

2022 Affordable Housing Preservation Outreach

STATUTORY ACTIVITY:

B. The rural rental housing program under Section 515 of the Housing Act of 1949, 42 U.S.C. § 1485 (C.F.R. § 1282.34 (c) (7)).

OBJECTIVE:

2. Support technical assistance programs that facilitate the preservation of Section 515 properties.

INFEASIBILITY:

Check here if the Enterprise is submitting an infeasibility request for the 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"/> Partner with nonprofit organizations to deliver TA to 20 organizations working to preserve the affordability of Section 515 properties and to provide measurable impact through TA efforts	Fannie Mae partnered with both Enterprise Community Partners (Enterprise) and Housing Assistance Council (HAC) to provide TA to support a total of 27 organizations pursuing potential Section 515 preservation activities.	N/A
<input checked="" type="checkbox"/> Provide TA in the transfer analysis, negotiation, underwriting, and application process.	Both Enterprise and HAC built upon the foundation of their 2021 work to perform Section 515 TA on behalf of Fannie Mae in 2022. Enterprise continued with its Preservation Academy, but we took a different approach in our TA agreement with HAC and worked closely with Enterprise’s lending group in order to provide more targeted TA.	N/A
<input checked="" type="checkbox"/> Work with the organizations to identify and secure funding from other sources.	As part of our partnership, Enterprise and HAC worked with nonprofit organizations on identifying and securing funding from other sources. TA efforts focused not only on navigating the USDA-Rural Development (RD) process, but also structuring financing for rural preservation properties.	N/A



<input checked="" type="checkbox"/> Assess the results of TA provided in 2021 and identify opportunities and strategies to strengthen the program's effectiveness and increase its scale in 2022.	<p>There were many lessons learned from the TA that was provided through Enterprise and HAC. Please see below for a more detailed discussion of lessons learned and strategies to strengthen the program's effectiveness in 2023.</p>	<p>N/A</p>
<input checked="" type="checkbox"/> Plan the 2022 TA program, coordinate with USDA in planning, where possible, and identify organizations for TA delivery (owners of 515 properties at risk of exiting the program and mission-oriented entities seeking to preserve 515 properties).	<p>The 2022 TA program achieved these goals by incorporating a preservation academy series of no-cost training and peer learning sessions designed to help rural housing providers navigate the USDA-RD process.</p>	<p>N/A</p>
<input checked="" type="checkbox"/> Execute the 2022 TA program by working with providers to design programs that measure progress toward loan purchases through agreed-upon milestones.	<p>Our partners provided TA to 27 recipients (exceeding our goal of 20) through extensive outreach to various organizations, including various non-profits, Public Housing Authorities, and developers.</p>	<p>N/A</p>
<input checked="" type="checkbox"/> Document at least six submitted loan applications that would maintain both 515 debt and 521 rental assistance.	<p>Enterprise has submitted four active transfer (loan) applications to USDA. HAC has submitted one active transfer application to USDA. A total of five transfer applications have been submitted to USDA.</p>	<p>The Plan requires six transfer applications to be submitted for 2022. However, please note that our TA with HAC started in July, so as of fiscal year-end 2022, this only accounts for five months of active TA with HAC.</p>
<input checked="" type="checkbox"/> Secure funding for at least three properties that maintain both 515 debt and 521 rental assistance.	<p>The five projects that submitted active transfer applications to USDA received TA that helped them secure sources of financing.</p>	<p>N/A</p>



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?

USDA Section 515 Rural Renting Housing Loans are a critical source of rental housing finance in rural areas, particularly for seniors, people with disabilities, and low-income renters. There is crucial need to preserve properties with maturing Section 515 loans: once properties exit the program, they lose RD affordability restrictions, and residents are no longer eligible to receive USDA Rental Assistance. The path for owners to refinance or transfer 515 loans through USDA, thereby retaining rental assistance eligibility, can be complex. Technical Assistance (TA) is crucial to successfully preserving 515 properties, as it can support owners and potential buyers in navigating the process, delivering best practices and expert knowledge to organizations interested in preservation. In 2022, Fannie Mae supported two partners, Enterprise, and the Housing Assistance Council (HAC), in providing direct, tailored Technical Assistance (TA) to a total of 27 organizations, exceeding our goal of 20.

