

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 E: Conduct and publish three research projects on states that prioritize, or could prioritize, RED in QAPs

ACTIONS:

In 2018, Freddie Mac published our industry leading white paper on Opportunity Incentives in Qualified Allocation Plans (QAPs) as part of our “Spotlight on Underserved Markets” series¹. This paper exceeded our DTS plan in both depth and breadth of analysis, as well as the value of the insights presented. Through our comprehensive analysis, we laid a clear foundation not just for understanding, but for deliberate action by developers, localities, states and lenders, who are now well-positioned to be deliberate about supporting LIHTC housing in high opportunity areas.

This research is the most comprehensive review of QAPs for their role in supporting the creation of LIHTC multifamily housing in areas of opportunity. This work was qualitative in its approach, but quantitative in our final analysis. We reviewed all 50 states’ and Washington D.C.’s QAPs to identify factors that incent development in areas of opportunity. Using this data, we summarized and quantified this information into an easily digestible format.

We found that the ways in which HFAs define and measure opportunity, as well as the ways in which they incentivize developers to develop affordable housing in these areas, vary greatly from state to state. Despite these differences, we determined there are 5 primary indicators that states use to describe areas of opportunity:

1. Access to Education
2. Economic Growth/Jobs
3. Income Levels
4. Access to Healthcare
5. Access to Transportation.

Because states have varying housing needs, demographics, economic markets and political climates, a universally agreed upon definition of opportunity does not exist. We found that states incent opportunity through both implicit and explicit means. For example, while 50 of the QAPs examined include some form of incentive for opportunity, no indicator is present across all 51 QAPs. Access to education was the most commonly used indicator, found across 39 QAPs. 28 states explicitly identify opportunity in their QAP, while 21 states implicitly identify opportunity. 1 QAP reviewed provided no incentive, either implicit or explicit, for opportunity.

By publishing our research on these topics and supporting its wide distribution, we anticipate that we can help the industry coalesce around common themes to define and promote opportunity. Due to the level of detailed effort that this work required, we co-authored the paper with The National Housing Trust, which has previously conducted market leading research on this topic. Throughout 2018, we interviewed numerous developers, allocating agencies, and state HFAs to help inform our research on high opportunity incentives within QAPs. Finally, we held a conference call in association with NCSHA to review key findings of the paper in draft form with many state HFAs and take feedback prior to the final publication.

