NCSHA
National Council *of*
State Housing Agencies

Statement by NCSHA
To the U.S. House of Representatives Committee on Financial Services
Housing and Insurance Subcommittee
In Connection with a Hearing on
"The Cost of Regulation on Affordable Multifamily Development"
September 5, 2018

The National Council of State Housing Agencies (NCSHA) appreciates this opportunity to submit a statement in connection with the above-referenced hearing. NCSHA represents the nation's state housing finance agencies (HFAs).

We commend the Subcommittee for focusing on the cost of regulation, which has become a major barrier to the development of affordable multifamily housing in many parts of the country. Smarter, less burdensome regulation will enable the private sector to be more productive and ensure the fullest use of public resources, at all levels of government, in meeting our nation's housing needs.

As NCSHA wrote last year to the U.S. Department of Housing and Urban Development (HUD) as part of a comprehensive set of recommendations for opportunities for regulatory reform in several housing programs under this Subcommittee's jurisdiction:

> Alleviating regulatory burdens will help HFAs, other HUD grantees, and other program partners stretch scarce resources to meet growing affordable housing needs. In addition, HFAs' strong performance as partners with HUD in the administration of many key affordable housing programs shows that they deserve more flexibility and that HUD can entrust to them more program responsibility.[1]

As the Subcommittee considers the causes and consequences of regulation, we encourage it to look to the states for solutions, based on their long track record of efficient and effective program administration and a proven commitment to reducing regulatory barriers.

For example, 32 state HFAs administer performance-based Section 8 rental assistance contracts for HUD, representing more than 9,000 properties and 631,000 assisted units — almost 60 percent of all assisted units covered by the performance-based contract administration (PBCA) initiative. State HFAs' administration of this essential program for the development and sustainability of affordable multifamily housing has cut waste, ensured that properties remain in strong physical and financial condition, reduced improper subsidy requests, and promoted increased compliance with HUD policies and procedures.

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[1] NCSHA Comments to HUD on Program Deregulation Proposals, June 14, 2017

As HUD considers changing its rules regarding administration of project-based contracts, we urge the Subcommittee to ensure that the department's procurement process results in the selection of agencies that are publicly accountable, mission-driven, and devoted to the same affordable housing mission as HUD — with the capacity to do the job.

State HFAs understand the local markets within their states; administer a variety of state and federal programs they can bring to bear on preserving important assisted housing; and have strong working relationships with tenants, communities, owners, managers, and other housing policy-makers and stakeholders within their states.

Another example is the Multifamily Risk-Sharing partnership between state HFAs and the Federal Housing Administration (FHA). Congress created the program in 1992 to increase, streamline, and speed up FHA's multifamily mortgage production. To support more lending and provide a source of capital for smaller loans, especially in rural areas, HUD and Treasury created a special financing program a few years ago through which Treasury's Federal Financing Bank (FFB) purchases HFA Risk-Sharing loans.

This small but important program reduces the cost of financing and promotes more affordability and faster and easier processing; i.e., it results in a lower regulatory burden. FFB Multifamily Risk-Sharing actually generates revenue for the federal government, another indicator of its efficiency.

Thirty-eight HFAs participate in the Risk-Sharing program, and 14 HFAs have used FFB financing to support almost 200 affordable rental properties with more than 20,000 units. Despite the advantages of and demand for FFB financing, HUD's FY 2019 Budget proposes to wind down the FFB program this fiscal year and make no new loan commitments after September 30.

This would be a major missed opportunity to continue a federal program that reduces regulation, while providing financing for affordable multifamily development and preservation that would not otherwise occur. In fact, the alternatives available through HUD have a heavier regulatory burden. As a broad-based coalition of housing organizations recently wrote to HUD:

> Long-term fixed-rate mortgages are available through FHA's Multifamily Accelerated Processing (MAP), but it generally involves longer processing times, higher transaction costs, and adherence to 875 pages of MAP guidance — all of which limit its utility.[2]

We urge the Subcommittee to direct HUD to continue the FFB Risk-Sharing option for HFAs.

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[2] FHA-FFB Risk-Sharing Letter to HUD, July 24, 2018

Finally, there is an opportunity in the current Congress to strengthen and streamline the most important federal program for affordable multifamily housing development: the Low Income Housing Tax Credit (Housing Credit). The Housing Credit has financed roughly three million apartments for low-income families, seniors, veterans, and those with special needs. It creates opportunities for millions of families and individuals who would otherwise pay an excessive portion of their income for housing, live in substandard and overcrowded conditions, or face homelessness.

The Affordable Housing Credit Improvement Act (H.R. 1661) would make a number of modifications to make the program more efficient. The bill would make the Housing Credit more effective in rural areas, streamline the ability to combine it with other financing sources, and clarify rules that apply to Housing Credit-financed apartments that experience significant damage from disasters, among other common-sense improvements. The bill would also authorize more Housing Credits, in recognition of the need for additional investment, as well as smarter regulation, to meet our nation's housing needs.

Already, 40 percent of the Financial Services Committee and 164 members of the House overall have cosponsored this important legislation, and we urge those whom have not to do so.

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