

## 2025 Affordable Housing Preservation Loan Purchase

**ACTIVITY:**

C. Low-Income Housing Tax Credits (LIHTC) under Section 42 of the Internal Revenue Code of 1986, 26 U.S.C. § 42 (C.F.R. § 1282.34 (c) (8)).

**OBJECTIVE:**

1. Purchase loans financing 26,000 LIHTC units that meet the Fannie Mae LIHTC definition.

**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"/> Purchase loans financing 26,000 LIHTC units that meet the Fannie Mae LIHTC definition.	In 2025, Fannie Mae purchased 194 loans that financed 197 Low-Income Housing Tax Credit (LIHTC) properties, representing 30,667 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?**

Affordable rental housing is in critically short supply for the nation’s lowest-income renters. According to Housing and Urban Development’s (HUD’s) Worst Case Housing Needs Report, in 2023 there were only 59 affordable units for every 100 very low-income renter households, and just 38 units for every 100 extremely low-income households — a clear sign of the growing gap between demand and availability.<sup>1</sup> These shortages put significant pressure on the rental market, leaving many low- and moderate-income families, especially those with very low or extremely low incomes, facing severe rent burdens and few alternatives. HUD also reported that 8.5 million very low-income renters experienced severe housing challenges between 2021

<sup>1</sup> U.S. Department of Housing and Urban Development. Worst Case Housing Needs: 2025 Report to Congress. Office of Policy Development and Research, July 2025. <https://www.huduser.gov/portal/publications/Worst-Case-Housing-Needs-2025-Report-to-Congress.html>



and 2023, including a lack of government housing assistance and paying more than half of their incomes toward rent, living in severely inadequate conditions, or both. A lack of affordable options for low-income renters only exacerbates this problem.

The Low-Income Housing Tax Credit (LIHTC) program is the nation's primary tool for creating and preserving affordable rental housing. LIHTC properties must meet minimum set-aside requirements — such as at least 40% of units being rent-restricted and occupied by households earning 60% of area median income (AMI) or less. LIHTC remains the leading source of new affordable rental supply and a cornerstone of preservation efforts. Reliable debt financing is critical to closing LIHTC deals and refinancing stabilized properties to keep them affordable over the long term. Our loan purchases help ensure these properties are completed, operate sustainably, and remain affordable. Repeated engagement with our DUS® Lenders on LIHTC helps streamline transactions and standardize practices, which may set the stage for future impact by encouraging production and preservation even during periods of rate volatility and construction cost pressures. By providing steady liquidity to LIHTC properties, we help maintain and grow the supply of affordable multifamily housing, which is especially important when high market rents limit options for families with lower incomes.

In 2025, we acquired 194 loans secured by 197 LIHTC properties, representing 30,667 rental units, exceeding our goal of 26,000 units by 18.0%. This reflected a 15.8% increase in units over the 26,480 financed in 2024, while the number of loans declined by 9.8% from the 215 purchased in 2024. Properties supported by our loan purchases were located in 39 states, with the largest concentrations in California, Texas, Ohio, and Oregon. Projects ranged from 34 to 1,238 units, reflecting a mix of small, mid-sized, and large LIHTC properties. These properties fill a critical affordability need: 57.8% of financed units are affordable to very low-income residents at 50% of AMI or below, and 97% are affordable to residents earning 80% of AMI or below, consistent with LIHTC rent-restriction and occupancy requirements.

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

In 2025, we observed the following market drivers through our work to support LIHTC properties:

- **Competition:** Opportunities to support LIHTC properties remain highly competitive because they provide deep affordability and align with mission goals. Balancing responsiveness with safe and sound practices is key to maintaining market share and supporting our mission.
- **Preservation trends:** Since fewer LIHTC units were placed in service during the Great Recession, fewer properties have reached the end of their initial 15-year compliance period in 2024 – 2025. As a result, there have been fewer preservation opportunities during this period, but these are expected to normalize beginning in 2026.
- **Cost pressures:** Rising construction costs due to inflation have made preservation projects more expensive. Insurance costs have also increased, and in certain markets, coverage may be harder to find. Property management expenses have also grown as a result of demand, putting pressure on operating budgets.
- **Interest rate trends:** In a sustained period of higher interest rates, debt financing has been more costly. Speculation about rate trends may impact a borrower's decision to rate-lock.
- **Deal complexity:** Unlike market-rate properties, LIHTC properties cannot easily raise rents to offset cost increases. This means sponsors often need additional equity or gap financing from state, local, or private sources, which adds complexity and may lengthen closing timelines.

Looking ahead to 2026, there are some developing market factors that are likely to be supportive to LIHTC properties and result in increased opportunities for debt financing and our purchase of these loans. Recent legislation, the One Big Beautiful Bill Act (OBBA), includes provisions that were designed to support additional LIHTC deal volume in two key areas:

1. A permanent 12% increase in annual 9% credit allocation, giving states more capacity for new deals.
2. A permanent reduction of the bond test requirement from 50% to 25% for 4% LIHTC projects, which could allow more projects to qualify in states with high demand for private activity bond volume cap.

These changes may result in more opportunities for loan purchases in the future, but this will depend on other factors like construction financing availability, gap funding, and state administrative capacity. To the extent that these opportunities flow through to the secondary market, we remain committed to providing support through our role as a provider of liquidity.

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

N/A