Congress of the United States
Washington, DC 20515

November 1, 2013

The Honorable Edward DeMarco
Acting Director
Federal Housing Finance Agency
400 7th Street, S.W.
Washington, DC 20024

Dear Acting Director DeMarco,

We are writing to express our opposition to the approach outlined by the Federal Housing Finance Agency (FHFA) in the recently released "Options for Reducing Fannie Mae and Freddie Mac's Multifamily Businesses." FHFA should not proceed with further reductions in Fannie and Freddie's multifamily lending footprint for 2014 until the effects of the 2013 reduction are better understood and the economy shows measurable signs of continued improvement.

Multifamily housing is crucial to our constituents providing affordable housing opportunities that would not otherwise exist. At a time when rents are high, housing inventories are low and the need for more product in the market is strong, now is not the time to reduce the availability of multifamily capital and liquidity.

Fannie and Freddie's multifamily portfolio continued to perform well throughout the financial crisis and continues to perform well even today. Delinquency rates of multifamily loans held or guaranteed by Fannie Mae and Freddie Mac have remained less than 0.25 percent. In fact, at the end of August 2013, Fannie Mae and Freddie Mac 60-day delinquency rates were 0.18% and 0.05% respectively, marking a continuation of results below 1 percent dating back to 1997[1].

Fannie and Freddie's own analysis suggests a reduction in their multifamily footprint would lead to increased costs for borrowers and Freddie Mac recently wrote, "withdrawing government support would have a negative impact on the broader multifamily market[2]."

Much of the demand for certain loan terms is driven by the current low interest rate environment. With the Federal Reserve indicating a reversal of its current quantitative easing policies in the near future we urge FHFA to again proceed with caution. There are several external market factors that need to be considered before reducing loan terms offered by the GSE's. If long term rates rise in the near future, then the industry's product needs will change. Any further reductions in the lending portfolio should be delayed until we are in a more normalized interest rate environment.

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[1] Fannie Mae, August 2013 Monthly Summary, p.2 Serious Delinquency Rates - Multifamily Total
[2] Freddie Mac, "Report to the FHFA: Housing Finance Reform in the Multifamily Mortgage Market." December 2012. Page 1

The GSE's provide an important counter-cyclical role in the multifamily housing industry as well. In times of market stress the GSE's provide a reliable source of capital and liquidity when private sector capital retreats to the sidelines. The economy is still recovering from the recent financial crisis and any reductions in the availability of capital and liquidity will impede the housing sector's ability to fully recover.

As conservator and head regulator of the GSE's, your role as permitted under the Housing and Economic Recovery Act of 2008 is charged with taking actions: "(i) necessary to put the regulated entity in a sound and solvent condition; and (ii) appropriate to carry on the business of the regulated entity and preserve and conserve the assets and property of the regulated entity[3]." We wish to remind you there is currently no consensus in Congress on how to proceed with GSE Reform and therefore urge you to preserve and conserve Fannie and Freddie's role in the multifamily housing industry as well as not take drastic action that erodes their important role in the industry.

Sincerely,

Ed Perlmutter
Member of Congress

Denny Heck
Member of Congress

Gary Peters
Member of Congress

Bill Foster
Member of Congress

Gary Miller
Member of Congress

John Carney
Member of Congress

Gwen Moore
Member of Congress

Gregory Meeks
Member of Congress

Carolyn Maloney
Member of Congress

[3] http://www.gpo.gov/fdsys/pkg/PLAW-110publ289/pdf/PLAW-110publ289.pdf