



Fannie Mae 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:

In 2018, Fannie Mae purchased loans secured by 11 RAD properties, exceeding our six loan target by 83 percent and representing a more than 200 percent increase above our Baseline. One of the highest-profile and effort-intensive loans we acquired was the Betances portfolio, a New York City Housing Authority (NYCHA) property in Brooklyn. With over 170,000 public housing units, NYCHA houses one-in-twelve New Yorkers, but years of underfunding and in some cases, mismanagement, left many of NYCHA's properties in a state of deep disrepair. The Betances portfolio consists of 1,088 units in 39 scattered site multifamily properties and one community center located in the Mott Haven section of the Bronx. The RAD conversion of Betances will facilitate the renovation of the property, including replacement of all flooring, kitchen cabinets, bathroom vanities, and tub enclosures. The rehab work amounts to over \$100,000 per unit and will be completed in the first two years of this 30-year loan.

Fannie Mae's ability to surpass our RAD loan purchase target is due to both internal and external efforts to better serve the affordable market and improve our position and understanding within it. Throughout the year, we focused on extensive stakeholder engagement. Fannie Mae strengthened relationships with current and former HUD leadership engaged in the RAD policy development and implementation. In addition, Fannie Mae participated in multiple conferences and meetings focused on RAD transactions and plans. Most importantly, Fannie Mae established and convened the Fannie Mae Public Housing Authority Duty to Serve Advisory Council (PHA Advisory Council), a twelve-member council made up of a diverse group of Public Housing professionals and RAD experts. Fannie Mae carefully selected members, ensuring representation from various backgrounds and locations across the United States. The PHA Advisory Council has provided a valuable base of expertise on RAD, as well as related Public Housing recapitalization and preservation activities.

Fannie Mae has also engaged lenders to discuss RAD opportunities and challenges and continues these conversations at regular meetings with Fannie Mae DUS lender committee members.

Finally, to produce further and more sustainable impact within Fannie Mae, we have engaged a third party to train Fannie Mae underwriting and customer engagement staff on the relevant details of RAD transactions and common issues and pitfalls, we are also working to keep abreast of the latest developments from HUD and Congress related to RAD expansions or changes.

Following are the 2018 Actions under this Objective as published in the December 14, 2018 Duty to Serve Plan:

- Conduct outreach to five key RAD stakeholders including PHA, State HFA, and non-profit and for-profit developers to determine challenges and possible solutions to increase RAD business.
 - Establish a PHA Advisory Council to provide insight and guidance to Fannie Mae on RAD and other public housing issues.
 - Ensure that the PHA Advisory Council includes PHA representation from diverse geographies and of different sizes so that Fannie Mae can better understand the varying needs across the country.
- Conduct outreach and marketing to five Fannie Mae affordable lenders to (1) understand any issues with Fannie Mae's current RAD product and (2) enhance the lenders' knowledge of Fannie Mae's RAD program.



- Utilize outreach responses to consider two changes to and/or incentives for the RAD financing product.
- Purchase loans secured by six RAD properties, representing a 100 percent increase over the Baseline.
- Review and adjust 2019 loan purchase goals as needed based on work completed in 2018.

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)

IMPACT:

- 50-Substantial 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 laying the foundation for future impact in addressing underserved market needs?

Fannie Mae's efforts on RAD transactions have shown to be extremely impactful. Not only did we greatly exceed our target, but also, we've been able to impact the market by adding liquidity and financing options for PHAs with preservation challenges. Through stakeholder outreach and the increased capacity and knowledge of Fannie Mae staff, we have been able to ensure that PHAs have much-needed and desired options in addition to working with financing from FHA.

A large percentage of RAD conversions are now combined with the LowIncome Housing Tax Credit program and are commonly part of a 4 percent tax credit transaction. Fannie Mae's expertise with tax credit and bonds, including through our Mortgage-Backed Security as Tax-Exempt Bond Collateral product, will continue to fill a necessary niche, particularly since the RAD cap has been raised and PHAs with varying capacity levels begin to participate in the program.

We will continue to produce positive change in this market by maintaining our extensive efforts to engage with internal and external stakeholders and grow relationships, which underscore our desire to produce impact and fill gaps in the marketplace. By speaking with industry experts and convening PHA Advisory Council meetings, we continuously learn firsthand about the needs of the affordable market and how our Actions related to RAD can help alleviate them.

2. (Optional): How do actions under this objective support future actions detailed in the Plan for the underserved market? If there have been any changes in the planned next steps or timeline for work under or related to this objective, describe the changes and provide a brief explanation.

Fannie Mae completed our 2018 Actions with the intention of further growth. Our 2018 efforts were highly impactful, but they also created a foundation upon which we can build. Fannie Mae plans to continue our track record of success in 2018, maintaining our trajectory of purchasing loans secured by at least 10 RAD properties in 2019. Our quarterly meetings with the PHA Advisory Council and efforts in education, training, and stakeholder outreach will help us ensure we reach our targets.



3. (Optional): Are there any market factors that adversely impacted the actions under this objective? If so, describe.

N/A

4. (Optional): How did the actions under this objective contribute to increased or future loan purchases for the underserved market?

As described above, our 2018 Actions resulted in the purchase of loans supported by 11 RAD properties. Although the progress can be uneven, particularly with small numbers of large projects, we believe we have laid the groundwork for reaching or exceeding our loan purchase targets in 2019 and 2020. This groundwork includes strong relationships with external stakeholders as well as efforts to train internal staff, and we will continue on both fronts moving forward.



Fannie Mae Affordable Housing Preservation Second Quarter Report: January 1 - June 30, 2018 Loan Product

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:

Fannie Mae conducted outreach to affordable DUS® lenders, Public Housing Authorities (PHA), and State housing finance agencies (HFA) to determine how we might increase our volume of RAD business. We solicited feedback on our current product to see whether there were any issues with our current offering that might be addressed by a new product enhancement.

In particular, we wanted to understand how our execution compared to other market offerings. In addition, the team identified our prospective members who will serve on the inaugural PHA Advisory Council and provide us with insight on the varying public housing needs across the country.

Following are the 2018 Actions under this Objective:

- Conduct outreach to five key RAD stakeholders including PHA, State HFA, and non-profit and for-profit developers to determine challenges and possible solutions to increase RAD business.
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 - Ensure that the PHA Advisory Council includes PHA representation from diverse geographies and of different sizes so that Fannie Mae can better understand the varying needs across the country.
- Conduct outreach and marketing to five Fannie Mae affordable lenders to (1) understand any issues with Fannie Mae's current RAD product and (2) enhance the lenders' knowledge of Fannie Mae's RAD program.
- Utilize outreach responses to consider two changes to and/or incentives for the RAD financing product.
- Purchase loans secured by six RAD properties, representing a 50 percent increase over the Baseline.
- Review and adjust 2019 loan purchase goals as needed based on work completed in 2018.

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):