July 23, 2024

Chairman Patrick McHenry
House Committee on Financial Services
2129 Rayburn House Office Building
Washington, D.C. 20515

Ranking Member Maxine Waters
House Committee on Financial Services
4340 O'Neill House Building
Washington, D.C. 20515

Dear Chairman McHenry and Ranking Member Waters:

On behalf of the members of the National Multifamily Housing Council (NMHC) and the National Apartment Association (NAA)[1], we appreciate your leadership in exploring the rental housing industry's use of Artificial Intelligence (AI) in the hearing entitled, "AI Innovation Explored: Insights into AI Applications in Financial Services and Housing." Furthermore, we appreciate the continued leadership of the Committee in establishing the bipartisan Working Group on Artificial Intelligence and engaging directly with stakeholders to gather insights regarding the benefits and challenges of AI in various industries.

Rental housing providers use emerging technologies, like AI, to reshape business operations, improve housing affordability and benefit millions of American renters. Today, AI and related technologies in rental housing have led to significant gains in meeting resident expectation and demand. Applications of this technology continue to grow rapidly but, to date, include virtual touring, enhanced resident screening and leasing, home automation, predictive maintenance, and even improved property level climate resilience. These tools offer benefits to housing providers and residents alike, driving modernization of historic practices forward and maximizing operational efficiency and improving housing outcomes.

Below is a snapshot of some of the ways stakeholders in the multifamily space are utilizing AI and other technologies to improve operations and enhance renters' experiences:

- **Housing Developers** are using technology in critical ways to build and rehabilitate rental properties. A growing number of AI enabled platforms are cutting costs by

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[1] For more than 25 years, the National Multifamily Housing Council (NMHC) and the National Apartment Association (NAA) have partnered to provide a single voice for America's apartment industry. Our combined memberships are engaged in all aspects of the apartment industry, including ownership, development, management, finance, and suppliers partners/service providers. NMHC represents the principal officers of over 1,500 firms that own, develop, manage, and finance apartments. As a federation of more than 145 state and local affiliates, NAA encompasses over 95,000 members, 141 affiliates, and more than 11.6 million apartment homes globally. The apartment industry today plays a critical role in housing this nation's households by providing apartment homes to 40.1 million residents, contributing $3.4 trillion annually to the economy while supporting 17.5 million jobs.

automating design and planning and some are now even using AI to identify opportunities to develop in areas of need with favorable zoning and land use policies. Both are critical issues as we continue to work towards improved housing affordability, equity, and opportunity.

- **Housing Operators** are using AI enabled platforms to overcome labor market challenges, provide positive rental payment reporting services, improve the accuracy and reduce bias in resident screening, and even to identify cases of fraud in the application and leasing process to protect the financial viability of the property. NMHC and NAA surveys[2] and reports[3] have found staggering increases of application fraud, contributing to both the growth in rents and number of evictions. A vast majority of respondents (70.7%) reported experiencing an increase in fraudulent applications and payments, utilizing fraudulent documentation, financial statements and even identities in the past twelve months. AI enabled screening processes and machine learning are aiding in efforts to protect the financial health of properties and their long-term viability. Importantly, these tools also help reduce foreseeable risks to community residents and employees.

- **Housing Technology Suppliers** are the backbone of modern multifamily property operations. From the leasing office to managing a network of renter centric PropTech platforms, solutions are being deployed to solve some of our most stubborn housing challenges like increasing responsiveness to applicant inquiries and follow-up with residents, improving sustainability and resilience, providing enhanced security for residents and communities, and driving operational costs down through predictive maintenance.

- **Housing Owners and Financiers** are leveraging cost saving technology platforms to improve efficiencies, underwrite lending, identify investing opportunities to meet growing rental demand and work towards improving housing affordability. Through technology, owners can more quickly reallocate funding to drive production and preservation of critically needed rental housing. Even further, owners can deliver tech driven amenities, service and solutions that residents want and increasingly demand.

