



## Fannie Mae Affordable Housing Preservation Loan Purchase

### ACTIVITY:

A. Statutory Activity: Section 8. The project-based and tenant-based rental assistance housing programs under Section 8 of the U.S. Housing Act of 1937, 42 U.S.C. § 1437f.

### OBJECTIVE:

1. Purchase loans secured by properties served by the Section 8 program (Do What We Do Best).

### SUMMARY OF RESULTS:

In 2018, Fannie Mae successfully exceeded our ambitious Section 8 Objective by acquiring loans equal to 25,370 units. Our 2018 target was to acquire 25,350 units. Between 2014 and 2017, Fannie Mae's purchase of loans secured by Section 8 properties supported an average of 15,748 units per year, a successful increase to our Section 8 purchases by more than 60 percent from our Baseline.

In 2018, Fannie Mae financed a wide diversity of projects and properties across the country including the enormous 46-building Spring Creek, formerly Starrett City, in New York. As a result of the recapitalization, Spring Creek entered into an extended Section 8 Housing Assistance Payment agreement, keeping low-income housing protections in place for over 3400 low-income renters through 2049, and housing protections and subsidies for the remaining units for moderate income residents, known as Mitchell-Lama protections, in place through at least 2054.

While we prioritized meeting our loan purchase target for this year – and successfully preserved over 25,000 units of affordable housing – that wasn't our only goal. We made efforts to complete deals that will not only preserve the affordability of properties, but also impact the communities in which they are located. The influence of our deals went beyond the financial; we often pursued properties that offered a range of benefit programs and social services. For instance, our Q3 deals included a 221-unit, fire-damaged property in Chattanooga, TN that had resulted in residential displacement. The buyer pledged to improve not only the physical property, but also its offerings to tenants, and moving forward, residents will enjoy in-house benefit programs and information on external resources and organizations that can assist them. Also in Q3, we completed a Healthy Housing Rewards™ acquisition and rehabilitation project in New Jersey. That Section 8 deal covers two properties, Garden Spires (544 units) and Spruce Spires (120 units). Sponsor Omni New York LLC works with community organizations to provide social services, such as after school programs, skill-based seminars, and classes for adults. These types of deals meet more than the market need for affordability; they elevate communities and offer residents resources that better their lives.

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

Purchase loans secured by Section 8 properties that support 25,350 units, representing approximately 15 percent of the estimated 169,000 units with Section 8 subsidies expiring in 2018, a market share increase of five percent over Fannie Mae's Baseline of 10 percent of the total of number of units with expiring Section 8 subsidies.

Confirm loan purchase goals for 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)



## 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?

As described above, while increasing Section 8 loan purchases by more than 60 percent above our historic Baseline, Fannie Mae worked to help preserve a wide cross-section of Section 8 properties, including those that qualify as Residential Economic Diversity-eligible properties. In addition, there is significant overlap between various federal, state, and local housing programs. For example, a Public Housing Authority may convert properties to project-based Section 8 units via the Rental Assistance Demonstration program while also leveraging Low-Income Housing Tax Credits. Because of the overlapping and interconnected nature of housing programs, by strengthening and deepening our understanding and relationships of affordable housing programs generally, we strengthen and deepen our impact on the Section 8 market needs as well.

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.

While reviewing Fannie Mae's loan purchase targets for 2019 and 2020, the team looked at our historic loan purchases for 2014, 2015, 2016, and 2017 using our now tested and confirmed methodology and assuring that the appropriate filters were applied. As a result, it was discovered that a number of loans each year were included in our initial Baseline that did not meet Duty to Serve (DTS) eligibility criteria. Accordingly, for 2018, we revised our Baseline, and therefore our target, in response. We kept, and met, our 2018 target of increasing our unit acquisitions by more than 60 percent from our Baseline, a goal which remains both ambitious and impactful.

For 2019 and 2020, we proposed to change our target from a unit count to a loan count. This modification reflects a desire to prioritize the preservation of all properties, and not overly focus on properties with larger-than-average unit counts. We believe it is critical that our target reflect our belief that we should be helping to preserve the affordability of all Section 8 properties and align with other areas of our Duty to Serve Plan (DTS Plan), including the emphasis on rural communities, small loans and small properties.

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?

Fannie Mae's DTS Plan increases the target for Section 8 loan purchases each year. In 2018, we set out to purchase loans equal to 15 percent of expiring Section 8 units, a market share increase of five percentage points over Fannie Mae's Baseline of 10 percent of the total of number of units with expiring Section 8 subsidies. In 2019, we aim to purchase 158 loans, up from a Baseline of 126 loans.

As expected, many of the deals we completed in 2018 were far from simple. Indeed, we took on complex, arduous deals throughout the year, rising to challenges and working harder to bolster the affordable housing market. We likely will face equal, if not more, difficulty in the coming years, but our foundation of resources, including the lessons learned in 2018 will serve us well as we continue pursuing Section 8 properties.



