



Fannie Mae 2019
Affordable Housing Preservation
Loan Purchase

ACTIVITY:

D. Statutory Activity: Low-income housing tax credits under Section 42 of the Internal Revenue Code of 1986, 26 U.S.C. § 42.

OBJECTIVE:

1. Increase purchases of mortgages secured by LIHTC properties (Do What We Do Best).

SUMMARY OF RESULTS:

Following are the 2019 Actions under this Objective per the December 20, 2019 Duty to Serve Plan:

<i>Objective's components detailed in the Plan</i>	<i>Corresponding actions taken</i>	<i>Explanation of any deviations from the Plan (if applicable)</i>
<input checked="" type="checkbox"/> Purchase 86 loans secured by LIHTC properties, representing approximately an 18 percent increase over the Baseline.	In 2019, Fannie Mae purchased 118 loans secured by LIHTC preservation properties (denoted by lenders as having at least seven years left in the LIHTC initial compliance period). This represents a 61 percent increase over the baseline.	N/A
<input checked="" type="checkbox"/> Confirm loan purchase goal for 2020 including LIHTC debt purchases on properties that serve other Duty to Serve underserved markets including rural high-needs regions, high-needs populations, and RED housing.	No loan purchase goal changes are needed for 2020.	N/A

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)
- No milestones achieved



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PARTIAL CREDIT JUSTIFICATION:

N/A

IMPACT:

- 50 – Substantial Impact
- 40 – Between Meaningful and Substantial Impact
- 30 – Meaningful Impact
- 20 – Between Minimal and Meaningful Impact
- 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 in laying the foundation for future impact in addressing underserved market needs?

Fannie Mae is a leader in Low-Income Housing Tax Credit (LIHTC) financing, and a growing number of our LIHTC properties are financed through our MBS as Tax-Exempt Bond credit enhancement (M.TEB) product.

As of the end of 2019, Fannie Mae has financed M.TEB credit enhancements in 18 states and growing. The M.TEB product has been gaining acceptance across the country by new Borrowers and new Issuers while expanding the Investor base and increasing the strength and demand of the product. As Borrowers realize the benefits of the M.TEB structure, they become the best advocates for expansion into new states, and are working with local constituents to get their affordable deals done and advocate for the product based on the lower rates.

Fannie Mae has been able to use our position in the market to bring down the pricing for the bond deals across the board, allowing more owners to refinance or acquire affordable housing properties. As a result, less subsidy is needed, because the loans support greater proceeds and the longer-term financial stability of the properties.

One example is the Santa Maria Apartments in Austin, Texas. Santa Maria Village is a 176-unit property utilizing 4 percent LIHTC, with 100 percent of the units restricted to 50 percent AMI. The property will undergo much-needed rehabilitation due to low-cost financing.

2. What did the Enterprise learn from its work about the nature of underserved market needs and how to address them?

Fannie Mae has learned that every tax credit deal is unique and complicated. There is a learning curve, particularly for new entrants into this space (such as Public Housing Authorities or health institutions), and it takes time to understand the new and sometimes complicated world of tax credit financing, particularly for those entering into the housing foray for the first time. For this reason, in 2019, Fannie Mae developed a robust set of training materials and is in the process of customizing them for each type of end user:

- Housing Finance Agencies
- Public Housing Agencies
- Lenders



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- Health Organizations

In 2020, we will use these learnings to deploy this highly individualized training and will work to ensure that even more participants have access to this unique form of tax credit financing.

3. (Optional): If applicable, why were all components of this objective not completed?

N/A



**Fannie Mae
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First Quarter Report: January 1 - March 31, 2019
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OBJECTIVE:

1. Increase purchases of mortgages secured by LIHTC properties (Do What We Do Best).

SUMMARY OF RESULTS:

Fannie Mae purchased 21 loans secured by low-income housing tax credit (LIHTC) properties, representing a UPB of over \$226 Million. As with the Section 8 loans, LIHTC transactions represent a core and growing portion of Fannie Mae's Affordable Housing Business. One such LIHTC property acquired in the first quarter is Park Yellowstone Townhomes, a 4 percent LIHTC property in Harris County Texas. This initial compliance period of the property expired in 2011, but the property has acquired a new 4 percent tax credit allocation, so the affordability will be preserved for a significantly longer period of time.

Following are the 2019 Actions under this Objective:

- Purchase 86 loans secured by LIHTC properties, representing approximately an 18 percent increase over the Baseline.
- Confirm loan purchase goal for 2020 including LIHTC debt purchases on properties that serve other Duty to Serve underserved markets including rural high-needs regions, high-needs populations, and RED housing.

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):