Fannie Mae

2024
Affordable Housing Preservation
Loan Purchase

ACTIVITY:
A. Statutory Activity: The project-based and tenant-based rental assistance housing programs under Section 8 of the U.S. Housing Act of 1937, 42 U.S.C. § 1437f (12 C.F.R. § 1282.34 (c) (1)).

OBJECTIVE:
1. Provide a steady source of capital and liquidity through the purchase of loans secured by Project-Based Section 8 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 159 Section 8 loans.	In 2024, Fannie Mae purchased 171 loans that financed Section 8 properties, accounting for 21,241 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?

Section 8 Project-Based Rental Assistance (PBRA) programs establish contracts with private owners to rent all or a portion of the units in their multifamily housing developments to low-income families, providing a critical source of affordable housing. It is one of two programs that fund the majority of apartments receiving federal assistance: 28% of federally assisted rental units are supported by Project-Based Section 8 contracts. Through the purchase of loans secured by these properties, Fannie Mae has provided liquidity to maintain a stable supply of deeply affordable rental units. In 2024, we provided support for the Section 8 market by purchasing 171 loans that financed properties with Section 8 PBRA, which supported 21,241 units for low-income individuals and families. This represents an increase of 63% over 2023, in which we purchased 105 loans that supported over

14,000 units at Section 8 properties. We continued to observe strong competition for Section 8 opportunities given the deep affordability of these properties, which resulted in demand for more flexible credit terms such as interest-only components and 35- or 40-year amortization periods. Our responsiveness to the market need in 2024 combined with our focus on this loan purchase goal in the second half of 2023 contributed to our success in seeing deals deliver early in 2024.

The liquidity provided through our loan purchases supported properties in 37 states, with top states including California (31), New York (19), and Ohio (16). Of the loans acquired, 8% financed properties in high-needs rural regions or supported small properties in rural-designated areas. These projects ranged in size from 20 to 1,590 units, which indicates our focus on providing liquidity to a broad range of property types and sizes. These properties fill a critical need for affordable rental housing, as 88% of the units financed are affordable to very low-income households at or below 50% of the Area Median Income (AMI), and 97% are affordable to low-income households at or below 80% of AMI.

In 2024 our acquisition of an 11-property portfolio with a total of 519 units located throughout the state of New Hampshire is a great example of how Section 8 properties are a key source of affordable housing. Built in the 1970s and 1980s, the portfolio properties aim to serve older residents and range in size from 24 to 75 units each. All are governed by Section 8 housing contracts.

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

A number of challenges in the Section 8 housing market, as well as the multifamily market generally, persisted in 2024. Macroeconomically, the high interest rate environment has both increased the cost of debt as well as raised return expectations for investors, which may require affordable properties to obtain additional supportive capital when structuring a transaction. Further, multifamily properties continue to face increased insurance costs and may have difficulty obtaining coverage in areas prone to natural disaster, creating additional pressure on operating costs.

For the Section 8 market in particular, funding for rental assistance is subject to congressional appropriations, which may limit our ability to increase our loan purchases for Section 8 beyond historical levels without increasing market share. Proposed appropriations for fiscal year 2025 included an allocation of $16.6 billion for the PBRA program to renew housing contracts, representing a $644 million or 3.9% increase above fiscal year 2024. We continue to work closely with our DUS® lenders to emphasize the importance of supporting Section 8 properties as a critical source of affordable housing to proactively source new opportunities. To support this goal in 2025, we aim to maintain a dialogue with lenders about ways we can be supportive for these types of deals from the credit underwriting side, where appropriate.

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

N/A