2024
Affordable Housing Preservation
Loan Purchase

ACTIVITY:

D. Statutory Activity: Other comparable State or Local affordable housing programs (C.F.R. § 1282.34 (c) (9)).

OBJECTIVE:

1. Purchase loans secured by properties under State or Local affordable housing programs.

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 68 loans secured by properties under Fannie Mae-approved State or Local affordable housing program, which represents an 11% increase over the baseline.	In 2024, Fannie Mae purchased 81 loans secured by properties that received support from State or Local programs, accounting for 11,513 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?

Under challenging market conditions for multifamily lending, there has been an increase in the number of affordable rental properties that rely on support from state or local resources to complete necessary rehabilitation and preservation activities. In 2024, Fannie Mae purchased 81 loans secured by multifamily properties in 21 states that qualified for various State or Local affordable housing programs, exceeding the target of 68 loans by 13 loans. This represents an increase of 21% over 2023, in which we purchased 67 loans that supported over 9,000 units at properties that qualified for this target. Eligible loan purchases may finance properties that receive support from a variety of subsidies. In 2024, this breakdown included 67% tax exemptions or abatements, 30% capital support from subordinate loans or grants, and 2% favorable zoning for affordable properties. Our financing supported affordable housing in several metropolitan areas with rapidly increasing housing costs, such as San Francisco, CA, Miami, FL, Atlanta, GA, Portland, OR, Seattle, WA, Austin, TX, Los Angeles, CA, and New York, NY. The largest share of properties financed with State or Local affordable housing programs was in California (27%), across 15 different localities, with concentrations in Los Angeles and North Hollywood. Properties in Texas also represented a significant share, with most properties located in large metropolitan cities, including Austin and El Paso. By property size, these ranged from 25 to 576 units, indicating we were successful in reaching both large and small developments. These properties fill a critical need for affordable rental housing, as 43% of the units financed are affordable to very low-income households at or below 50% of the Area Median Income (AMI), and 92% are affordable to low-income households at or below 80% of AMI.

Two examples of deals that received support from Other State or Local programs, both of which are Public Facility Corporation (PFC) structures, include: Bridge at Southpark Landing, a 308-unit garden-style workforce housing, rent- and income-restricted multifamily property located in Austin, TX; and Arella Lakeline, a 354-unit multifamily apartment community located in Cedar Park, TX, within the Austin-Round Rock metropolitan statistical area. Both properties have rent and income restrictions in place through a ground lease requiring that 50% of the units are restricted at 80% of AMI. Under the PFC ownership structures, this qualifies each property to receive full property tax exemption.

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

In 2024, market challenges for multifamily lending persisted, including the high interest rate environment and rising insurance costs. These conditions present unique challenges for affordable properties given their limited ability to absorb increased costs. In terms of financing, this has exacerbated the need for an incremental subsidy to support the same types of properties when compared with market conditions in prior years. While this may lead to more opportunities that qualify under our State or Local goal because these additional subsidies often come from state or municipal sources, it also increases deal complexity and execution timelines. Further, state and local governments are limited in the support they can provide through affordable housing programs, as these are funded through appropriations, meaning that new lending opportunities may not necessarily grow in line with the increased demand.

In previous plan years, PFCs in Texas have been an area of opportunity for Other State and Local loan acquisitions. Private apartment developers may transfer land to a PFC set up by a local government entity that then leases the land and improvements back to a limited partnership controlled by the developer. These structures typically required borrowers to set aside at least 50% of units to be affordable at 80% of AMI, with some mixing in portions of 60% of AMI, as well as rent restrictions at 30% of AMI. This trend shifted following new Texas legislation implemented in June 2023 that introduced more rigorous requirements to qualify for the PFC tax exemption unless excused by a prior agreement. The 2023 requirements included new minimum affordability restrictions, reporting requirements, expiration provisions, and heightened tenant protections. As a result, only 28% of state or local deals located in Texas used the PFC structure in 2024 compared to 55% in 2023. While the PFC tax exemption represents only a subset of the available State and Local programs in Texas, the market response to changes in program requirements is noteworthy.

Based on 2024 observations, we believe we can position ourselves for success in meeting our 2025 loan purchase target by leaning into our strategy of direct engagements with lenders to convey our strong interest in supporting this type of business and identifying new opportunities early on. To align with this strategy, we intend to structure our offerings to be responsive to requests for flexibility where it make sense and is conducive to our goals. A key factor to our success will be our ability to respond to shifting market expectations on amortization and interest-only periods in addition to pricing while maintaining an appropriate balance with safe and sound lending practices.

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

N/A

Fannie Mae

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D. Other comparable State or Local affordable housing programs (12 C.F.R. § 1282.34 (c) (9)).

OBJECTIVE:

1. Purchase loans secured by properties under State or Local affordable housing programs.

SUMMARY OF PROGRESS:

The following are the 2024 Actions under this Objective:

- Purchase 68 loans secured by properties under Fannie Mae-approved State or Local affordable housing program, which represents an 11% increase over the baseline.

We are currently off-track to meet our goal of purchasing 68 loans secured by properties under State or Local affordable housing programs.

As of the end of the first quarter of 2024, we have acquired seven loans under this goal. However, our pipeline contains nine committed loans that are expected to deliver in the month of April. Based on this pipeline activity, we are optimistic that we will progress towards meeting our State or Local objective.

In the YTD period, we have observed a lower carryover of deals from the prior year, as compared to the same period in previous years. In the first quarter of 2023, we had acquired 15 loans under this goal, all of which were deals that had originated in 2022. In contrast, during the first quarter of 2024, only seven loans carried over from the year prior. This is attributed to the weaker overall multifamily market in 2023 as well as a lower proportion of overlap with loans under our LIHTC loan purchase goal compared to prior periods. In the first quarter of 2023, 73% of our State or Local loan purchases also incorporated funding from the LIHTC Debt program; however, in the first quarter of 2024, none of the delivered State or Local loans included LIHTC Debt funding. Further, loan purchase activity in the first quarter of 2024 has not included any loans under PFC structures in Texas that had previously been a source of loan volume under this goal. This is consistent with expectations of fewer deals using the PFC structure in 2024 following new Texas legislation in June 2023 that introduced more rigorous requirements for multifamily housing developments to qualify for the PFC tax exemption.

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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):