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Freddie Mac Duty to Serve Underserved Markets Plan

For 2025–2027

Revised October 27, 2026



Committed to Our Duty to Serve Underserved Markets

Freddie Mac has driven significant impacts in underserved markets through innovative financing, partnerships, and thought leadership since starting our Duty to Serve program in 2018. As we move forward with our 2025-2027 Duty to Serve Plan, we remain committed to making further meaningful progress in addressing critical challenges in the areas of manufactured housing, rural housing, and affordable housing preservation, while building on the successes we've achieved thus far. We thank our partners across the housing ecosystem for their essential contributions to this important work and look forward to continuing to drive positive change in underserved markets together. Collaboration is vital to progress.

To help ensure that our Plan represents meaningful progress in addressing some of the most significant housing challenges in underserved markets, we incorporated input we received from a wide range of industry stakeholders through FHFA-hosted public-listening sessions, comments submitted in response to FHFA's Request for Information, and our own outreach efforts.

Our Plan describes our integrated, comprehensive, and sustainable approach to setting standards and taking action for the benefit of underserved communities across the country. During the 2025-2027 Duty to Serve Plan cycle, we will build on our achievements in previous Plan cycles:

We remain steadfast in our efforts to support the manufactured housing market. Our work thus far has centered on increasing liquidity, creating new and enhancing existing product offerings, promoting innovative approaches to increasing the use and acceptance of manufactured homes, and expanding



access to credit for very low-, low- and moderate-income households. From 2018-2023, Freddie Mac financed more than 46,000 manufactured homes titled as real property, injecting more than $6.7 billion into this essential affordable housing market. In this Plan, we build on those achievements to facilitate the industry's continued transformation and growth.

We have also led the way in implementing and later requiring tenant protections, benefiting more than 65,000 residents in manufactured housing communities (MHCs).

In the **rural housing market**, we provided more than $16 billion to help 105,000 households achieve affordable homeownership, created or enhanced solutions to expand affordable home financing throughout rural areas, established an annual thought leadership forum centered exclusively on rural housing, supported homebuyer education in high-needs rural regions and tribal areas, and facilitated collaboration that promotes Native American homeownership. Furthermore, we have maintained a consistent flow of liquidity to support affordable rental housing, including $9 billion in multifamily loan purchases, supporting 133,000 rental units from 2018-2023. We have also provided more than $1 billion in Low-Income Housing Tax Credit (LIHTC) equity investments, many of which supported high-needs areas and populations.

In this Plan, we will deepen our engagement in rural markets by continuing to purchase single-family and multifamily loans, facilitating the development of new housing, evolving our financing solutions, helping families navigate resolution of heirs' property rights issues, and supporting financial institutions that serve rural communities. Our focus will be to help bridge the gap in rural housing, helping more residents in rural regions gain access to the affordable housing they need to thrive.



Finally, the **affordable housing preservation market** also remains a core focus. From 2018-2023, we implemented a range of strategies to preserve affordability. These included creating and enhancing financing solutions for single-family home energy-efficiency improvements and championing industry standards for the energy-efficiency data points that lenders provide in appraisals and loan originations. Our support for shared equity homeownership includes promoting industry standardization and best practices to spur growth and data-driven thought leadership. Having introduced and refined financing solutions since 2019, we have provided financing for more than 500 shared equity homes. We also facilitated $58 billion in liquidity through our various multifamily loan purchase objectives, among others. These efforts have helped stabilize affordable housing markets, preserving long-term affordability for low-income families. In this Plan, Freddie Mac will continue to support affordable housing preservation by expanding financing for shared equity homeownership and support for establishing shared equity programs and ensuring that affordable housing communities remain resilient to rising costs and market pressures.

As we move forward with our 2025-2027 Duty to Serve Plan, Freddie Mac remains fully committed to addressing the housing needs of underserved communities. By expanding liquidity, enhancing product offerings, and fostering strong partnerships with stakeholders across the housing ecosystem, we will continue to make significant strides toward ensuring that all individuals — regardless of income or geography — have access to safe, affordable, and sustainable housing.

Our past achievements have laid a strong foundation, and we are confident that this Plan will further drive meaningful impact across the housing landscape nationwide.



Tables of Activities and Objectives by Evaluation Area and Year

Manufactured Housing

Activities and Objectives	Evaluation Area				Plan Year		
	Loan Purchase	Loan Product	Outreach	Investment	Year 1 (2025)	Year 2 (2026)	Year 3 (2027)
Activity 1 – Support for Manufactured Housing Titled as Real Property: Regulatory Activity							
Objective A: Purchase Single-Family Loans Secured by Manufactured Housing Titled as Real Property	✓				✓	✓	✓
Objective B: Design Product Flexibilities to Facilitate the Origination of Mortgages Secured by Manufactured Housing Titled as Real Property		✓			✓	✓	✓
Activity 2 – Manufactured Housing Communities with Certain Pad Lease Protections: Regulatory Activity							
Objective A: Purchase Loans that Institute Duty to Serve Tenant Pad Lease Protections	✓				✓	✓	✓

Rural Housing

Activities and Objectives	Evaluation Area				Plan Year		
	Loan Purchase	Loan Product	Outreach	Investment	Year 1 (2025)	Year 2 (2026)	Year 3 (2027)
Activity 1 – Support for All Rural Areas: Additional Activity							
Objective A: Conduct Outreach to Deepen Insights into the Rural Single-Family Housing Landscape			✓		✓		
Objective A: Conduct Outreach to Deepen Insights into the Rural Single-Family Housing Landscape	✓					✓	✓
Objective B: Facilitate Thought Leadership Related to Housing and Mortgage Financing in Rural Communities			✓		✓	✓	✓
Objective C: Facilitate Rural Developer Capacity Building to Increase Housing Supply			✓		✓	✓	✓
Objective D: Increase Access to Homeownership Education and Resources in Rural Areas			✓			✓	✓
Objective E: Engage in LIHTC Equity Investment in All Rural Areas				✓	✓	✓	✓
Objective F: Establish and Implement a Multifamily Rural Developer Capacity Building Program			✓		✓		
Activity 2 – Support for High-Needs Rural Regions: Regulatory Activity							
Objective A: Purchase Single-Family Loans in High-Needs Rural Regions	✓				✓	✓	✓
Objective B: Increase Resources for Resolving Heirs' Property Rights			✓		✓	✓	✓
Objective C: Engage in LIHTC Equity Investment				✓	✓	✓	✓

Activities and Objectives	Evaluation Area				Plan Year		
	Loan Purchase	Loan Product	Outreach	Investment	Year 1 (2025)	Year 2 (2026)	Year 3 (2027)
Activity 3 – Support for High-Needs Rural Populations: Regulatory Activity							
Objective A: Purchase Single-Family Loans to Members of Federally Recognized Native Tribes in Tribal Areas	✓				✓		
Objective B: Develop Product Flexibilities to Facilitate Loan Originations for Members of Federally Recognized Native Tribes in Tribal Areas		✓			✓	✓	✓
Activity 4 – Financing by Small Financial Institutions of Rural Housing: Regulatory Activity							
Objective A: Purchase Loans from Small Financial Institutions Serving Rural Areas	✓				✓	✓	✓
Activity 5 – Support for Certified Community Development Financial Institutions Serving the Rural Housing Market: Additional Activity							
Objective A: Design Product Flexibilities to Facilitate Origination of Conventional Mortgages from Community Development Financial Institutions		✓			✓	✓	✓
Activity 6 – Small Multifamily Rental Properties in Rural Areas: Regulatory Activity							
Supported through our LIHTC Equity Investments (Activity 1, Objective E and Activity 2, Objective C), and our Rural Developer Capacity-Building (Activity 1, Objective F)				✓	✓	✓	✓

Affordable Housing Preservation

Activities and Objectives	Evaluation Area				Plan Year		
	Loan Purchase	Loan Product	Outreach	Investment	Year 1 (2025)	Year 2 (2026)	Year 3 (2027)
Activity 1 – Support for Shared Equity Programs for Affordable Housing Preservation: Regulatory Activity							
Objective A: Purchase Single-Family Shared Equity Loans	✓				✓	✓	✓
Objective B: Provide Technical Assistance to Establish Community Land Trusts and Facilitate Origination of Shared Equity Mortgages			✓		✓	✓	✓
Activity 2 – Low-Income Housing Tax Credits (Debt): Statutory Activity							
Objective A: Provide Liquidity and Stability through LIHTC Loan Purchases	✓				✓	✓	✓
Activity 3 – Section 8: Statutory Activity							
Objective A: Provide Liquidity and Stability through Section 8 Loan Purchases	✓				✓	✓	✓
Activity 4 – Support Residential Economic Diversity: Additional Activity							
Objective A: Purchase Loans on Properties that Support Residential Economic Diversity in High Opportunity Areas	✓				✓	✓	✓
Activity 5 – Comparable State and Local Affordable Housing Programs: Statutory Activity							
Objective A: Purchase Loans with State and Local Programs	✓				✓	✓	✓
Activity 6 – Financing of Small Multifamily Rental Properties: Regulatory Activity							
Objective A: Enhance Multifamily Liquidity by Aggregating and Guaranteeing Loans from Multiple Lenders		✓			✓		
Objective A: Enhance Multifamily Liquidity by Aggregating and Guaranteeing Loans from Multiple Lenders	✓					✓	✓

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Disclaimer: Implementation of the activities and objectives in Freddie Mac's Duty to Serve Underserved Markets Plan may be subject to change based on factors including FHFA review for compliance with the Charter Act, specific FHFA approval requirements and safety and soundness standards, FHFA guidance and directives, regulatory requirements, Preferred Stock Purchase Agreement obligations, and adverse market or economic conditions, as applicable

Manufactured Housing



MANUFACTURED HOUSING

Strategic Priorities 2025-2027

Meeting the Needs of the Manufactured Housing Market

Our mission in the manufactured housing market is to provide innovative financing solutions that help very low-, low-, and moderate-income households to affordably rent or own manufactured homes. We are committed to expanding liquidity for manufactured homes titled as real property, enhancing our product offerings, and integrating manufactured homes into broader housing developments. We are also committed to promoting tenant protections and affordability within manufactured housing communities (MHCs) and supporting residents' efforts to own their communities. We aim to make manufactured housing a reliable, attractive, and affordable solution for more households and part of the housing solution for vibrant communities nationwide.

Freddie Mac's strategy takes into account the public input we received regarding manufactured housing market needs, while enabling us to make informed decisions about an appropriate level of loan purchases within the bounds of safety and soundness.

To continue moving the manufactured housing market forward over the next three years, Freddie Mac will work to continue to provide steady liquidity as well as expand our support through innovations for the manufactured housing market in the following ways:

- Purchase loans secured by manufactured homes titled as real property.
- Enhance our mortgage offerings to help make financing for manufactured homes titled as real property easier for lenders and more accessible to homebuyers and homeowners.
- Incorporate a manufactured housing curriculum into our Develop the Developer℠ Academy to enable and encourage more real estate developers to use manufactured homes in housing developments and as infill, especially in rural areas.
- Purchase loans secured by MHC properties that commit to implementing Duty to Serve tenant pad lease protections.

Highlights – 2018-2023

- 46,000 manufactured homes titled as real property
- $6.7 billion in market liquidity for manufactured homes titled as real property
- More than two dozen new products or enhancements to expand affordable financing for manufactured homes titled as real property
- Innovation in using manufactured homes in single-family real estate developments
- 445 MHCs financed with tenant protections since launching an offering in 2019
- 65,182 MHC pads financed with tenant protections

Manufactured Housing Market Overview

A Key Source of Affordable Housing

Manufactured housing is the largest source of unsubsidized affordable homes nationwide and provides vital housing, especially for households with very low, low, and moderate incomes and those outside of metropolitan areas. According to the American Community Survey (ACS), as of 2021, households living in manufactured homes had a median income of $40,000, compared with $70,000 for all other households.

Because manufactured homes are constructed in factories, they can be built faster and more efficiently than site-built homes. They also are built to high standards of quality and energy efficiency and offer designs that appeal to a wide range of potential homebuyers. According to research by the Joint Center for Housing Studies of Harvard University, 3.2 million low- and moderate-income renters across the country who would be priced out of the site-built housing market could afford to buy manufactured homes.

Manufactured homes are built to U.S. Department of Housing and Urban Development's (HUD's) national Manufactured Home Construction and Safety Standards, known as the HUD Code, whereas site-built homes are built to individual state codes.

Significant Potential to Increase Manufactured Housing Supply

At the end of 2020, the U.S. had a housing supply deficit of 3.8 million units. Between 2018 and 2020, the deficit grew by approximately 52%.[1] The number of entry-level homes — typically defined as 1,400 square feet or smaller — represent less than 10% of all newly constructed homes, compared to about 35% in the 1970s.[2] Manufactured homes built since 2000 average about 1,400 square feet in size.[3] Yet manufactured homes compose only around 6% of existing and 10% of new homes. In rural areas, they make up more than 12% of the housing stock.[4]

According to the U.S. Census Bureau, manufactured home shipments consistently exceeded 250,000 units before 2000 but then began declining significantly, bottoming at less than 50,000 units in 2009. Shipments have remained below 100,000 units since 2007, except in 2021 and 2022; they fell again to just over 89,000 units in 2023.[5]

1 Freddie Mac Research Note, "Housing Supply: A Growing Deficit", May 7, 2021 - https://www.freddiemac.com/research/insight/20210507-housing-supply

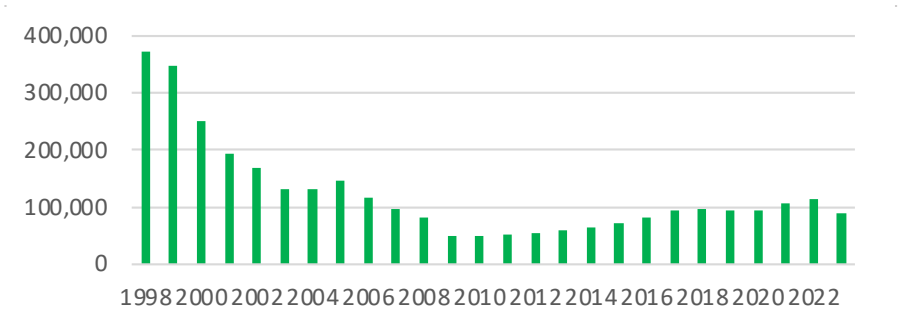
2 Council of Economic Advisors, "Alleviating Supply Constraints in the Housing Market"; Jared Bernstein, Jeffery Zhang, Ryan Cummings, and Matthew Maury; September 1, 2021 - https://www.whitehouse.gov/cea/written-materials/2021/09/01/alleviating-supply-constraints-in-the-housing-market/

3 Joint Center for Housing Studies of Harvard University; "A Review of Barriers to Greater Use of Manufactured Housing for Entry-Level Homeownership"; Christopher Herbert, Alexander Hermann, Daniel McCue, and Chadwick Reed; January 2024 - https://www.jchs.harvard.edu/research-areas/working-papers/review-barriers-greater-use-manufactured-housing-entry-level

