



Enterprise Community Partners | Enterprise Community Investment

Housing Finance Reform Position Statement

Enterprise is a national nonprofit organization that creates opportunities for low- and moderate-income people through fit, affordable housing and diverse, thriving communities. Since 1982, Enterprise has provided financing and expertise to organizations around the country to build and preserve affordable housing and to revitalize and strengthen communities. Enterprise has raised and invested more than \$11 billion in equity, grants, and loans to create more than 280,000 affordable homes and strengthen hundreds of communities across the country.

As we begin to address the long term consequences of the recent housing and economic crisis, it is imperative that emerging solutions promote a sustainable housing and community development finance system. A crucial aspect of this reform focuses on ensuring affordable homeownership and rental housing options are available for people at all income levels, located in opportunity-rich communities with access to jobs, good schools, transportation and other amenities which support stable, productive lives.

As articulated in Congressional testimony, Enterprise recommends the following overarching priorities for housing finance reform:

- Maintain adequate capital flow, liquidity and stability for the multifamily housing market, both subsidized and unsubsidized. We must continue to ensure that there are affordable homeownership and rental housing options in all communities, both during and after the transition.
- Preserve the practices of the housing finance system that worked. The housing Government Sponsored Enterprises (GSEs) were critical in making low-cost capital available for affordable housing development and preservation for years, through loan purchases, securitizations, and investments.
- Protect historically underserved markets and demographics, like rural housing and small multifamily, as well as special needs populations, like the elderly, persons with disabilities and extremely low-income households. The new system must adequately and appropriately meet the needs of these markets.

Key Considerations for Housing Finance Reform

Enterprise has expertise in particular areas related to housing finance, and the outcomes of the debate and reform will impact our business and mission. Enterprise is a Federal Housing Administration (FHA) Multifamily Accelerated Processing (MAP) lender, providing permanent financing for housing and healthcare facilities. Enterprise is also a Fannie Mae Special Affordable Delegated Underwriting and Servicing (DUS) lender and a Freddie Mac Targeted



Affordable Housing lender. Enterprise's current expertise in multifamily finance notwithstanding, we believe that any reform of the housing finance system must ultimately serve the needs of both renters and owner occupants.

This document discusses our position on select issues, but is not intended to comprehensively address all points of debate.

Government Role in Secondary Mortgage Markets

While we believe that private capital should occupy the primary role in housing finance and the secondary mortgage market in the future, a fairly priced government guarantee sitting behind private capital, in addition to a direct government role, is essential.

- The private market has never fully served all markets at all times. Without some level of government intervention, certain locations, types of developments, and populations have been entirely left without access to fairly priced mortgage products.
- The federal government has a strong track record of working counter-cyclically and ensuring access to capital regardless of the strength of the economy. In times of financial crisis, the federal government has been critical in providing liquidity and stability as private sources of credit tighten.
- These concerns apply to both homeownership and rental housing.

Rental Housing

The supply of affordable rental housing stock in our country already does not meet the current demand, and the need continues to grow. There are large numbers of low-income renters struggling to afford stable, safe and decent housing who receive no assistance, as the Low-Income Housing Credit units or rental subsidies like Section 8 cannot serve all income-eligible households. The GSEs, with government backing, were critical for lending and investment in unsubsidized, affordable rental housing, increasing the supply of affordable housing for renters.

- In the coming years, millions of additional renters will be utilizing the nation's housing stock. To respond to this growing demand, we will need the levels of liquidity provided by the GSEs, which have been responsible for debt financing nearly all construction, substantial rehabilitation, and investment in affordable rental homes since the housing market crash.
- The routine rolling over of multifamily debt into new mortgages requires constant liquidity, irrespective of the point in the business cycle. This refinancing also allows for necessary capital upgrades to prevent the quality of the stock from deteriorating.
- More than half of all renters are currently served by housing units that are financed through single family channels, which is poorly suited to ensuring affordability. Moreover, over 9.5 million of the 38.6 million units of rental housing are located in small structures with 5-19 units, a market segment that has historically been difficult to serve under the current housing finance system. Comprehensive housing finance reform must



ultimately address the needs of these market segments, in addition to promoting affordability for units in larger buildings.

- In the future, the housing finance system should allow for and provide opportunities for innovation in financial products to meet the needs of all market segments.

Federal Housing Administration

Currently, FHA is oversubscribed—the volume has exponentially increased while staff and capacity have stayed stagnant or decreased. The resulting backlog has led to significantly longer processing, delaying the development of much-needed housing. Additional flexibility would improve performance and efficiency of the agency overall.

- FHA’s competitive advantage is the ability to offer long-term fixed-rate finance that includes construction financing.
- FHA insurance and products should be covered by appropriately priced fees, covering any government or taxpayer risk.
- Policymakers should thoughtfully and carefully consider expanding FHA’s risk-share programs beyond existing channels and parameters to extend the reach of its products.

Multifamily Significance

The single-family and multifamily markets are extremely different and require nuanced solutions. The GSEs were particularly significant sources of capital and liquidity for the multifamily market.

- The multifamily mortgage market, including the portfolios of the GSEs, remained profitable prior to and throughout the crisis. In 2009 and 2010, the GSEs provided \$94 billion in mortgage debt for multifamily finance at a time when many other capital sources left the market.
- While many elements of the GSEs’ multifamily systems were very effective, there is an opportunity to improve on best practices and better serve populations in need, especially vulnerable populations and workforce housing. Additionally, small multifamily properties are in great demand as more families become renters and seek appropriate housing options.
- The GSEs’ single family and multifamily operations are almost entirely independent from each other, so it is possible to consider multifamily reform without reaching consensus on the future of the single family market.