



Fannie Mae 2020
Affordable Housing Preservation
Loan Purchase

ACTIVITY:

D. Statutory Activity: Low-income housing tax credits under Section 42 of the Internal Revenue Code of 1986, 26 U.S.C. § 42.

OBJECTIVE:

1. Increase purchases of mortgages secured by LIHTC properties (Do What We Do Best).

SUMMARY OF RESULTS:

Following are the 2020 Actions under this Objective per the January 1, 2021 Duty to Serve Plan:

<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"/> Purchase 92 loans secured by LIHTC properties, representing approximately a 26 percent increase over the Baseline.	•Fannie Mae purchased 138 loans secured by LIHTC properties meeting Fannie Mae's LIHTC definitions, representing an 89 percent increase over the baseline and a 50 percent increase over the 92 loan target.	•N/A

SELF-ASSESSMENT RATING OF PROGRESS:

- Objective met
- Objective exceeded
- Objective partially completed: 75-99% (substantial amount)
- Objective partially completed: 50-74% (limited amount)
- Objective partially completed: 25-49% (minimal amount)
- Objective partially completed: 0-24% (less than a minimal amount)
- No milestones achieved

PARTIAL CREDIT JUSTIFICATION:

N/A

IMPACT:

- 50 – Substantial Impact
- 40 – Between Meaningful and Substantial Impact
- 30 – Meaningful Impact
- 20 – Between Minimal and Meaningful Impact
- 10 – Minimal Impact
- 0 – No Impact



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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?

Fannie Mae continued to be a major source of liquidity in the Low-Income Housing Tax Credit (LIHTC) Market in 2020, with the acquisition of 138 loans for LIHTC properties in 2020 and over \$2 billion in UPB. Fannie Mae's LIHTC loan acquisitions are highly diverse: we financed properties in over 30 states, and while our smallest LIHTC loan acquisition was for a property of just 24 units in North Carolina, our largest was a 438-unit property in Los Angeles. The building types and neighborhood vary from project to project, but one thing remains the same; the LIHTC properties are a lifeline for millions of low-income families in the United States and Fannie Mae is an important source of liquidity in this market.

In addition to traditional Multifamily Affordable Loan Purchases, Fannie Mae continued to grow our MBS as Tax-Exempt Bond Collateral (M.TEB) product, which is nearly always paired with 4% LIHTC tax credits. In 2019, Fannie Mae financed ten M.TEB loans, for a total transaction amount of \$231 million. In 2020, despite the pandemic, Fannie Mae increased the number of M.TEB loans financed by 30 percent over the previous year. The M.TEB product fills an important gap in LIHTC financing and will continue to be an impactful addition to the Multifamily affordable housing finance market in the years to come.

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

When the COVID-19 pandemic became a full-blown crisis in the spring of 2020, there were many unknowns related to Multifamily mortgage finance. While individual LIHTC transactions have slowed, overall, the LIHTC market has proven to be fairly robust. Over the last nine months of 2020, Fannie Mae learned, along with developers and investors, how to be nimble and resilient in the face of challenge and uncertainty. Fannie Mae, and the LIHTC industry as a whole, modified procedures related to on-site appraisals and inspections, learned to manage extended closing timelines, and navigate COVID-19 responsive plans related to the tenant-in-place rehabs common in properties with new tax-credit awards. This resilience will continue to reap rewards in 2021 and beyond, as we have not seen the full impact of the pandemic on LIHTC development, and we expect to encounter additional challenges as we begin an expected economic recovery in 2021 and beyond.

3. (Optional): If applicable, why were all components of this objective not completed?

N/A