the cycle of destruction, it is essential to address all aspects of the building performance chain: where you build, how you design and construct, and how well you maintain and repair. As a building science institute, IBHS focuses on the ways that weather behaves, what makes homes and businesses vulnerable, and how our buildings can be more resilient. We exist to help ensure that the spaces where people live, learn, work, worship, and gather are safe, stable, and as strong as the best science can equip them to be.

One of the ways we translate our science into action is through FORTIFIED™, a voluntary construction and re-roofing program designed to strengthen homes and commercial buildings against specific types of severe weather such as high winds, hail, hurricanes, and even tornadoes. Based on decades of lab- and field-based research, FORTIFIED is available for single-family, multifamily, and commercial structures.

Traditionally, resilience has been treated in the United States as an emergency management and disaster response and recovery issue. Further, when the resilience of housing is considered, it is often only in the context of single-family homeowners. Although resilience is a significant issue in those spaces, it also must be understood as a method to protect and preserve multifamily housing, which is why consideration the resilience of multifamily housing as a part of tenant protections is so critical. IBHS would welcome the opportunity to engage further with FHFA to discuss how our building science research and the FORTIFIED program can be leveraged by Fannie Mae and Freddie Mac to improve the resilience of enterprise-backed multifamily



properties. Please contact Michael Newman, IBHS's General Counsel, at mnewman@ibhs.org with follow-up questions.

Specific Input Requested

IBHS has no comment on those questions it does not respond to directly.

A-1. How should the Enterprises protect tenants in multifamily rental housing? What role should the Enterprises play in providing tenant protections at Enterprise-backed multifamily properties?

Federal investments in the built environment should fund projects that are built to withstand all knowable risks for a generation. Put another way, federal investments in housing and other structures should be built with sufficient resilience to withstand the natural perils expected to affect the location of the funded structure for the service-life of the building. Part of protecting tenants in multifamily rental housing includes making sure that those tenants have homes to return to should a natural disaster strike their community. The Enterprises should create incentives for Enterprise-backed multifamily properties to pursue climate resilient retrofits when they are performing capital upgrades to their properties.

Climate resilient retrofits to structures—sometimes called natural hazard mitigation—are a crucial way that Enterprise-backed multifamily properties can mitigate the risks of natural perils, including severe weather associated with climate change. Due to the research conducted at IBHS, actions to strengthen the resilience of residential structures are not just knowable but known. As noted above, the [FORTIFIED program](#), developed by IBHS and based on decades of scientific research, is a set of voluntary, beyond-code construction upgrades that improve a building's resistance to the effects of severe weather. In January 2022, the FORTIFIED program expanded to serve multifamily properties. To date, more than 1100 units are in multifamily structures that have been designated by the FORTIFIED program, with an additional 2500 units located in structures seeking a designation.

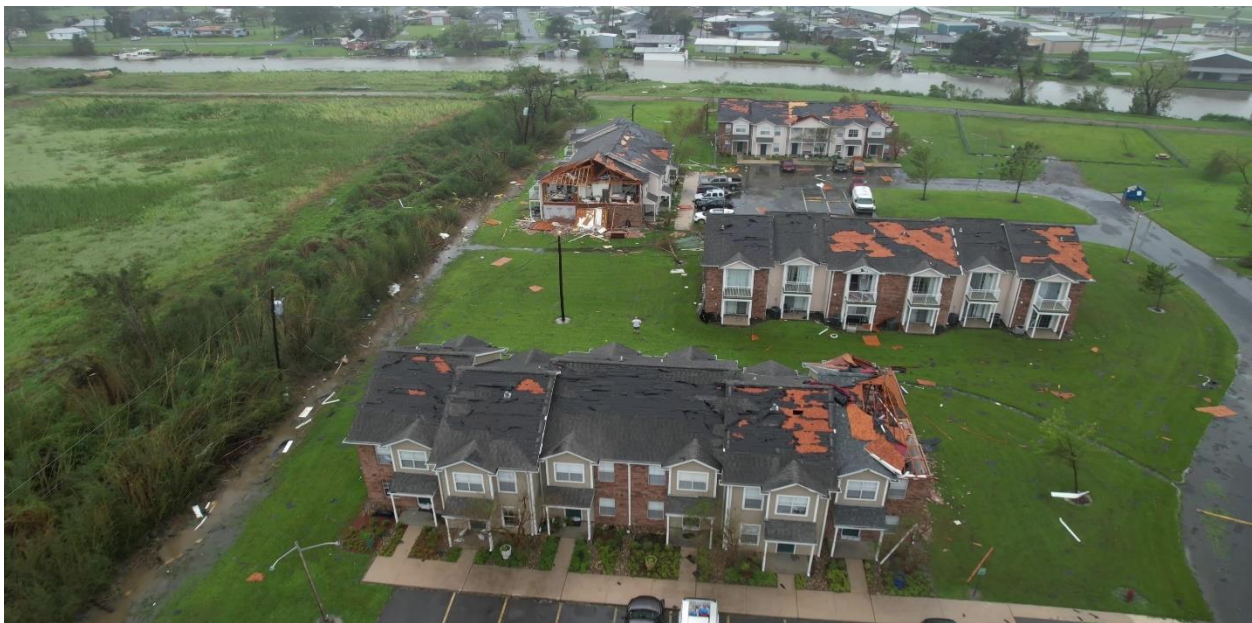
FORTIFIED provides multifamily property owners with the ability to achieve three increasing levels of resilience: FORTIFIED Roof™, FORTIFIED Silver™, and FORTIFIED Gold™. In the retrofit context, FORTIFIED Roof is usually the designation level achieved by property owners. IBHS has made the roof the foundation of FORTIFIED because an estimated 70 to 90 percent of catastrophic homeowners insurance claims include roof damage, as damaged roofs can lead to water intrusion that can significantly amplify damage to property. The technical standard for FORTIFIED Roof provides a three-tiered system that strengthens the roof through (i) more and stronger nails, (ii) locked down edges, and (iii) a sealed roof deck, which work in concert to keep the wind and rain out. FORTIFIED Silver adds increased levels of resilience through requirements on windows, doors, and siding, and FORTIFIED Gold adds requirements related to a continuous load path from the roof to the foundation.

