

2023
Affordable Housing Preservation
Loan Purchase

ACTIVITY:

E. HUD Rental Assistance Demonstration (RAD) program (12 C.F.R. § 1282.34 (d) (6))

OBJECTIVE:

1. Purchase loans for RAD properties.

SUMMARY OF RESULTS:

<i>Objective's components detailed in the Plan</i>	<i>Corresponding actions taken</i>	<i>Explanation of any deviations from the Plan (if applicable)</i>
<input checked="" type="checkbox"/> Finance 1,100 RAD units, which represents a 10% increase over the previous year's target.	In 2023, Fannie Mae purchased four loans that qualified as RAD transactions, accounting for approximately 2,035 units.	

SELF-ASSESSMENT RATING OF PROGRESS:

- Target met
- Target exceeded
- Target partially completed
- No milestones achieved

IMPACT:

- 50 – Very Large Impact
- 40
- 30 – Meaningful Impact
- 20
- 10 – Minimal Impact
- 0 – No Impact

IMPACT EXPLANATION:

1. How and to what extent were actions under this objective impactful in addressing underserved market needs, or in laying the foundation for future impact in addressing underserved market needs?

The Rental Assistance Demonstration (RAD) program was created to give Public Housing Authorities (PHAs) a powerful tool to preserve and improve public housing properties and address the multibillion-dollar nationwide backlog of deferred maintenance. The program is vital in giving PHAs the ability to leverage public and private debt and equity to reinvest in their public housing stock. Over the years, Fannie Mae has made product enhancements to strengthen lender engagement and provide affordable financing for RAD conversions. Our 2023 RAD loan purchases represented 2,035 units in four states — Charlotte, NC, Los Angeles, CA, New York, NY, and Richmond, VA — and supported \$539 million in construction financing for more than 2,000 units. Supporting property rehabilitation is a vital cornerstone of the RAD program and ensures that these properties will maintain decent, safe, and sanitary living conditions for their residents.



Looking ahead, we will continue to work with lenders to create a robust pipeline of RAD transactions.

2. What did the Enterprise learn from its work about the nature of underserved market needs and how to address them?

As we have seen year over year, it remains challenging for Fannie Mae to accurately forecast the number of RAD transactions per year. This is due to the length of execution for RAD transactions (which can be 18+ months), an inability to forecast public housing financing needs, and variations in funding for PHAs. We have heard feedback from lenders that the more straightforward deals have already been tackled and the remaining properties are more complex and will require more effort, adding to the challenge of accurately forecasting production. Overall, RAD transactions are very complex and have multiple stakeholders, layers of subsidies, and financing sources. We continue to learn how to navigate the various federal and local policies that play key roles in how quickly these transactions are executed. In terms of future opportunities, more than 50,000 units are still waiting to convert to RAD. Therefore, there will be opportunities to participate in additional RAD transactions in 2024.

3. Optional: If applicable, why was the Enterprise unable to achieve the Plan target?

N/A



Affordable Housing Preservation First Quarter Report: January 1 - March 31, 2023 Loan Purchase

ACTIVITY:

E. HUD Rental Assistance Demonstration (RAD) program

OBJECTIVE:

1. Purchase loans for RAD properties.

SUMMARY OF PROGRESS:

We remain off-track to meet our goal of purchasing loans for 1,100 units secured by RAD properties.

As of the end of the first quarter of 2023, we have acquired loans for 161 RAD units. However, our pipeline is gaining momentum, and we currently have 333 units committed and 1,728 units under application. Based on these pipeline figures, we are optimistic that we will meet our RAD objective.

While we are optimistic that we will meet our RAD objective, we also acknowledge that there are several factors that continue to pose challenges to financing RAD units:

- It remains challenging for Fannie Mae to accurately forecast the number of RAD transactions per year. This is due to the length of RAD transactions, which can be 18+ months, an inability to forecast public housing financing needs, and variations in funding for Public Housing Authorities (PHAs).
- PHAs have expressed challenges with resource constraints, delayed project-approval timelines, and hampered capacity to move projects forward due to COVID-related issues at their properties.
- RAD transactions are extremely complex in nature, and have multiple stakeholders, layers of subsidies, and financing sources. We continue to learn how to navigate the various federal and local policies that play key roles in how quickly these deals get executed.
- Some borrowers are waiting to rate lock due to interest rate volatility, making it difficult to forecast when these deals may close. We are seeing this across the Multifamily platform now.



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- In addition, 1,698 units on one of the transactions are subject to Housing Quality Standards (HQS) inspections that must be completed prior to closing, which may further delay closing.

SELF-ASSESSMENT RATING OF PROGRESS:

- On track to meet or exceed the target
- Progress delayed and/or partial completion of the objective expected
- Unlikely to achieve any milestones of the objective

ADDITIONAL INFORMATION (IF APPLICABLE):

While we are actively pursuing potential avenues to address this issue, we also acknowledge that the challenges we have noted in the past are still relevant.



Affordable Housing Preservation Third Quarter Report: July 1 - September 30, 2023 Loan Purchase

ACTIVITY:

E. HUD Rental Assistance Demonstration (RAD) program

OBJECTIVE:

1. Purchase loans for RAD properties.

SUMMARY OF PROGRESS:

We remain off-track to meet our goal of purchasing loans for 1,100 units secured by RAD properties.

As of the end of the third quarter of 2023, we have acquired loans for 363 RAD units. However, our pipeline is gaining momentum, and we currently have a large portfolio transaction with 1,698 units under application, which is scheduled to be delivered in 2023. Based on these pipeline figures, we are optimistic that we will meet our RAD objective.

While we are optimistic that we will meet our RAD objective, we also acknowledge that there are several factors that continue to pose challenges to financing RAD units:

- It remains challenging for Fannie Mae to accurately forecast the number of RAD transactions per year. This is due to the length of RAD transactions, which can be 18+ months, an inability to forecast public housing financing needs, and variations in funding for Public Housing Authorities (PHAs).
- PHAs have expressed challenges with resource constraints, delayed project-approval timelines, and hampered capacity to move projects forward due to COVID-related issues at their properties.
- RAD transactions are extremely complex in nature, and have multiple stakeholders, layers of subsidies, and financing sources. We continue to learn how to navigate the various federal and local policies that play key roles in how quickly these deals get executed.
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In addition, the 1,698 unit transaction mentioned above involves Housing Quality Standards (HQS) inspections that must be completed prior to closing, which may further delay closing.

SELF-ASSESSMENT RATING OF PROGRESS:

- On track to meet or exceed the target
- Progress delayed and/or partial completion of the objective expected
- Unlikely to achieve any milestones of the objective

ADDITIONAL INFORMATION (IF APPLICABLE):

While we are actively pursuing potential avenues to address this issue, we also acknowledge that the challenges we have noted in the past are still relevant.