



Fannie Mae 2020
Affordable Housing Preservation
Loan Purchase

ACTIVITY:

E. Statutory Activity: Other comparable State or local affordable housing programs.

OBJECTIVE:

1. Expand Fannie Mae’s multifamily affordable housing (MAH) definition to support other comparable State or local programs to preserve affordable housing and purchase loans (Partner and Innovate, 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 36 loans secured by properties under Fannie Mae-approved State or local affordable housing programs, representing a goal of approximately a 71 percent increase over the Baseline.	•Fannie Mae purchased 72 loans secured by properties under Fannie Mae approved state or local affordable housing programs, doubling the 2020 loan purchase target.	•N/A
<input checked="" type="checkbox"/> Analyze lessons learned in previous years to determine if modifications are needed to expanded guidelines and/or if there are additional State and/or local guidelines to be reviewed.	•Fannie Mae reviewed state and local affordable housing programs and continues to believe that evaluating and approving individual state or local programs on a one-off basis is not time effective and would need to be continually updated. Fannie Mae continues to count state or local affordable housing programs for Duty to Serve eligibility if they have rent and income restrictions targeting 80 percent of area median income (AMI) or below for at least 20 percent of their units.	•N/A
<input checked="" type="checkbox"/> Publish research on State or local affordable housing programs (format to be determined) so that the knowledge can be shared	•Fannie Mae, with the Grounded Solutions Network as a partner, published a report and executive summary describing the results of a	•N/A



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publicly to better inform the market.	three-year study and research effort to enumerate and analyze state and local affordable housing programs. The executive summary can be found here: https://multifamily.fanniemae.com/media/14236/display?_ga=2.146275569.453491849.1611157250-1701508370.1554143115 , and the full report is located on the Grounded Solutions Website: https://groundedsolutions.org/tools-for-success/resource-library/inclusionary-housing-united-states .	
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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



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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?

With a general decline in housing affordability and a rise in construction costs over the past decade, many state and local governments have been looking for solutions to increase the supply of new affordable housing. Inclusionary Housing (IH), which ties the creation of affordable, below-market-rate units with the development of new multifamily rentals and single-family homes, is one tool that can help provide both affordable housing and inclusive communities.

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

Fannie Mae learned a great deal about state and local affordable housing programs through our three-year partnership and survey project with the Grounded Solutions Network (GSN). GSN's findings, specifically related to what we are terming "Inclusionary Housing," found the following:

- According to GSN, states vary in their acceptance of IH programs, which affects local jurisdictions' ability to create IH programs and impacts the design of IH programs. In some states, such as California, Maryland, and Oregon, all IH programs are explicitly permitted by legislation. Six states have laws prohibiting at least some form of local IH programs, either by statute or by a court decision. These states, which include Texas, Tennessee, Indiana, Arizona, Idaho, and Kansas, are the least likely to have IH programs in local jurisdictions, if any.
- A total of 1,019 programs in 734 jurisdictions were identified as of the end of 2019.
- Although the GSN study identified IH programs in 31 states and the District of Columbia, nearly three-quarters of programs appear to be located in just three states: New Jersey, Massachusetts, and California. The average set-aside for affordable units in new developments is 16 percent, but 29 percent of IH programs require 20 percent or more of units to be set aside at affordable prices. For Fannie's Mae's purposes, only those projects with set asides of 20 percent or greater are counted for the Duty to Serve state or local affordable housing Objective.
- Most IH programs predominantly serve low-income households with annual incomes of between 51 percent and 80 percent of AMI. Rental inclusionary housing programs generally serve lower income levels than homeownership programs. In fact, 87 percent of for-rent programs, which apply to multifamily rental developments, serve households earning between 51 percent and 80 percent of area median income (AMI), compared to 23 percent of for-sale programs.
- The vast majority of IH programs, 93 percent, have affordability requirements that last for 30 years or longer, thereby creating the necessity to obtain financing for both the new affordable supply created by IH developments and for updating and preserving these units over the long-term.
- Importantly, GSN's IH study shows that a significant gap remains in understanding the administrative practices of IH programs. For instance, just over 40% of programs reported that they did not track units or fees. In addition, little is known about the transaction/lease details for units, such as in which neighborhoods the



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affordable units are located or the socio-demographic characteristics of participating households. The scarcity of this information indicates the need to find better ways to track the units created, in connection with more research on IH processes and outcomes.

In addition to the findings from the GSN partnership and research, Fannie Mae also learned a great deal about working with lenders and other counterparties to educate stakeholders on state or Local affordable housing eligibility criteria and program reporting, though gaps remain in available lender-reported data.

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

N/A