The value of the program was made clear in the aftermath of Hurricane Ida, when structures built to FORTIFIED's requirements survived the Category 4-strength winds. One project in particular stands out. Les Maisons de Bayou Lafourche, an affordable, multifamily project in Lockport,

Louisiana, was approximately 90 percent complete when the eye of Hurricane Ida passed overhead. As demonstrated in the photographs below, the project escaped nearly unscathed, unlike neighboring properties destroyed by the hurricane. The Les Maisons project—which was funded in part by the Louisiana Land Trust, the Louisiana Housing Corporation, and the Louisiana Office of Community Development using HUD CDBG-DR grants, as well as funding from the Federal Home Loan Bank of Dallas Affordable Housing Program—is now occupied, providing safe, resilient, and affordable homes to numerous families.



Les Maisons de Bayou Lafourche following Hurricane Ida (Image courtesy of NOAA)



Neighboring development in Lockport, Louisiana following Hurricane Ida (Image courtesy of Brian Emfinger)



The FORTIFIED program is not only an effective means of reducing risk by increasing resilience—it is a cost-effective investment for multifamily property owners. A 2022 [study](#) from the University of Alabama’s Culverhouse College of Business (attached hereto as Appendix A) concluded that building or retrofitting to FORTIFIED has relatively minimal costs and a strong rate of return. Regarding new construction, the study found that the additional cost of building a multifamily structure to FORTIFIED Gold ranged from approximately \$12,000 to \$43,000 (a marginal cost increase of no more than 1.5 percent of total cost of construction), depending on area of the country and the code requirements in place. This calculation includes both the cost of the retrofit and the third-party evaluation services that document compliance with the technical standard. In return, property owners could reduce annual insurance premiums by \$1201 to \$6549. For investments in FORTIFIED Gold, property owners could realize an 8.1 to 72 percent internal rate of return.

Regarding retrofits, the study found that the additional cost of retrofitting an existing multifamily property to FORTIFIED Roof in hurricane and high wind zones is about \$9,000, which includes both the cost of the retrofit and the third-party evaluation services, in hurricane and high wind zones; and approximately \$19,000 in high wind and hail zones (with the additional cost arising from hail-resistant roof cover). On the other side of the equation, the study found that obtaining a FORTIFIED Roof designation could reduce annual insurance premiums by \$791 to \$1,533, depending on where the property is located. For investments in a FORTIFIED Roof designation, a property owner could realize an 8.3 to 35 percent internal rate of return on the investment for the property owner.

We support FHFA encouraging the Enterprises to finance and/or incentivize resilient construction practices, such as FORTIFIED, for both new construction and retrofits to Enterprise-backed multifamily properties. This will contribute to tenant protection through resilience in disaster recovery so that future natural disasters cause less suffering.

A-3. Are there opportunities for improvements to current Enterprise multifamily programs or policies that would benefit tenants directly? What impact might these improvements have on the finances and operations of multifamily rental housing?

As the Enterprises work to address affordable housing challenges, they have focused on preserving or creating affordable rental housing. We advocate that climate-resilient construction and retrofits are a major way to preserve affordable rental housing in communities facing natural disasters.

Hurricane Katrina, the costliest natural disaster in U.S. history, touched down on the Gulf Coast of the United States on August 29, 2005. The disaster resulted in the death of over 1,800 people, damaged 2.5 million homes, and displaced more than 1.2 million people. Natural disasters impact socioeconomically disadvantaged residents harder, leaving them open to displacement with the inability to return due to increased rental costs. Providing incentives for Enterprise-backed multifamily housing to invest in climate resilient upgrades like FORTIFIED can help prevent the displacement of these families, keeping tenants housed in affordable properties.