4 Housing Assistance Council tabulations of the U.S. Census Bureau's 2017-2021 American Community Survey Data

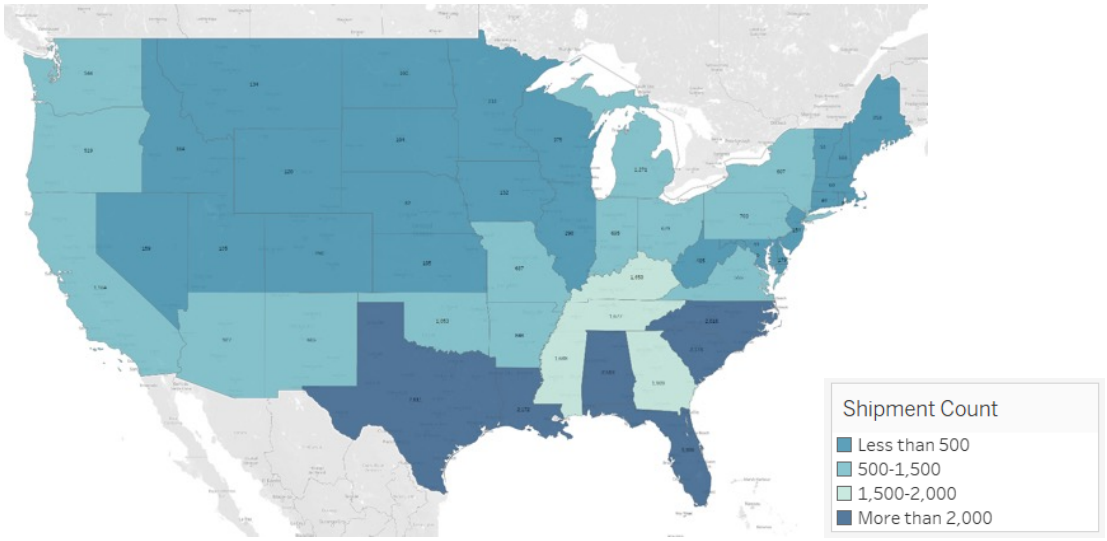
5 U.S. Census Bureau, Manufactured Housing Survey data - https://www.census.gov/programs-surveys/mhs/data.html

Manufactured Housing Units Annual Shipments 1998-2023



Source: U.S. Census Bureau

Manufactured home shipments are largely concentrated in the Southeast, Southwest, Pacific Coast, and Michigan.[6]



Source: U.S. Census Bureau

Of the 6.7 million occupied manufactured homes nationwide, 74% — or around 5 million — are owner-occupied, according to the ACS. In total, 46% of households in manufactured homes own both the home and the land where it is sited; there is an even split between households owning the home but renting the land where it is sited and those renting both the home and the land. More than 44% of manufactured homes are located in rural areas around the country, and manufactured homes make up around 13% of all occupied homes in rural communities.[7]

6 U.S. Census Bureau's Manufactured Housing Survey 2023 - https://www.census.gov/programs-surveys/mhs.html

7 Housing Assistance Council; Taking Stock; Lance George, Christina Davila, Manda LaPorte, Natasha Moodie, Leslie Strauss, Keith Wiley; October 2023 - https://takingstockrural.org/

The cost of a single-section home is 35% that of a comparable site-built home, excluding the cost of the land. A double-section home costs 60% as much as a comparable site-built home; a CrossMod® home, with features and aesthetics of a site-built home, costs 73% as much.[8] More than 70% of households who financed manufactured homes in 2021 had annual incomes of less than $75,000, compared with 36% of those who financed site-built homes.[9] Although they are an affordable, high-quality housing stock, persistent negative perceptions affect market growth and participation. Many potential homebuyers may not consider manufactured homes as an attractive housing option and many lenders may stay out of the market or limit their participation. These perceptions also have led to zoning regulations that partially or completely constrain manufactured home placements. No U.S. state allows manufactured homes to be placed in a single-family residential neighborhood simply based on their construction in compliance with the HUD Code. There is significant opportunity to expand the use of manufactured homes in new single-family developments and as infill in existing neighborhoods nationwide.

MHCs Face a Range of Issues

About half of manufactured homes are located within the more than 43,000 MHCs nationwide. A small subset of MHCs, just over 1,000 of them,[10] are MHROCs. The availability of stable sources of debt capital for these communities is important to any effort to serve the manufactured housing market.

Residents of MHCs face many challenges, including gaps in tenant protections, natural disaster resiliency needs, and limited availability of equity capital for MHROCs. More broadly, many MHCs face affordability loss due to changing market dynamics that put upward pressure on pad rents.

Precise data on pad rents in MHCs is limited, but there is an upward trend in rents paid for manufactured housing generally that correlates with increases in incomes. Data from the ACS Public Use Microdata Sample (PUMS) shows that manufactured housing rents have risen steadily since 2017, although at a slower pace than the remainder of the multifamily market. The average annual rent increase over this period is 4.1%. The median annual increase in pad rent is 3.64%. The average annual income gain was 4%, and the median was 3.55%.

8 Joint Center for Housing Studies of Harvard University; "Comparison of the Costs of Manufactured and Site-Built Housing"; Christopher Herbert, Chadwick Reed, And James Shen; July 2023 - https://www.jchs.harvard.edu/sites/default/files/research/files/harvard_jchs_pew_report_1_updated_0.pdf

9 Urban Institute Housing Finance Policy Center, "The Role of Manufactured Housing in Increasing the Supply of Affordable Housing", Karan Kaul and Daniel Pang, July 2022 - https://www.urban.org/sites/default/files/2022-07/The%20Role%20of%20Manufactured%20Housing%20in%20Increasing%20the%20Supply%20of%20Affordable%20Housing.pdf

10 Manufactured Housing Institute, "2023 Manufactured Housing Facts", June 2023 - manufacturedhousing.org/wp-content/uploads/2023/10/2023-Industry-Overview.pdf



Rent and Income Growth in for Manufactured Housing Renters

Rent	Measure	2017	2021	2022	Annualized Growth Rate
Growth Rate	Mean	$747	$861	$913	4.10%
	Median	$700	$800	$837	3.64%
Household Income	Mean	$36,417	$42,832	$44,305	4.00%
	Median	$28,400	$33,400	$33,800	3.54%

Source: ACS PUMS

Separately, the Manufactured Housing Institute's 2023 Industry Overview[11] reports a 6.2% average annual site rent increase within MHCs, but many public reports from tenants demonstrate substantially higher rent increases that jeopardize their own housing stability. Although MHCs remain one of the most affordable components of the housing market, affordability loss is a significant challenge.

11 Ibid

Manufactured Housing Market Challenges and Needs

Through our efforts to support manufactured housing, including our outreach to market stakeholders, we have identified several challenges that are broadly shared across the market.

Volatile and elevated interest rate environment: Elevated interest rates have reduced lending for single-family and multifamily properties. The interest rate environment and mortgage rate lock-in effect exacerbate a single-family housing market already challenged with high home prices and a severe shortage of affordable homes. In multifamily, volatility in Treasury rates has uniquely impacted MHROC transactions, which have a longer-than-normal deal cycle. Significant movements in benchmark rates can quickly alter transaction economics.

Zoning and land-use restrictions: The states typically have authority over residential land use, and zoning in particular; however, they can delegate authority to local governments. Zoning regulations often have the effect of partially or completely constraining manufactured home placements. While site-built homes are built to individual state codes, manufactured homes are built to the national HUD Code. However, none of the states allow manufactured homes to be placed in a single-family residential neighborhood simply based on compliance with the HUD Code.

Perceptions of manufactured homes: Images of pre-HUD Code mobile homes as well as beliefs that loans on manufactured homes perform poorly or that manufactured homes do not appreciate in value are outdated and incorrect but have proven stubbornly persistent. These and other negative misperceptions affect the acceptance and expansion of manufactured housing.

Limited supply of manufactured homes: According to the U.S. Census Bureau, annual manufactured home shipments have trended significantly downward since 2000.[12] Manufacturers have been affected by supply chain issues, rising cost of building materials, and a lack of skilled labor, which have increased production times and costs. In addition to the low volume of new units, a limited number of units are available for resale because of financing issues on older units and title constraints.

Titling manufactured housing as real property: Manufactured homes are typically initially titled as personal property; a title-conversion process must be completed to title the homes as real property and make them eligible for mortgage financing. The additional effort may discourage borrowers from converting the titling. Also, the titling laws vary by state, which causes complications for lenders.

Aging infrastructure and natural disaster resilience of MHCs: Manufactured housing is often sited in areas that are prone to natural disaster related damage, including flood zones. In addition, many communities have a deferred maintenance backlog. The availability of debt capital that can help recapitalize MHCs and MHROCs is often essential to the ability of MHCs to invest in capital improvements.

12 See footnote 5.

Gaps in tenant protections: At the time of our 2018 analysis, no state had in place the full set of MHC Duty to Serve tenant protections. Although some states and localities have updated their approach to MHCs, gaps remain.

Market pressures on MHC pad rents: Census microdata shows that incomes have kept pace with manufactured housing rents generally. The Manufactured Housing Institute's most recent estimate of rent growth shows a 6.2% growth rate. Many residents report substantially greater rent increases, which can create significant financial pressures for MHC residents who may not be able to, or simply cannot afford to, relocate their manufactured homes.

Limited equity capital for MHROCs: Our 2019 analysis found that a key challenge facing MHROCs is limited availability of equity capital, necessitating debt capital that can exceed the value of the community. The need for loan-to-value ratios that often exceed 100% limits our ability to responsibly finance these properties in a safe and sound manner.



Regulatory Activities Considered but Not Included

Freddie Mac considered but has not included a regulatory activity related to Support Manufactured Homes Titled as Personal Property in our 2025-2027 Duty to Serve Plan. We continue to work with our regulator on evaluating the safety, soundness, and viability of pursuing an initiative focused on manufactured housing titled as personal property.

Additionally, Freddie Mac has considered but not included a regulatory activity related to Manufactured Housing Communities Owned by a Governmental Institution, Non-profit, or Residents (MHROC) in our 2025–2027 Plan. Freddie Mac developed an MHROC loan offering in 2018 and included a purchase objective for these loans in prior plan cycles, which we found to be generally infeasible given the limited market for transactions that can meet safe and sound credit parameters. We will continue to seek out opportunities to finance these properties through our MHROC offering and will work to otherwise support MHROCs where appropriate based on our role in the multifamily secondary mortgage market.

Activities and Objectives

Single-Family

Activity 1 – Support for Manufactured Housing Titled as Real Property: Regulatory Activity

Objective A:
Purchase Single-Family Loans Secured by Manufactured Housing Titled as Real Property

Evaluation Area	Year(s)	Income Targeted	Extra Credit
Loan Purchase	1, 2, 3	VLI, LI, MI	Not applicable

Objective Background and Description
Freddie Mac recognizes the importance of manufactured housing as an affordable housing option and remains committed to supporting the market by purchasing loans on manufactured homes titled as real property. Building on the momentum achieved during the previous Duty to Serve Plan cycles, we will drive loan purchases through efforts including enhancing our offerings in a safe and sound manner, conducting outreach, and expanding lender participation in the manufactured home finance market.

Baseline
Freddie Mac will focus our loan purchase targets exclusively on purchase-money loans during the 2025-2027 Plan cycle. Unusually low mortgage interest rates from 2020 through 2022 sparked a refinance boom. The timing coincided with a spike in home purchase demand from Millennials entering prime homebuying ages and the COVID-19 pandemic prompting many individuals to want more or different space. As a result, single-family mortgage originations soared to levels not experienced since the housing boom in the early 2000s.

Interest rates rose rapidly starting in 2022, more than doubling from 3.8% in second quarter 2022 to 7.79% in fourth quarter 2023. They have receded slightly since then but remained near 7% at the end of second quarter 2024. During those years, inflation rose dramatically and manufactured housing supply and production remained tight, further pushing up home prices. Although inflation has eased in recent months, it continues to significantly affect many households in rural areas. Loan originations and Freddie Mac's loan purchases significantly contracted as a result — most notably, refinance loans.

Macroeconomic conditions have made the refinance business particularly volatile and difficult to predict over the last several years. After reaching historic highs in 2021, refinance volume in second quarter 2024 was the lowest in nearly 28 years.[13] We expect continued volatility during this Plan cycle. Therefore, we removed refinances from the annual loan volume used to calculate our baseline.

This shift does not diminish Freddie Mac's commitment to purchasing refinance loans on such homes to help make homeownership more affordable and sustainable for very low-, low-, and moderate-income owners of manufactured homes.

The following table reflects our baseline:

Year	2021	2022	2023
Income-Qualifying Loan Count	5,501 loans	6,123 loans	6,248 loans
Baseline (A 3-year average of purchase-money loan purchases was used to establish the baseline)	5,957 loans		

Targets

Our single-family purchase targets for real-property manufactured home loans that meet the Duty to Serve income-qualifying definition for very low-, low-, and moderate-income borrowers are set forth in the following table. Our targets only include purchase-money loans on owner-occupied properties.

2025	2026	2027
6,550 loans	6,800 loans	7,100 loans

Our economists expect home sales to increase modestly through 2025, staying below 6 million annually. We expect lower rates to loosen the rate lock-in effect, providing a minimal boost to inventory. Supported by solid demand, we expect upward pressure on home prices, rising by 2.1% and 0.6% in 2024 and 2025, respectively. Expectations for modestly improved home sales and an increase in home prices should stimulate purchase originations, which are broadly consistent with the Mortgage Bankers Association's August 2024 forecast of almost $1.5 trillion in 2025 and almost $1.7 trillion in 2026. Taking safety and soundness into account when setting purchase goals, sales volume and home prices support a modest increase in originations over the three-year horizon.

Projected volume does not consider potential market reactions to changes in the interest-rate environment or other market disruption. It also does not factor in the possibility of slower-than-expected adoption of our products or product enhancements. Lenders' business priorities and the complexities of their internal processes affect the rate of adopting new or updated mortgage offerings, even when lenders understand the value of offerings and are anxious to incorporate them into their businesses.

13 Freddie Mac U.S. Economic, Housing and Mortgage Market Outlook – August 2024 - https://www.freddiemac.com/research/forecast/20240820-us-economy-continues-remain-strong

Anticipated Market Impact

We estimate that we will provide the market with more than $3.4 billion in liquidity over the Plan cycle through our purchases of purchase-money loans on manufactured homes titled as real property. Because these homes are more prevalent in rural areas, the rural market will benefit as well. Our loan purchases will extend access to credit for qualified borrowers and help create affordable, sustainable homeownership opportunities.

Although we have made significant progress in highlighting the benefits of manufactured homes and titling as real property, persistent misperceptions continue to inhibit market growth and efforts to increase liquidity. For example, the image of pre-HUD Code homes still lingers in many people's minds. From a financing perspective, lenders — especially those that had negative experiences during the economic crisis — may continue to believe that manufactured home loans do not perform well and choose to stay out of the market. Even where zoning is favorable, market conditions limit opportunities for households to realize homeownership with manufactured homes. Furthermore, the decline in new manufactured home production exacerbates the shortage of existing homes for sale.

We expect that our continuing efforts to enhance our mortgage products, promote real estate development with manufactured homes, engage lenders already active in the manufactured housing market, and encourage more lenders to participate will lead to wider distribution of liquidity. Because of the market's relatively small size, any additional origination volume for loans secured by manufactured housing titled as real property will be significant in terms of market impact and encourage further lending in the market.



Single-Family

Activity 1 – Support for Manufactured Housing Titled as Real Property: Regulatory Activity

Objective B:
Design Product Flexibilities to Facilitate the Origination of Mortgages Secured by Manufactured Housing Titled as Real Property

Evaluation Area	Year(s)	Income Targeted	Extra Credit
Loan Product	1, 2, 3	VLI, LI, MI	Not applicable

Objective Background and Description

Manufactured housing has the potential to play a much larger role in addressing the nation's housing needs than it does today.

