

United States House of Representatives
Committee on Financial Services
2129 Rayburn House Office Building
Washington, D.C. 20515

August 23, 2023

The Honorable Sandra Thompson
Director
Federal Housing Finance Agency
400 7th Street, SW
Washington, DC 20024

Dear Director Thompson:

I commend the Federal Housing Finance Agency (FHFA) for its historic Request for Input (RFI) regarding the need for tenant protections in multifamily housing that is financed with mortgages backed by Fannie Mae and Freddie Mac (the Enterprises).¹ As regulator and conservator of the Enterprises, which back mortgage loans used to finance approximately 8 million multifamily housing units,² I write to urge FHFA to use its full authority in providing permanent and meaningful protections for tenants residing in Enterprise-backed multifamily homes by putting an end to unfair and exorbitant rent hikes, bolstering fair housing enforcement, improving housing quality standards, creating an Office of Tenant Protections, and more.

We are facing one of the worst housing crises in our nation's history and for most of America's 44 million renter households today, housing is their biggest monthly expense.³ In fact, median rents have skyrocketed over the last two years by between 20% and even 40% in some communities, which disproportionately affects low-income households and people of color.⁴ As former Chairwoman of the House Financial Services Committee, last Congress I held 55 hearings highlighting how these mounting affordability pressures are not only leading to greater housing instability and evictions, but are also exacerbating our nation's homelessness crisis and making the dream of homeownership unattainable for current and future generations.⁵ From hearings on health, safety, and affordability, to the role of private equity and corporate landlords, many of our witnesses, including numerous renters and people experiencing homelessness, highlighted the need for tenant protections against rent hikes, substandard housing conditions, and landlord violations. For too long, our country has not prioritized the needs of renters even though they make up a growing share of the U.S. population and often lack protections and representation. Everyone, no matter who they are, deserves the right to a safe and stable home in the community of their choice.

Unfortunately, while the Enterprises have affordability and social equity missions under the Affordable Housing Goals, Duty to Serve, and the Equitable Housing Finance Plans, the financing of multifamily housing with Enterprise-backed loans has not always resulted in fair and affordable housing options.⁶ For example, following FHFA's 2012-2018 Single-Family Rental Pilot Program that provided access to single-family mortgage lending to promote the purchase of foreclosed properties by private equity investors following the 2008 housing crisis, we witnessed a jumpstart in investor-owned single-family rental (SFR) housing.⁷ As a result, we have seen SFR rents set at above the national average, excessive fees, deferred maintenance requests, and higher rates of evictions, with a

¹ FHFA, [FHFA Requests Input on Multifamily Tenant Protections](#) (May 30, 2023).

² Urban Institute, [The CARES Act Eviction Moratorium Covers All Federally Financed Rentals—That's One in Four US Rental Units](#) (Apr. 2, 2020).

³ Moody's Analytics, [Moody's Analytics: Spending 30% of Income on Rent is the New Normal](#) (May 16, 2023).

⁴ Associated Press, [US rent growth easing, but remains a burden for many tenants](#) (Mar. 2, 2023); The Guardian, [Renters across US face sharp increases – averaging up to 40% in some cities](#) (Feb. 16, 2022); See also Joint Center for Housing Studies of Harvard University, [Inflation Pressures Are Stressing Renter Households](#) (Apr. 17, 2023).

⁵ House Financial Services Committee, [Waters Releases Report Celebrating Four Years of Historic Committee Achievements](#) (Dec. 30, 2022).

⁶ Wall Street Journal, [Fannie and Freddie Can Make Rental Housing Less Affordable, Critics Say](#) (Feb. 19, 2019); See also ProPublica, [When Private Equity Becomes Your Landlord](#) (Feb. 7, 2022); See also The Nation, [How Freddie Mac Helps Private Equity Profit From Tenant Misery](#) (Jun. 13, 2023).

