

## 2024 Affordable Housing Preservation Loan Purchase

**ACTIVITY:**

E. Regulatory Activity: HUD Rental Assistance Demonstration (RAD) program (12 C.F.R. § 1282.34 (d) (6)).

**OBJECTIVE:**

1. Purchase loans for RAD properties.

**INFEASIBILITY:**

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

Despite our best efforts in 2024, Fannie Mae fell short of our goal to purchase loans that financed 1,210 RAD units, purchasing only two loans that accounted for 367 units. We faced numerous market-driven challenges in pursuit of this goal that resulted in fewer loans being purchased in 2024:

- The volume of RAD transactions overall has slowed significantly in the last few years. Per available data from the RAD Resource Desk, RAD transactions that closed in 2024 were down by approximately 15% from 2023 on a unit basis. Compared to 2022, approximately 29% fewer transactions had closed on a unit basis.
- It remains difficult for us to accurately forecast the number of RAD transactions per year, which can complicate how we set and track progress against targets. In addition to fierce competition for the business, these transactions have a long execution timeline of 18+ months. RAD transactions by nature are very complex and have multiple stakeholders and funding sources, including deep subsidy.
- The elevated interest rate environment has made it difficult to forecast when these deals may close, as rate trends may influence when borrowers decide to rate lock. Despite interest rates beginning to come down in the third quarter of 2024, it did not have any notable impact on deal volume.

**SUMMARY OF RESULTS:**

<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 type="checkbox"/> Finance 1,210 RAD units, which represents a 21% increase over the target.	In 2024, Fannie Mae purchased two loans that qualified as RAD transactions, accounting for 367 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 RAD program was created to give Public Housing Authorities (PHAs) a funding source to preserve and improve public housing properties and in particular address the multibillion-dollar nationwide backlog of deferred maintenance on aging buildings. The program supports PHAs in their ability to leverage public and private debt and equity to reinvest in their public housing stock. Over the years, Fannie Mae has made a concerted effort to strengthen lender engagement and provide affordable financing for properties undergoing a RAD conversion. In 2024, our RAD loan purchases included two loans that represented 367 units in two states — Sacramento, CA and Lawrenceville, GA. This represents an 82% reduction from 2023 volume, in which four loans were purchased to finance 2,035 units across four states.

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

We observed a significant lag in volume in 2024 compared to prior plan years, including low pipeline activity beginning in Q1 that aligns with a reduced volume of deals in the primary market for RAD. This primary market activity has consistently been slowing in the last few years as the pool of properties that could be eligible for RAD conversion becomes smaller. Available data from the RAD Resource Desk indicates RAD transactions that closed in 2024 were down by approximately 15% from 2023 on a unit basis. Compared to 2022, approximately 29% fewer transactions had closed on a unit basis. We also observed multiple deals falling out of the pipeline that did not meet our underwriting standards or were lost due to heavy competition. The deals that progressed in the pipeline in 2024 were large, complex deals that were subject to a lot of time-intensive negotiation against competitors to win the opportunity. This lengthened execution timelines beyond what was feasible to complete due diligence and closing in time to deliver in 2024. Deals that we won but would not deliver in 2024 accounted for 1,669 units, which would have exceeded our goal by 68%.

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

Please see infeasibility request, where we have outlined our reasons as to why Fannie Mae was unable to achieve the Plan target.



## **Affordable Housing Preservation First Quarter Report: January 1 - March 31, 2024 Loan Purchase**

### **ACTIVITY:**

E. HUD Rental Assistance Demonstration (RAD) program (12 C.F.R. § 1282.34 (d) (6)).

### **OBJECTIVE:**

1. Purchase loans for RAD properties.

### **SUMMARY OF PROGRESS:**

The following are the 2024 Actions under this Objective:

- Finance 1,210 RAD units, which represents a 21% increase over the previous year's target.

We are currently off-track to meet our goal of purchasing loans for 1,210 units secured by RAD properties.

As of the end of the first quarter of 2024, we have not acquired any loans for RAD units. However, our pipeline is strong; as of the end of April, we have 192 units committed, 236 units under app, and 1,046 units quoted for a total of 1,474 units. Based on these pipeline figures, we are optimistic that we will meet our RAD objective.

