

FHA ANNOUNCES ADDITIONAL STEPS TO SPUR AFFORDABLE HOUSING DEVELOPMENT

WASHINGTON – The Federal Housing Administration (FHA) published [a notice](#) today providing guidance on the new *Small Buildings Risk Sharing (SBRS) Initiative*. SBRS invites new private sector high-capacity lenders to partner with FHA to provide long-term fixed-rate lending products to multifamily property owners with mortgages of \$3 million and up to \$5 million in high-cost areas. SBRS builds on the successful record of affordable housing lending under HUD’s existing Risk Sharing programs with state and local housing finance agencies as well as Fannie Mae and Freddie Mac.

“Communities across the nation are seeking ways to support affordable housing production and preservation,” said Ed Golding, Principal Deputy Assistant Secretary for HUD’s Office of Housing. “The risk share initiative allows us to target our products to an important and underserved part of the rental market by partnering with CDFIs and other lenders who have on the ground relationships with small building owners in their communities. By offering FHA mortgage insurance and facilitating access to long-term fixed rate capital we can help preserve affordable housing for property owners and tenants.”

Small buildings comprise 34 percent of the total 17.5 million multifamily rental units in the U.S., housing nearly 6 million households and, on average, offer lower rents than larger properties^[1].

Nearly 60 percent of small rental property owners are individuals, households and estates who face significant constraints accessing financing due to more stringent credit standards than larger property owners and the loss of many local banks after the 2008 recession. SBRS is designed to encourage lenders to enter this market and provide long-term, fixed rate capital to small building owners.

In return for assuming 50 percent of the risk, approved lenders in the program underwrite and service the loans subject to minimum standards which can reduce processing times relative to traditional FHA mortgage insurance programs. FHA’s willingness to assume half of the risk can free up lenders’ balance sheets and allow them to increase their lending activities without an additional federal subsidy or new regulations.

Given the challenges of accessing long-term fixed rate capital even with an FHA guaranty, the Administration has asked the Congress for statutory relief to allow SBRS lenders to access funding through Ginnie Mae; in the interim, lenders will be eligible to access capital from the United States Treasury’s Federal Financing Bank at prevailing Ginnie Mae rates.

SBRS will provide new opportunities for lenders to make loans in rural communities. Rural communities have a disproportionately high share of small multifamily properties that could benefit from this program. Lending under this initiative will be limited to properties which are willing to meet affordability requirements to ensure at least of 20 percent of units rent for no more than 50 percent of area median income or 40 percent of the units rent for 60 percent of area median income.