As evidenced above, housing providers are turning to these new AI tools to combat rising operational threats that are difficult to address – such as the rise in fraud in the application and leasing process – using traditional methods. When implemented properly, these technologies can greatly assist with management and other housing-related obligations and ensure residents receive the best living experience possible.

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[2] National Multifamily Housing Council, "NMHC Pulse Survey: Analyzing the Operational Impact of Rental Application Fraud and Bad Debt," https://www.nmhc.org/research-insight/research-report/nmhc-pulse-survey-analyzing-the-operational-impact-of-rental-application-fraud-and-bad-debt/.

[3] National Apartment Association, "Synthetic Fraud: How to Identify, Respond To & Prevent It," https://www.naahq.org/synthetic-fraud.

AI as a Tool for Reducing Bias

Empirical evidence suggests that while AI systems are far from perfect, they appear to result in less bias than human beings and may be taught to avoid bias. For example, renewing or enforcing leases, determining apartment rental pricing, screening applicants for rental housing and taking other resident-facing actions can be time-consuming, costly and inconsistent, despite the best efforts of property owners and managers. Some housing providers use, or are considering using, technology to address these issues. Industry best practices include providing for human oversight of decisions recommended by AI systems so that the automated recommendation is just one component in a process that gives humans a better set of information.

Consumer Data and the Need for Federal Privacy Protections

The relationship between the resident and the housing provider may span years and involve the collection and use of various types of information. Consumer data contained in screening reports and held by property managers and their service providers is crucial in accounting for rental history, tenure and payment data, which make up an important part of a resident's profile. These data points can also serve as tools to improve a resident's housing opportunities in the future. Rental housing owners and operators, and their service providers, rely heavily on highly sensitive, personal data about apartment applicants, residents and employees to run their day-to-day business and effectively integrate new technologies into their operations. Given the sensitivity of the information that rental housing operators rely on and the ever-expanding cyber threat landscape we face, our industry has placed a high priority on strengthening defenses against vulnerabilities and protecting sensitive data and consumer privacy.

To effectively regulate AI and emerging technologies used by the rental housing industry and beyond, NMHC and NAA strongly believe that it is necessary to first establish a comprehensive federal data privacy standard, and we hope to continue working with Congress to ensure that any legislation recognizes the unique nature and needs of the rental housing industry while ensuring the data that our members collect, use, and maintain is secure.

Industry-Driven Standards and Existing Federal Protections are Strong

Rental housing providers have worked to develop robust internal compliance plans and provide appropriate guardrails around their uses of AI, recognizing the key role these protections play in ensuring continued positive outcomes for all impacted parties. NMHC has been at the forefront of helping the industry navigate new technology by facilitating the creation of voluntary, flexible standards. NMHC and NAA members have engaged in this industry-driven standard setting over time and acknowledge the need for continual, internal review and oversight of AI models, processes, and outcomes to ensure that both business operations and resident impact is understood, and negative outcomes are prevented.

As policymakers consider AI developments, we urge the Committee to ensure any future AI regulations do not unnecessarily stifle innovation or undermine the pro-consumer and pro-housing benefits of new technologies. The current legal landscape provides strong protection against risks posed by AI, machine learning and algorithmic decision making. Any legislative and regulatory efforts should continue to promote principles that prioritize data integrity, mitigate bias, and acknowledge the legitimate business purposes for technology. Further, incorporating safe harbors into future approaches is a proven method

for providing the industry with the flexibility necessary to continue innovating as technologies evolve.

We thank the Committee for the opportunity to present the views of the rental housing industry as you examine the applications of AI in the housing and financial services sectors. NMHC and NAA hope to work closely with Congress as AI and other emerging technologies continue to evolve and create new opportunities to improve efficiency, resiliency, and affordability in rental housing.

Sincerely,

Sharon Wilson Géno
President
National Multifamily Housing Council

Robert Pinnegar
President & CEO
National Apartment Association