



Fannie Mae 2019  
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:**

6. Develop and approve product enhancements designed to improve affordable housing preservation and development in High Opportunity Areas (Analyze, Test and Learn).

**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"/> Research, develop, and approve at least one product enhancement or partnership agreement, such as a framework for subordinate or mezzanine debt agreements with stakeholders offering low-cost second mortgages in exchange for the inclusion of affordable housing units High Opportunity areas.	In 2019, Fannie Mae programmatically approved a mezzanine debt program in the Washington, D.C. area that seeks to provide low-cost mezzanine debt to purchase market-rate properties in the D.C. area and convert all or a portion of the units to affordable rent levels, with low-income residents paying no more than 30 percent of their incomes toward rent.	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

**PARTIAL CREDIT JUSTIFICATION:**

N/A

**IMPACT:**

- 50 – Substantial Impact



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- 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 optimistic about the scalability and replicability of this new innovative program and the financing model that allows it to be successful. The goal of the fund is to provide capital for the acquisition and rehabilitation of affordable housing in high-impact locations. The fund's original proposal was to self-impose affordable income restrictions and provide low-cost mezzanine debt in conjunction with non-Low-Income Housing Tax Credit, tax-exempt bond financing. Real estate developers are attracted to low-cost financing and, in some cases, are able to welcome residents with tenant-based Housing Choice Vouchers, which allows them to fulfill their affordable housing and mixed-income housing goals while still maintaining the operating incomes needed for stable financial performance.

The local program is in early stages, but we have already seen keen interest in the same or similar models in other cities with transitional neighborhoods such as Chicago, Minneapolis, and Dallas.

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

As with each component of Fannie Mae's residential economic diversity work, learning is ongoing, and in the early stages. Although we approved the programmatic design of the mezzanine debt program early in the year, many aspects of real estate development are outside of our control, so we must, in many cases, wait for investors and developers to put together projects and bring them to Fannie Mae for financing. In competitive markets in transition, the right project can sometimes take time to materialize. Fannie Mae won our first deal under this initiative in late 2019, and we are looking forward to the completion of the projects and acquisition of the loans so we can begin a more robust analysis of performance and additional learning metrics.

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

N/A