



## Fannie Mae Affordable Housing Preservation Loan Product

### ACTIVITY:

M. Additional Activity: Residential Economic Diversity Activity (12 C.F.R. §§ 1282.32 (d)(3) and 1282.36(c)(3)).

### OBJECTIVE:

2. Establish a RED initiative to increase loan purchases relating to the Statutory Activity for other comparable State or local affordable housing programs (Partner and Innovate, Do What We Do Best).

### SUMMARY OF RESULTS:

To better understand the challenges of and opportunities for preserving affordable housing and promoting mixed income housing in Residential Economic Diversity (RED) areas, Fannie Mae partnered with the National Housing Trust (NHT). NHT engaged with affordable housing stakeholders involved in this critical work around the country, cultivating geographically diverse perspectives and experiences. Each of the stakeholders from whom we gleaned knowledge are actively preserving affordable housing and promoting mixed income housing in RED areas by providing loans to real estate developers, acquiring properties themselves, or creating metrics by which RED is measured and defined within a specific geography. They represent both public and private entities, and though they are not an exhaustive representation of every organization doing this work in RED areas, the diversity of approaches and geographies represented by this sampling offered NHT broad perspective of how to best impact and support this work.

Simultaneously, Fannie Mae worked to make it easier to support State and local affordable housing programs, including those with an inclusionary zoning or RED aim, by processing a product enhancement that modified our "Special Public Purpose" loan approval process. In support of this goal, Fannie Mae also met with Delegated Underwriting and Servicing (DUS®) lenders to discuss RED challenges, aims, and opportunities during the DUS Lenders Affordable Market Dynamics Subcommittee meeting in November of 2018. Lastly, we identified RED - eligible transactions with State and local RED programs already on our books. Through analyzing our past work in RED, we intended to draw lessons and best practices for the future.

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

- As part of the review of at least five State or local affordable housing programs identify at least two States or localities that have a successful RED program in their affordable housing strategy. Meet with key stakeholders in those States or localities to better understand the program(s).
- Review the identified RED programs to determine what product enhancements might be required to facilitate Fannie Mae loan purchases on RED projects through those particular programs.
- Process at least one product enhancement that would facilitate RED loan purchases in the identified State and/or local RED programs.
- Meet with four DUS lenders to increase awareness of RED and to specifically identify projects eligible for other comparable State or local affordable housing programs.
- Based on the research and outreach conducted during 2018, adjust the Baseline if necessary for future RED loan purchases in 2019.



### **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)

### **PARTIAL CREDIT JUSTIFICATION:**

N/A

### **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?

Preserving affordable housing with a component of RED presents several challenges, as we learned from the extensive outreach we undertook in 2018. However, by engaging in said outreach, both through the NHT and with our own DUS lenders, Fannie Mae has cultivated geographically diverse perspectives on RED areas and opportunities, which will serve us as we begin working on our RED white paper in 2019. The white paper will be a compilation of case studies, lessons learned, and expertise from fellow stakeholders, and Fannie Mae will publish the completed white paper in 2020. Even in the preliminary stages of research and outreach, we recognized the importance of the work and felt sharing our learnings would help impact RED initiatives across the country. Additionally, in amassing this knowledge, we have brought together stakeholders, both public and private, and built connections across the industry. We will continue to utilize the relationships we formed or strengthened this year as we undertake the RED white paper and consider future product enhancements or underwriting flexibilities aimed at increasing and supporting RED efforts at both the State and local levels. In 2019, we plan to purchase at least four loans that qualify as RED transactions, and product enhancements or underwriting adaptations may positively influence our ability to do so.

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 will use the research conducted in 2018 as a basis for the RED white paper to be started in 2019 and published in 2020. The case studies, lessons learned, and relationships built will not only inform the content of the white paper, but also Fannie Mae decisions related to future product enhancements or underwriting flexibilities aimed at increasing and supporting RED efforts at the State and local levels. Additionally, the relationships we pursued in 2018 will remain important in future years, as stakeholders will continue to provide expertise and guidance on how Fannie Mae can best serve the market. By being an engaged partner and agent for knowledge-sharing, we will stay informed on the market's current needs, challenges, and opportunities.

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?

For 2019, Fannie Mae is working to purchase at least four loans that qualify as RED Transactions under the Statutory Activity of other comparable State or local affordable housing programs. By aligning our RED work closely with the work done as part of the State and local affordable housing Duty to Serve Objective, we are well positioned to increase our future loan purchases that meet RED requirements. The knowledge we gained in 2018 will inform possible product enhancements and increased underwriting flexibility, which Fannie Mae would implement with the goal of helping us reach our loan purchase target. Furthermore, the outreach and research of 2018 will remain valuable in that they have built up our internal expertise on RED areas, and we are better positioned to serve the market.



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

**ACTIVITY:**

M. Additional Activity: Residential Economic Diversity Activity (12 C.F.R. §§ 1282.32 (d)(3) and 1282.36(c)(3)).

**OBJECTIVE:**

2. Establish a RED initiative to increase loan purchases relating to the Statutory Activity for other comparable State or local affordable housing programs (Partner and Innovate, Do What We Do Best).

**SUMMARY OF RESULTS:**

As part of our review of state and local affordable housing programs we began to identify whether any of these programs have successfully incorporated a RED program as part of their affordable housing strategy. In addition, we began identifying key stakeholders in these localities to further engage regarding their experiences with successful RED programs and the challenges of incorporating RED into their affordable housing strategies.

Following are the 2018 Actions under this Objective:

- As part of the review of at least five State or local affordable housing programs identify at least two States or localities that have a successful RED program in their affordable housing strategy. Meet with key stakeholders in those States or localities to better understand the program(s).
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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):**