Put simply, homes are not “quality” unless they are sufficiently resilient to withstand knowable risk from severe weather. Further, they are not “affordable” unless they provide savings to the resident not just on the day of purchase (or lease signing), but on an ongoing basis as well. Just as investments in energy efficiency and renewable energy sources are good for the environment and the resident’s operational costs, so too do investments in resilience provide ongoing savings to the resident. Generally, risk reduction results in avoided damages from severe weather and reduced insurance premiums reflecting the reduction in risk. Given the state regulation of insurance, these savings vary from state to state. By way of example, homeowners can obtain discounts up to 42 percent (Oklahoma), 55 percent (Mississippi), or 55 percent (Alabama). In the multifamily space, a 2022 study from the University of Alabama’s Culverhouse College of Business (attached hereto as Appendix A) concluded that building or retrofitting to FORTIFIED has relatively minimal costs and a strong internal rate of return of 8.1-72 percent for investments in FORTIFIED Gold and 8.3 to 35 percent for investments in FORTIFIED Roof.

Providing incentives for Enterprise-backed multifamily property owners to build and retrofit resilient housing helps ensure that people are not only housed, but that they remain housed following natural disasters. In addition, quality housing that withstands severe weather allows working families to return home following natural disasters, which in turn supports local economies and economic revitalization by preventing businesses from closing from low demand and want of workers, protecting the local tax base. Whole community recovery requires support across multiple lanes, and quality housing is a foundational element without which the other factors are much harder to achieve.

Through technical assistance and other measures, the Enterprises can help multifamily property owners identify programs and investments that are designed to increase resilience while also identifying potential contractor fraud issues. For example, IBHS’s FORTIFIED program is not limited to a technical standard; independent, third-party verification is an essential component of the program. In the multifamily context, property owners hire an independent evaluator to review project designs and document that the re-roofing or construction project is both designed and constructed to IBHS’s program requirements. Such verification is particularly important considering the variation in building code adoption and enforcement around the country. In a 2022 analysis of building code quality throughout the nation, FEMA put 39 states in the lowest category, with 19 states receiving a score of 0 out of 100. Per the Biden-Harris Administration, “only about 35% of counties, cities, and towns [nationwide] have the latest codes in place, leaving millions of Americans more vulnerable to extreme weather and higher energy costs.” While FORTIFIED is not intended to replace a strongly enforced, modern building code, the combination of the program’s beyond-code technical standard and third-party verification process creates consistent resiliency across jurisdictions which also reduces the opportunity for contractor fraud.

A-7. With respect to the foregoing questions, FHFA invites interested parties to submit any studies, research, legal analysis, reports, data, or other qualitative or quantitative information that supports a commenter’s response or is otherwise relevant.

The following reports and studies, some of which are referenced elsewhere in this response, may be useful for FHFA:



- CoreLogic: [The Impact of Natural Catastrophe on Mortgage Delinquency](#)
- National Institute of Building Sciences: [Natural Hazard Mitigation Saves](#)
- Alabama Center for Insurance Information and Research: [Estimating the Economic Value of FORTIFIED™ Multifamily Construction](#)
- Alabama Center for Insurance Information and Research: [Estimating the Effect of FORTIFIED Home Construction on Home Resale Value](#)
- IBHS: [Suburban Wildfire Adaptation Roadmaps](#)
- IBHS: [Building Vulnerability to Wind-Driven Rain Entry](#)

E-1. What are the potential short-term and long-term financial benefits and risks associated with requiring certain tenant protections at Enterprise-backed multifamily properties, and how might such benefits and risks change over time? How might such risks, now or in the future, affect the ability of each regulated entity to operate in a safe and sound manner, fulfill its statutory mission, transfer credit risk and foster liquid, efficient, competitive, and resilient national housing finance markets?

Applying beyond code construction standards for new multifamily construction and climate resilience-enhancing retrofits to existing housing are crucial ways that the owners of affordable rental housing, public housing, and housing for vulnerable populations can better serve residents, while also reducing operating costs by reducing risk of loss and, relatedly, possibly reducing the cost of insurance. While there are additional costs associated with building to the FORTIFIED standard, the return on investment from a financial, environmental, and social perspective provides a strong return on investment. Stated differently, we can build right, or we will, inevitably, build twice.

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Unlike green standards, which are generally applicable across all regions of the United States, resilient building standards are risk-specific, and so any resilient building standard would have to be responsive to the risks within the grantee's region. One tool for identifying such risks is FEMA's [National Risk Index](#). Resilient construction standards that FHFA could consider include IBHS's FORTIFIED program for coastal and inland wind risk.

Thank you for the opportunity to contribute to this critical issue. If you have any questions, please do not hesitate to contact me at mnewman@ibhs.org.

Sincerely,

A handwritten signature in black ink, appearing to read 'MN' followed by a long horizontal line.

Michael Newman
General Counsel
Insurance Institute for Business & Home Safety