Fannie Mae

Affordable Housing Preservation

Loan Purchase

First Quarter: January 1 - March 31, 2018

**ACTIVITY:**

A. Statutory Activity: Section 8. The project-based and tenant-based rental assistance housing programs under Section 8 of the U.S. Housing Act of 1937, 42 U.S.C. § 1437f.

**OBJECTIVE:**

1. Purchase loans secured by properties served by the Section 8 program (Do What We Do Best).

**SUMMARY OF RESULTS:**

Following are the 2018 Actions under this Objective:

Purchase loans secured by Section 8 properties that support 30,420 units, representing approximately 18 percent of the estimated 169,000 units with Section 8 subsidies expiring in 2018, a market share increase of five percent over Fannie Mae's Baseline of 13 percent of the total of number of units with expiring Section 8 subsidies.

Confirm loan purchase goals for 2019.

**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):**

Based on acquisition volume to date and the analysis of our pipeline, we currently estimate that we will not complete our Section 8 loan purchase target, but continue to analyze. We have scheduled a meeting with FHFA on May 24, 2018 to discuss potential plan modifications.



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

**ACTIVITY:**

A. Statutory Activity: Section 8. The project-based and tenant-based rental assistance housing programs under Section 8 of the U.S. Housing Act of 1937, 42 U.S.C. § 1437f.

**OBJECTIVE:**

1. Purchase loans secured by properties served by the Section 8 program (Do What We Do Best).

**SUMMARY OF RESULTS:**

As of the end of Q2 2018, we have acquired 14,724 units representing a UPB of over \$1.1 billion. This demonstrates significant progress towards achieving our ambitious year-end target to increase our historic acquisition of Section 8 units by approximately 50 percent. Our Q2 total includes the acquisition of Spring Creek Towers, formerly known as Starrett City, a Section 8 property with over 5500 units.

As part of this transaction the borrower pledged to deploy approximately \$140 million in capital improvements, which include rebuilding a power plant on the site. The borrower also agreed to extend the complex's Section 8 affordable-housing status for an additional 20 years, through 2049.

Following are the 2018 Actions under this Objective:

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- Confirm loan purchase goals for 2019.

**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):**

Based on acquisition volume to date and the analysis of our pipeline, we currently estimate that we will not complete our Section 8 loan purchase target, but continue to analyze.



## **Fannie Mae Affordable Housing Preservation Third Quarter Report: January 1 - September 30, 2018 Loan Purchase**

### **ACTIVITY:**

A. Statutory Activity: Section 8. The project-based and tenant-based rental assistance housing programs under Section 8 of the U.S. Housing Act of 1937, 42 U.S.C. § 1437f

### **OBJECTIVE:**

1. Purchase loans secured by properties served by the Section 8 program (Do What We Do Best).

### **SUMMARY OF RESULTS:**

With the addition of 4,255 units acquired during Q3, we reached a total of 18,979 units amounting to a UPB of approximately \$1.5 billion toward our ambitious Section 8 loan purchase target. In Q3, we continued to lay a foundation for further growth in the Section 8 market and completed many deals that will not only preserve the affordability of the properties, but also impact the communities in which they are located.

We did not shy away from challenging deals, including the acquisition of Patten Towers, a 221-unit high-rise in Chattanooga, Tennessee. The property was built as a hotel in 1908 and transitioned into Section 8 housing in the late 1970s; its current Section 8 contract covers 100% of units. Under its previous owner, the building suffered extensive fire damage that resulted in displacement. Residents temporarily slept in cots at a rec center and received meals from the Red Cross, and because the seller delayed taking action to rectify the situation, many did not want to return. The buyer intends to get the property up to peak functionality and occupancy and will install a security system to ensure the building and residents' safety as improvements are made. Additionally, the residents will enjoy in-house benefit programs and information on outside resources and organizations.

Another significant Section 8 deal from Q3 is a ROAR (Reduced Occupancy Affordable Rehab)—a Healthy Rewards-qualifying acquisition and rehabilitation project in New Jersey. Garden Spires, a 544-unit property built in 1965, and Spruce Spires, a 120-unit property built in 1920, are sister properties located in Newark. The sponsor, Omni New York LLC, has a dual purpose of developing communities with historically low-income housing and addressing the social aspect of that development. Omni frequently works with community organizations to provide social services, such as after school programs, skill-based seminars, and classes for adults.

Following are the 2018 Actions under this Objective:

- Purchase loans secured by Section 8 properties that support 30,420 units, representing approximately 18 percent of the estimated 169,000 units with Section 8 subsidies expiring in 2018, a market share increase of five percent over Fannie Mae's Baseline of 13 percent of the total of number of units with expiring Section 8 subsidies.
- Confirm loan purchase goals for 2019.

### **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):**



Pending a Non-Objection response from FHFA for our modification submitted on October 25, 2018, we anticipate this Objective will change to a status of on- target.