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

Status	2018 Actions
<p>Conduct outreach to states and localities that are involved in promoting RED to determine how we can provide financing to complement their efforts</p>	<p>In conducting this research, we engaged numerous state housing agencies to better understand their policies and practices. This includes states such as Oregon, Maryland, Florida, Washington, District of Columbia, and many that FHFA identified as incenting affordable housing in high opportunity areas through their QAPs. In addition, we held a conference call in association with NCSHA to review key findings of the paper in draft form with many state housing agencies and take feedback prior to the final publication.</p>
<p>Aggregate and align data from a selection of the following and other sources we discover in our research as it relates to states identified by FHFA as having QAPs that emphasize RED: The National Housing Preservation Database, data.gov, HUD, Harvard's Equality of Opportunity Project, and Census Bureau information</p>	<p>Aggregating and aligning data was time-consuming and labor intensive; to properly evaluate opportunity incentives in each QAP, we analyzed each state's QAP. In order to complete this work, we partnered with the National Housing Trust, who has extensive experience in researching this subject. Additionally, in our market analysis, we leveraged data from FHFA, National Housing Preservation Database (NHPD), and the American Community Survey.</p>
<p>Publish a report of our findings that will include at least the following:</p> <ol style="list-style-type: none"> Leading factors that states prioritize in promoting RED Analysis of the distribution of LIHTC, Section 8, and others we may identify in our research, leveraging the data sources identified above in states identified by FHFA as having QAPs that emphasize RED 	<p>This report establishes a baseline for an understanding of which states are promoting affordable housing in high opportunity areas through their QAPs. In this report we include the following:</p> <ol style="list-style-type: none"> Leading factors that states prioritize in promoting RED Analysis of the distribution of LIHTC, Section 8, and others we may identify in our research, leveraging the data sources identified above in states identified by FHFA as having QAPs that emphasize RED <p>Additionally, our analysis went above and beyond what we stated in our plan. We also included:</p> <ol style="list-style-type: none"> Specific examples of each of the five most common indicators (Income, Access to Transportation, Economic Growth/Jobs, Access to Health Care, and Access to Education) identified We provided analysis for the variations found between indicators We included a 50-state summary of opportunity incentives We provide analysis for the variations between the complexity of definitions We include analysis of mapping applications used by each state and a 50-state summary table We examine challenges to developing in high opportunity areas
<p>Publish report on our website, distribute to research organizations, advocacy organizations, and the seller/servicer network, and promote with a press release</p>	<p>This paper was published in Q4 2018 and distributed broadly. The paper was sent via email to our OptigoSM lenders and syndicators—a list of over 7,000 individuals—and was shared with research and advocacy organizations such as PAHRC, National Council of State Housing Agencies (NSCHA), NHT, and Enterprise. We also promoted it heavily on social media, which reaches many industry participants. As of January 31, 2019, the paper received 24,750 Twitter impressions, 22,942 LinkedIn impressions, and the report was downloaded 90 times from our website.</p>
<p>Engage with at least two leading researchers on state QAPs to help inform and structure our research and identify communities we should focus on in our case studies</p>	<p>To help inform our research we partnered with NHT to coauthor the paper and NCSHA to help us test our findings with the broader HFA community. We also interviewed numerous state HFAs about their QAPs during the research process.</p>

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.

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? (*Character limit: 3,000 characters, including spaces*)

While there are many definitions of opportunity in the market, only the state QAP definitions are tied directly to the allocation of dollars for the creation of affordable housing. Therefore, it is highly impactful to bring new understanding to how these QAPs emphasize development of affordable housing in high opportunity areas.

Through our outreach, we repeatedly heard how valuable this information will be for developers and housing agencies alike. With this summarized data, developers can easily identify states that are currently promoting affordable housing in high opportunity areas. This will lead to deliberate action in creating new LIHTC housing in these areas. Additionally, states can coalesce around common themes used by other states in promoting opportunity. In our research:

- *We identify common indicators for opportunity across all 50 states and the District of Columbia*
 - *In our paper, we include a 50-state table that includes the five common indicators of opportunity, QAP year, and FHFA qualifying status. This breakdown allows readers to easily identify which states incent opportunity in their QAP and by what means they are doing so. Optigo lenders can also use this information to identify states that meet FHFA's definition and qualify for our purchase targets.*
- *We identify states that often use mapping features to identify these areas*
 - *These maps and/or mapping tools help developers easily identify whether a proposed site falls within a state's definition of opportunity, which can ultimately speed the process of affordable housing development.*

- *Just as we found that states employ a variety of definitions of, and metrics for, opportunity, we found that states' mapping features covered a similarly broad spectrum. In an effort to capture the variety of approaches, we developed several categories for mapping:*
 - *Opportunity is already mapped statewide*
 - *Opportunity is readily mappable statewide from the metrics provided*
 - *Opportunity is mappable statewide by a third party using metrics provided*
 - *The current definition of opportunity does not provide sufficient metrics to be mapped statewide*
- *In our review of all 50 states and the District of Columbia, we found 59% of QAPs had at least some form of mapping feature for opportunity, with 31% of the states already mapping opportunity across the state.*

When speaking to affordable housing developers, we heard about the importance of a mapping feature, as it helped LIHTC applicants understand where HFAs wanted to invest in affordable housing. Developers were able to propose projects in these areas, knowing that they had an increased chance of being awarded tax credits. Many developers emphasized that if the state provided access to tools that easily allow developers to identify high opportunity areas, their proposed projects would more likely align with the state's priorities. With our research, developers are more easily able to identify these areas.

