Congress of the United States

Washington, DC 20515

September 24, 2026

The Honorable William J. Pulte
Director
Federal Housing Finance Agency
400 Seventh Street SW
Washington, DC 20024

Dear Director Pulte:

As federal agencies begin to implement the 21st Century Road to Housing Act (Public Law No: 119-101) and the Federal Housing Finance Agency (FHFA) responds to Executive Order 14393 ("Promoting Access to Mortgage Credit"), we urge FHFA to use its existing authority as regulator of the Federal Home Loan Bank (FHLB) System to direct more capital toward "missing middle" housing: 5-to-49-unit multifamily housing developments for ownership and rental.

There is a clear need for more housing developments in this range in urban and rural communities across the country. But too often, developers of condominiums and rental properties in the 5-to-49-unit range face a financing gap: the developments are too large for conventional lending for single-family residential development, (which is defined as 1-4 units) but too small to attract institutional capital. Senator Catherine Cortez Masto and outside experts Aaron Klein and Chris Hughes have outlined a good case for action.[1] According to 2026 data and a Congressional Budget Office study, the FHLB system holds $1.43 trillion in assets and receives an estimated $7 billion per year implicit federal guarantee on its debt.[2] FHLBs are statutorily required to allocate ten percent of net income towards affordable housing and in recent years have voluntarily allocated more, positioning them uniquely to close this financing gap. Multifamily construction starts have fallen more than thirty percent since 2022 as financing costs have risen. According to the Klein/Hughes study, directing a larger share of FHLB advances towards below-market loans for missing-middle buildings could support tens of thousands of additional housing units using the System's existing balance sheet without any additional federal spending through appropriations.

This is an area where FHFA can make real progress using tools at its disposal at no cost to taxpayers that is also squarely within the intent of Executive Order 14393, which directs the FHFA to consider "creating targeted FHLB liquidity programs for entry-level housing, owner-occupied purchase loans, and small residential builders" and facilitating "greater financial

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[1] Aaron Klein and Chris Hughes, "Reform the Federal Home Loan Banks to finance the housing America needs," Brookings Institution, April 27, 2026, https://www.brookings.edu/articles/reform-the-federal-home-loan-banks-to-finance-the-housing-america-needs/; Chris Hughes, "This is Why America is Short Four Million Homes," The New York Times, April 8, 2026, https://www.nytimes.com/2026/04/08/opinion/housing-loans-banks-congress.

[2] Congressional Budget Office, "Federal Subsidies of the Federal Home Loan Bank System," March 2024, https://www.cbo.gov/publication/59712.

leverage for small-scale…housing projects."[3] EO 14393 is clearly intended to improve capital flows towards important housing construction, of which 5-49 unit developments should be prioritized.

As you implement EO 14393 using your existing authority, we encourage FHFA to consider steps such as:

- Encourage FHLBanks to prioritize targeted advances and lending products aimed at 5-49-unit construction and rehabilitation to support affordable rental and homeownership opportunities;
- Encourage FHLBanks to build underwriting capacity and pilot programs for missing-middle lending; and
- Incorporate missing-middle lending data into future reports to the National Economic Council, Office of Management and Budget, and Congress.

We welcome the opportunity to discuss this further with you. Thank you for your consideration.

Sincerely,

Angela D. Alsobrooks
United States Senator

Sam T. Liccardo
Member of Congress

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[3] Exec. Order No. 14,393, "Promoting Access to Mortgage Credit," 3 C.F.R. (Mar. 13, 2026), sec. 4(a)(iv), (vi), https://www.whitehouse.gov/presidential-actions/2026/03/promoting-access-to-mortgage-credit/.