2024
Affordable Housing Preservation
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.

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)*
☒ 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 2024, Fannie Mae purchased 215 loans that financed LIHTC properties, accounting for 26,480 units.	

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?

The federal LIHTC program supports the production and preservation of affordable rental housing and is the main source of new affordable supply in the United States. Properties financed by the LIHTC program are required to set aside units for low-income renters, but many properties serve households at even deeper levels of affordability, including renters with incomes at or below 30% of the Area Median Income (AMI), per HUD. In 2024, we acquired 215 loans secured by LIHTC properties, representing approximately 26,480 rental units — exceeding our goal of 205 loans by 5%. This represented an increase of 6% over the 2023 loan purchase volume of 202 loans. Forty-one states were represented in the 2024 acquisitions, with the top states being Texas (36), California (30), and North Carolina (27). Of the loans acquired, 14% financed properties in high-needs rural regions or supported small properties in rural-designated areas, up 3% from 2023.These properties fill a critical need for affordable rental housing, as 66% of the units financed are affordable to very low-income households at or below 50% of AMI, and 99% are affordable to low-income households at or below 80% of AMI.

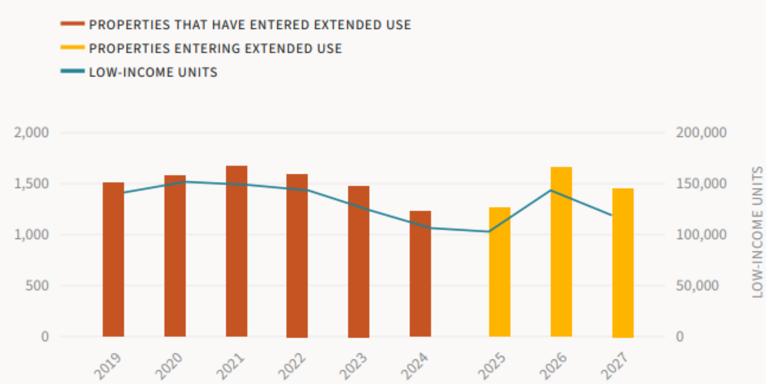
One deal highlighting the role of LIHTC as an important capital source for affordable housing: a 522-unit property in Brooklyn, NY, completed in 2018. The property includes 106 affordable units that are restricted at LIHTC rents of 40% and 50% of AMI. Located near the waterfront in the Williamsburg neighborhood of Brooklyn at the former Domino Sugar site, the property is in a highly desirable area with access to transportation, employment, shopping, dining, and entertainment. Amenities include a pool, roof terrace, yoga room, fitness center, game room, pet washing station, and 24-hour emergency maintenance.

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

Based on observations from the prior year where we encountered market-driven challenges that prevented us from meeting our goal, we anticipated similar difficulty in hitting our 2024 LIHTC debt loan purchase target. While we continued to see strong competition for LIHTC opportunities, our increased focus on this loan purchase goal in the second half of 2023 contributed to our success beginning early in 2024. However, there are several market factors that continue to limit our ability to grow future loan volume. Due to fewer LIHTC units being placed in service during the Great Recession, the market opportunity for the preservation of LIHTC properties nearing the end of their initial 15-year compliance period and entering extended use declined in 2024 and will continue to decline through 2025.

LIHTC Market Expectations for 2025 – 2027 Plan Years

LIHTC Properties/Units Completing and Entering Extended Use (2019 – 2027)*



*Properties in/entering extended use consist of properties completing compliance period plus additional acquisition rehab properties from new 4% tax credits less properties with re-syndicated credits.

Note: For New York State 9% Credit only, LIHTC Expiration Year = "LIHTC Start Year" + 30 years. For all other LIHTC Expiration Year = "LIHTC Start Year" + 15 years.

Source: National Preservation Database for extended use. Retrieved February 10, 2024. NCSHA (2019 – 2022) Factbooks for net acquisition rehab preservation.

Further, new preservation projects for LIHTC properties continue to be constrained by rising construction costs due to inflation, with building material prices up 39% since the start of the pandemic.[1] Multifamily properties also continue to face increased insurance costs and may have difficulty obtaining coverage in areas prone to natural disaster. Debt financing has also become more expensive in the high-interest rate environment, which has led investors to seek higher yields from their equity investments. Since LIHTC properties have little flexibility to absorb cost increases through revenue growth compared to market-rate properties, they often must find additional sources of equity or financing from state, local, or private resources to have a project completed, which increases deal complexity.

Based on these key learnings, we are working to position ourselves for success in meeting our 2025 goals by being flexible and putting forth competitive offerings where it makes sense and is feasible within our commitments to safe and sound lending

[1] "LIHTC Properties Facing Challenging Times," *Multifamily Affordable Housing Commentary*, Fannie Mae, July 2024, https://www.fanniemae.com/media/53121/display.

practices. In the 2025 – 2027 Duty to Serve Plan cycle, our targets have been set based on assessment of market opportunity in each year, including the volume of preservation opportunities in properties approaching year 15.

To increase our loan purchases to the level of our 2025 target of 26,000 units, we will continue to proactively source new opportunities by leveraging close relationships with our DUS® lenders. As we experienced in the last two years, a key factor in our success will be how we adapt to shifting market expectations, including requests for pricing and structural accommodations, and our ability to swiftly respond to win deals that support affordable properties.

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

N/A