

Exhibit H:
Annual Outreach Narrative Reporting Template

FREDDIE MAC

AFFORDABLE HOUSING PRESERVATION

2018 REPORT

EVALUATION AREA: OUTREACH

ACTIVITY:

Activity 9 - Support Residential Economic Diversity: Additional Activity

OBJECTIVE:

Objective D: Conduct and publish three research projects on housing in areas of concentrated poverty (QCTs and R/ECAPs)

ACTIONS:

In 2018, Freddie Mac published our white paper on Mixed Income Housing in Areas of Concentrated Poverty (ACPs) as part of our “Spotlight on Underserved Markets” series¹. This paper exceeded our DTS plan goals in both depth and breadth of analysis, complexity of methods used, as well as the value of the insights presented. The paper estimated the size and scope of the market in ACPs, identified income inequality patterns and evaluated the potential for mixed-income housing as a solution to deconcentrating poverty in ACPs.

Foundational to addressing this concentration of poverty is a thorough understanding of what defines an ACP and what the housing market looks like in these areas today. Our market leading research compared various definitions of ACPs and examined the size and composition of the current housing market in these areas. We discussed the characteristics of mixed-income housing on both a large and small scale and ways in which large-scale economic integration affects residents in high poverty areas. We analyzed the market size and geographic distribution of LIHTC, Section 8 and other subsidized housing in ACPs and compared the subsidized and unsubsidized housing markets. Additionally, we explained why mixed-income housing in ACPs can be difficult to achieve and highlighted some of its benefits and side effects.

Our findings showed that 61 million people live in an ACP, representing 19% of the nation’s population. These neighborhoods are often burdened by lower incomes, higher unemployment rates and higher rates of poverty. Over time, this combination of characteristics further concentrated poverty. As a result, 51.4% of all subsidized housing stock across the country is located in ACPs. Developing mixed-income in ACPs is an important objective, but one with many challenges, not the least of which is the ability for a property to consistently attract higher-income earners. The DTS parameters can make the property economics challenging when an area has a low concentration of residents earning higher incomes, therefore a higher likelihood of vacancies in those units.

To address this, we took the innovative approach of looking for areas that might be able to support such properties based on levels of income inequality. In general, census tracts that have higher income inequality have greater chances of adopting mixed-income housing. Of the top 100 census tracts for income inequality, 84 are in ACPs. We found that this correlation lends itself to mixed-income housing due to the existing mix of incomes in the census tracts.

Through the analysis, we have laid a clear foundation not just for understanding, but for facilitating action by developers, localities, and lenders, who can now focus on mixed income housing in ACPs based on FHFA’s innovate property-level parameters to have a greater impact in these communities.

¹ <https://mf.freddiemac.com/research/insight/20181023-duty-to-serve-series.html>

Planned Actions	2018 Actions
Compare and contrast various definitions of ACPs	The most prominent definitions of ACPs have been identified by FHFA. We evaluated these definitions, which include Qualified Census Tracts (QCTs) and Racially or Ethnically Concentrated Areas of Poverty (R/ECAP). We also compared the geographic overlap between these definitions.
<p>Publish a report on housing in ACPs. This report will include at least:</p> <p>a. Comparison of definitions of ACPs</p> <p>b. Analysis of the geographic distribution in ACPs of LIHTC, Section 8, and other programs we may identify in our research, leveraging the data sources identified above</p> <p>c. Estimation of market size in ACPs for LIHTC debt, Section 8, and other programs we may identify in our research, leveraging the data sources identified above</p>	<p>Since economic integration through mixed-income properties is a relatively new idea—particularly under the DTS parameters that require that at least 20% of the units be restricted as <u>unaffordable</u> to low- and moderate-income tenants—there is extremely limited data relating to the concept. To combat this, we had to use advanced data analytics techniques to derive insight from a variety of data sources.</p> <p>For example, our team leveraged data from Census, HUD, National Housing Preservation Database, and FHFA, and often had to combine datasets to understand this market. Geocoding was performed to find exact coordinates for subsidized properties, which allowed for them to be geospatially joined to the ACP classifications. This allowed us to produce descriptive statistics that are more accurate than any conventional data analysis technique would allow.</p> <p>Demographic data was aggregated up from the census tract level to provide various stats on ACPs and how their characteristics vary across the nation. Since property level mixed-income data is largely unobtainable, we were unable to directly estimate the market size for mixed-income housing, particularly as defined by FHFA. However, our paper included analysis of the market size (in terms of number of properties) and geographic distribution of LIHTC, Section 8, and other housing subsidy programs in ACPs.</p>
Report will be published on our website, distributed to research organizations, advocacy organizations, and the Optigo SM lender network, and will be promoted with a press release	We marketed the paper aggressively by issuing a press release, posting the paper on our website, hosting an industry-wide conference call, and broadcasting it via email to our lenders and syndicators, which include over 7,000 individuals. Additionally, we promoted the paper through social media to reach a broad range of industry participants, generating 24,433 Twitter impressions and 27,924 LinkedIn impressions. The paper was downloaded 137 times and was shared on Twitter 625 times.
Engage with at least two leading researchers on ACPs to help inform and structure our research and identify communities we should focus on in our case studies	To help inform our research we engaged with both the National Housing Trust (NHT) and the Public and Affordable Housing Research Corporation (PAHRC) and we will use these discussions to help identify communities we should focus on in our case studies.