As developers seek ways to meet homebuyer demand, they are starting to turn to manufactured housing. Developing with manufactured homes is very different from developing with site-built homes, however, and access to technical assistance focused on best practices for developing using manufactured homes is limited.

Lender participation in the market and mortgage lending on manufactured homes have increased over the last several years, but more progress needs to be made on these fronts. Industry feedback will continue to shape our efforts to enhance our financing solutions intended to move the industry forward.

Over the last Duty to Serve Plan cycles, Freddie Mac demonstrated our commitment to working collaboratively across the ecosystem to advance the manufactured housing market. Based on industry input, our experience and expertise, and our continual efforts to help ensure the usefulness and usability of our solutions, we introduced 25 policy updates, which included launching new offerings and enhancing existing ones to help increase affordable lending and access to credit. For example, we aligned many of our eligibility requirements with those for site-built homes to expand the pool of eligible borrowers and to make it easier for lenders to participate in the market. We also now allow financing for manufactured homes used as accessory dwelling units as well as single-section manufactured homes, helping to increase the supply of affordable homes. Several of the product enhancements stem from the groundbreaking research we have conducted to help fill the industry's need for data that can help drive business decisions.

In addition, we introduced CHOICEHome® mortgage to finance CrossMod homes, which have the aesthetics of site-built homes and have wider appeal to potential homebuyers. These homes increasingly are being used in new developments and as infill in existing neighborhoods, including projects that we support in Hagerstown, Maryland, and Petersburg, Virginia, respectively. CHOICEHome also may be

used to finance CrossMod homes in community land trusts, which support long-term housing affordability, especially in high-cost areas. To help address aging housing stock, we made manufactured homes eligible property types when we developed our CHOICERenovation® and GreenCHOICE Mortgages®. Importantly, members of federally recognized Native American tribes may finance manufactured homes on tribal lands with our HeritageOne® mortgage; the relative affordability of manufactured homes make them a common housing solution in tribal areas.

Freddie Mac promoted ownership of manufactured homes in other ways as well. We worked with the Appraisal Institute to develop and deliver a curriculum that prepares appraisers to evaluate manufactured homes efficiently and accurately. We also collaborated with Next Step and eHome America to develop and deliver a curriculum that prepares individuals to responsibly buy and own manufactured homes.

During the 2025-2027 Duty to Serve Plan cycle, Freddie Mac will work collaboratively with industry participants including but not limited to lenders and developers. Freddie Mac will continue refining our products to expand the manufactured home market, with consideration for safety and soundness. As part of this effort, we will explore the feasibility of introducing product enhancements to encourage small-balance mortgage lending on manufactured homes, based on industry input and the results of research that Freddie Mac performed in 2023.

Developing and implementing product enhancements, taking into account consistent safety and soundness practices, takes substantial time and resources. The complexities of lenders' internal processes affect the adoption rate, even when lenders understand the value of offerings and want to incorporate them into their businesses. The rate of adoption depends on lender priorities as well as the need for resources, systems updates, new internal policies, and training.

In addition, we will increase developers' capacity to build developments and take on infill projects using manufactured homes, which will increase the supply of affordable single-family homes. We will add a manufactured housing focus to our Develop the Developer Academy curriculum, expand the program to select markets, and continue to provide technical assistance as needed while the developers complete their projects as part of the Academy.



Baseline

Manufactured homes are eligible for many of Freddie Mac's financing solutions.

Freddie Mac's Develop the Developer program promotes reinvestment and development in historically underserved communities. The Develop the Developer curriculum is offered through established academies and is integrated within those local education organizations' programs. Developers who enroll in the Develop the Developer Academy complete an intensive 36-hour curriculum as well as continuing education. Academy graduates receive training in foundational development and financing instruction, technical assistance, and community connectivity. Graduates also gain access to funding sources for developers, including grants, loans, investors, and foundations that encourage economic progress. The Academy curriculum currently only covers creating developments with site-built homes.

During the 2018-2021 Plan cycle, Freddie Mac collaborated with a mission-focused non-profit organization on a homebuyer education program aimed at preparing individuals for attainable and sustainable ownership of manufactured homes.



Actions

Year 1 - 2025

1. Gather feedback from manufacturers, lenders, and other market participants on Freddie Mac's manufactured home loan offerings. Review and identify potential policy updates to our *Single-Family Seller/Servicer Guide*.
2. Publish two policy updates based on feedback gathered. Promote the product enhancements to raise awareness and encourage adoption. Channels may include, for example, conferences and events, webinars, tutorials, e-mail to target audiences, web content, and articles.
3. Collaborate with a non-profit organization to complete development of a manufactured housing curriculum for the Develop the Developer Academy. Incorporate the manufactured housing curriculum into the existing Develop the Developer Academy curriculum.
4. Explore the feasibility of introducing product enhancements to encourage small-balance mortgage lending on manufactured homes.
    a. Analyze the findings of Freddie Mac research conducted in 2023.
    b. Gather feedback from 10 industry participants, including community development financial institutions and at least one Federal Home Loan Bank.
    c. Determine potential new product features, if needed, and the feasibility of developing and implementing them.

Year 2 - 2026

1. Publish two updates to our *Single-Family Seller/Servicer Guide* to support manufactured housing titled as real property, based on feedback gathered in Year 1. Promote the product enhancements to raise awareness and encourage adoption. Channels may include, for example, industry conferences or learning events, webinars, tutorials, e-mail to target audiences, web content, and articles.
2. Facilitate delivery of the manufactured housing curriculum to two cohorts of Develop the Developer Academy graduates.
3. Collaborate with a mission-focused non-profit organization to test the concept of offering a service for helping potential homebuyers navigate the process of preparing for responsible homeownership and buying homes in manufactured housing developments.

Year 3 - 2027

1. Publish two policy updates to our *Single-Family Seller/Servicer Guide* to support manufactured housing titled as real property, based on feedback. Promote the product enhancements to raise awareness and encourage adoption. Channels may include, for example, conferences or events, webinars, tutorials, e-mail to target audiences, web content, and articles.
2. Facilitate delivery of the manufactured housing curriculum to two cohorts of Develop the Developer Academy graduates.
3. Assess the scalability of the homebuying navigation concept tested in Year 2.

Anticipated Market Impact

Freddie Mac's continuing efforts to enhance our product offerings and features will make it easier for lenders to originate loans on manufactured homes titled as real property, promote this housing option as an important means of increasing the supply of affordable homes, and increase opportunities for more very low-, low-, and moderate-income households to attain and sustain homeownership. Basing the enhancements on industry feedback and our experience in the market will help us design solutions that address borrower and market needs. In addition, exploration of small-balance lending may reveal opportunities to develop actionable solutions in the future to help increase liquidity and access to credit in this market. Enhanced product offerings and features will help encourage greater lender participation, increase affordable lending on manufactured homes titled as real property, and increase the flow of liquidity in this market.

Potential resource constraints, anticipated limited volume potential, and perceived credit risk of manufactured homes, however, may cause lender adoption of the product enhancements to be slow.

Creating and facilitating delivery of a manufactured housing curriculum as an expansion of our Develop the Developer program will help raise real estate developers' awareness of manufactured housing's benefits as a housing solution, increase interest in its use, and grow the number of developers with the knowledge, capabilities, and motivation to construct developments with this housing type. As a result, this could help improve the image of manufactured homes, increase affordable housing supply, and lead to more liquidity for financing manufactured home purchases. Nevertheless, Develop the Developer Academy participants may choose not to complete the curriculum because of a lack of interest, a decision not to invest the additional time, or other concerns, such as a lack of public subsidies for manufactured housing and traditional difficulties in identifying and securing funding for it. In addition, local zoning reform may be required to enable the use of manufactured homes in housing developments and for infill. In addition, persistent misperceptions about manufactured homes may deter some prospective homebuyers from purchasing manufactured homes.

To help allay the concerns, the Develop the Developer Academy provides a standardized curriculum that can be adapted to local market needs and delivers unique support to help developers successfully plan and execute residential housing projects. Significantly, it helps community members remove barriers to access capital. Graduates become part of a Freddie Mac alliance of developers that provides mentoring, ongoing networking opportunities, and a forum for sharing best practices. The education, resources, and connections gained by developers support their professional development and equip them to take on development projects that could help spur economic opportunities and investment.

Testing a concept for offering tailored guidance to prospective buyers of manufactured homes in single-family developments will provide us with insight into the benefits and scalability of such a service. Often, people wanting to buy manufactured homes may lack the qualifications required to obtain mortgage financing. Our collaboration with a mission-focused non-profit organization may help many more households successfully navigate the path to homeownership, especially if it proves to be scalable across the country.

Multifamily

Activity 2 – Manufactured Housing Communities with Certain Pad Lease Protections: Regulatory Activity

Objective A:
Purchase Loans that Institute Duty to Serve Tenant Pad Lease Protections

Evaluation Area	Year(s)	Income Targeted	Extra Credit
Loan Purchase	1, 2, 3	VLI, LI, MI	Not applicable

Objective Background and Description

Freddie Mac has examined the role MHCs play in providing affordable housing, especially in rural areas, and found it is substantial. Even so, the residents of these communities face unique challenges that stem from a bifurcated ownership structure where residents typically own their manufactured home but rent the pad on which it sits. In the first year of its Duty to Serve Plan work, Freddie Mac conducted a state-by-state analysis of tenant protections affecting MHCs and found that in many cases there were gaps. These considerations were detailed in our 2019 white paper.[14]

In response to this research, Freddie Mac has worked to scale our Duty to Serve Manufactured Housing Community offering, which requires certain pad lease protections. We formally introduced this offering in 2019, completing eight transactions in that year. In the following years, we ramped up our financing incentive for borrowers that agreed to adopt tenant protections. In late 2021, we made the protections a requirement for all future MHC transactions. The result of this phased approach has been general market acceptance of MHC tenant protections. As of the end of 2023, more than 65,000 pads have benefited from this work.

In the 2025-2027 Plan cycle, we plan to continue purchasing loans for properties that commit to implement Duty to Serve tenant protections.

14 Freddie Mac Multifamily, "Tenant Protections in Manufactured Housing Communities", 2019 - https://mf.freddiemac.com/docs/tenant-protections-manufactured-housing-communities.pdf

Baseline

Our baseline for MHC loans with tenant protections is 17,068 units and 111 properties.

The baseline was calculated using a three-year average (2021-2023) of Freddie Mac's MHC loans with tenant protections, adjusting 2021 and 2022 to current market conditions as seen in 2023. In 2023, our total unit volume was down approximately -32% and -35% from 2021 and 2022, respectively. We have observed that the 2023 figure is a closer representation of current market conditions. Adjusting unit counts in 2021 and 2022 by the total unit count declines normalizes those years in line with 2023, allowing us to set targets based on presently observed market conditions.

	2021	2022	2023	3-year Average
Qualifying Pads	13,843	19,785	28,994	20,874
Adjusted Qualifying Pads	9,447 (~68.2% of actual volume)	12,762 (~64.5% of actual volume)	28,994	17,068
Properties	116	146	161	141
Adjusted Properties	79 (~68.2% of actual volume)	94 (~64.5% of actual volume)	161	111

Targets

Our decision in late 2021 to require tenant protections for all future transactions means that loan purchases meeting this objective generally correspond to the overall liquidity we supply to the MHC market.

Freddie Mac's goal in setting targets for this objective is to ensure that we continue to encourage the broad adoption of tenant protections and provide sufficient liquidity to the MHC market while maintaining safe and sound lending standards.

2025	2026	2027
Lesser of 122 properties or 18,000 pads	Lesser of 125 properties or 18,500 pads	Lesser of 128 properties or 19,000 pads

Anticipated Market Impact

Freddie Mac's continued efforts to extend tenant protections to MHCs will result in tens of thousands of additional pad renters benefiting from protections that typically exceed those provided by state or local law every year. Through our offering, we are not only ensuring sufficient debt liquidity for one of the most affordable sources of housing, but also helping to improve the tenant experience.

Our presence in the manufactured housing market also provides stability through consistent purchases and credit standards. Our scaled presence in this space also supports our ability to encourage market adoption of other resident-centered standards.

Rural Housing



RURAL HOUSING

Strategic Priorities 2025-2027

Meeting the Needs of the Rural Housing Market

Our mission in the rural housing market is to address the unique housing challenges in rural areas by increasing access to affordable homeownership and rental opportunities. We aim to enhance rural housing markets by providing tailored financing products, supporting local developers, small financial institutions, and expanding support for single-family and multifamily properties throughout rural areas while maintaining a focus in high-needs rural regions and for high-needs rural populations. Freddie Mac's strategy takes into account the public input we received regarding rural housing market needs, while enabling us to make informed decisions about an appropriate level of loan purchases within the bounds of safety and soundness.

Our initiatives focus on deepening insights into rural housing landscapes, facilitating investments in Low-Income Housing Tax Credits (LIHTCs), expanding the availability of affordable homes, and providing support for resolving complex issues, such as heirs' property rights. Through partnerships with financial institutions, community organizations, and government entities, we will work to help build capacity, improve housing supply, and ensure that rural communities have access to the resources and financing necessary to create sustainable and vibrant communities.

In our 2025-2027 Duty to Serve Plan, Freddie Mac will address the needs of very low-, low-, and moderate-income households in communities throughout the rural housing market in the following ways:

- Provide liquidity to help make home possible and affordable for more rural households and renters, including those in high-needs regions and tribal areas. As part of this, channel liquidity to small financial institutions serving rural areas.
- Increase multifamily housing supply through LIHTC equity investments that support the construction and major renovation of properties, including 5- to 50-unit properties.
- Enhance our mortgage offerings to facilitate conventional mortgage originations in rural areas, including by CDFIs, based on industry input.
- Expand our developer capacity-building efforts to help increase the number of rural multifamily and single-family developers to both preserve and grow the supply of affordable housing, including manufactured homes, 5- to 50-unit properties, and U.S. Department of Agriculture (USDA) Section 515 properties. This work will be achieved through an enhanced role for Freddie Mac's Develop the Developer Academy and through work with existing technical assistance providers with expertise in rural areas.

- Explore opportunities to increase housing finance support for members of federally recognized Native American tribes living in tribal areas.
- Increase access to resources for addressing heirs' property rights issues.
- Serve as a thought leader, sharing and facilitating insights into the rural housing market as well as promoting collaboration across the ecosystem to help drive solutions for expanding affordable lending and access to credit.
- Continue to provide the capability in our core offerings to support USDA Section 515 properties as needed by the market.

Highlights – 2018-2023

- $16+ billion in liquidity for single-family rural homes
- 105,000 affordable single-family homes financed
- New and enhanced solutions to support attaining and sustaining homeownership, including in tribal areas
- Annual Rural Housing Symposium for sharing thought leadership on rural housing matters
- Support for Native American housing coalitions that promote homeownership opportunities on tribal lands
- $9 billion in multifamily loan purchases
- 133,000 rental units financed
- $1 billion in LIHTC equity investments



Rural Housing Market Overview

An Expansive and Diverse Landscape

Rural America encompasses more than 90% of the nation's landmass and 18% of the U.S. population.[15] It is vast in geography and rich in diversity, but its circumstances and needs are often broadly shared across rural areas.