⁷ FHFA, [Fannie Mae and Freddie Mac to Conclude Single-Family Rental Pilot Programs](#) (Aug. 21, 2018); The New York Times Magazine, [A \\$60 Billion Housing Grab by Wall Street](#) (Mar. 4, 2020).

concentration in low-income communities and predominately Black communities.⁸ Similarly, in the multifamily space, there have been reports of rent hikes, substandard conditions, exorbitant fees, real estate speculation and other questionable practices by owners of Enterprise-backed multifamily housing.⁹ In fact, after reports of egregious pad rent hikes, evictions, and other predatory practices in manufactured housing communities purchased by investors using Enterprise-backed loans, FHFA implemented consumer and tenant protections for manufactured housing residents.¹⁰ It is time to strengthen and expand the Enterprises' tenant protection toolkit. With the backing of U.S. taxpayers, the Enterprises provide reliable and affordable financing options for multifamily real estate, which also come with strong borrower protections and federal oversight. As such, these public benefits should be passed onto the families who rent from Enterprise-backed borrowers in the form of safe, decent, and affordable housing options with strong tenant protections.

As I and my Democratic colleagues on the House Financial Services Committee continue to fight for the investments needed to increase the supply of affordable housing and reduce the cost of rent and homeownership, I urge FHFA to utilize its full regulatory and administrative authority to stabilize housing costs and protect renters in the following ways:

1. Track rent hikes and mitigate skyrocketing rents by implementing reasonable limits on rent increases for Enterprise-backed multifamily properties.
 - While some industry comments to the RFI have urged FHFA to focus on its role in providing market liquidity to increase supply rather than on tenant protections, the reality is that the Enterprises have both liquidity and affordability mandates that FHFA must ensure are met. Ending exorbitant rent hikes while ensuring property owners can still manage and maintain quality housing is central to those mission-driven goals. Recent studies have shown that rent stabilization policies do not reduce housing quality or new construction when implemented effectively.¹¹ They can also be a helpful response to private sector interventions, such as homebuilding and lending, that while often generate high returns for investors, fail to increase supply and reduce housing costs for those most in need.¹² For example, every state in the country has seen a decline in low-cost rental housing and an uptick in higher cost housing over the last decade.¹³ Affordable and stable rents support housing stability and choice, financial well-being through increased savings, as well as on-time rental payments for landlords—a critical factor for ensuring the safety and soundness of the Enterprises.¹⁴
2. Implement housing standards that ensure housing quality, safety, accessibility, and resilience/energy efficiency across Enterprise-backed housing.
 - The Departments of Housing and Urban Development (HUD) and Agriculture (USDA) are required to maintain and enforce physical inspection and accessibility standards for all HUD and USDA assisted housing. FHFA should look to HUD's National Standards for the Physical Inspection of Real Estate (NSPIRE) as a starting point for model housing quality, habitability, and safety standard.¹⁵ FHFA should also look to align with HUD and USDA housing construction standards by requiring that any Enterprise-backed mortgages used to purchase newly constructed single-family and multifamily housing be built to the latest energy and

⁸ House Financial Services Committee, [Where Have All the Houses Gone? Private Equity, Single Family Rentals, and America's Neighborhoods](#) (Jun. 28, 2022); *Note*: To the extent that there are outstanding Enterprise-backed loans that were made through the Single-Family Rental Pilot Program, tenant protections established through this RFI should be extended to renters living in such properties.

⁹ *Id.*

¹⁰ Freddie Mac, [Update to MHC Tenant Protections](#) (Apr. 25, 2022); See also Fannie Mae, [Tenant Site Lease Protections](#) (Accessed on Jul. 26, 2023).

¹¹ Response to RFI Question A-4; University of Minnesota, [Minneapolis Rent Stabilization Study](#) (Sep. 7, 2021); See also Haas Institute for a Fair and Inclusive Society at UC Berkeley, [Opening the Door for Rent Control](#) (2018); See also USC Dornsife, [Rent Matters: What are the Impacts of Rent Stabilization Measures?](#) (Oct. 2018).

¹² *Id.*

¹³ Joint Center for Housing Studies of Harvard University, [Low-Cost Rentals Have Decreased In Every State](#) (Jul. 6, 2023).

