



Fannie Mae 2019  
Affordable Housing Preservation  
Outreach

**ACTIVITY:**

M. Additional Activity: Residential Economic Diversity Activity (12 C.F.R. §§ 1282.32 (d)(3) and 1282.36(c)(3)).

**OBJECTIVE:**

4. Outreach and Stakeholder Engagement on the importance of Residential Economic Diversity in community-level, household and individual outcomes (Partner and Innovate).

**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"/> Commence work on developing Case Studies of State and Local affordable housing projects focused on residential economic diversity, to ultimately be included in a public-facing white paper or report, including lessons learned in order to educate and inform stakeholders.	Fannie Mae finalized a white-paper-focused residential economic diversity efforts in state and local affordable housing programs. The white paper has been reviewed internally and will be published externally in Q1 of 2020.	N/A
<input checked="" type="checkbox"/> Develop RED educational materials for lenders, borrowers, State HFA and other State and Local stakeholders, and the general public.	Fannie Mae, in partnership with the National Housing Trust, has developed single-sheet educational materials designed to educate stakeholders on Residential Economic Diversity (RED) and Fannie Mae's work in this area.	N/A
<input type="checkbox"/> Hold at least two webinars to disseminate RED educational information.	Fannie Mae created and planned to hold separate webinars for distinct lender and external stakeholder audiences, but in the end, held one large combined education session that was a live discussion paired with a web audience of lenders, Housing Finance Agencies, and other external stakeholders. Total	As noted, Fannie Mae held one larger educational session versus smaller webinars for distinct audiences in order to take advantage of the availability of live speakers, as well as allow web and in-person participants to interact and learn from one another and their different educational levels



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	participation reached nearly 100 participants in person and on the web.	around Residential Economic Diversity issues.
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**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:**

Fannie Mae hosted a live in-person and web-based event that brought together both lenders and Housing Finance Agencies (HFAs) for a discussion on Residential Economic Diversity and financing strategies and best practices. Initially it was contemplated that the events would be simple webinars, one for lenders and one for HFAs, but as the content took shape, Fannie Mae determined a combined event with an in-person component would be more impactful than two separate webinars. For this reason, while we did not complete the literal action of hosting two webinars, we did complete the spirit of the action and should receive a high degree of partial credit, if not full credit.

**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?**

While there is ample discussion in the world of affordable housing about inclusionary zoning, gentrification, mixed-income housing, and diversity, there is not a broad or common understanding amongst practitioners of what FHFA has defined as “Residential Economic Diversity” and why it matters. Beyond this, there is sometimes a gap between the latest academic research on the subject and the day-to-day experience of lenders.



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Fannie Mae’s efforts and outreach on Residential Economic Diversity went a long way toward helping to bridge these gaps and drive the conversation between Housing Finance Agencies, lenders, and academics in terms of innovative ideas and practicalities of challenging housing markets.

Through our live educational event, Fannie Mae presented concepts and research about the importance of residential economic diversity to social and financial outcomes for communities and individuals, then provided concrete examples of where and how Fannie Mae had provided financing to further this work. This event, combined with the written one-pagers and the white paper, have created a common ground for lenders and Housing Finance Agencies to come together to have major impacts in this area.

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

Through Fannie Mae’s outreach efforts, we learned that there is a wide range of knowledge and experience working on Residential Economic Diversity issues, and that even very experienced affordable multifamily lenders benefit from hearing practical examples of how mixed-income affordable projects have been financed in this space in recent years. We also learned that state and local policy-makers benefit from understanding the financing challenges created when addressing economic diversity through housing policy.

Additionally, while the ideas around economic diversity are not new, many stakeholders were unfamiliar with the FHFA definitions and the term “residential economic diversity” (and some downright dislike the term and the associated acronym — RED — for its historic connotation and connection with red-lining).

We also learned that residential economic diversity (or lack of diversity) does not exist in a vacuum, and that issues of race and racial discrimination are important to discussions related to communities of opportunity and economic mobility. We heard strong opinions at the fall 2019 FHFA-led listening sessions that many advocates feel racial issues should be made explicit as part of Duty to Serve and of residential economic diversity efforts. While FHFA guidelines limit the extent to which Duty to Serve efforts specifically focus on racial diversity and anti-discrimination measures, state and local policy-makers, who know their communities, histories, and diversity needs, can incorporate these issues into their local affordable housing programs, which are, in turn, supported by Fannie Mae financing through our Special Public Purpose and state and local affordable housing programs.