Of homes in the United States, 21% are in rural areas. In 2021, 73% of rural homes were owner-occupied, compared to 65% nationally. Close to half of rural homeowners own their homes outright. About 27% of rural households rent their homes, a little less than half as many as in urban areas.[16]

Rural areas tend to present less economic opportunity than other parts of the nation. Among the challenges are higher-than-average unemployment rates, underemployment, lower-paying jobs, and a general lack of resources. Levels of educational attainment typically are lower than in other areas and fewer employment opportunities are available, which factor into a rural income gap. The median U.S. household income in 2021 less than $71,000, whereas the rural median household income was less than $59,000. Furthermore, a larger percentage of rural households earned less than $25,000 than the national average, while a significantly smaller percentage of rural households earned $150,000 or more. Around 15% of the rural population, or about 8.8 million people, live in poverty. Rural poverty rates are higher than in suburban and urban areas. In addition, the rural population is comparatively older than in other areas.[17]

15 See footnote 7.

16 Ibid

17 Ibid

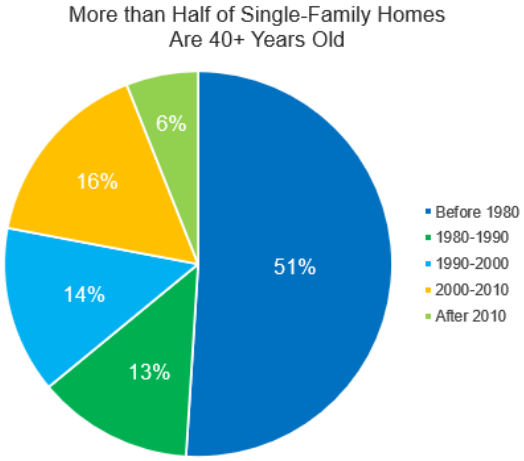
Rural Housing Supply

As in other parts of the United States, rapidly rising home prices and interest rates, low levels of new construction, and the lock-in effect are keeping many homeowners in their existing homes and preventing many potential rural homebuyers from entering the market. According to a Housing Assistance Council report, the number of rural homes rose by less than 2% between 2010 and 2020, compared to 12% in suburban areas and 9% nationwide. One quarter of rural households — more than 5.6 million — spend more than 30% of their monthly income on housing costs and are considered cost-burdened. Almost 40% of those households rent their homes. Nearly 40% of homes in rural persistent-poverty counties are considered unaffordable.[18]

Freddie Mac researchers found that increases in house prices and interest rates exacerbated the affordability challenges in rural areas. Using February 2023 through June 2024 as an example:

- Interest rates rose 0.7%.
- The affordability ratio, defined as the ratio between maximum house price a typical household can afford and the median home value in the area, declined in high-needs rural regions by 19%. Nationally, the decline was 16%.

At the same time, many aging homes need repairs or renovations or may be inadequate, further diminishing the available housing stock. Almost 80% of single-family homes nationwide were at least 20 years old in 2018; more than half of them were built before 1980. Most counties in the Rust Belt and the Great Plains have shares of aging housing stock greater than 60%.[19] According to estimates from the U.S. Department of Housing and Urban Development's (HUD's) American Housing Survey, more than 1.4 million rural homes are classified as inadequate.[20] Access to quality housing is vital to overall people's wellness and children's educational outcomes.[21]



Freddie Mac Single-Family Insight:
"Where Is the Aging Housing Stock in the United States?"

More than half of Native Americans live in rural areas.[22] Most Native households rent their homes and the process is managed by each tribe's housing authority; homeownership traditionally has not been prevalent in Native culture, but the idea has been gaining

18 Ibid

19 Freddie Mac "Where Is the Aging Housing Stock in the United States?", Sijie Li, June 1, 2021 - https://sf.freddiemac.com/articles/news/where-is-the-aging-housing-stock-in-the-united-states

20 Housing Assistance Council, Taking Stock

21 Partners for Rural Transformation, "Transforming Persistent Poverty in America" - https://fahe.org/wp-content/uploads/Policy-Paper-PRT-FINAL-11-14-19.pdf

22 See footnote 7.



popularity. Housing inventory overall is in short supply in tribal areas. A report by HUD estimated that Indian Country needs a total of around 100,000 new homes to alleviate overcrowding and replace inadequate units.[23] According to another HUD study,[24] eight times as many Native households live in overcrowded homes compared to the national average.

Unresolved heirs' property rights contribute to housing challenges in rural regions. Heirs' property rights issues occur when a property is inherited without benefit of a will or other legal documentation of ownership. Reasons include inheriting land without a legal title, distributing property among multiple descendants, or an incomplete formal transfer process, such as unfinished probate proceedings. The issues are compounded if the property passes to additional generations without clear title, resulting in increasingly fractional ownership. Recent research estimated that more than 444,000 properties encompassing a total of more than 9 million acres and with a market value of more than $41 billion have "tangled title."[25] Many of these properties are in the Lower Mississippi Delta, Middle Appalachia, and colonias.

Without clear title, property owners face various challenges. For example, they cannot benefit from the home's equity to finance repairs or other improvements to maintain or enhance the property; refinancing the mortgage to a lower rate or shorter term also is not an option. This could lead to financial distress, property loss or abandonment, and neighborhood blight.[26] Owners of properties with tangled title also are often denied state and federal disaster funds. For example, after hurricanes Katrina and Rita, about 20,000 owners were denied grants by FEMA and HUD because they lacked clear title.[27]

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23 HUD, "Housing Needs of American Indians and Alaska Natives in Tribal Areas," Office of Policy Development and Research, January 2017 - https://www.huduser.gov/portal/sites/default/files/pdf/HNAIHousingNeeds.pdf

24 HUD, "The Native American Housing Needs Study", Office of Policy Development and Research, February 2017 - https://www.huduser.gov/portal/pdredge/pdr-edge-research-022117.html

25 "How Much Heirs' Property Is There?", G. Rebecca Dobbs and Cassandra Johnson Gaither - https://srdc.msstate.edu/sites/default/files/2023-06/dobbs_johnson-gaither_pre-print-manuscript-6.5.23.pdf

26 See footnote 7.

27 U.S. Department of Agriculture; "Identifying Potential Heirs Properties in the Southeastern United States"; Scott Pippin, Shana Jones, and Cassandra Johnson Gaither; September 2017 - https://www.srs.fs.usda.gov/pubs/gtr/gtr_srs225.pdf

Access to Financial Services and Homeownership Education in Rural Areas

Rural residents face challenges in maintaining high credit scores, which are crucial for obtaining traditional mortgage products.[28] According to the Consumer Financial Protection Bureau, a substantial percentage of rural residents in the South have credit scores of less than 600, below the typical threshold for qualifying for standard mortgage options. Furthermore, many rural residents are considered credit invisible — lacking sufficient credit history to generate a score. A related barrier to homeownership is the lack of collaboration between housing counseling agencies and lenders. Often, if an individual applies for and is denied a mortgage, the lender does not suggest housing counseling as a potential pathway to approval in the future, resulting in lost opportunity for the individual and the lender.

For those households who could qualify to buy homes, the presence of financial institutions in rural areas has been shrinking, making it challenging for rural households to secure affordable home financing. The number of rurally headquartered banks declined by more than 3,600 institutions since 1995, or 57%. As a result, one-quarter of all reported home purchase loans in 2022 were made by 20 lenders.[29]

Community development financial institutions (CDFIs) are significant sources of support for investment and financing in rural areas, including on tribal lands. The people that CDFIs serve often earn very low or low incomes, have thin or no credit histories, and have low capacity to set aside savings. To support affordable homeownership opportunities in their communities, CDFIs often allow terms that do not meet conventional mortgage standards.

A Limited but Important Role for Multifamily Housing

Although more than 7 million rural residents are renters, they are predominately housed in single-family homes or small multifamily structures with fewer than 50 units. Manufactured homes, including those located in manufactured housing communities (MHCs), also play a significant role in the multifamily housing supply in rural areas.

Rental Housing in Rural America

Housing Source	Total U.S. Units	Rural Units	Percentage Rural
Manufactured Housing	1,784,746	1,022,219	57%
Multifamily Units	20,268,261	1,706,496	8%
5-49 Units	13,790,267	1,418,053	10%
50+ Units	6,477,994	288,443	4%
All Renters	44,238,593	7,782,130	18%

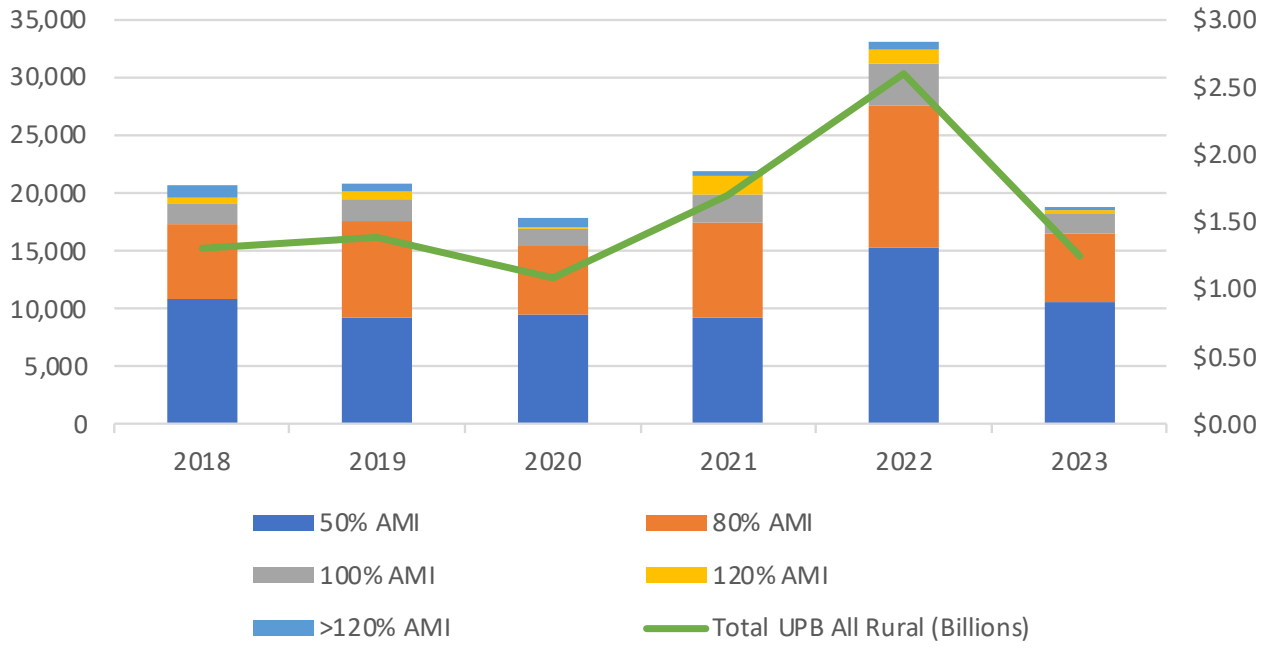
Source: ACS Summary Statistics

28 Pew; "3 Major Obstacles Limit Rural Homeownership"; Adam Staveski; December 19, 2024 - https://www.pew.org/en/research-and-analysis/articles/2024/12/19/3-major-obstacles-limit-rural-homeownership.

29 See footnote 7.

To support the needs of renters in multifamily properties, Freddie Mac is a significant provider of debt capital in rural markets. In an average year, we extend more than $1.5 billion annually in multifamily liquidity, financing more than 20,000 units affordable to rural renters with low or moderate incomes. Important in the context of our debt offerings is that we have made Freddie Mac capital available to support recapitalization and preservation of properties with USDA Section 515 debt.

All Rural Loan Units by Affordability



In perspective, our multifamily lending in these rural markets typically exceeds USDA's lending more than five times over. Our overall lending to rural markets has not traditionally been captured through our Duty to Serve planning and reporting, but it is essential to our overarching rural strategy.

In addition, through our Duty to Serve efforts since 2018, Freddie Mac has worked to deliver impactful LIHTC equity investments. This work has supported the creation or substantial rehabilitation of properties through 112 separate investments offering more than 6,500 units of affordable housing in rural areas.

Rural Housing Market Challenges and Needs

Through our efforts to support rural housing, including our outreach to industry stakeholders, we have identified several challenges that are broadly shared across the market.

Lack of economic opportunity: Rural households typically experience less economic opportunity and benefit less from positive market conditions than households in non-rural areas. Rural residents typically have lower education-attainment levels, lower employment, lower-than-average credit scores or thin/no credit histories, and inadequate access to financial services.[30] These ongoing challenges, coupled with the lingering effects of the COVID-19 pandemic, have put further financial stress on rural households.

Persistent poverty: More than 85% of the nation's persistent-poverty counties are in rural areas. The U.S. rural median household income was less than $59,000 in 2021, compared to the national median of $70,784. Close to one-quarter of rural households in 2021 had annual incomes of less than $25,000.[31]

Lack of affordable housing stock: Rural markets have experienced negative housing inventory growth since the Great Recession. The decline accelerated during the COVID-19 pandemic; from December 2020 to May 2021 alone, rural housing inventories fell 38%.[32]

Aging and substandard housing: The average age of rural owner-occupied homes is 40 years old, according to the 2021 American Community Survey (ACS). In addition, rural areas grapple with higher rates of substandard housing; the issue is particularly acute in Native American tribal areas. Economic hardships and natural disasters can lead to delayed maintenance and abandoned properties, and there is often a shortage of skilled professionals available for repairs.

Limited access to lenders: Given the relatively low volume of loans and comparatively low home values, fewer lenders operate in rural areas. Internet connectivity limitations may compound matters, leaving rural borrowers to rely on one or two local lenders, which may offer limited loan products and charge higher rates to maintain local presence.

Limited access to homeownership education: Rural areas lack sufficient access to an end-to-end array of services and resources to support very low-, low-, and moderate-income households in attaining and sustaining affordable homeownership.

30 See footnote 7.

31 Housing Assistance Council, Rural Voices, Conference 2018 Edition, "The Delta's future depends on a sustained investment in local economies and residents' well-being", Rep. Bennie G. Thompson - https://ruralhome.org/rv-rural-capacity-building

32 Freddie Mac Research Note, "Has An Urban Exodus Occurred? Residential Environment Trends Shaping the Future of Where We Live", July 12, 2021 - https://www.freddiemac.com/research/insight/20210712-urban-exodus-occurred

Heirs' property rights retention: Many families lack clearly documented property ownership for a range of reasons, including inheriting land without a legal title, distributing property among multiple descendants, or an incomplete formal transfer process such as unfinished probate proceedings. These circumstances are most prevalent in the Mississippi Delta, Colonias, and Middle Appalachia. "Tangled title" prevents the homeowners from fully experiencing the generational wealth and ability to leverage equity typically associated with home or land ownership.

Appraisals: Rural appraisals are challenging for various reasons, including limited comparable sales and distance between homes. As a result, rural appraisals may take additional time, research, and justification to determine an acceptable value for a property. Therefore, rural appraisals may also cost more — an expense that is proportionately greater where the property value may be low.

Limited multifamily investment: Rural areas often receive limited LIHTC allocations and limited interest from investors who prefer to invest in areas with higher population densities or those within Community Reinvestment Act (CRA) assessment areas. Rural areas may also face zoning challenges and operational challenges that increase multifamily building costs.

Maturing USDA Section 515 loans: Either through maturities or prepayments, many properties are exiting the Section 515 program, creating challenges in preserving affordability at these properties.

Insufficient technical assistance for developers: The number of developers with experience building in rural areas is limited. Similarly, local governments and non-profit organizations also have limited experience in both multifamily and single-family development. Many organizations excel at providing technical assistance, but the need exceeds the availability of resources.

Limited capital markets access for rural small financial institutions: Many small lenders lack access to the secondary mortgage market and often hold loans in portfolio. In addition, financial institutions in rural areas often do not have in-house securitization programs. These circumstances limit the lenders' ability to improve market liquidity and efficiently distribute risk.