¹⁴ Response to RFI Questions E-1 and E-2.

¹⁵ Response to RFI Questions B-3, D-5, D-6, D-7, and E-3.

building codes.¹⁶ These standards are not only shown to lower household utility bills, which help reduce housing cost burdens and default risk, but also make housing more energy efficient and resilient in the wake of worsening climate change and more frequent disaster events.¹⁷

3. Create tenant remedies for non-compliance with housing quality standards, including by ensuring tenants' right to organize through tenant associations and tenant unions and by creating an Office of Tenant Protections to enforce all tenant protections required by FHFA and the Enterprises.
 - It has been reported that some owners of multifamily properties with Enterprise-backed mortgages employ business models that rely on increasing rents while deferring critical maintenance.¹⁸ This not only puts renters' health and safety at risk while threatening their financial stability, but it also diminishes the quality and value of the underlying asset that secures the Enterprise-backed mortgage and therefore, ensures the safety and soundness of the Enterprises. If necessary, FHFA and the Consumer Financial Protection Bureau (CFPB) should enter into a data sharing agreement to ensure FHFA can access any relevant consumer complaint database information, which often includes tenant complaints.¹⁹ As outlined in the White House's Blueprint for a Renters Bill of Rights, "renters should have the freedom to organize without obstruction or harassment from their housing provider or property manager and should not risk losing their housing because of organizing."²⁰ FHFA should establish a right to organize in Enterprise-backed properties, which ensures tenants can hold their landlords accountable and have access to information about who their landlord is and how to contact them. The creation of an Office of Tenant Protections within FHFA's Division of Housing Mission and Goals would help with the enforcement of required tenant protections, ensure accountability, and coordinate federal agency partnerships.
4. Strengthen anti-discrimination protections and ensure full compliance with federal fair housing laws.
 - The Enterprises should coordinate with HUD and the CFPB to share fair housing and consumer complaint data that can help identify any violations of federal fair housing and consumer protection laws that perpetuate illegal housing discrimination as well as unfair, deceptive, or abusive practices in Enterprise-backed multifamily housing.²¹ FHFA should also prohibit source of income discrimination, which has been found to exacerbate residential segregation and discrimination as it is often used as a proxy to deny renters fair and affordable housing based on race and other protected characteristics under the Fair Housing Act.²² Additionally, FHFA should work with HUD's Office of Fair Housing and Equal Opportunity to develop a policy that prohibits 1) screening of applicants based on a criminal disposition that did not result in a conviction and 2) blanket prohibitions on prospective tenants with any conviction record that does not "achieve a substantial, legitimate, nondiscriminatory interest."²³ Lastly, as part of their mission driven work, the Enterprises should consider investing in local fair housing enforcement efforts conducted by private, nonprofit fair housing organizations.

¹⁶ Federal Register, [Docket No. FR-6271-N-01](#) (May 18, 2023).

¹⁷ Response to RFI Questions A-1, A-3, D-2, E-1, E-2, E-3; Docket FR-6271-N-01, [Joint Comments on Adoption of Energy Efficiency Standards for New Construction of HUD- and USDA-Financed Housing: Preliminary Determination](#) (Aug. 7, 2023); See also House Financial Services Committee, [Built to Last: Examining Housing Resilience in the Face of Climate Change](#) (May 4, 2021); See also Institute for Market Transformation, [Home Energy Efficiency and Mortgage Risks](#) (Mar. 2013).

¹⁸ *Supra* note 6.

¹⁹ CFPB, [CFPB Reports Highlight Problems with Tenant Background Checks](#) (Nov. 15, 2022); See also National Low Income Housing Coalition, [Tenants Can File Complaints Against Landlords Who Violate CDC Eviction Moratorium](#) (Apr. 5, 2021).

²⁰ The White House, [The White House Blueprint for a Renters Bill of Rights](#) (Jan. 2023).

²¹ Response to RFI Question E-3.

