



Fannie Mae 2019  
Affordable Housing Preservation  
Loan Purchase

**ACTIVITY:**

E. Statutory Activity: Other comparable State or local affordable housing programs.

**OBJECTIVE:**

1. Expand Fannie Mae's multifamily affordable housing (MAH) definition to support other comparable State or local programs to preserve affordable housing and purchase loans (Partner and Innovate, 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 30 loans secured by properties under a Fannie Mae-approved State or local affordable housing program, representing a goal of approximately a 43 percent increase over the Baseline.	In 2019, Fannie Mae purchased 51 loans approved by a state or local affordable housing program.	N/A
<input checked="" type="checkbox"/> Continue to build upon knowledge gained in the previous year by reviewing other comparable affordable housing programs in five additional State or local jurisdictions that could benefit from streamlined guidelines and/or delegation in order to increase liquidity to those jurisdictions.	Fannie Mae continued to review, individually and in aggregate, other comparable affordable housing programs in multiple jurisdictions. Programs reviewed include: <ul style="list-style-type: none"> <li>• The Illinois Housing Development Authority's Community Revitalization Program</li> <li>• MassHousing's \$100 Million Workforce Housing initiative</li> <li>• California's Welfare Tax Exemption Program</li> <li>• New Jersey's Economic Development and Growth Program</li> <li>• Hawaii Housing Finance Development Corporation's</li> </ul>	N/A



Fannie Mae 2019  
Affordable Housing Preservation  
Loan Purchase

	(HHFDC) Rental Assistance Program (RAP)  • Oregon’s Multifamily LIFT program	
<input checked="" type="checkbox"/> Continue to support research that identifies and reviews other comparable State or local affordable housing programs across the country.	Fannie Mae partnered with the National Housing Trust to support the research of a State and Local Affordable Housing White Paper and Case Study, focused on Residential Economic Diversity issues. We also continued our partnership with the Grounded Solutions Network and have published multiple research commentaries on state and local affordable housing programs and inclusionary zoning programs.	N/A
<input checked="" type="checkbox"/> Based on this review and the completed research, provide for appropriate expanded guidelines and/or delegation for loans to qualify as MAH transactions under the approved State or local affordable housing programs.	Based on our review of individual State and Local affordable housing programs, along with the research we have gathered about the proliferation of state and local affordable housing programs nationally, Fannie Mae decided to take a big-picture approach rather than attempt to approve individual housing programs as they arise. Fannie Mae will treat a state or local affordable housing program as part of our Affordable Mission Business as long as it adheres to guidelines related to income and rent restrictions, is monitored by a third party, and serves a noteworthy special public purpose. This “Special Public Purpose” loan was clarified and made more explicit through an update to	N/A



Fannie Mae 2019  
Affordable Housing Preservation  
Loan Purchase

	Fannie Mae’s Selling and Servicing Guide, updated in 2018 and published in 2019.	
--	--	--

**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
- 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’s efforts toward this objective were impactful in two ways. First, by exceeding our goal of 30 loans and purchasing over 51 loans, we have shown the market that these state and local affordable housing programs can be scalable, and we are reducing transaction times and associated costs. For example, we recently finalized transactions for properties participating in Oregon’s Multifamily Local Innovation and Fast Track Housing (LIFT) program, which pairs state resources with traditional financing to provide affordable multifamily housing, particularly in traditionally underserved communities such as rural communities and communities of color. Because of the innovative nature of many state affordable housing programs, including the LIFT program, these successful transactions took creativity and resources on all sides to ensure regulatory documents for all programs were in agreement. Now that we have done this work, future transactions will be faster and easier, not just in Oregon, but in jurisdictions across the country.

Fannie Mae’s efforts have also been impactful by providing a clear roadmap to states and local areas about what is required for a loan to be considered “affordable” by Fannie Mae underwriting standards. Specifically, these



## Fannie Mae 2019 Affordable Housing Preservation Loan Purchase

loans must meet affordability requirements by having both an income and rent restriction and that those restrictions must be monitored. These guideposts are providing needed standardization as the number of affordable housing programs at the State and local level continue to proliferate.

### **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 partnerships with the Grounded Solutions Network, the National Housing Trust, and our own experience acquiring state and local affordable housing loans, we have learned a great deal:

- States and localities are often the best positioned to understand local housing challenges and opportunities and are the most motivated to solve affordable housing issues for their local populations. For this reason, we are eager to continue to find synergies and efficiencies to continue to be a reliable source of capital for innovative housing solutions.
- There are a wide variety of state and local affordable housing programs, ranging from tax abatements and neighborhood revitalization programs to inclusionary zoning rules, restrictions, or incentives among other programs.
- In terms of inclusionary zoning programs, some permit the share of units that are set aside as affordable to be as low as just 5 percent. Fannie Mae's research suggests the most effective programs set aside at least 20 percent of the new units to be affordable to lower - income tenants in exchange for benefits that help offset the cost of new construction. According to the National Housing Conference Affordable Housing Policy Review Journal publication "Inclusionary Zoning: The California Experience," developer opposition and land shortages are among the factors that can slow down the production of all types of new housing, not just affordable housing. The study also notes that the most productive programs were much more likely than other programs to subsidize the construction of affordable units. As a result, pairing inclusionary housing with secondary sources of funding from state and local governments is most likely to generate a more generous amount of new affordable units.

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

N/A



## **Fannie Mae Affordable Housing Preservation First Quarter Report: January 1 - March 31, 2019 Loan Purchase**

### **ACTIVITY:**

E. Statutory Activity: Other comparable State or local affordable housing programs.

### **OBJECTIVE:**

1. Expand Fannie Mae's multifamily affordable housing (MAH) definition to support other comparable State or local programs to preserve affordable housing and purchase loans (Partner and Innovate, Do What We Do Best).

### **SUMMARY OF RESULTS:**

Fannie Mae worked to finalize the rollout of the Multifamily guide (CLASS Guide) which will include updated guidance and increased ability for lenders to close transactions falling under the "Special Public Purpose" guidance due to their adherence to State and Local affordable housing programs. We also met with key borrowers and investors in affordable housing as well as state and local housing organizations (such as HFAs and city housing offices) to discuss the opportunities and challenges related to affordable housing programs at the state and local level.

Following are the 2019 Actions under this Objective:

- Purchase 30 loans secured by properties under a Fannie Mae-approved State or local affordable housing program, representing a goal of approximately a 43 percent increase over the Baseline.
- Continue to build upon knowledge gained in the previous year by reviewing other comparable affordable housing programs in five additional State or local jurisdictions that could benefit from streamlined guidelines and/or delegation in order to increase liquidity to those jurisdictions.
- Continue to support research that identifies and reviews other comparable State or local affordable housing programs across the country.
- Based on this review and the completed research, provide for appropriate expanded guidelines and/or delegation for loans to qualify as MAH transactions under the approved State or local affordable housing programs.

### **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):**