SELF-ASSESSMENT RATING OF PROGRESS:

Select the category that best describes progress on this objective for the year.

- Objective met
- Objective exceeded
- Objective partially completed:
- 75-99% (substantial amount)
 - 50-74% (limited amount)
 - 25-49% (minimal amount)
 - 1-24% (less than a minimal amount)
- No milestones achieved

PARTIAL CREDIT JUSTIFICATION:

N/A

IMPACT:

Provide a self-assessment of the level of impact that actions under the objective have accomplished.

- 50 – Substantial Impact
 40
 30 – Meaningful Impact
 20
 10 – Minimal Impact
 0 – No Impact

IMPACT EXPLANATION:

Answer the following questions.

- I. 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? (Character limit: 3,000 characters, including spaces)

Freddie Mac's research on ACPs is a first of its kind publication that illustrates the size and scope of the affordable housing market and opportunity for additional investment. This paper has a substantial impact on both the understanding of ACPs and the ability to act deliberately to create and preserve mixed-income housing in these areas. It is only through a comprehensive understanding of the needs and opportunities in these markets that the industry can deliberately act to meet these needs.

- II. *We outline the demographic characteristics of these areas*
- a. *Incomes are significantly lower than elsewhere in the country.*
 - b. *One third of residents live in poverty and nearly 33% of renters spend more than 50% of their incomes on rent.*
 - c. *The renter rate is high in these areas, but a large share of the rental units is supported by subsidy programs such as LIHTC or Section 8, making up 51.4% of all subsidized housing stock across the country.*
 - d. *Even with such a high proportion of the subsidized housing stock, just 29.8% of the nation's total rental stock is in ACPs.*
- III. *We identify mixed-income housing as a potential solution to deconcentrating poverty*
- a. *In theory, an area with greater income inequality would be a good case for mixed-income housing due to the variety incomes. We analyzed the Gini coefficient—a measure used to determine income inequality—of census tracts across the country to see if ACPs had high income inequality, and potentially opportunity for mixed-income properties over time. Of the 100 census tracts with the highest Gini coefficients in the nation, 84 are in ACPs.*
 - b. *Despite the relatively high-income inequality in ACPs when compared with the rest of the nation, ACPs have roughly 70% fewer rental units unaffordable to those making 80% AMI (the requirement for higher-income rental units in the mixed-income housing definition per DTS). Similarly, ACPs have roughly 70% more units affordable to those making 60% AMI. Renters make up a majority of the population in ACPs which differs from the national norm.*
- IV. *We marketed this paper aggressively to draw greater attention to this important market so that more deliberate action may be taken. The paper was part of a branded series that we created for all of our research papers to help attract greater attention.*
- a. *We hired a social media firm to promote all papers on Twitter and LinkedIn*
 - i. *The 8 paper series received 399,481 impressions on Twitter and 86,694 impressions on LinkedIn.*
 - ii. *The series landing page on the Freddie Mac Multifamily website was visited a total of 3,942 times, of which 3,326 were unique views*
 - iii. *There have been 834 file downloads for the 8-paper series.*
 - b. *We sent an email blast to our Optigo lenders and syndicators, a distribution to more than 7,000 individuals*

c. *We hosted 5 conference calls with various industry participants to discuss key findings of each paper*

- V. 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. (Character limit: 1,500 characters, including spaces)

The paper shines a light on the ACP market and its complexities and draws greater attention to the innovative DTS parameters for mixed-income housing. As a result of its publication, many of the statistics that were not previously understood by the market have been released and distributed broadly. Freddie Mac's position as a national platform and leader in multifamily housing amplifies this topic to garner national attention from developers and investors in addition to those who create and implement policies.

