



Fannie Mae 2020  
Affordable Housing Preservation  
Loan Purchase

**ACTIVITY:**

J. Regulatory Activity: HUD Rental Assistance Demonstration (RAD) program (12 C.F.R. § 1282.34 (d) (6)).

**OBJECTIVE:**

1. Conduct outreach, review potential loan product enhancements, and purchase loans secured by RAD properties (Analyze, Test and Learn, 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"/> Review impact of framework agreements executed in conjunction with State or local Housing Authorities, revise as needed and expand successful elements to additional communities with a large pipeline of RAD conversions.	•Fannie Mae explored the framework agreements executed in conjunction with the NYC Housing Development Corporation to examine where and how the framework might be scaled or expanded to additional communities, and determined the best opportunities to do so will continue to be in New York State.	•N/A
<input checked="" type="checkbox"/> Continue stakeholder outreach through meetings and conferences.	•Fannie Mae continued stakeholder outreach through in person conferences early in 2020, such as the Residential Assistance Demonstration (RAD) Collaborative Convening in Austin, Texas, and through virtual meetings and phone calls with lenders, Public Housing Authorities, Advisory Council Members, State Finance Agencies, and other collaborators throughout the year.	•N/A
<input checked="" type="checkbox"/> Purchase loans secured by 15 RAD properties, representing a 400 percent increase over the Baseline.	•Fannie Mae purchased loans secured by 29 RAD properties, representing a 93 percent increase over the 2020 target.	•N/A



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<input checked="" type="checkbox"/> Review experiences with RAD program financing to inform the next Duty to Serve Plan.	•Fannie Mae reviewed RAD loan purchases from 2018-2020, and had conversations with lenders, Public Housing Authorities, and HUD to determine the best approach and targets for the next Duty to Serve Plan.	•N/A
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**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

**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?**

While Fannie Mae far-exceeded our Rental Assistance Demonstration (RAD) loan purchase target for 2020, more than half of the properties contributing to this goal are a part of what has become known as the “Manhattan Bundle.” In partnership with Wells Fargo and the New York City Housing Development Corporation, Fannie Mae completed a \$289 million RAD transaction, which will enable the renovation of 1,718 public housing units across sixteen properties in Manhattan. Serving low- and very low- income tenants, the Manhattan Bundle preserves affordability in one of the most high-cost markets in the country. Public housing serves some of the most high-needs populations nationally: based on 2019 HUD data, 23 percent of public housing units include a family



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member with a disability, 37 percent are elderly (head of household or spouse is aged 62 or older), and 36 percent are households with children. Residents will not be displaced during the Manhattan properties' renovations, which will improve unit interiors and safety over the course of the 30-year loan. The extensive upgrades are budgeted at \$158,000 per unit and include new kitchens, bathrooms, windows, doors, and flooring.

This RAD transaction has been in development at Fannie Mae throughout nearly the entire three-year Duty to Serve initial Plan period. From its inception in May 2018 to its close in November 2020, the Manhattan Bundle touched twelve teams and over forty staff members in the Fannie Mae Multifamily division. Its financing was complex, requiring us to work closely and think creatively. Additionally, because our collaboration was almost exclusively virtual in 2020, it meant being resilient in a remote environment – we balanced efficiency and flexibility and kept lines of communication open to navigate obstacles.

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

The New York City Housing Authority (NYCHA) is planning an enormous overhaul and conversion of its properties in the coming years. While we are unlikely to see such a large (16 property) transaction in the future, the lessons learned working on this project and with local New York stakeholders will be very valuable in securing Fannie Mae's ability to add liquidity, and quickly and efficiently finance RAD conversions in New York City for years to come.

Although many of the lessons learned and products developed for this particular market may not be applicable in every other RAD conversion, Fannie Mae is also looking forward to implementing lessons learned in smaller markets and smaller transactions in future years. Many smaller housing authorities face difficult challenges in the form of limited capacity, high capital needs, and limited financial reserves. While these challenges are different from those facing NYCHA, Fannie Mae has learned valuable lessons about working with state and federal stakeholders, subsidy layering, property inspections, and completing RAD conversions during a pandemic that will all be transferable to future conversions as HUD, Housing Authorities, and Fannie Mae work together to support the ability of smaller Public Housing Authorities to access much-needed financing for capital repairs and financial stability into the future.

