

**2022**  
**Affordable Housing Preservation**  
**Loan Purchase**

**STATUTORY ACTIVITY:**

C. Low-Income Housing Tax Credits (LIHTC) under Section 42 of the Internal Revenue Code of 1986, 26 U.S.C. § 42 (C.F.R. § 1282.34 (c) (8)).

**OBJECTIVE:**

1. Increase liquidity to the LIHTC debt market by purchasing loans secured by LIHTC properties.

**INFEASIBILITY:**

Check here if the Enterprise is submitting an infeasibility request for this objective.

**SUMMARY OF RESULTS:**

Objective’s components detailed in the Plan	Corresponding actions taken	Explanation of any deviations from the Plan (if applicable)
<input checked="" type="checkbox"/> Purchase 205 loans comprising an estimated 28,500 units that meet the Fannie Mae LIHTC definition, which represents an 8% increase over the baseline.	In 2022, Fannie Mae purchased 348 loans that qualified as LIHTC transactions, accounting for approximately 48,737 units. This represents an 83% increase over baseline and a 70% increase over the 2022 target.	N/A

**SELF-ASSESSMENT RATING OF PROGRESS:**

- Target met
- Target exceeded
- Target partially completed
- No milestones achieved

**IMPACT:**

- 50 – Very Large Impact
- 40
- 30 – Meaningful Impact
- 20
- 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 purchases loans secured by Low Income Housing Tax Credit (LIHTC) properties to provide essential support for the construction and preservation of affordable rental units that serve very low-, low-, and moderate-income families. In 2022, Fannie Mae continued to provide significant liquidity to this market, acquiring 348 loans representing \$4.8 billion in unpaid principal balance (UPB) and 48,737 affordable units. This result incorporates reporting methodology updates to include both LIHTC loans with less than seven years remaining in the initial compliance period as well as those in the extended use period. Many deals were also pulled forward due to the rising interest rate environment, resulting in deal volume that far exceeded the 2022 goal of 205 loans. Forty-two (42) states were represented in the 2022 acquisitions. Among the top localities were Texas (54), California (46), Florida (18), Ohio (18), and Virginia (18). Five percent (5%) were in High Needs Rural regions or supported small properties in rural-designated areas, while several properties were in metropolitan areas, including Atlanta, Dallas, Denver, Houston, Los Angeles, New York, and Washington, D.C.

Property sizes ranged from small complexes of 12 units to very large developments with over 700 units; on average, most properties were about 150 units or fewer. Thirty-four percent (34%) preserved older properties constructed before 1990, and the average building age among properties financed was 38 years. This housing inventory fills a critical need, as more than half of the affordable units financed (58%) are accessible to very low-income individuals and families with incomes at or below 50% of the area median income (AMI). Nearly 98% are accessible to the low-income population at or below 80% of AMI, and 100% are accessible at or below 100% of AMI. In addition to traditional Multifamily Affordable loan purchases, Fannie Mae continues to grow its MBS as Tax Exempt Bond Collateral (MTEB) product, which is often paired with 4% LIHTC tax credits, and fills an important need in LIHTC financing by offering more attractive terms to bond purchasers and faster closings. In 2022, Fannie Mae financed 15 MTEB loans, for a total transaction amount of over \$253 million.

LIHTC loans represent a core affordable housing preservation product for Fannie Mae. In exceeding our loan purchase goal for this year, we made a significant impact for underserved markets in 2022 by providing capital for crucial housing for thousands of low-income households. This support came at a time when rising market rents led to diminished affordable rental supply and higher cost of living, thereby challenging access to quality housing for many individuals who did not see proportionate income growth coming out of the pandemic. The equity created by LIHTC helps to fill the financing gap between construction costs and the affordable rental income stream, but cost-effective debt financing represents an equally important part of the capital stack. By offering competitive pricing and structural flexibility, Fannie Mae can provide solutions for the capital markets that keep LIHTC projects economically feasible and attractive for private investment.

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

The LIHTC market proved to be resilient coming out of the pandemic, leading to increased loan purchase targets based on observed market activity. We do not expect to see the same level of volume in 2023, as fewer properties will be entering extended use over the next two years. However, Fannie Mae remains confident in its ability to compete for available opportunities. In 2023 and beyond, growing our market share in LIHTC will depend on deals that are up for re-syndication, requiring consistent levels of engagement with lender partners. Competition on pricing ramped up significantly in 2022 during the rapidly increasing interest rate environment and will continue to be a major factor in loan acquisition volume. Product offerings are also being evaluated for potential updates to ensure they are continually addressing market need, positioning Fannie Mae to execute on new LIHTC business.

Opportunities for loan purchases by Fannie Mae fall into two categories, each with its own demand drivers:

- LIHTC Extended Use and Preservation – 2023-2024 will see fewer opportunities entering the extended use period because significantly fewer LIHTC properties and units were placed in service during the Great Recession (2008-2009). Estimates provided by the National Preservation database indicate approximately 19% fewer properties and 24% fewer units were placed in service during 2008-2009 vs. 2003-2006.
- New Allocations for LIHTC Rehab – Impacted by the roll-off from the temporary 12.5% increase to credits available to states from 2018 to 2021. New LIHTC opportunities are also constrained by rising interest rates, as well as inflationary pressures that will affect project costs.



Through research and outreach conducted in 2022, Fannie Mae sought to identify preservation opportunities for LIHTC properties to prevent the units from falling out of the affordable housing supply. We learned that factors such as ownership type, location, and lack of capital subsidies contribute to the likelihood of a transaction to exit the LIHTC program. Deals reach a potential exit point from the LIHTC program once they have exhausted the extended-use period, at which point there is strong competition to finance these properties and maintain affordability restrictions before they convert to market rate.

**3. Optional: If applicable, why was the Enterprise unable to achieve the Plan target?**

Not Applicable



**Fannie Mae**  
**Affordable Housing Preservation**  
**First Quarter Report: January 1 - March 31, 2022**  
**Loan Purchase**

**ACTIVITY:**

C. Statutory Activity: Low-Income Housing Tax Credits (LIHTC) under Section 42 of the Internal Revenue Code of 1986, 26 U.S.C. § 42 (C.F.R. § 1282.34 (c) (8))

**OBJECTIVE:**

1. Increase liquidity to the LIHTC debt market by purchasing loans secured by LIHTC properties.

**SUMMARY OF RESULTS:**

Through March 31, 2022, we have acquired 74 loans that meet the Fannie Mae LIHTC definition and are On Track to meet our target by year end.

Following are the 2022 Actions under this Objective:

- Purchase 205 loans, comprising an estimated 28,500 units that meet the Fannie Mae LIHTC definition, which represents an 8% increase over the baseline.

**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):**