While we are optimistic that we will meet our RAD objective, we also acknowledge that there are several factors that continue to pose challenges to financing:

- It remains difficult for Fannie Mae to accurately forecast the number of RAD transactions per year. This is due to the length of execution, which can be 18+ months; challenges with forecasting public housing financing needs; and variations in funding for Public Housing Authorities (PHAs).
- We continue to learn how to navigate the various federal and local policies that play key roles in how quickly these deals get executed.
- Interest rates remain volatile through the first quarter of 2024, impacting some borrowers' decisions to rate lock and making it difficult to forecast when these deals may close. We are observing this through our platform.



**Affordable Housing Preservation  
First Quarter Report: January 1 - March 31, 2024  
Loan Purchase**

**SELF-ASSESSMENT RATING OF PROGRESS:**

- ☐ On track to meet or exceed the target
- ☒ Progress delayed and/or partial completion of the objective expected
- ☐ Unlikely to achieve any milestones of the objective

**ADDITIONAL INFORMATION (IF APPLICABLE):**



## **Affordable Housing Preservation Second Quarter Report: April 1 – June 30, 2024 Loan Purchase**

### **ACTIVITY:**

E. HUD Rental Assistance Demonstration (RAD) program

### **OBJECTIVE:**

1. Purchase loans for RAD properties.

### **SUMMARY OF PROGRESS:**

We are currently off-track in meeting our goal of purchasing loans for 1,210 units secured by RAD properties.

As of the end of the second quarter of 2024, we have not acquired any loans for RAD units. We have also observed some turnover in our pipeline compared to the first quarter; we currently have 192 units committed, 75 units under application, and 1,669 units quoted, for a total of 1,936 units. The 1,669 units that have been quoted comprise one large project that is scheduled to close in September, with the loan delivered in October 2024, if such transaction is won by Fannie Mae. However, there is strong competition for this deal, so it is uncertain whether we will win the business. Based on these pipeline figures, and the typically lengthy execution timeline for RAD deals, it is uncertain whether we will meet our RAD objective.

There are several factors that continue to pose challenges to financing RAD units:

- The volume of deals in the primary market for RAD has slowed significantly in the last few years. Per available data from the RAD Resource Desk, RAD transactions that closed in the first half of 2024 represented a total of 4,227 units, which is down 23.2% from the same period in 2023 and 47.6% from the same period in 2022.
- It remains difficult for Fannie Mae to accurately forecast the number of RAD transactions per year. This is due to fierce competition for the business; the length of execution, which can be 18+ months; an inability to forecast public housing financing needs; and variations in funding for Public Housing Authorities (PHAs).
- RAD transactions are very complex and have multiple stakeholders, layers of subsidies, and financing sources. We continue to learn how to navigate the various federal and local policies that play key roles in how quickly these deals get executed.
- Interest rates remained elevated through the second quarter of 2024, impacting some borrowers' decisions to rate lock. Persistent interest rate volatility is making it difficult to forecast when these deals may close. We are observing this through our platform.



**Affordable Housing Preservation  
Second Quarter Report: April 1 – June 30, 2024  
Loan Purchase**

**SELF-ASSESSMENT RATING OF PROGRESS:**

- ☐ On track to meet or exceed the target
- ☒ Progress delayed and/or partial completion of the objective expected
- ☐ Unlikely to achieve any milestones of the objective

**ADDITIONAL INFORMATION (IF APPLICABLE):**



**Affordable Housing Preservation  
Third Quarter Report: July 1 - September 30, 2024  
Loan Purchase**

**ACTIVITY:**

E. HUD Rental Assistance Demonstration (RAD) program

**OBJECTIVE:**

1. Purchase loans for RAD properties.

**SUMMARY OF PROGRESS:**

We are currently off-track in meeting our goal of purchasing loans for 1,210 units secured by RAD properties. As of the end of the third quarter of 2024, we have acquired 2 loans secured by RAD properties representing 367 units, or 30% of the 2024 plan target. While this represents an improvement over the first half of 2024, in which no loans had been acquired, we remain short of meeting our target. We have also observed some turnover in our pipeline; we currently have 0 units committed, 1,669 units under application, and 0 units quoted, for a total of 1,669 units. The 1,669 units under app comprise one large project, a 7-property portfolio. However, given the typically lengthy execution timeline for RAD deals, this deal will not close and deliver in 2024. Therefore, we will not meet our 2024 RAD purchase target.

**SELF-ASSESSMENT RATING OF PROGRESS:**

- ☐ On track to meet or exceed the target
- ☐ Progress delayed and/or partial completion of the objective expected
- ☒ Unlikely to achieve any milestones of the objective

**ADDITIONAL INFORMATION (IF APPLICABLE):**