

## 2024 Affordable Housing Preservation Outreach

### ACTIVITY:

B. Statutory Activity: 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:

<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 checked="" type="checkbox"/> Partner with nonprofit organizations to deliver TA to 20 organizations working to preserve the affordability of Section 515 properties.	Fannie Mae partnered with Enterprise Community Partners (Enterprise) and the Housing Assistance Council (HAC) to provide technical assistance (TA) supporting 49 organizations working to preserve Section 515 properties as affordable housing supply in rural areas.	
<input checked="" type="checkbox"/> Provide TA in the transfer analysis, negotiation, underwriting, and application process.	Both Enterprise and HAC continued existing engagements from their 2023 work to perform Section 515 TA on behalf of Fannie Mae and added new engagements to their pipeline. Enterprise continued with its Preservation Academy while also providing TA directly to organizations, and HAC continued to provide direct TA.	
<input checked="" type="checkbox"/> Work with organizations to identify and secure funding from other sources.	Enterprise and HAC worked with TA recipients to identify and secure funding from several sources. A critical component of TA includes navigating the USDA Rural Development (RD) financing process, which can be quite complex, in addition to structuring financing for the preservation of affordable rural properties.	



### SUMMARY OF RESULTS CONTINUED:

<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 checked="" type="checkbox"/> Assess the results of TA provided in 2023 and identify opportunities and strategies to strengthen the program's effectiveness and increase its scale in 2024.	Both TA providers uncovered numerous lessons from the 2023 program that informed services performed in 2024. Please see below for an overview of key learnings and how these were incorporated to deepen the program's effectiveness in 2024.	
<input checked="" type="checkbox"/> Plan the 2024 TA program 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).	The 2024 TA programs were structured to include direct TA to individual organizations as well as the Preservation Academy on the part of Enterprise's program.	
<input checked="" type="checkbox"/> Execute the 2024 TA program.	Our partners provided TA services to 49 recipients identified through outreach to various nonprofits, Public Housing Authorities (PHAs), and developers.	
<input checked="" type="checkbox"/> Analyze results of the 2024 TA program at the property level to determine success of the program and inform future work.	A total of 49 organizations were served in 2024 TA programs, including eight that applied to USDA for a transfer of ownership.	

### 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 USDA Section 515 direct loan program provides critical financing for affordable rental housing in rural areas. USDA rural properties currently account for over 374,000 rental units across the United States.<sup>1</sup> Most households occupying 515 units are seniors and people with disabilities, and the average income of Section 515 renters is \$13,600.<sup>2</sup> A lack of new USDA direct-financed rental housing has placed increased emphasis on preserving existing properties in the RD portfolio, which may represent some of the only affordable housing units in a given area. By statute, when a Section 515 mortgage matures or is terminated, the property is no longer eligible to receive Section 521 Rental Assistance (RA), a project-based tenant rent subsidy applicable to approximately 65% of units financed with a 515 loan. The expiration of this RA could put low-income residents, some of whom may be living on a fixed income, at risk for displacement and result in the loss of key affordable supply in rural areas. To keep RA in place, property owners may refinance or transfer Section 515 loans through the USDA, but this process is notably complex and challenging to navigate. To support opportunities to preserve critically affordable rental housing in rural areas, Fannie Mae partners with two providers of TA services, Enterprise and HAC, which can aid owners and potential buyers in navigating the process while delivering best practices and expert knowledge. In 2024, these partners provided direct TA to a total of approximately 49 organizations. This exceeded our goal of 20 organizations supported through partnerships and accounted for properties totaling over 2,000 units, including nine transfer applications to preserve 340 units for very low-income residents.

#### Enterprise

In 2024, Enterprise continued its comprehensive approach to providing TA to support organizations that are navigating the USDA Section 515 program. Enterprise developed and hosted the Rural Rental Preservation Academy between April and October of 2024, a series of trainings and peer-learning sessions, held at no cost to the participants. The Rural Rental Preservation Academy was designed to help rural housing providers and nonprofits acquire and preserve USDA RD and other subsidized and affordable multifamily housing. It covered key steps in the process of preserving USDA Section 515 properties, including how to navigate forms and policies, different funding sources, case studies from the field, and how to apply for direct TA with USDA RD experts for specific projects. The academy featured over 20 hours of content delivery between 11 total sessions (held virtually). In total, the program had 12 participating organizations that took part in the open sessions. The Rural Rental Housing Preservation Convening was hosted as an in-person event in Minneapolis, MN, in August, where financial experts, housing providers, and other industry stakeholders from various regions convened with participants of the cohort to discuss challenges and share key learnings.

