

2022
Affordable Housing Preservation
Outreach

ADDITIONAL ACTIVITY:

J. Residential Economic Diversity (RED) Activity (12 C.F.R. §§ 1282.32 (d)(3) and 1282.36(c)(3)).

OBJECTIVE:

2. Introduce a pilot product to accept Housing Choice Vouchers (HCVs) in markets without source of income (SOI) protections

INFEASIBILITY:

Check here if the Enterprise is submitting an infeasibility request for the objective.

SUMMARY OF RESULTS:

Objective’s components detailed in the Plan	Corresponding actions taken	Explanation of any deviations from the Plan (if applicable)
<input checked="" type="checkbox"/> Conduct outreach and implementation activities in pilot year to assess market adoption.	Fannie Mae launched the Expanded Housing Choice (EHC) pilot on April 4, 2022. Detailed below are the specific steps Fannie Mae took to conduct outreach and implementation activities to assess market adoption.	N/A
<input checked="" type="checkbox"/> Provide a standard quote option for all HCV eligible loans quoted in the cities of Dallas, Austin, and Charlotte regardless of whether borrower asks for an HCV quote option. Limiting the jurisdictions in the first year will provide the opportunity to manage volume in order assess the risk and return impacts.	Fannie Mae took an incremental approach to achieving this objective.	N/A



<p><input checked="" type="checkbox"/> Establish partnership with Public Housing Authorities (PHAs) and other housing advocates to create a proactive working relationship and position the product for launch.</p>	<p>Fannie Mae established partnerships with the PHAs located in Dallas, Austin, and Charlotte.</p> <p>The individual PHAs were briefed on EHC and provided feedback on the initiative as well as insights into their operations and strategic plans.</p> <p>Each PHA agreed to have their website and payment standards linked from the EHC website.</p> <p>Additionally, we worked with each PHA to create a profile on their capabilities and programs to leverage during our customer training and outreach activities.</p> <p>We leveraged the relationships for specific questions on deals, DHA (Dallas PHA) issued a press release on the program, and INLIVIAN (Charlotte PHA) connected our Marketing and Communications teams with a local reporter covering affordable housing in the Charlotte market.</p> <p>In addition to the PHAs, we worked with a number of other housing advocates and stakeholders to promote the program and garner feedback. We expect to continue to leverage these relationships in 2023. A sample of the</p>	<p>N/A</p>



	<p>conversations and lessons learned is outlined below.</p> <p>We partnered with an industry organization whose philosophy on vouchers aligned with the EHC program and were able to promote the program via its channels and connect directly with some of its members.</p> <p>Fannie Mae connected with a local housing non-profit to learn about its financial incentives and services that support housing providers and renters. We pitched the non-profit's program and EHC on a small portfolio and learned that the housing provider found the benefits compelling.</p>	
<input checked="" type="checkbox"/> Conduct at least three (3) lender and borrower trainings to introduce product enhancement and offer forum for questions.	<p>Fannie Mae hosted four lender trainings and one borrower training. Fannie Mae also launched an EHC webpage (the content is covered in detail below). This was supported by a robust Marketing and Communications strategy that will continue into 2023.</p>	N/A
<input checked="" type="checkbox"/> Conduct five (5) lender and borrower meetings to develop a formal assessment of launch activities and develop best practices.	<p>Fannie Mae's Products team conducted more than 25 lender and borrower meetings to discuss EHC and gather feedback on the program.</p>	N/A
<input checked="" type="checkbox"/> Conduct research activities to collect information and insights into security deposit landscape and alternatives.	<p>Fannie Mae conducted research activities into currently available security deposit alternatives with specific steps detailed below.</p>	N/A
<input checked="" type="checkbox"/> Construct a research plan to evaluate options available to reduce upfront security deposit costs for HCV renters and the effectiveness of those options. Fannie Mae does not yet have insight into the depth or breadth of security deposit alternatives that serve the very low-income renters who have HCVs.	<p>Fannie Mae constructed and implemented a research plan on security deposit alternatives and the effectiveness of the options. This included research into the market landscape, product offerings, and companies.</p>	N/A



<input checked="" type="checkbox"/> Evaluate conventional housing security deposit alternatives to identify obstacles specific to HCV renters, including cost, reach, and consumer safety.	Fannie Mae evaluated the security deposit alternatives available in conventional/affordable housing to identify whether they could be applicable to HCV renters.	N/A
<input checked="" type="checkbox"/> Research market to gather data on best practices that defray the upfront security deposit costs specifically for HCV renters.	Fannie Mae gathered market data on best practices for defraying upfront security deposit costs specifically for HCV renters.	N/A

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?