With a knowledge of the market, policy makers, localities, developers, and Freddie Mac are better suited to address these issues and develop/support properties that can generate residential economic diversity and help deconcentrate poverty in ACPs. Given the novelty of these parameters, however, more work likely must be done to drive adoption and development by those in the primary market before this market can develop at scale. To support that work, we will continue to focus our research efforts on mixed-income housing in ACPs, and we will look more closely at case studies to see how this market is supported at the local level and draw attention to particular successes and challenges.

- VI. Optional: Are there any market factors that adversely impacted the actions under this objective? If so, describe. (Character limit: 3,000 characters, including spaces)

The primary market challenge in researching mixed-income housing in ACPs, particularly using the DTS definition, is the limited availability of data that can be used to find properties that meet this definition and the low likelihood that such properties exist at sufficient scale to be able to identify in the aggregate. Because there is not a known program that supports these parameters, there is not a way to identify properties that have them in any available datasets. We have sought to overcome this challenge by shifting the focus of our research to the state of the housing market in ACPs, the historical prevalence of mixed-income housing programs generally, and the potential, given the economic and demographic makeup of ACPs, to support mixed-income housing under the DTS parameters.

- VII. Optional: How did the actions under this objective contribute to increased or future loan purchases for the underserved market? (Character limit: 1,500 characters, including spaces)

To be able to measure Freddie Mac's ability to support a market, we first need to understand the size and scope of this market, which this research lays out. We can now inform our network of Optigo lenders and better direct them to properties in these areas. That being said, as a secondary market participant, we can only purchase loans on properties that meet the criteria identified by FHFA if such properties are developed. As FHFA has noted, in ACPs, market rents may be relatively affordable, which means developers may face difficulty, at least initially, in attracting higher-income households to these developments. This could make it difficult to finance properties that meet the requirement for a certain percentage of units that are unaffordable to moderate-income households.

Promoting this kind of housing in ACPs requires a deliberate effort from state and local governments, developers, investors, primary lenders and communities themselves. In some cases, this could require innovative subsidies to overcome the challenging economics of having rents restricted at unaffordable levels, which may be above market in many places. Because of our research, these parties are better equipped to undertake such efforts, but it is likely that more work, and more research, will need to be done before properties meeting the DTS criteria are widely available and Freddie Mac can purchase loans on those properties.

Attach the information detailed in the list of documentation specific to the objective that was provided by FHFA.

Exhibit D:

Second Quarter Outreach Narrative Reporting Template

FREDDIE MAC

AFFORDABLE HOUSING PRESERVATION

2Q REPORT

EVALUATION AREA: OUTREACH

ACTIVITY:

Activity 9 - Support Residential Economic Diversity: Additional Activity

OBJECTIVE:

Objective D: Conduct and publish three research projects on housing in areas of concentrated poverty (QCTs and R/ECAPs)

Developing mixed income housing in areas of concentrated poverty is an important objective, and one with many challenges. Foundational to addressing these challenges is a strong understanding of what is meant by areas of concentrated poverty and what the housing market looks like in these areas today. To gain a better understanding of these markets, we have begun work on a research project focused on better defining areas of concentrated poverty, which includes estimating the market size and opportunity, as well as comparing existing definitions of “areas of concentrated poverty.” This paper, the first of three papers in our three-year plan, will act as a foundation for policy makers, federal and local government agencies, lenders, housing finance agencies, and developers who are looking to support housing in these areas by demonstrating the state of the housing market in these areas today and the distribution of housing with and without regulatory agreements or other major programs that ensure affordability and enable development. We have been collecting data and developing initial analysis, and plan to publish this study in the fourth quarter. We are on track to meet this objective.

ACTIONS:

Action Category	Action Reference – Activity 9; Objective D	Status
Actions	Action 1	Compare definitions of ACP – In Process
	Action 2A-C	Publish Report – Outstanding
	Action 3	Gather information and data for report – In Process
	Action 4	Engage two researchers on ACP – Outstanding

SELF-ASSESSMENT RATING OF PROGRESS:

Select the category that best describes progress on this objective for the reporting period.

- 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):

N/A

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