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

As described above, Fannie Mae hosted a live in-person and web-based event that brought together both lenders and Housing Finance Agencies (HFAs) for a discussion on Residential Economic Diversity and financing strategies and best practices. Initially it was contemplated that the events would be simple webinars, one for lenders and one for HFAs, but as the content took shape, Fannie Mae determined a combined event with an in-person component would be more impactful than two separate webinars.



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**ACTIVITY:**

M. Additional Activity: Residential Economic Diversity Activity (12 C.F.R. §§ 1282.32 (d)(3) and 1282.36(c)(3)).

**OBJECTIVE:**

5. Support Affordable Housing in High Opportunity Areas and Mixed-Income Housing in areas of concentrated poverty through technical assistance and capacity building for State and Local community development organizations (Partner and Innovate).

**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"/> Support RED housing development and preservation through at least one state and local partnership, including technical assistance and contract awards to affordable housing organizations seeking to improve residential economic diversity in housing at the State and local level.	<p>Fannie Mae is supporting Residential Economic Diversity (RED) housing development and preservation through multiple partnerships, in particular through Fannie Mae's Sustainable Communities Innovation Challenge. Two noteworthy partnerships include:</p> <ul style="list-style-type: none"> <li>• Expanding affordable housing and early childhood education: The Guadalupe Neighborhood Development Corporation (GNDC) will scale its innovative housing and early childhood education model by partnering with a preschool to expand housing and education opportunities for low- and moderate-income families in an underserved neighborhood in southeast Austin, TX.</li> <li>• Supporting the Charlotte Housing Opportunity Fund, Local Initiatives Support Corporation (LISC), and Atrium Health, which are exploring combining affordable mixed-</li> </ul>	<p>N/A</p>



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	income housing and related wrap-around services to residents in Charlotte, North Carolina. A 2015 Equality of Opportunity study ranked Charlotte 50th out of 50 cities in economic mobility for children born into low-income families. To address this issue, the partnership is creating innovative capital funding structure to demonstrate that services focused on social determinants, like employment and access to fresh food, can be effectively integrated into affordable housing development efforts and economic diversity.	
<input checked="" type="checkbox"/> Explore partnerships and sponsorships of organizations developing tools and resources designed to more easily enable financing of RED-eligible properties.	Fannie Mae is currently exploring promising partnerships with organizations, including developers, research organizations, and investors, to develop tools and models to more easily finance RED-eligible properties. We look forward to announcing and publicizing these partnerships in 2020.	N/A
<input checked="" type="checkbox"/> Publicize and disseminate the results of these partnerships.	Fannie Mae’s Sustainable Communities Innovation Challenges published Phase Two Contract awards, including the partnership with LISC and Charlotte earlier in 2019. They officially announced the partnership with the Guadalupe Neighborhood in Austin, Texas, in early January 2020.	While Fannie Mae entered into agreements to develop and disseminate results and resources aimed at increasing economic diversity and related financing, as of yet, the lessons learned are still in a nascent stage. We look forward to refining those results and publicizing them in 2020.



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- Objective met
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**PARTIAL CREDIT JUSTIFICATION:**

N/A

**IMPACT:**

- 50 – Substantial Impact
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**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's investments through the Sustainable Communities innovation challenge partnerships are focused on the practicalities of bringing market resources to bear to improve lives and communities. The partnerships in Austin and Charlotte will result in meaningful impacts on economic diversity issues in those two locations by testing real-world strategies for including opportunity for low-income residents and preserving housing in changing neighborhoods. At the same time, the partnerships will also provide valuable insights as to how other locations of projects can access financial resources from Fannie Mae or other market participants to create scalable, sustainable solutions.

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

While engagements are in early stages and continued lessons learned will be forthcoming in 2020 and into future years, Fannie Mae has learned some important early lessons, including:

- Local knowledge and partnerships are critical: To impact a local area, it is important to partner or build on respected and reliable partners in the community itself.
- Long-term commitment is needed: One-off or short-term interventions can be a catalyst to development, but only if they are matched with sustained and ongoing support dedicated to the community.



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• Scalability is important. While place-based solutions are by design responsive to local situations and therefore individually tailored to a particular place, certain lessons can be extracted and replicated, such as financing and financial partnership models or bringing to the table new types of partners, such as health care partners in the affordable housing financing space.

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

While Fannie Mae entered into agreements to develop and disseminate results and resources aimed at increasing economic diversity and related financing, as yet the lessons learned are still in a nascent stage. We look forward to refining those results and publicizing them in 2020.