Activities and Objectives

Single-Family

Activity 1 – Support for All Rural Areas: Additional Activity

Objective A:
Conduct Outreach to Deepen Insights into the Rural Single-Family Housing Landscape

Evaluation Area	Year(s)	Income Targeted	Extra Credit
Outreach	1	VLI, LI, MI	Not applicable
Loan Purchase	2 and 3	VLI, LI, MI	Not applicable

Objective Background and Description

Duty to Serve rural market efforts during the first two Plan cycles focused mainly on increasing support for areas defined as high-needs rural regions: rural census tracts in Middle Appalachia; Lower Mississippi Delta; colonias, as defined in the revised Duty to Serve rule published on April 12, 2023; and other rural tracts in persistent-poverty counties not included in one of the other three categories. Members of federally recognized tribes in tribal areas and small financial institutions serving rural areas also have been a focus. Freddie Mac recognizes, however, that more attention needs to be paid to rural areas more broadly.

During the 2025-2027 Plan cycle, Freddie Mac will consider the knowledge and experience gained over the preceding Plan cycles as well as engage with stakeholders across the rural housing ecosystem to broaden and deepen our understanding of barriers to affordable homeownership and to increase the flow of liquidity in rural areas. The insights gained will factor into future decisions and plans for how to help clear the path for more households in rural areas with very low, low, and moderate incomes to attain and sustain homeownership. Based on analysis of our findings, we plan to increase the flow of liquidity to rural areas by establishing a baseline and appropriate purchase targets in Year 1 for Year 2 and Year 3, taking safety and soundness into consideration.

In addition, Freddie Mac will review the rural appraisals training that we created for lenders and the rural appraisals curriculum for appraisers that we developed with the Appraisal Institute. We will collaborate with industry experts to update or enhance the courses as needed, promote their availability, and deliver training.

Baseline

Freddie Mac purchases loans secured by homes in rural areas, but we had not analyzed rural loan data for purposes of setting a baseline or purchase targets before 2025.

As with our other single-family loan purchase objectives in this Plan, Freddie Mac's all-rural loan purchase targets include only purchase-money loans for the 2025-2027 Plan cycle. Macroeconomic conditions have made refinance business particularly volatile and difficult to predict over the last several years. We expect similar conditions during this Plan cycle. The focus on purchase-money loans only does not diminish Freddie Mac's commitment to purchasing refinance loans on such homes to help make homeownership more affordable and sustainable for very low-, low-, and moderate-income homeowners.

The unusually low mortgage interest rates from 2020 through most of 2022 also sparked home purchases, including by Millennials entering prime homebuying ages and many individuals wanting more or different space during the COVID-19 pandemic. As a result, single-family mortgage originations soared. Therefore, to calculate a baseline for 2026 and 2027 loan purchase targets, Freddie Mac took an average of our purchase-money loan volume in the most recent three years where purchase shares within the market were greater than 50% of our annual loan purchases in areas defined as rural in FHFA's 2025-2027 Rural File. We also considered the decline in rural purchase-money loan volume observed in HMDA data since 2021, the current market environment, 2025 rural market origination volumes, current outlooks, and lender feedback. The heightened level of uncertainty caused by various external factors also were taken into account.

Home prices continue to climb, in part based on the housing supply gap. Labor, materials, and land shortages and costs affect the building of new and repair or renovation of existing homes, which also drives up home prices. In addition, repairing and rebuilding homes following natural disasters consumes substantial amounts of construction resources.

Wage growth has not kept pace with home prices and cost of living. From July 2024 through July 2025, average real wage growth, adjusted for inflation, was 1.5%.[33] As of March 2025, a household earning $75,000 annually could afford about 21% of home listings, according to the National Association of REALTORS® and Realtor.com report, *2025 Housing Affordability & Supply*. A household earning $50,000 annually could afford around 9% of listings. Median weekly earnings for full-time workers at the end of second quarter 2025 were $1,196, or about $62,000 annually, according to the U.S. Bureau of Labor Statistics.

Investors bought about 27% of the homes sold in first quarter 2025, the highest share in at least five years.[34]

In addition, the number of lenders serving rural areas is falling. FHFA's 2025-2027 Small Financial Institutions Data file includes almost 19% fewer SFIs than the 2022-2024 file. More broadly, the number of

33 U.S. Bureau of Labor Statistics, Current Employment Statistics data

34 BatchData

rurally headquartered banks declined by 57% from 1995-2022; a quarter of reported rural home purchase loans in 2022 were made by 20 lenders.[35] Plus, many lenders told us they hold loans in portfolio.

Under the circumstances, we reduced the loan counts in our baseline calculation by 6.5%, which is the decline in rural purchase-money loan volume observed in HMDA data from 2023 to 2024. Adjusting the loan counts helps normalize them, allowing us to set challenging yet more feasible targets.
The following table reflects our rural loan purchase baseline:

	2019	2023	2024
Income-Qualifying Loan Count	60,678 loans	63,623 loans	65,014 loans
Adjusted Income-Qualifying Loan Count (-6.5%)	56,734 loans	59,488 loans	60,788 loans
Baseline (An average of the three most recent years in which purchase-money loans composed < 50% of purchases in this market was used to establish the baseline)	63,105 loans		
Adjusted Baseline (An average of the three most recent years in which purchase-money loans composed < 50% of purchases in this market, less 6.5%, was used to establish the baseline)	59,003 loans		

Regarding education on rural appraisals, Freddie Mac offers an on-demand rural appraisals tutorial on FreddieMac.com, Reviewing Rural Properties. In collaboration with the Appraisal Institute, we developed the Rural Area Appraisals curriculum.

2026 and 2027 Targets

Freddie Mac's single-family purchase targets for home loans that meet the Duty to Serve income-qualifying definition for very low-, low-, and moderate-income borrowers in rural areas are set forth in the Actions section below. Loan targets only include purchase-money originations for owner-occupied properties. They reflect the 6.5% baseline reduction, with increases over the baseline and year-over-year that demonstrate intention to expand support for the rural market, even under challenging circumstances.

Projected volume does not consider potential market reactions to changes in the interest-rate environment or other market disruption. It also does not factor in the possibility of slower-than-expected adoption of our products or product enhancements. Lenders' business priorities and the complexities of their internal processes affect the rate of adopting new or updated mortgage offerings, even when lenders understand the value of offerings and are anxious to incorporate them into their businesses.

35 Housing Assistance Council, *Taking Stock, 2023*

Actions

Year 1 - 2025

1. Analyze our data on loans secured by homes in rural areas to gain insights:
    a. Concentrations of rural areas being served
    b. Freddie Mac product usage in rural areas
    c. Rural borrower characteristics
    d. Lenders delivering loans on homes in rural areas
2. Identify and gather feedback from stakeholders that serve the rural housing market, such as lenders and housing intermediaries, on our existing products and rural borrower needs.
3. Review rural appraisals training resources that Freddie Mac developed during the first Plan cycle to assess their continued relevance. Identify areas for improvement. Revise rural appraisal training resources in collaboration with industry experts, if appropriate.
4. Leverage the convening of a diverse group of experts in conjunction with our Rural Housing Symposium to discuss the feedback gathered and exchange ideas around opportunities to increase support for rural housing.
5. Analyze the feedback and loan data insights gathered, combined with our knowledge and experience gained during previous Plan cycles. Based on our findings, identify potential opportunities for enhancements to offerings and resources.
6. Analyze historical rural loan data to calculate a baseline for loans secured by single-family homes in rural areas. Establish a baseline and set Year 2 and 3 loan purchase targets for this Plan objective through FHFA's modification process.

Year 2 - 2026

1. Purchase 61,950 loans secured by owner-occupied homes in FHFA-defined rural areas.

Year 3 - 2027

1. Purchase 64,900 loans secured by owner-occupied homes in FHFA-defined rural areas.

Anticipated Market Impact

Freddie Mac's efforts will help increase liquidity and expand access to credit for making homeownership possible and more affordable throughout rural America. Through our loan data analysis, we will gain insight into where Freddie Mac is buying loans, the types of loans, and the borrowers. These insights will factor into decisions related to improving offerings and outreach, with the goal of more broadly serving underserved rural areas.

Our engagement with stakeholders across the ecosystem will strengthen our network of relationships and help ensure that a range of industry perspectives are considered as we develop strategies and plans for widening our support for affordable homeownership across all rural areas. Their buy-in also will facilitate execution of the strategies and plans. Conducting outreach, gathering feedback, and analyzing input will require extensive coordination and a significant amount of time and resources The rural market encompasses various and diverse demographics, cultures, economics, and housing; there are differences in terms of needs, challenges, and opportunities.

Updating appraisals training and related resources, if needed, will help ensure that they are relevant and effective in preparing appraisers to complete appraisals accurately and efficiently. Through our promotional efforts, we will help make appraisers aware of the educational opportunities and their benefits. Having more appraisers informed on rural appraisals will help address an obstacle to lending in rural markets.

Setting targets for loan purchases in all rural areas highlights our commitment to supporting affordable lending that responsibly expands homeownership opportunities for rural households nationwide. We estimate that we will provide a total of close to $25 billion in liquidity to finance rural homes in 2026 and 2027.

As we sharpen our focus on purchasing loans in all rural areas, our continuing, extensive lender engagement will result in lenders gaining more financing options and more confidence in lending in rural areas. More lenders also will gain access to the secondary market, with some likely becoming Freddie Mac lenders.

Achieving this objective will be challenging for many reasons, among them being the lack of affordable homes for sale, market conditions, and various other external factors causing a heightened level of uncertainty.

Furthermore, rural areas are primarily served by small, community-based lenders, many of which may not have the capacity to sell directly to Freddie Mac. Building relationships with aggregators through which they could deliver their loans takes time and, in some cases, may not be feasible. In addition, many lenders hold loans in portfolio so that they can extend credit to borrowers who fall outside of the Enterprises' credit box. Plus, the number of lenders serving rural areas has been shrinking significantly.

And although we have purchased loans on homes in all rural areas for decades, we did not have a loan purchase target for all FHFA-defined rural areas until Year 2 of this Plan cycle. It can take time to gain the understanding needed to develop and execute appropriate, effective, and efficient strategies for supporting such a vast market and meeting our goals.

The outreach and product enhancement efforts that we will undertake during this Plan cycle are intended to help overcome some of these potential limitations.

Single-Family

Activity 1 – Support for All Rural Areas: Additional Activity

Objective B:
Facilitate Thought Leadership Related to Housing and Mortgage Financing in Rural Communities

Evaluation Area	Year(s)	Income Targeted	Extra Credit
Outreach	1, 2, 3	VLI, LI, MI	Not applicable

Objective Background and Description

Freddie Mac's Rural Housing Symposium reflects our leadership in and commitment to supporting positive housing outcomes in rural communities nationwide. It brings together a broad spectrum of single-family and multifamily housing experts — academics, policy makers, finance industry professionals, and housing intermediaries focused on rural issues — to share research findings and build relationships across the ecosystem that could lead to innovative, market-relevant solutions. When we established the symposium in 2019, to our knowledge, it was the first-ever event to encompass such a variety of participants and research focused exclusively on rural housing and finance. Since then, it has become an annual event and inspired other leading organizations focused on affordable housing to hold rural-centered events.

We have held the symposium annually to highlight research into existing and emerging challenges and opportunities in rural communities, with a goal of encouraging discussions around expanding prosperity. Topics have included, for example, population movement and growth, the effects of climate change and weather on housing sustainability, manufactured housing, rental affordability, poverty and hardship, and Native homeownership. Overall, the Rural Housing Symposium shines a light on the unique issues affecting rural housing related to housing finance needs, trends, and opportunities in rural markets where data has traditionally been very limited and narrowly available.

Freddie Mac will continue to host the Rural Housing Symposium each year of the 2025-2027 Plan cycle. Each year's topics will center on current rural market dynamics, top-of-mind matters, and trends. As we have in the past, Freddie Mac will ask the housing industry's top thought leaders to collaborate in shaping the annual agendas by submitting research papers or detailed abstracts for research that highlight implications for consumers, households, communities, or financial institutions in rural housing areas for consideration.

In combination with the event each year, Freddie Mac will facilitate a session with a set of key stakeholders from across the ecosystem to discuss the research findings presented and exchange ideas for how to bring about impactful change and solutions.

Baseline

Freddie Mac established the Rural Housing Symposium — originally called the Rural Research Symposium — in 2019. We have hosted it each year since then.

While Freddie Mac previously has established specialized advisory groups to share insights and exchange ideas with leaders from across the ecosystem, we have not had a group focused on rural housing.

Actions

Year 1 - 2025

1. Host a Rural Housing Symposium that focuses on new research and insights developed since the 2024 symposium on rural mortgage markets to better understand who is being served and the effectiveness of mortgage products, services, and financing as well as the effect on communities, consumers, and financial institutions.
    a. Call for research papers and proposed topics. Communication channels may include direct engagement with members of the research community as well as broader-based e-mail to academics, researchers, and previous symposium registrants, for example. Aim to obtain research that highlights issues that affects rural households and crosses Duty to Serve markets, with special focus on Native housing and manufactured housing.
    b. Conduct a marketing campaign to raise the target audience's awareness of the event, generate interest in attending, and drive registrations. Example channels include but may not be limited to e-mail sent using targeted distribution lists and including links to relevant material, social media, and content on Freddie Mac Single-Family and Rural Housing Symposium web pages.
2. Convene a diverse group of experts selected to discuss research findings and determine their potential for helping to drive impactful solutions in the market.

Year 2 - 2026

1. Host a Rural Housing Symposium that focuses on rural mortgage markets to better understand who is being served and the effectiveness of mortgage products, services, and financing as well as the effect on communities, consumers, and financial institutions. The symposium will focus on new research and insights developed since the 2025 event.
    a. Call for research papers and proposed topics. Communication channels may include direct engagement with members of the research community as well as broader-based e-mail to academics, researchers, and previous symposium registrants, for example. Aim to build an agenda that highlights rural housing matters and includes touch points to the manufactured housing and affordable housing preservation markets.
    b. Conduct a marketing campaign to raise the target audience's awareness of the event, generate interest in attending, and drive registrations. Example channels include but may not be limited to e-mail sent using targeted distribution lists and including links to relevant material, social media, and content on Freddie Mac Single-Family and Rural Housing Symposium web pages.

2. Convene a diverse group of experts selected to discuss research findings and determine their potential for helping to drive impactful solutions in the market.

Year 3 - 2027

1. Host a Rural Housing Symposium that focuses on rural mortgage markets to better understand who is being served and the effectiveness of mortgage products, services, and financing as well as the effect on communities, consumers, and financial institutions. The annual symposium will focus on new research and insights developed since the 2026 event.
    a. Call for research papers and proposed topics. Communication channels may include direct engagement with members of the research community as well as broader-based e-mail to academics, researchers, and previous symposium registrants, for example. Aim to build an agenda that highlights rural housing matters and includes touchpoints to the manufactured housing and affordable housing preservation markets.
    b. Conduct a marketing campaign to raise the target audience's awareness of the event, generate interest in attending, and drive registrations. Example channels include but may not be limited to e-mail sent using targeted distribution lists and including links to relevant material, social media, and content on Freddie Mac Single-Family and Rural Housing Symposium web pages.
2. Convene a diverse group of experts selected to discuss research findings and determine their potential for helping to drive impactful solutions in the market.

