

2025
Affordable Housing Preservation
Loan Purchase

ACTIVITY:

B. 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:

1. Finance the preservation of 85 Section 515 and/or Restricted Use Covenant (RUC) units.

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"/> Finance the preservation of 85 Section 515 and/or RUC units.	In 2025, Fannie Mae acquired loans financing two Section 515 properties, which total 162 units in rural areas. This surpassed our target by 91%.	

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 Section 515 rural properties account for approximately 360,000 rental units across the United States.¹ Most households occupying 515 units are seniors and people with disabilities, and the average income of Section 515 renters is just \$16,000. Since 2011, a lack of new USDA direct-financed rental housing has placed increased emphasis on preserving existing properties in the rural development (RD) portfolio, which may represent some of the only affordable housing units in each 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 80% of units financed with a Section 515 loan.¹ 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

¹ U.S. Department of Agriculture, Rural Development. Fiscal Year 2023 Multifamily Housing Annual Occupancy Report. 2024. <https://www.rd.usda.gov/sites/default/files/Fiscal-Year-2023-Multifamily-Housing-Annual-Occupancy-Report.pdf>



loss of key affordable supply in rural areas. Based on the history of the program, there is concern regarding upcoming large-scale mortgage maturities over the next few years, which would result in properties exiting the Section 515 program without intervention to preserve their affordability provision. Per USDA, roughly 27% of the units in the current RD portfolio could exit the program by 2034 as their mortgages mature.² Because many Section 515 properties are in deeply rural communities and development of new affordable housing is uniquely challenging, it is critical to preserve units in the existing portfolio.

In 2025, Fannie Mae purchased two loans that provided financing for 162 units in Section 515 properties in California and Missouri. This exceeded our goal of 85 units by 91%.

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

Given a lack of new USDA direct-financed rental housing, many of our loan purchase opportunities in 2025 were individual properties seeking refinance to fund improvements and capital projects. Deal sourcing for niche property types such as this is often most effective through partnerships with lenders who work closely with sponsors active in this market. For the loans acquired in 2025, the sponsors in each deal were experienced in owning and managing these types of affordable properties. In the future, there may be lending opportunities through lenders that have Section 515 properties in their portfolio with upcoming debt maturities or who need additional funding for preservation and rehab. Early vetting of deals in the opportunity identification process continues to be critical given the lengthy execution timeline for Section 515 deals, particularly if multiple funding sources are present such as LIHTC or state or local resources. Loan identification, particularly for RUC deals, also requires additional education for lenders about the eligibility of these loans for our Duty to Serve goals.

Introduced in September 2024, the USDA's Standalone Rental Assistance (SARA) pilot program is a recent development in rural housing policy designed to preserve affordability in properties financed under the Section 515 program given loan maturities approaching over the next five years. Traditionally, rental assistance under Section 521 was tied to active USDA loans, meaning that once Section 515 loans matured, properties lost access to project-based rental subsidies, potentially putting low-income tenants at risk for displacement. SARA decouples rental assistance from debt financing, allowing continued support for tenants for up to 20 years after the Section 515 loan matures. This ensures long-term affordability while the property owner can pursue other sources of financing for capital projects, including physical preservation and rehab. SARA is available on a pilot basis and is subject to authorization for future years through the federal budget process. Per USDA, it is also not accessible to properties whose 515 loan has already matured, nor is it available through the prepayment process.² Nonetheless, it opens pathways for owners to leverage other funding sources on a more flexible basis. These funding sources include loans that may be purchased by Fannie Mae, aligning with national strategies to sustain rural housing through public-private collaboration. As properties begin to decouple rental assistance from 515 debt, we may have more opportunities to provide financing through our Delegated Underwriting and Servicing (DUS[®]) lender partnerships, contributing positively to our Section 515 loan purchase goals.

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

N/A

² U.S. Department of Agriculture, Rural Development, "Section 521 Stand-Alone Rental Assistance," <https://www.rd.usda.gov/programs-services/multifamily-housing-programs/section-521-stand-alone-rental-assistance>.