



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT  
WASHINGTON, DC 20410-1000

ASSISTANT SECRETARY FOR CONGRESSIONAL  
AND INTERGOVERNMENTAL RELATIONS

MAY 15 2014

Honorable Mark Takano  
U.S. House of Representatives  
Washington, DC 20515-0001

Dear Representative Takano:

On behalf of Secretary Donovan, thank you for your letter regarding your concerns about increased institutional activity in the single family housing market and the issuance of single family rental-backed securities and its potential negative impacts on communities. The Department of Housing and Urban Development (HUD) shares your concerns and is dedicated to promoting its mission of encouraging strong, sustainable, inclusive communities and quality affordable homeownership and rental homes for all. The following information is from HUD's Office of Policy Development and Research.

The Department has been monitoring the increased market presence of institutional investors in single family housing markets in recent years. Yet the 2011 American Housing Survey, conducted by HUD and the Department of Commerce, shows that investor interest in single family rental properties is not a new phenomenon as 28.6 percent of occupied single unit detached housing units in 2011 were renter occupied. While there is a risk that institutional investors may not maintain properties, a review of the prospectuses for the 2013 Invitation Homes securitization and the 2014 Colony American Homes securitization indicate that an average of \$20,000 was invested in rehabilitation of each rental property. While investor purchase of distressed residential properties helped stop the widespread decline in home prices and rehabilitation spending has benefited local economies, the geographic concentration in these first two securitizations also raises concerns that HUD will continue to monitor.

The Department also shares your concern that low- to moderate-income Americans are being denied access to mortgage credit and the opportunity to build wealth and strong communities through home ownership. To support broader access to credit, the Department has worked to clarify underwriting guidance and quality assurance standards to encourage originators to remove credit overlays that make it more difficult for borrowers to obtain mortgages. These efforts have helped with several large lenders announcing a reduction in restrictive overlays that better align with Federal Housing Administration (FHA) requirements that foster increased opportunities for first-time homebuyers and households with strong but imperfect credit associated with one-time isolated hardships such as the "Great Recession".

The Department's Distressed Asset Stabilization Program (DASP) addresses multiple policy objectives with regard to delinquent FHA mortgages. These include reducing the "shadow inventory" that has restrained the housing market, supporting communities hardest hit by the housing crisis, and increasing recoveries to FHA's insurance fund. DASP program requirements limiting foreclosures and requiring neighborhood stabilization outcomes along with the actions of

the nonprofits, local government entities, and private investors submitting winning bids have reduced foreclosures in DASP targeted areas and returned vacant properties to productive use. The Department will continue to monitor resolution of the distressed notes sold through DASP and will modify the program, as necessary, to improve neighborhood stabilization outcomes and FHA recoveries.

The Department as well as Fannie Mae and Freddie Mac under the direction of the Federal Housing Finance Agency (FHFA) have also implemented first look programs that allow first-time homebuyers and other owner-occupant buyers to view and bid on FHA and GSE real estate-owned properties without competition from investors. In addition, the Neighborhood Stabilization Program (NSP) authorized under Title III of the Housing and Economic Recovery Act of 2008 has provided funding to states and local governments for purchase, rehabilitation, and establishment of financing mechanisms to allow low- to moderate- income individuals to purchase foreclosed residential properties.

Thank you for your interest in the Department's programs, including those described above that are targeted to increasing opportunities for first-time homebuyers, stabilizing home prices, and strengthening local communities. If I can be of further assistance, please let me know.

Sincerely,



Dominique M. McCoy  
General Deputy Assistant Secretary  
Congressional & Intergovernmental Relations