Anticipated Market Impact

Freddie Mac is uniquely positioned within the industry to bring together a variety of thought leaders and influencers from across the housing ecosystem. By hosting the Rural Housing Symposium during this Plan cycle, we will continue to act as a catalyst to expand access to new research and to spark cross-disciplinary relationships as well as ideas for additional research and new approaches to supporting rural housing. The deeper understanding, collaboration, and energy that the annual symposium inspires can encourage the broader industry to explore opportunities and create possibilities for improving the future of home and boosting mortgage liquidity in rural America. The symposium's success to date reflects the industry's need for such a knowledge-sharing forum and Freddie Mac's industry leadership.

In addition, the adjunct convening will focus leaders from across the ecosystem on considering potential next steps and collaborations that could help meet current and emerging market needs. Together, findings will provide insights to the marketplace that will enable the industry to better support rural households.

The symposium, combined with the convening, will motivate additional research, collaboration, and innovation, which is greatly needed to help improve outcomes in rural communities nationwide.

Single-Family

Activity 1 – Support for All Rural Areas: Additional Activity

Objective C:
Facilitate Rural Developer Capacity Building to Increase Housing Supply

Evaluation Area	Year(s)	Income Targeted	Extra Credit
Outreach	1, 2, 3	VLI, LI, MI	Not applicable

Objective Background and Description

Rural regions have less access to resources for building and revitalizing housing than elsewhere in the country, which further discourages real estate developers from pursuing projects in those areas. Community-based intermediary organizations are important sources of support for rural housing development initiatives. Given their financial and staffing constraints, however, they often rely on partnerships with other entities to carry out their missions.[36]

Multifamily housing development in rural areas involves additional complexities related to the heavy reliance on public subsidy, primarily driven by Low-Income Housing Tax Credits (LIHTC) and USDA Section 538 and Section 515 programs. In addition, emerging developers, who typically focus on 5- to 50-unit properties, often face barriers to market entry, including the limited availability of relevant training.

During the 2025-2027 Duty to Serve Plan cycle, Freddie Mac will expand our Develop the Developer℠ capacity-building program in collaboration with rural intermediary organizations to help increase the number of knowledgeable real estate developers undertaking development projects in rural communities.

Baseline

Freddie Mac's Develop the Developer program promotes a community-based approach, engaging area stakeholders across the ecosystem to gain buy-in and help lower barriers to housing development. Freddie Mac's Develop the Developer program promotes reinvestment and development in historically underserved communities. The Develop the Developer Academy is offered through established academies and is integrated within those local educational organizations' programs. Developers who enroll in the Develop the Developer Academy complete an intensive 36-hour curriculum as well as continuing education. Academy graduates receive training in foundational development and financing instruction, technical assistance, and community connectivity. Graduates also gain access to funding sources for developers, including grants, loans, investors, and foundations that encourage economic progress.

At the end of 2024, the Develop the Developer program was operating in Baltimore, Milwaukee, Omaha, and Tulsa, with a total of 20 active development projects.

36 Housing Assistance Council, Rural Voices, Conference 2018 Edition, December, 4, 2018 - https://ruralhome.org/wp-content/uploads/storage/documents/rural-voices/rv-conference-2018.pdf

Actions

Year 1 - 2025

1. Host a series of at least four working group sessions with various industry partners, including housing intermediaries, to collaborate in identifying rural localities that could benefit most from additional support for housing development, including with manufactured housing. Assess the development potential of the identified localities based on input gathered. Select at least four localities for Develop the Developer Academies; rank localities in priority for expansion of the Develop the Developer program.
2. Identify and develop relationships with intermediary organizations capable of coordinating the creation of Academies in the selected markets.
3. Hold at least two working group sessions with partner intermediary organizations and rural Academy graduates to assess the curriculum. Determine potential enhancements to increase the curriculum's effectiveness in rural areas. Create or enhance curriculum based on working session feedback.
4. Hold at least two working group sessions with Native coalitions with relationships with Freddie Mac to determine curriculum needs specific to development in tribal areas. Create or enhance curriculum based on working session feedback.

Year 2 - 2026

1. Incorporate updates to the curriculum developed in Year 1, if any, and launch the curriculum as continuing education in existing Develop the Developer Academies.
2. Launch a Develop the Developer Academy in at least three localities identified in Year 1 in collaboration with the selected local partner organization, with at least 15 developers completing the curriculum.

Year 3 - 2027

1. Monitor progress of the rural developers who completed the curriculum in Year 2 and their development projects. Provide the developers with continuing education opportunities through existing Academies, if needed.
2. Launch a Develop the Developer Academy in at least three more localities with the selected local partner organization, with at least 15 developers completing the curriculum.
3. Convene rural Develop the Developer Academy graduates to share best practices, exchange ideas for future program enhancements, and facilitate introductions to housing intermediaries and lenders within their project areas.

Anticipated Market Impact

The expansion of Freddie Mac's Develop the Developer program will prepare more rural real estate developers to increase the number of quality homes affordable to households in rural regions with very low, low, and moderate incomes. Working in partnership with key stakeholders and local organizations will help ensure that the program is expanded thoughtfully and through a holistic, community-driven approach. Developers will be equipped to continue to develop in rural regions going forward. These efforts will lay the foundation to increase homeownership and rental opportunities and liquidity in rural regions.

Given the lack of developers, development, and investment in these communities, however, rural enrollment in the Academy may be lower than anticipated. In addition, securing the resources needed to undertake developments in rural communities may be difficult and more time consuming than anticipated. Land, construction labor, and materials may not be available or may be cost prohibitive. Investors and other participants needed for successful projects may deem the development efforts too risky. Also, unexpected zoning, permitting, and infrastructure matters may need to be addressed before construction could start in earnest.

To help overcome some of those concerns, the Develop the Developer Academy provides a standardized curriculum that can be adapted to local market needs and delivers unique support to help developers successfully plan and execute residential housing projects. Significantly, the Academy helps community members remove barriers to access capital. Graduates become part of a Freddie Mac alliance of developers that provides mentoring, ongoing networking opportunities, and a forum for sharing best practices. The education, resources, and connections gained by developers support their professional development and equip them to take on development projects that could help spur economic opportunities, investment, and additional affordable housing supply.



Single-Family

Activity 1 – Support for All Rural Areas: Additional Activity

Objective D:
Increase Access to Homeownership Education and Resources in Rural Areas

Evaluation Area	Year(s)	Income Targeted	Extra Credit
Outreach	2 and 3	VLI, LI, MI	Not applicable

Objective Background and Description

Through our work to better understand the needs of the broader rural market, Freddie Mac learned about the continuing need for greater access in rural areas to financial and homeownership education to strengthen and increase the pool of potential homeowners. More specifically, there was a demand for a comprehensive approach to pre-purchase homebuyer education and post-purchase education to promote sustainable homeownership. The conversations also highlighted an opportunity to make connections between housing counseling agencies and lenders to help increase potential homebuyers' chances of attaining homeownership, including individuals who previously had been denied mortgage loans because of their credit profiles. Typically, individuals who are denied mortgages are not informed of a potential path forward and become discouraged from continuing to pursue homeownership.

A lack of internet service in rural areas is an additional challenge to accessing homeownership education and resources. The Federal Communications Commission reported that approximately 19 million U.S. households, primarily in rural areas, lacked access to fixed broadband at threshold speeds as of 2021. The Pew Research Center found that 24% of rural households consider high-speed internet access a major issue, compared to 13% in urban areas.

Freddie Mac has supported community-based education to increase financial capability in rural areas through HUD-approved housing counseling agencies as well as through increasing the capacity of other housing intermediaries to provide education and counseling services for many years. These partners deliver a full spectrum of counseling services, including pre-purchase, post-purchase, foreclosure prevention, and financial education services to rural households.

During Year 2 and Year 3 of the 2025-2027 Plan cycle, Freddie Mac will leverage our relationships and tools to facilitate an integrated, collaborative approach to expanding access to education and resources. These efforts will expand the pool of individuals prepared to become homeowners in rural areas, which may create opportunities for Freddie Mac to provide additional liquidity to this market.

Baseline

Freddie Mac provides support to HUD-approved housing counseling agencies and non-profit organizations dedicated to serving rural communities. Over the last three years, the demand for services has grown, with the number of individuals served increasing from 20,000 in 2022 to 30,000 in 2024.

During the first Duty to Serve Plan cycle, Freddie Mac facilitated collaboration between housing counseling agencies, lenders, and other industry stakeholders in support of a program that provided manufactured housing homebuyer education and guidance on the process of buying a manufactured home.

Actions

Year 2 - 2026

1. Collaborate with three trusted housing counseling agencies in rural regions that are active in affordable housing and who are closest to the communities to facilitate delivery of counseling services, including pre-purchase, post-purchase, foreclosure prevention, and financial education services to rural households virtually and/or in person.
2. Expand access to and awareness of homeownership services and resources for homebuyers in rural areas.
    a. Organize and facilitate one in-person homebuyer fair to expand access to homeownership information.
    b. Collaborate with non-profit housing intermediaries and faith-based organizations to raise awareness of counseling services and mortgage offerings through marketing efforts.
    c. Promote the availability of a dedicated call center that provides access to an array of homeownership resources, including information on the homebuying process, one-on-one counseling sessions, and referrals to local providers of workshops and webinars.
3. Collaborate with lenders to conduct three training sessions for loan officers to educate them on affordable mortgage products available in rural areas.
4. Facilitate three working group sessions between lenders and counseling agencies to exchange information about their respective offerings, share feedback from prospective homebuyers, and identify potential process improvements. Identify opportunities to establish two-way communication, enhance education materials, and build relationships intended to mutually support prospective homebuyers aiming to realize responsible homeownership.

Year 3 - 2027

1. Collaborate with two additional trusted housing counseling agencies in these regions that are active in affordable housing and who are closest to the communities to provide housing counseling services, including pre-purchase, post-purchase, foreclosure prevention, and financial education services to rural households virtually and/or in person.
2. Facilitate development of materials that counseling agencies will use to educate prospective homebuyers about lenders' affordable product offerings.
3. Expand access to and awareness of homeownership services and resources for homebuyers in rural areas.
    a. Organize and facilitate one in-person homebuyer fair to expand access to homeownership information.
    b. Collaborate with non-profit housing intermediaries and faith-based organizations to raise awareness of counseling services and mortgage offerings through marketing efforts.
    c. Promote the availability of a dedicated call center that provides access to an array of homeownership resources, including information on the homebuying process, one-on-one counseling sessions, and referrals to local providers of workshops and webinars.
4. Collaborate with lenders to conduct three training sessions for loan officers to educate them on affordable mortgage products available in rural areas.
5. Implement an approach to facilitating collaboration between housing counseling agencies and lenders based on solutions identified through working group sessions in Year 2.
6. In coordination with housing counseling agencies, ask prospective homebuyers to complete surveys on the education and support received to help inform potential future enhancements.

Anticipated Market Impact

Extending access to comprehensive financial and homeownership education will help equip more rural households with the necessary knowledge and resources to achieve sustainable homeownership. Our multifaceted approach recognizes the need to employ a combination of on-line and in-person activity to reach rural audiences effectively.

In addition, fostering relationships between housing counseling agencies and lenders bolsters collaboration across the ecosystem. This will improve support for potential homebuyers through the entire homebuying process and increase their likelihood of success. It also will help keep more individuals who were denied mortgages on the path toward future homeownership.

Through this objective, we will lay the foundation for increasing affordable lending and responsible access to credit in rural areas.

Activity 1 – Support for All Rural Areas: Additional Activity

Objective E:
Engage in LIHTC Equity Investment in All Rural Areas

Evaluation Area	Year(s)	Income Targeted	Extra Credit
Investment	1, 2, 3	VLI, LI, MI	Not applicable

Objective Background and Description

The LIHTC program is the primary resource for supporting the creation and redevelopment of affordable rental housing for low- and very-low-income households. LIHTC provides state and local housing finance agencies and other LIHTC-allocating agencies the equivalent of nearly $9 billion[37] in annual budget authority to issue tax credits for the acquisition, rehabilitation, and construction of low-income affordable housing. The program awards developers tax credits that are generally allocated to investors for capital contributions that offset the costs associated with the development of affordable units and rent restrictions.

Freddie Mac re-entered the LIHTC equity investment space in 2018 and has focused a meaningful portion of our investments in support of Duty to Serve rural areas. By maintaining our focus in support of these geographies, we support competition for credits that can increase stability and improve LIHTC pricing. This can improve affordability by advancing housing supply and reducing debt financing needs at individual properties and could lower the portion of rent needed to pay for debt service.

These investments are particularly important to rural areas as the properties they support can be overlooked by investors. Of significant importance are high-needs rural populations (HNRP), which include tribal housing and housing for farmworkers. Most of the LIHTC-financed properties located within the identified geographies are outside of banks' CRA assessment regions and do not receive competitive pricing for credits as a result.

In prior years, Freddie Mac included objectives specific to LIHTC Equity Investments in HNRP. We are continuing those efforts through our All-Rural objective and reporting. High-needs rural populations are sensitive to state QAP LIHTC distribution, which is beyond Freddie Mac's control. However, because of the importance of our support of these markets, we continue to seek out and report these investments.

As we engage in this important work, we prioritize safety and soundness. We achieve this by accounting for concentration risk and maintaining a diversity of investments at sufficient scale to ensure a stable business platform.

37 Office of Policy Development and Research, Low-Income Housing Tax Credit (LIHTC) webpage - https://www.huduser.gov/portal/datasets/lihtc.html

Baseline

Our baseline number of transactions for the 2025-2027 Plan is 21 transactions, which is the three-year average of the transactions we have completed in support of Duty to Serve rural areas between 2021 and 2023.

2021	2022	2023	3-year Average
16 transactions	20 transactions	26 transactions	21 transactions

Targets

The targets for this Plan cycle are based on our experience in supporting Duty to Serve rural areas throughout the past five years, including observed market trends. During this time, we have developed a clearer understanding of how we can support these geographies, including the opportunities and limitations. Freddie Mac will gradually increase our work in support of rural communities through this objective in each year of the Plan.

We anticipate years in which we surpass this goal and years during which completing the targeted number of transactions will be challenging. This is due to the way LIHTC is distributed at the state and local levels. Annual allocations for rural geographies are limited and not all transactions are viable. Although competition for credits in these regions tends to be low, like all investors, we are subject to being outbid.

Despite the small number of available transactions, our targets represent an impactful share of these markets. We believe that our target balances our need to maintain safety and soundness and support the rural market while considering LIHTC investment opportunities.

Additionally, the targets reflect our ongoing commitment to rural LIHTC equity which is highly weighted toward rural markets when compared to our overall LIHTC investments. Of the 240 Freddie Mac investments closed since 2018, 112 investments (47%) have been in rural markets. Properties in rural areas make up just 29% of the total number of LIHTC properties overall. With our LIHTC investment cap now set at $1 billion, a gradual increase in our rural transactions will allow our overall investment portfolio to remain heavily weighted toward rural.

2025	2026	2027
22 transactions	23 transactions	24 transactions

As we continue building our LIHTC equity investments in rural regions, Freddie Mac will maintain ongoing engagements with its network of LIHTC syndicators to identify eligible LIHTC investment opportunities. This requires dedicated staffing and constant work with syndicators to locate, bid on, and invest in these opportunities.

The ability to identify opportunities is also dependent on continual outreach to other market participants, including non-profit organizations, developers, and affordable housing financiers, which can foster relationships that expand awareness of Freddie Mac's LIHTC investments. We will also continue to use these engagements as opportunities to gather more information on market needs and the best paths forward for continued or increased investment.

We will work to enhance and expand our outreach strategy to better understand the needs of the market and to increase access for developers. This will continue the efforts outlined in our previous Plan and include:

1. Continued outreach to market stakeholders, including non-profit organizations, consortiums, developers, and housing advocates.
2. Continued attendance at conferences, webinars, and other convenings to both enhance our understanding of the market dynamics and allow Freddie Mac to present our offerings to stakeholders in the rural LIHTC equity market.

