

July 28, 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 31-year-old company currently owns and maintains rental housing for over 40,000 people in over 27,000 apartments across 100 different apartment communities in six different states. Most of our communities are financed with mortgages from either Fannie Mae or Freddie Mac. Our rental housing communities represent naturally occurring affordable housing, deed restricted affordable housing, HUD voucher restricted apartments, rent controlled and rent stabilized housing, middle market housing and luxury housing. The communities we own and manage were originally built over a six-decade time span from the early 1960's all the way through 2023.

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. Having a view that includes the needs of future renter households is important to weigh alongside current renter households.

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."¹

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

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



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 and particularly new deed restricted affordable apartments. 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.

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 nothing to 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, particularly for those forming their first independent households.

Cities with rent control have clearly demonstrated over many years that a protected class of renters, many of them high income, is created that constricts what would otherwise be natural life cycle turnover driven apartment supply. This supply constriction in turn increases the rents on the limited available supply for newly formed households. Rent control regulation is often correlated with some of the most expensive places to live (New York City, Los Angeles, San Francisco, Santa Monica), but its role in making those places the most expensive (which is measured on the price of



available housing, not the protected class housing) to the exclusion of newcomers of more modest means is commonly overlooked.

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.

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 contract. 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 that have negative impacts on all stakeholders, most often by working with affected residents on payment plans and connecting them with social services. As observed during COVID, eviction restrictions act as a supply constraint by reducing apartment turnover to very low levels. If ultimately a resident in default does not have the will nor the ability to work with us on curing lease contract violations, having the rights needed to evict helps renew available supply for individuals and families seeking housing.

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,

MG Properties