Fannie Mae launched its Expanded Housing Choice (EHC) program on April 4, 2022. The HUD Housing Choice Voucher (HCV) program provides critical support for families in need of affordable housing, but wider adoption is necessary to serve the demand by low-income households. The average HCV holder spends 28 months on a waiting list.¹ Fannie Mae’s EHC pilot offers multifamily borrowers a pricing incentive to accept HCVs for the units in properties we finance. Unlike a typical product launch, Fannie Mae needed to educate the market not only about the product, but about the HCV program itself. EHC faced the additional challenge of overcoming concerns about the actual and perceived operational costs associated with participating in the HCV program.

To address housing providers and market needs, we developed an EHC information hub on Fannie Mae’s website, which served as a central location for the variety of educational and marketing materials developed for the launch. Resources included an eligibility guide, marketing sheet, toolkits developed with Enterprise Community Partners, an HCV fact sheet, and links to additional HUD resources. Webpage visitors spent an average of seven minutes on the webpage - significantly above the corporate benchmark of one minute. As of the end of November 2022, the EHC website has received over 1,000 visits.



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

We found it a challenge to introduce a new product in 2022 due to competitive pressures earlier in the year and the challenging interest rate environment later in the year. Despite these challenges, our individualized approach resonated with customers. In our view, the program could be a good fit for housing providers in markets that require HCV acceptance (i.e., California) and are considering expanding to the North Carolina and Texas markets. These housing providers know how to incorporate HCV into their property management operations.

These additional use cases for EHC are based on customer feedback:

- **Housing Provider is familiar with the respective Public Housing Agency (PHA).** Some awareness of the PHA and/or the HCV program can be an advantage in adopting and implementing HCV and EHC programs.
- **Housing Provider found the combination of the EHC pricing benefit and local non-profit benefits compelling.** This will be less common, but some markets have active non-profits (as noted) that provide support (financial and otherwise) to both housing providers and renters.

In developing the EHC pilot, Fannie Mae heard concerns about the PHA structure and operational costs for accepting HCVs (HUD has also cited this feedback). Housing providers indicated that managing multiple PHAs, each with their own nuances, can be a challenge, coupled with delays related to the inspection process (also a recurring HUD feedback theme).

Feedback on the pricing incentive was positive; however, it was not enough to offset market competition, housing supply challenges, unprecedented rent growth, and program operational challenges cited by many housing providers.



Another aspect of our work in 2022 to support the market and HCV renters, especially very low-income households, was to research potential solutions to reducing their upfront security deposit costs. Fannie Mae researched various security deposit alternatives that are currently available, which typically fall into three categories: Insurance, Surety Bond, and Pay Per Damage. While these solutions could have merit under some circumstances, all the solutions have the potential for renters to be unqualified for the alternative, or that might not provide the degree of benefit we desired. This could be especially detrimental for HCV renters. In 2023, Fannie Mae will continue to research and evaluate proposed security deposit alternatives that are not yet available to the public.

While researching security deposit alternatives, Fannie Mae found several nonprofits that offer security deposit assistance, ranging from local to national options. The biggest challenges are education and awareness. Most prospective renters are not aware of the options available and if they are, the programs can be difficult to navigate. One consistent recommendation is for HCV renters to work with their PHAs who may be aware of the more localized options.

These lessons will shape our approach to the EHC program in 2023, providing key insights that can inform potential program enhancements, approaches to partnership, and outreach to increase adoption and drive further impact.

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

Not Applicable