Anticipated Market Impact

Freddie Mac's investment in LIHTC equity in rural areas provides stability to a market that is otherwise constrained by lack of investment due to reduced competition and investor interest, increased volatility, and a lack of CRA credit.

Our work provides badly needed support to households in rural communities who gain access to safe, decent, and affordable housing when we invest. Additionally, our investments increase competition in the market, which may influence the price per credit. This can provide more equity to developers, reducing their debt capital needs and even make more projects viable, allowing developments to move forward that would have otherwise stalled.



Multifamily

Activity 1 – Support for All Rural Areas: Additional Activity

Objective F:
Establish and Implement a Multifamily Rural Developer Capacity-Building Program

Evaluation Area	Year(s)	Income Targeted	Extra Credit
Outreach	1	VLI, LI, MI	Not applicable

Objective Background and Description

Many rural communities are subject to underinvestment and face challenges in multifamily development, which in turn limits residents' access to quality, affordable housing. The development, preservation, and rehabilitation of multifamily housing in rural areas is heavily dependent on public subsidy, primarily driven by the LIHTC and USDA programs like Section 538 and Section 515. These subsidy programs involve complex processes and require certain expertise to navigate. The complexity makes it difficult for local developers to enter the market or expand their role in the market without additional assistance from more experienced developers and technical assistance organizations.

Additionally, emerging developers, who are typically focused on smaller 5- to 50-unit properties often face barriers to market entry, including the limited availability of training that applies to rural markets generally or their markets specifically.

Recognizing these complexities and barriers to entry, Freddie Mac sought to explore and establish a rural developer capacity-building program as part of our 2022-2024 Duty to Serve Plan. Through a landscape analysis and concentrated outreach, Freddie Mac uncovered some of the challenges associated with rural multifamily development, including the complexity of accessing subsidy, understaffing at developer and organization levels, and financing challenges. In 2024, we partnered with a national rural development capacity builder and technical assistance organization to support the creation of a rural developer capacity-building curriculum. Leveraging this curriculum, we will continue to implement multifamily-focused rural developer capacity-building education in new markets over the next three years.

Baseline

Freddie Mac's work in rural developer capacity-building began in years 2 and 3 of our previous Duty to Serve Plan. In 2023, we conducted comprehensive market outreach, including a landscape analysis of rural developers, non-profits, and housing organizations as well as outreach meetings with leading rural developer capacity-building programs. We will leverage that research and outreach and explore other capacity-building programs that exist in different markets as we implement a rural developer capacity-building program, which will help local rural developers enter or grow their footprints in the local multifamily housing market. In 2024, Freddie Mac supported the development of a specialized rural developer curriculum and began examining how this curriculum might be leveraged in various rural markets.

Actions

The goal of our rural developer capacity-building initiative is to spur investment in rural communities and empower rural developers to enter or expand their presence in the market. Our work will help developers navigate programmatic complexities, financing obstacles, and other barriers to entry, while connecting new and emerging rural developers to more established partners and technical assistance organizations.

Our actions for Year 1 of this Duty to Serve Plan cycle include conducting a rural developer training either through a third-party training provider or as a specialized rural multifamily module conducted in conjunction with a Freddie Mac Develop the Developer Academy in a rural market. Because of the level of planning, recruitment, staffing, time, and investment involved in conducting this curriculum, we will conduct a training cohort in one new market in 2025.

Year 1 - 2025

Conduct the rural capacity development curriculum in one rural market.

1. Identify a rural market for the rural developer capacity-building academy with consideration for market needs and opportunities, including those related to 5- to 50-unit properties and climate risk and resilience challenges.
2. Identify a partner organization to complete training.
3. Revise the curriculum as needed to account for market differences.

Anticipated Market Impact

Through Freddie Mac's specialized curriculum and resources, we will aim to empower rural developers in the identified market. Rural multifamily developers face a unique set of challenges and opportunities, including financing complexity, knowledge gaps, and limited access to mentors in the space.

We anticipate that our targeted curriculum and partnerships with technical assistance providers will help increase the capacity of rural developers and improve their ability to efficiently and effectively access USDA and LIHTC subsidies and access debt capital from Freddie Mac and other sources. Additionally, our focus on emerging developers and those focused on smaller 5- to 50-unit properties will aid our efforts to equip new developers with the tools they need to improve multifamily housing stock in their communities.

Single-Family

Activity 2 – Support for High-Needs Rural Regions: Regulatory Activity

Objective A:
Purchase Single-Family Loans in High-Needs Rural Regions

Evaluation Area	Year(s)	Income Targeted	Extra Credit
Loan Purchase	1, 2, 3	VLI, LI, MI	Yes

Objective Background and Description

Freddie Mac will continue to purchase loans on homes in high-needs rural regions to provide liquidity to this market during the 2025-2027 Duty to Serve Plan cycle. For purposes of this objective, we will continue to focus specifically on the rural census tracts in high-needs regions: Middle Appalachia; Lower Mississippi Delta; colonias, as defined in the revised Duty to Serve rule published on April 12, 2023; and other rural tracts in persistent-poverty counties not included in one of the other three categories. Building on the momentum achieved during previous Plan cycles, we will drive loan purchases through efforts including enhancing our offerings in a safe and sound manner, conducting outreach, and expanding our seller/servicer network.

Baseline

Freddie Mac will focus our high-needs rural loan purchase targets exclusively on purchase-money loans during the 2025-2027 Plan cycle. Unusually low mortgage interest rates in 2020 and into 2022 sparked a refinance boom. The timing coincided with a spike in home purchase demand from Millennials entering prime homebuying ages and the COVID-19 pandemic prompting many individuals to want more or different space. As a result, single-family mortgage originations soared to levels not experienced since the housing boom in the early 2000s.

Interest rates rose rapidly starting in 2022, more than doubling from 3.8% in second quarter 2022 to 7.79% in fourth quarter 2023. They have receded slightly since then but remained near 7% at the end of second quarter 2024. During those years, inflation rose dramatically, and housing supply remained tight, further pushing up home prices. Loan originations and Freddie Mac's loan purchases significantly contracted as a result — most notably, refinance loans.

Macroeconomic conditions have made the refinance business particularly volatile and difficult to predict over the last several years. We expect similar conditions during this Plan cycle. Therefore, we removed refinances from the annual loan volume used to calculate our baseline and used an average of the most recent three years where refinance shares within the market were below 50% of our annual loan purchases.

The shift to purchase-money loans only does not diminish Freddie Mac's commitment to purchasing refinance loans on such homes to help make homeownership more affordable and sustainable for very low-, low-, and moderate-income homeowners.

The following table reflects our baseline, developed according to the methodology described.

Year	2018	2019	2023
Income-Qualifying Loan Count	6,097 loans	6,288 loans	7,373 loans
Baseline (An average of the three most recent years in which purchase-money loans composed < 50% of purchases in this market was used to establish the baseline)	6,586 loans		

Targets

Our single-family purchase targets for home loans that meet the Duty to Serve income-qualifying definition for very low-, low-, and moderate-income borrowers in high-needs rural regions are set forth in the following table. Loan counts only include purchase-money originations for owner-occupied properties.

2025	2026	2027
7,400 loans	7,500 loans	7,600 loans

Our economists expect home sales to increase modestly through 2025, staying below 6 million annually. We expect lower rates to loosen the rate lock-in effect, providing a minimal boost to inventory. Supported by solid demand, we expect upward pressure on home prices, rising by 2.1% and 0.6% in 2024 and 2025, respectively. Expectations for modestly improved home sales and an increase in home prices should stimulate purchase originations, which are broadly consistent with the Mortgage Bankers Association's August 2024 forecast of almost $1.5 trillion in 2025 and almost $1.7 trillion in 2026.Taking safety and soundness into account when setting purchase goals, sales volume and home prices support a modest increase in originations over the three-year horizon.

Projected volume does not consider potential market reactions to changes in the interest-rate environment or other market disruption. It also does not factor in the possibility of slower-than-expected adoption of our products or product enhancements. Lenders' business priorities and the complexities of their internal processes affect the rate of adopting new or updated mortgage offerings, even when lenders understand the value of offerings and are anxious to incorporate them into their businesses.

Anticipated Market Impact

We estimate that we will provide lenders more than $4 billion in liquidity over this Plan cycle to finance homes in high-needs rural regions. Our loan purchases will expand access to credit to qualified borrowers and help create affordable homeownership opportunities in high-needs rural regions.

We also expect that, through our continuing and extensive lender engagement, lenders will gain more financing options and more confidence in lending in high-needs rural regions. More lenders also will gain access to the secondary market, with some becoming direct Freddie Mac seller/servicers.

Achieving this objective will be very challenging for many reasons, including lenders' competing internal priorities; potential operational complexities; the range of available financing options, including proprietary products offered by small financial institutions; and the large number of geographic areas served. The lack of homes available for sale and affordable to individuals with very low, low, and moderate incomes also limits mortgage lending in high-needs rural regions.

Also, high-needs rural regions are primarily served by small, community-based lenders; many may not have the capacity to sell directly to Freddie Mac and building relationships with aggregators through which they could deliver their loans takes time. In addition, many lenders hold loans in portfolio so that they can extend credit to borrowers who fall outside of the Enterprises' credit box, according to lenders we interviewed.

The outreach and product enhancement efforts that we will undertake during this Plan cycle are intended to help overcome some of these potential limitations.



Single-Family

Activity 2 – Support for High-Needs Rural Regions: Regulatory Activity

Objective B:
Increase Resources for Resolving Heirs' Property Rights

Evaluation Area	Year(s)	Income Targeted	Extra Credit
Outreach	1, 2, 3	VLI, LI, MI	Yes

Objective Background and Description

Heirs' property rights issues occur when a property is inherited without benefit of a will or other legal documentation of ownership. Reasons include inheriting land without a legal title, distributing property among multiple descendants, or an incomplete formal transfer process, such as unfinished probate proceedings. The issues are compounded if the property passes to additional generations without clear title, resulting in increasingly fractional ownership.

Navigating the complexities and costs of clearing title and estate planning can be daunting for many heirs. In addition, access to the needed legal and housing counseling services may be limited, especially in rural areas. In colonias, language can be an additional barrier.

During the 2025-2027 Duty to Serve Plan cycle, Freddie Mac will assess geographical areas most affected by heirs' title issues and prioritize our outreach efforts based on our findings and industry input. We will work in partnership with industry stakeholders to develop and promote resources that assist in resolving heirs' property rights issues, such as a toolkit that offers easy access to a collection of resources that help homeowners understand and navigate resolution of property title issues. We also will explore the feasibility of developing product flexibilities that help homeowners who are committed to resolving their property rights issues to benefit from their home equity faster, which will better enable them to sustain affordable homeownership — or to improve their homes in preparation for resale, if desired.

Baseline

Freddie Mac has not worked in supporting heirs' property rights or resolving title issues.

Actions

Year 1 - 2025

1. Increase understanding of heirs' property rights issues.
    a. Collaborate with at least two Federal Home Loan Banks (FHLBs) that have established heirs' property rights programs to gain insights into needs and opportunities associated with heirs' rights challenges in rural areas.
    b. Solicit feedback from at least one trusted housing organization with experience resolving heirs' rights challenges in each of the high-needs rural regions to determine programs and resources that need to be developed to increase support for homeowners in resolving these issues, including homeowner education.
    c. Solicit feedback from at least two title companies to gain their perspectives on the market challenges and needs.
2. In collaboration with the selected housing organizations experienced in resolving heirs' property rights, create a strategy for increasing access to education and resources designed to aid in heirs' rights retention and identify several markets within high-needs rural regions where access to these tools could create the largest potential impact. Select at least one locality in each of the high-needs rural regions in which to execute the strategy.

Year 2 - 2026

Execute the strategy developed in Year 1.

1. Create a toolkit to provide a range of tools and resources intended to support industry stakeholders in their efforts to educate homeowners on heirs' property rights resolution. Promote the toolkit through channels that may include, for example, targeted e-mail, industry conferences or learning events, webinars, tutorials, and web content.
2. Facilitate at least four homeowner education sessions in collaboration with the selected housing organizations to increase understanding of heirs' property issues and paths to resolution. Topics may include estate planning, legal services, home financing options, homeowners' insurance, home preservation and protection, financial management, and housing counseling. Also address opportunities for accessing the home's equity once title is cleared, including providing information on Freddie Mac's low down payment and renovation suite of products.
    a. Ask participants to complete a survey on our program at each session to inform potential enhancements.
    b. Assess participant survey results and adjust the program as appropriate. Include findings on survey results in a report to FHFA.
3. Assess the feasibility of a policy enhancement to allow flexibilities that would increase access to credit for homeowners committed to clearing their title issues.

Year 3 - 2027

Continue to execute the strategy developed in Year 1.

1. Facilitate at least 10 homeowner education sessions in collaboration with selected non-profit organizations to increase understanding of heirs' property issues and paths to resolution. Topics may include estate planning, legal services, home financing options, homeowners' insurance, home preservation and protection, financial management, and housing counseling. Also address opportunities for accessing the home's equity once title is cleared, including providing information on Freddie Mac's low down payment and renovation suite of products.
2. Develop a policy update to increase access to credit for homeowners committed to clearing their title issues, if determined in Year 2 to be feasible in a safe and sound manner.

Anticipated Market Impact

With assistance from trusted, experienced intermediaries who can offer guidance in navigating a complex and emotional issue, Freddie Mac will provide homeowners in selected high-needs rural regions with heirs' property issues with education and tools needed to clear title and move forward with plans for their futures. These collaborative efforts will expand access to information and resources for resolving tangled title and may increase the likelihood that more homeowners will be willing to begin the process.

Navigating the legal issues associated with resolving heirs' property rights can be difficult, complex, and time consuming. Processes and requirements vary by state. Therefore, there is no singular road map to resolving these issues. Finding professionals with expertise in working through the complexities and unique requirements in this space could prove challenging, given limited access to resources in high-needs rural regions.

Homeowners who resolve their title issues and are creditworthy will have the opportunity to employ their equity to repair or renovate their homes to improve the integrity, comfort, energy efficiency and resiliency, and longevity of their homes, thereby also enhancing the properties' value and, potentially, their neighborhoods' stability. Clear title also opens the opportunity for these rural homeowners to sell their homes, leading to wealth generation. Home sales could result in new loan originations and increased liquidity in these regions. However, some heirs who clear their title may choose not to employ the equity in their homes. Distrust of the banking system and fear of the potential to lose the home if they fall behind on mortgage payments are two main reasons.[38]

If Freddie Mac determines that we can develop product flexibilities in a safe and sound manner to accommodate potential borrowers committed to resolving their title issues, more families will have the opportunity tap into the equity in their homes sooner.

38 "Heirs' Property, Access to Capital, and the Racial Wealth Gap", 2023 Housing Assistance Council Annual Conference presentation delivered by Cassandra Johnson Gaither, USDA Forest Service

Multifamily

Activity 2 – Support for High-Needs Rural Regions: Regulatory Activity

Objective C:
Engage in LIHTC Equity Investment

Evaluation Area	Year(s)	Income Targeted	Extra Credit
Investment	1, 2, 3	VLI, LI	Yes

Objective Background and Description

The LIHTC program is the primary resource for supporting the creation and redevelopment of affordable rental housing for low- and very -low-income households. LIHTC provides state and local housing finance agencies and other LIHTC-allocating agencies the equivalent of nearly $9 billion[39] in annual budget authority to issue tax credits for the acquisition, rehabilitation and construction of low-income affordable housing. The program awards developers tax credits that are generally allocated to investors for capital contributions that offset the costs associated with the development of affordable units and rent restrictions.