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

This research establishes a greater market understanding of how states support- and the primary challenges to creating and preserving affordable housing in these areas. With this knowledge, Freddie Mac is better positioned to utilize existing offerings and implement new ideas that will help create lasting affordability for communities deemed as high opportunity. This paper illustrated the incentives which states offer to create affordable housing in areas of opportunity. With this knowledge, HFAs, localities, and developers will be positioned to focus on supporting affordable housing in high opportunity areas, which can lead to an increased supply of affordable housing and increased loan purchase opportunities for Freddie Mac. It also informed our focus for our 2019 and 2020 research case studies in high opportunity areas, which can further enable HFAs, localities, and developers to learn from each other's successes in developing and financing affordable housing in high opportunity areas.

3. **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 most significant market challenge affecting this research was the absence of any single definition of high opportunity areas or any single source of QAPs that was current.

Because QAPs change frequently, there is not a stable source for analysis on all of them. Even work that had been complete in prior years was not necessarily relevant to the market at the time of our work, nor did it have the same focus. We had to start from scratch and read and interpret every state's QAP.

Further, each state's definition of opportunity varied, so we had to establish a uniform categorization system in order to interpret and align our understanding across all of the QAPs so that the market could make sense of, and act upon, the fundamental themes.

Before our work, this classification system did not exist across all of the QAPs, and there was not a consolidated way for the HFAs to learn from each other's work, or for developers who operate across states to manage their development plans as efficiently as they now can as a result of our publication.

Finally, because our work was novel, far-reaching, and comprehensive, we had to test our analysis and findings with the HFAs themselves. For this we partnered with NCSHA to reach the broad HFA community, present our findings, and take feedback to ensure our research was as effective and relevant for them as possible.

All of this required a tremendous effort on our part, the HFAs, and NHT to develop work that can serve the entire industry.

4. **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. However, there are material challenges in the market that can affect the ability to develop affordable housing in these areas and should be taken into account. Through our outreach to market participants, we heard that developing and preserving housing in high opportunity areas can be difficult for the following reasons: zoning issues, local preference for affordable housing, high land and construction costs, lack of buildable land, and limited housing subsidy. As a result of the publication and promotion of our research, it is possible that more states will incent affordable housing in high opportunity areas, coalesce around ways to mitigate these challenges, and spur more development. This has the potential to increase the supply of affordable housing in these markets, and, by proxy, increase the number of properties on which we can purchase loans.

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 E: Conduct and publish three research projects on states that prioritize, or could prioritize, RED in QAPs

Over the past several years, State HFAs have begun to incentivize the development of affordable housing in high opportunity areas through their LIHTC Qualified Allocation Plans (QAPs), but there is not uniform agreement on what constitutes high opportunity areas or how to best incentivize affordable housing development in these communities. Through our research efforts, we intend to better understand what states are emphasizing in their QAPs, what are the leading factors in their furtherance of RED, and what is the market size and opportunity. By publishing our research on these topics, we anticipate that we can help the industry coalesce around common themes to define and promote opportunity. Due to the level of detail and effort that this work requires, we have partnered with The National Housing Trust, which has previously conducted market leading research on this topic. Throughout the first half of 2018, we have engaged with numerous developers, allocating agencies, and state HFAs to identify high opportunity incentives within QAPs. In the first half of the year, we have drafted a report that outlines our findings in all 50 states and the District of Columbia, and will publish this report before the end of this year.

ACTIONS:

Action Category	Action Reference – Activity 9; Objective E	Status
Actions	Action 1	Conduct outreach to states – Complete
	Action 2	Aggregate and align data – Complete
	Action 3A-B	Gather information and data for Report – Complete
	Action 4	Publish and Distribute report – Outstanding
	Action 5	Engage two researchers – In process

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

AHP_RED_E_Narrative_Q2