



July 31, 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:

Cortland is a vertically integrated multifamily investment, development and management firm, with over 85,000 multifamily units across 18 markets nationwide. Cortland is headquartered in Atlanta and has regional offices in Charlotte, Dallas, Denver, Houston, Orlando, and Phoenix. By mission, we are a customer-centric housing operating company, we strive to create best-in-class resident experience, and we believe the responsibility to our residents is paramount. 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.

Cortland has additional corporate policies designed to serve residents, including but not limited to:

- Clear and upfront disclosure of application-related fees
- A 72-hour cancellation period during the application process that also refunds the administration fee
- An escalated criminal history review process that allows applicants to submit additional information explaining unique circumstances
- Provisions for security deposit alternatives to reduce upfront move-in expenses
- A 45-day Move-In Satisfaction Guarantee that allows residents to vacate with minimal expense and hassle if they are not completely satisfied with their new home

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 providers, like us, can address the broad range of America's housing needs from coast to coast and everywhere in between.

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

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.

Past cycle experience has shown that an environment characterized primarily by challenges in the capital stack turn into financial challenges at a business level for owners, which manifest into operational issues at the property level. As capital budgets get cut, operations are pared, which in turn leads to decaying asset quality and degraded customer satisfaction.

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. Research has also found that rent control laws disincentivize reinvesting in maintenance of the existing housing stock, hastening obsolescence, generating negative impacts on related local employment/trades, and leading to worse housing quality for the resident.

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.

Proposed and implemented rent control measures have also caused concern among investors. Even just the potential for rent control measures shapes future expectations and therefore values and market actions today. The differential in potential outcomes brought about by rent control rhetoric sets the hurdle for expected returns higher, typically in a manner where the risk does not justify the reward. Cortland has found it necessary to avoid investment in areas where prevailing or potential rent control measures are present.

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. Cortland provides flexible rent-pay options that allow residents to break up their monthly rent into a series of payments instead of one lump sum at the beginning of each month. We also provide convenient, and free, electronic

payment options, and provide a credit reporting option to help residents build credit during their tenure through on-time payments.

The prolonged eviction moratoria resulted in a 200% increase in outstanding debt across our portfolio, and around the country we also have seen a sharp increase in fraudulent application activity, most notably in Georgia, North Carolina, and Colorado. We continue to see delays in addressing these issues across many municipalities due to backlogs in the court system.

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,

A handwritten signature in blue ink, appearing to read "S. DeFrancis", with a long horizontal flourish extending to the right.

Steven DeFrancis