In addition to the Preservation Academy, Enterprise also provided direct TA to support specific preservation projects. In total, Enterprise met with approximately 31 groups to provide TA services for 45 unique projects in 2024. As a result of Enterprise's direct TA engagements, six transfer applications were successfully submitted to USDA in 2024 to preserve a total of 218 units.

#### HAC

In 2024, HAC announced the creation of the Center for Rural Multifamily Housing Preservation, which provides TA and expertise to preserve the long-term affordability of critical rural housing stock. HAC continued to provide direct TA from experts in the technical details of the USDA RD lending process as well as the Section 515 loan product. To source new opportunities, HAC has proactively been engaging organizations in areas where prepayment applications are in process, identifying properties likely to be owned by "mom and pop" owners and nonprofits interested in acquiring Section 515s. This strategy has resulted in a strong TA pipeline with 25 properties added under new engagements in 2024. Many of these TA projects begin early in the transfer process, before site control, when TA recipients identify properties they would like to acquire for preservation; HAC works closely with them to deliver purchase offers to the existing property owners.

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<sup>1</sup> Properties provided via file to Fannie Mae from the Public and Affordable Housing Research Corporation based on data from the National Housing Preservation Database.

<sup>2</sup> Leslie R. Strauss, "USDA Rural Rental Housing Programs," *National Low Income Housing Coalition* (2022), [https://nlihc.org/sites/default/files/2022-03/2022AG\\_4-15\\_USDA-Rural-Rental-Housing-Programs.pdf](https://nlihc.org/sites/default/files/2022-03/2022AG_4-15_USDA-Rural-Rental-Housing-Programs.pdf).



To date, HAC has provided some level of technical assistance on over 46 properties. As of December 31, 2024, HAC had 30 active TA engagements for properties totaling over 897 units. HAC's TA work resulted in three complete applications for transfer of ownership and one Multi-Family Preservation and Revitalization (MPR) application, with additional applications preparing to be submitted in 2025. The completed transfer applications represent opportunities to preserve a total of 130 units.

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

Through our partnerships with Enterprise and HAC, we have gathered insight into the common needs of TA recipients and what barriers exist to preservation for affordable properties in rural areas. Both partners also take away lessons learned on what TA strategies are most effective and any changes that can help to make this assistance more impactful, which are used to inform the design and delivery of TA programs in future years. Based on the learnings, TA providers have placed increased emphasis on initiating TA as early as possible in the process of funding and transfer to improve the efficiency of execution. Increased education for TA recipients around available funding sources and programmatic requirements from USDA continue to be at the forefront.

As we approach the fourth year of Section 515 TA under our Duty to Serve Plan, we continue to learn about challenges that have persisted in this space and that, in some cases, have developed under challenging multifamily lending conditions over the last two years. Construction costs may be higher for development and rehab of rural properties due to the logistics of completing these projects. Because no new 515 units or funding for new construction has been appropriated since 2011, preservation of existing affordable properties has been critical to maintaining supply. However, increased compliance standards when rehabbing older buildings and relocation of tenants can be costly and difficult to execute in rural markets. Because of these rising costs, there is generally a greater need for multiple funding sources, including state or local programs, to complete these transactions, resulting in increased deal complexity that may extend execution timelines. In the coming years, maturing Section 515 mortgages as well as instances of prepayment, including from retiring property owners, are likely to drive the risk of program exit. Acquisition by nonprofit owners can be an effective solution to preserve affordability of these properties where operational capacity, experience, and resources are available. In the post-pandemic environment, operating challenges have included increased demand and cost for property management services, which make up a large portion of most operating budgets, as well as rising multifamily insurance premiums and challenges obtaining coverage in certain markets.

We also continue to stay informed of key developments on the rollout of the Preservation of Rental Assistance pilot. In 2025, we are exploring ways to provide support for property owners applying for their Stand-Alone Rental Assistance contracts, which extend RA 10 – 25 years while removing the dependency on 515 financing. However, these contracts are subject to federal authorization of the pilot beyond 2024 through the congressional budget process.

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

N/A