²² Financial Services Committee, [Access Denied: Eliminating Barriers and Increasing Economic Opportunity for Justice-Involved Individuals](#) (Sep. 28, 2021); See also Urban Institute, [Landlord discrimination restricts the use of rental vouchers](#) (Jul. 22, 2013); See also National Fair Housing Alliance, [The Bad Housing Blues: Discrimination in the Housing Choice Voucher Program in Memphis, TN](#) (2022).

²³ U.S. Department of Housing and Urban Development, [Office of General Counsel Guidance on Application of Fair Housing Act Standards to the Use of Criminal Records](#) (Apr. 4, 2016).

5. Prohibit evictions without just- or good-cause to protect renters against unfair and harmful eviction practices.
- As stated in the White House’s historic Blueprint for a Renters Bill of Rights, “renters should have access to just- or good-cause eviction protections that require a justified cause to evict a tenant, and tenants need to receive adequate notice if their lease is not being renewed.”²⁴ As part of their mission driven work, the Enterprises should invest in eviction diversion and prevention programming, which has been well-documented as an effective tool.²⁵ These programs not only help increase access to quality housing, improve individual and community well-being, and increase economic mobility, but they also reduce government costs including less reliance on emergency shelters, and promote cost savings for the housing asset.²⁶ In one case in the Midwest, every \$1 invested in eviction prevention services between 2015 and 2017 created \$4 in social benefit.²⁷
 - FHFA should work with HUD in defining “good-cause” or “just-cause” evictions and should prohibit termination of tenancy based on criminal dispositions not deemed convictions under State or Federal law. Furthermore, owners should be required to establish an eviction policy that distinguishes between criminal conduct that indicates a demonstrable risk to the property or resident safety and criminal conduct that does not pose such a risk.²⁸

In the wake of the pandemic, we have seen exponential pressures on renters and the housing market, showing how volatile our nation’s housing crisis has become and the challenges it poses to equitable economic recovery.²⁹ Maintaining the status quo is no longer sufficient. Building on FHFA’s existing tenant protections for manufactured housing residents, as well as the White House’s Blueprint for a Renters Bill of Rights, I urge FHFA to move expeditiously in its review and consideration of RFI comments and to prioritize the experiences of renters living in Enterprise-backed multifamily housing. FHFA has a once-in-a-generation opportunity to protect renters and help stabilize our nation’s housing market for all. I thank you for your full consideration of the recommendations outlined above and please contact Alia Fierro (alia.fierro@mail.house.gov), Director of Housing and Insurance Policy, with any questions.

Sincerely,



Maxine Waters
Ranking Member, Committee on
Financial Services

²⁴ Response to RFI Question D-3; The White House, [The White House Blueprint for a Renters Bill of Rights](#) (Jan. 2023).

²⁵ Response to RFI Question D-2.

²⁶ Response to RFI Question D-1; CommonBond Communities, [Social impact measurement of CommonBond’s eviction prevention activities](#) (Apr. 2018).

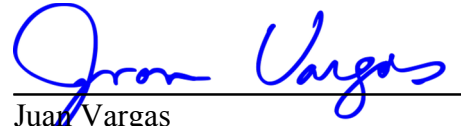
²⁷ *Id.*

²⁸ *Supra note 17*

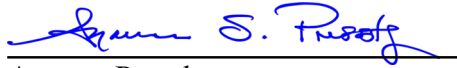
²⁹ Financial Services Committee, [Boom and Bust: The Need for Bold Investments in Fair and Affordable Housing to Combat Inflation](#) (Dec. 1, 2022).



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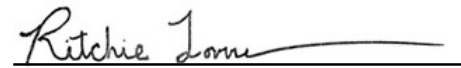
Ayanna Pressley
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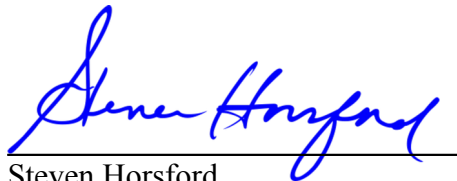
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CC: Patrick McHenry, Chair, Committee on Financial Services, U.S. House of Representatives