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

N/A



**Fannie Mae**  
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**First Quarter Report: January 1 - March 31, 2020**  
**Loan Purchase**

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**OBJECTIVE:**

1. Conduct outreach, review potential loan product enhancements, and purchase loans secured by RAD properties (Analyze, Test and Learn, Do What We Do Best).

**SUMMARY OF RESULTS:**

In 2019, Fannie Mae expended considerable effort to develop internal and external Rental Assistance Demonstration (RAD) capacity, and to work with select State Housing Finance Agencies (HFAs) and other stakeholders to develop ways to improve the speed and scale of RAD transactions. In the first quarter of 2020, we have seen those efforts pay off. Although we have officially acquired loans for just one RAD property, we have more than enough properties in our pipeline to meet the target by year-end.

Unfortunately, a large portion of these properties are in the New York City area, an area that has been hit particularly hard by the COVID-19 crisis. We expect pandemic related delays, including delays in on-site inspections, to last several months, and are unable to predict at this time whether we will meet this loan purchase target in 2020.

Following are the 2020 Actions under this Objective:

- Review impact of framework agreements executed in conjunction with State or local Housing Authorities, revise as needed and expand successful elements to additional communities with a large pipeline of RAD conversions.
- Continue stakeholder outreach through meetings and conferences.
- Purchase loans secured by 15 RAD properties, representing a 400 percent increase over the Baseline.
- Review experiences with RAD program financing to inform the 2021 - 2023 Duty to Serve Plan.

**SELF-ASSESSMENT RATING OF PROGRESS:**

- On-target to meet or exceed the objective
- Progress delayed and/or partial completion of the objective expected



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Unlikely to achieve any milestones of the objective

**ADDITIONAL INFORMATION (IF APPLICABLE):**

Partial completion of the objective is expected due to unforeseen market challenges.



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**Second Quarter Report: April 1 - June 30, 2020**  
**Loan Purchase**

**ACTIVITY:**

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**OBJECTIVE:**

1. Conduct outreach, review potential loan product enhancements, and purchase loans secured by RAD properties (Analyze, Test and Learn, Do What We Do Best).

**SUMMARY OF RESULTS:**

By the end of the second quarter, Fannie Mae has acquired loans for three RAD properties, out of a total 2020 target of 20 properties. While this is less than 50% of the annual target, based on loans in our pipeline, we remain optimistic that we will be able to fully achieve the goal by year-end.

As stated in the Q1 narrative, a large portion of the properties in the RAD pipeline are in the New York City area, an area that was particularly hard hit at the beginning of the COVID-19 crisis. While the pandemic situation remains fluid, we believe the delayed closings in this region will be able to be finalized in 2020, and we continue to see RAD transactions added to the pipeline, showing that our outreach and product development efforts from 2019 and 2018 are paying off.

Due to more urgent priorities for PHAs arising from the COVID-19 crisis, and at the request of the chair and co-chair of Fannie Mae's PHA Advisory Council, we have put Advisory Council meetings on hold for the first half of 2020, though we look forward to reconvening the group as soon as it is feasible.

Following are the 2020 Actions under this Objective:

Review impact of framework agreements executed in conjunction with State or local Housing Authorities, revise as needed and expand successful elements to additional communities with a large pipeline of RAD conversions.

Continue stakeholder outreach through meetings and conferences.

Purchase loans secured by 15 RAD properties, representing a 400 percent increase over the Baseline.

Review experiences with RAD program financing to inform the 2021 - 2023 Duty to Serve Plan.



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**SELF-ASSESSMENT RATING OF PROGRESS:**

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

**ADDITIONAL INFORMATION (IF APPLICABLE):**

Loan purchase target at risk given inspection restrictions resulting from COVID-19.