Fannie Mae

2024
Affordable Housing Preservation
Loan Purchase

ACTIVITY:
J. Additional Activity: Residential Economic Diversity (RED) Activity (12 C.F.R. §§ 1282.32 (d)(3) and 1282.36(c)(3)).

OBJECTIVE:
1. Purchase affordable loans to add liquidity to the market in FHFA determined RED-eligible High Opportunity Areas.

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 34 RED-eligible loans in High Opportunity Areas secured by LIHTC, Section 8, and/or properties supported by State or Local affordable housing programs, which represents a 70% increase from the baseline.	In 2024, Fannie Mae purchased 36 loans that qualified as RED transactions, representing 3,635 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?

Properties that promote RED provide affordable housing for low- and very low-income residents in High Opportunity Areas, or areas with increased access to jobs, public transportation, quality schools, and other resources that contribute to upward mobility. In 2024, Fannie Mae purchased 36 loans supporting RED-eligible properties — accounting for a total of 3,635 units financed, which exceeded our goal of 34 loans by 6%. This figure is in line with our 2023 volume, in which we purchased 39 loans that supported over 5,000 units. This goal includes properties that receive funding from one or a mixture of several federal, state, or local programs:

- 30% were Low-Income Housing Tax Credit (LIHTC)-financed properties.
- 27% were Section 8-financed properties.
- 14% were supported by state or local programs.
- 31% included both LIHTC debt and Section 8 contracts.
- 8% included LIHTC debt, Section 8 contracts, and state or local programs.

Given financing challenges in the multifamily lending market that persisted through 2024, we have seen an increase in the number of properties that are receiving support from multiple sources of financing. This is driven by increased debt financing costs associated with the high interest rate environment that led to an increased need for subsidy, and rising construction costs that require additional capital sources to fund rehab projects for preservation. The properties supported by our loan purchases were in 16 states, with the top being New Hampshire (6), New York (5), and California (4). Of the loans acquired, 16% were financed properties in high-needs rural regions or supported small properties in rural-designated areas. These projects ranged in size from 24 to 362 units. Of the units financed, 55% are affordable for very low-income residents at 50% of Area Median Income (AMI) or below and 94% are affordable for residents earning 80% of AMI or below.

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

In 2024, we found that generally challenging conditions in the multifamily lending market persisted, including increased debt financing costs from the high interest rate environment. This has resulted in increased deal complexity, as affordable properties may have to layer multiple funding sources — often with some form of subsidy — to complete preservation projects. This may limit our ability to grow market share in the near term, given the limited availability of subsidy that is subject to state or local appropriations. Multifamily properties also continue to face increased insurance costs and may have difficulty obtaining coverage in areas prone to natural disaster. Further, the COVID-19 pandemic has had a lasting impact on the rental market, creating disparities in the ability of low-income renters to afford rent and increased demand for rental housing has driven up rents in markets that have been traditionally affordable.

We continued to observe strong competition for LIHTC, Section 8, and Other State/Local opportunities given the deep affordability of these properties, leading to demand for more flexible loan terms (pricing concessions, interest-only periods, 35- or 40-year amortization) that we aimed to be responsive to early in the year. Our increased focus on these loan purchase goals in the second half of 2023, including directly appealing to lenders that we have an interest in this business, also contributed to our success in seeing deals deliver early in 2024. In 2025, we will continue to lean into our strategy of working closely with our DUS® lenders to proactively identify these opportunities and striving to secure their business through competitive offerings.

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

N/A