Enterprise used a comprehensive approach to providing TA, supporting organizations through navigating both the USDA 515 process and other affordable housing programs, including HUD 811 and 202. In 2022, Enterprise developed and hosted the Southeast Rural Rental Housing Preservation Academy, which supported a cohort of 15 groups—including city municipalities, non-profit developers, and public housing authorities—as they navigated the processes of acquiring and/or preserving affordable housing in rural Alabama, Georgia, and Mississippi. Through the Academy, Enterprise offered a series of 15 no-cost training and peer learning sessions, which were held in-person and virtually between March and October. Building on content covered in previous Academies, the sessions featured over 40 hours of content focused on all aspects of the RD deferral and transfer application, as well as topics related to financing, development, construction, partnership, and the RD transfer process itself. Enterprise also hosted a National Rural Preservation Virtual Convening for over 110 participants in October 2022 featuring speakers from HAC, USDA-RD, and various staff members of the U.S. Senate to discuss key issues related to rural housing preservation. Enterprise’s Academy also leveraged an in-depth, tailored approach: Enterprise held regular check-ins and meetings with the cohort to work through their identified TA needs and help them implement individualized action plans focused on preservation.

Beyond TA provided through the Academy, Enterprise also provided direct, tailored TA to current and former Academy cohort participants with a focus on preservation projects. In addition, Enterprise was awarded a contract with USDA-RD in the second half of 2022, enabling Enterprise to provide further TA in the Northeast, Southeast, West, and Midwest, broadening our geographic reach. In total, the Enterprise met with 22 groups, working on TA for 25 separate projects in 2022. Enterprise’s direct TA resulted in four active transfer applications that have been submitted to USDA-RD, with more applications to be submitted in 2023.



We also partnered with HAC beginning in July 2022. Recognizing the need for TA to be provided by experts who are familiar with the technical details of the USDA-RD process and who work closely with the 515 product, we partnered with HAC's lending team for the first time to provide TA. HAC quickly ramped up capacity to provide TA on USDA 515 transfers, responding to TA inquiries from owners and potential purchasers; conducting outreach to potential TA recipients and initiating TA; and lining up consultants and staff, including a retired USDA housing staff person as a consultant, a part-time senior preservation officer, and a new loan officer. In just five months of work since July, HAC fulfilled its requirements per our SOW for its year-long cycle: they have written TA agreements with two organizations and have initiated TA with an additional five organizations. One project with a TA agreement closed on a transfer with USDA-RD. This project included close to \$1 million in rehab and will preserve 12 units of affordable rural housing.

Both Enterprise and HAC acknowledged that our partnership was crucial in allowing them to expand upon their efforts to provide meaningful TA to the rural community. Fannie Mae's support helped these organizations increase their capacity and resources to provide in-depth, tailored, on-the-ground technical assistance that is much needed for borrowers to navigate a complex, but vital, preservation tool.

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

As part of our partnerships with Enterprise and HAC, these organizations provide reports on lessons learned, including common participant needs, TA strategies that were most effective, changes that would increase program impact, and more. Some key lessons learned from 2022 are described below.

- **Importance of TA for small entities and nonprofits:** Overall, offering technical assistance on the 515 Transfer Application process to preserve rural housing has been very well-received by small nonprofits and housing authorities. Larger developers often have more capacity to navigate the application process, with access to predevelopment funds and specialized consultants, whereas smaller boutique, mission-based organizations tend to be understaffed and have limited funds for predevelopment due diligence.
- **Potential for combining financing sources:** Enterprise reported that many nonprofit attendees of their Preservation Academies owned or were interested in USDA 515 maturing properties that could be lost to the affordable housing stock. Based on this insight, with a combination of USDA grants to Enterprise and technical assistance from Fannie Mae, there could be opportunities to provide specific training geared towards USDA 515 Preservation Academies in the future.
- **Common process challenges:** In 2022, we also learned about the most common challenges that TA clients face, including understanding the extremely complicated transfer/prepayment process, as well as the USDA appraisal process and requirements, which are not fully transparent or easy to understand using available handbooks and guidance from USDA. As an example, HAC specifically noted that for several portfolios of properties they supported through TA, the path for transfer is unclear. On several of their TA engagements, the only clear path to reaching the seller's asking price is a 9% LIHTC round, which requires projects to compete for resources and makes their timeline and feasibility less certain.

Looking ahead to 2023, we are optimistic that our continued support of Enterprise's and HAC's TA efforts will result in additional preservation activities. Between Enterprise and HAC, the robust Preservation Academies and targeted TA have resulted in 27 engagements and five transfer applications, resulting in the preservation of 154 units. We will continue to partner in-depth with these organizations to deepen our understanding of barriers in the Section 515 preservation market and serve borrowers with the TA that is vital to addressing them.

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

Not Applicable