Freddie Mac re-entered the LIHTC equity investment space in 2018 and has focused a meaningful portion of its investments in Duty to Serve high-needs rural regions. By maintaining our focus in these regions, we support competition for credits that can increase stability and improve LIHTC pricing. This can improve affordability by advancing housing supply and reducing debt financing needs at individual properties, could lower the portion of rent needed to pay for debt service.

These investments are particularly important to high-needs rural regions as the properties they support are often overlooked by investors. Most of the LIHTC-financed properties located within these areas are outside of banks' CRA assessment regions and do not receive competitive pricing for credits as a result.

As we engage in this important work, we prioritize safety and soundness. We achieve this by accounting for concentration risk and maintaining a diversity of investments at a sufficient scale to ensure a stable business platform.

39 See footnote 34.

Baseline

Our baseline for the 2025-2027 Duty to Serve Plan is six transactions, which is the five-year average of the transactions we have completed in high-needs rural regions between 2019 and 2023. A five-year baseline for our LIHTC equity objectives captures our expectations for the market going forward. It accounts for a range of market environments and the year-over-year fluctuations in allocations associated with investment opportunities that can meet our targets.

2019	2020	2021	2022	2023	5-Year Average
4 transactions	5 transactions	7 transactions	9 transactions	7 transactions	6 transactions

Targets

The targets for this Plan cycle are based on our experience in high-needs rural regions, which include Middle Appalachia; the Lower Mississippi Delta; a colonia; or a tract located in a persistent-poverty county and not included in Middle Appalachia, the Lower Mississippi Delta, or a colonia, throughout the past five years. During this time, we have developed a clearer understanding of these geographies, including their opportunities and limitations. Although we will seek to continually increase our work in High-Needs Rural Regions, we are maintaining an investment target of six transactions annually for the Plan.

We anticipate years in which we surpass this goal, and years during which completing six transactions will be challenging. This is due to the way LIHTC is distributed at the state and local levels. Annual allocations in high-needs rural areas are both low and inconsistent and not all transactions are viable. Although competition for credits in these regions tends to be low, like all investors we are subject to being outbid.

The targets reflect our ongoing commitment to LIHTC equity investments in high-needs rural regions, which is disproportionate in the context of LIHTC overall. Of the 240 investments Freddie Mac has closed since 2018, 35 investments (15%) have been in high-needs rural regions. LIHTC properties in high-needs rural regions make up just 7% of the total number of LIHTC properties nationwide. With our investment cap now set at $1 billion, an investment target of 6 transactions will maintain an overall investment portfolio that is disproportionately weighted toward high-needs rural regions while avoiding geographic concentration risks that may have safety and soundness implications.

2025	2026	2027
6 transactions	6 transactions	6 transactions

As we continue building our LIHTC equity investments in high-needs rural regions, Freddie Mac will maintain ongoing engagements with its network of LIHTC syndicators to identify eligible LIHTC investment opportunities. Freddie Mac has worked to grow its network of syndicators since 2018 and has sought out those with experience in rural markets, including high-needs rural regions. This requires dedicated staffing and constant work with syndicators to locate, bid on, and invest in eligible properties.

The ability to identify opportunities is also dependent on continual outreach to other market participants, including non-profit organizations, developers, and affordable housing financers, which can foster relationships that expand awareness of Freddie Mac's LIHTC investments. We will also continue to use these engagements as opportunities to gather more information on market needs and the best paths forward for continued or increased investment.

Anticipated Market Impact

In high-needs rural regions, there is inherent market volatility and a limited investor base. Through our work in these markets, Freddie Mac has become a stabilizing force and reliable source of equity investment.

Our work also provides critically needed support to households in rural communities who gain access to safe, decent, and affordable housing when we invest. Additionally, our investments increase competition in the market, which may influence the price per credit. This can provide more equity to developers, reducing their debt capital needs, and even make more projects viable, allowing developments to move forward that would have otherwise stalled.



Single-Family

Activity 3 – Support for High-Needs Rural Populations: Regulatory Activity

Objective A:
Purchase Single-Family Loans to Members of Federally Recognized Native Tribes in Tribal Areas

Evaluation Area	Year(s)	Income Targeted	Extra Credit
Loan Purchase	1	VLI, LI, MI	Yes

Objective Background and Description

During previous Plan cycles, Freddie Mac worked closely with stakeholders across the ecosystem to take a thoughtful and strategic approach to entering and supporting housing opportunities for members of federally recognized Native tribes living in tribal areas. Freddie Mac collaborated with the South Dakota Native Homeownership Coalition (SDNHC), Oweesta Corporation, and other trusted non-profit housing intermediaries that support Native communities to expand their capacity to provide financial management and homebuyer education that prepares more Native households to become and remain homeowners. We also supported Enterprise Community Partners in the creation and delivery of curricula for developing tribal organizations' homeownership programs and for building individuals' financial management skills. Those and other resources are widely available on Freddie Mac's Native American Homeownership Preparedness web page. We collaborated with all three organizations on a wide range of knowledge-sharing forums, technical assistance programs, and educational opportunities.

Freddie Mac launched our HeritageOne loan product in the fall of 2023. It reflects insights and input from Native organizations and other industry participants, gathered during our extensive outreach efforts over several years. The conventional mortgage offering is designed to meet the housing finance needs of Native American households on tribal land, including tribal trust, allotted trust, and fee simple lands. Because of the prevalence of manufactured homes on tribal lands and their relative affordability, HeritageOne may be used to finance manufactured as well as site-built homes. Lenders began to adopt HeritageOne in 2024 through a term of business with Freddie Mac. HeritageOne offers a mortgage financing option in addition to the HUD Section 184 product.

During the 2025-2027 Duty to Serve Plan cycle, we will continue our efforts to provide liquidity that helps create more affordable homeownership opportunities for members of federally recognized tribes in tribal areas. Related activities will include enhancing our offerings in a safe and sound manner, conducting outreach, and expanding lender participation in the tribal lending market. Our commitment to this market extends beyond purchasing HeritageOne loans. Freddie Mac will remain ready and willing to purchase eligible HUD Section 184 loans as well. Freddie Mac's purchase targets will include only purchase-money loans during the 2025-2027 Plan cycle; however, this does not diminish our commitment to purchase refinance loans to help make homeownership more affordable and sustainable for very low-, low-, and moderate-income tribal members.

Baseline

Lenders delivered zero HUD Section 184 loans to Freddie Mac in 2019, one in 2020, four in 2021 (while interest rates were at their lowest), and zero in 2022 and 2023. Given the late 2023 introduction of HeritageOne, Freddie Mac does not have a full year of reported loan volume for that offering. Therefore, we set our baseline for the 2025-2027 Plan at zero.

Target

With a baseline of zero, we leveraged our 2024 purchase target to determine our 2025 target, which is set forth below. Loan counts only include purchase-money originations for owner-occupied properties.

Projected volume does not consider potential market reactions to changes in the interest-rate environment or other market disruption. It also does not factor in the possibility of slower-than-expected adoption of our products or product enhancements. Lenders' business priorities and the complexities of their internal processes affect the rate of adopting new or updated mortgage offerings, even when lenders understand the value of offerings and are anxious to incorporate them into their businesses.

2025
5 loans

Anticipated Market Impact

Freddie Mac's purchases of loans made to Native households in tribal areas will help more Native Americans realize affordable homeownership. Our loan purchases also will provide much-needed liquidity and capital for CDFIs and other lenders financing homes in tribal areas, where conventional mortgage lending historically has been limited or nonexistent. Because of the relatively small size of the tribal housing market, any origination volume will be significant in terms of market impact.

In addition, given the complexity of this market, having a purchase target for one year will allow us to gather additional data and real-life experience that could factor into future decisions about how best to help create Native homeownership opportunities.

Many lenders currently serving Native borrowers are small community banks and CDFIs that would need to sell loans to Freddie Mac indirectly through aggregators. They might not meet the capital requirements to become participating correspondent lenders, and aggregators often lack an effective channel for small lenders. Freddie Mac would need to expend significant time and effort to expand our direct and indirect seller network.

HeritageOne provides an option to transfer servicing to approved Freddie Mac servicing agents. Many lenders that lend in tribal areas want to service the loans that they originate so that they can maintain a relationship with the borrower; however, the time, funding, knowledge, and staffing required to become a servicer may be prohibitive and curb adoption of HeritageOne in the market.

The outreach and product enhancement efforts that we will undertake during this Plan cycle are intended to help overcome some of these potential limitations.

Single-Family

Activity 3 – Support for High-Needs Rural Populations: Regulatory Activity

Objective B:
Develop Product Flexibilities to Facilitate Loan Originations for Members of Federally Recognized Native Tribes in Tribal Areas

Evaluation Area	Year(s)	Income Targeted	Extra Credit
Loan Product	1, 2, 3	VLI, LI, MI	Yes

Objective Background and Description

Freddie Mac has worked strategically and collaboratively across the ecosystem to help lower barriers that industry participants told us inhibit mortgage lending in tribal areas, including tribal trust, allotted trust, and fee simple lands. During the first two Duty to Serve Plan cycles, we conducted extensive, continual outreach to industry participants — such as non-profit housing intermediaries, housing finance agencies, tribally designated housing entities (TDHEs), and CDFIs, including Native CDFIs — to gather insights into tribal governance, the unique aspects of Native housing and homeownership, potential borrowers' needs, how to make loan origination processes more efficient, and appraising homes on tribal lands.

From that foundation, we designed HeritageOne. Throughout the development process, we continually engaged participants across the ecosystem to help ensure that HeritageOne would meaningfully address some of the main hurdles to affordable access to credit facing Native households in tribal areas. To maximize potential usage, members of the more than 225 tribes included on HUD's Section 184 Participating Tribes List are eligible to use HeritageOne. In addition, working with the Appraisal Institute and Native housing finance professionals, we also developed an appraisal curriculum to support property valuations for homes in tribal areas.

To educate lending institutions and Native organizations on conventional mortgage lending and to facilitate knowledge sharing and best practices across the ecosystem, we collaborated with the SDNHC, Enterprise Community Partners, and Oweesta Corporation to establish, expand, and facilitate regional coalitions of tribal housing organizations, tribes, and lenders that serve tribal areas. The forums and technical assistance led to collaboration, information sharing, and stronger relationships across the ecosystem.

During the 2025-2027 Plan cycle, we will assess HeritageOne's effectiveness and endeavor to enhance the offering to help increase its adoption and usage. We will continue our efforts to expand access to the secondary market by engaging with lenders already active in this market and connecting with others that would be new to it. Continuing our efforts in tribal areas will entail coordination across the ecosystem, including leveraging our existing relationships and strengthening partnerships with lenders of all sizes and governmental agencies as well as tribal housing entities, appraisers, trade groups, non-profit housing intermediaries serving Native populations, and other industry stakeholders. As part of these efforts, we will continue and build on our support for regional Native coalitions.

Baseline

Freddie Mac introduced HeritageOne in October 2023 and began outreach to potential lenders as well as executing terms of business (TOBs) with approved lenders in 2024. We conducted extensive outreach and education efforts to promote the offering to industry stakeholders, educate them on its usage and benefits, and encourage lenders to adopt the TOB.

Since 2020, Freddie Mac has worked with Native non-profit housing organizations to help establish and expand coalitions that facilitate collaboration, technical assistance, peer learning, and sharing of best practices that lead to the creation and financing of homeownership opportunities in tribal areas.

Actions

Year 1 - 2025

1. Work in collaboration with at least two of our existing non-profit partners, the FHLBs, the lending community, Native American Advisory Council, and Native homeownership coalitions to engage with lenders, tribal leadership, and TDHEs to socialize the product, identify additional down-payment assistance opportunities, and share best practices.
2. Provide HeritageOne to at least one additional lender via a negotiated TOB. Provide technical assistance to support the lender in implementing and using the product effectively.
3. Collect HeritageOne loan data and analyze loan performance to help inform a potential product enhancement.
4. Obtain feedback on the product.
    a. Survey all lenders with the TOB to determine usability in the market.
    b. Hold at least three focus groups with industry partners and Native housing intermediaries to gather feedback on potential enhancements.
5. Determine at least one potential product enhancement based on findings from the assessments conducted.
6. Continue to support existing and emerging Native housing coalitions. Convene tribal housing stakeholders to discuss topics related to challenges, opportunities, and potential barriers and solutions.

Year 2 - 2026

1. Publish at least one policy update to our *Single-Family Seller/Servicer Guide* based on feedback gathered in Year 1.
2. Update training materials to reflect the Guide change.
3. Promote the product enhancement through various channels to encourage additional lender adoption and usage. Example activities:
    a. Post product information and resources on Freddie Mac's web site.
    b. Inform housing industry professionals of HeritageOne product enhancements through learning opportunities, such as webinars and industry events.
    c. Publish articles to Freddie Mac's Single-Family News & Insights web pages and distribute via targeted e-mail.
4. Provide HeritageOne to at least one additional lender via a negotiated TOB. Provide technical assistance to support the lender in implementing and using the product effectively.
5. Continue to support existing and emerging Native housing coalitions. Convene tribal housing stakeholders to discuss topics related to challenges, opportunities, and potential barriers and solutions.

Year 3 - 2027

1. Provide HeritageOne to at least one additional lender via a negotiated TOB. Provide technical assistance to support the lender in implementing and using the product effectively.
2. Continue to promote HeritageOne through various channels to encourage additional lender adoption and usage. Example activities:
    a. Review product information and resources on Freddie Mac's web site and refresh content, if needed.
    b. Provide learning opportunities, such as webinars and participation in industry events, to inform housing industry participants of HeritageOne.
    c. Publish articles on FreddieMac.com and distribute via targeted e-mail.
3. Continue to support existing and emerging Native housing coalitions. Convene tribal housing stakeholders to discuss topics related to challenges, opportunities, and potential barriers and solutions

Anticipated Market Impact

Our efforts under this objective will lay the foundation to expand conventional mortgage lending and access to affordable credit for Native homebuyers and homeowners in tribal areas.

Our enhancements to HeritageOne will aim to increase lenders' adoption and usage of the product and boost their confidence in lending in tribal areas. Basing the enhancements on feedback from lenders with experience in using HeritageOne as well as other professionals who specialize in Native housing will help strengthen relationships across the ecosystem and facilitate industry buy-in. Also factoring loan performance data into decisions will help ensure that enhancements are developed within safety and soundness parameters.

Through our outreach, promotion, and education activities, lenders will gain understanding of HeritageOne's benefits and how to use it efficiently and effectively to support sustainable homeownership opportunities. Our goal is to increase adoption and usage of HeritageOne, providing lenders and Native borrowers in tribal areas with a mortgage solution in addition to the HUD Section 184 product. Enabling and encouraging lenders to sell HeritageOne loans to Freddie Mac will help increase the flow of liquidity to this market.

Working with non-profit organizations to build on our collaboration model will further homeownership programming and opportunities. Continuing and expanding state coalitions of stakeholders across the ecosystem will put a spotlight on housing for Native populations in tribal areas. As an industry leader, we will help facilitate broader engagement, the exchange of ideas and best practices, and education on conventional mortgage lending and Freddie Mac's offerings that help more households attain and sustain homeownership.



While our efforts create significant potential to help move Native homeownership opportunities forward, adoption and usage of HeritageOne product may be slow. Through our extensive industry outreach, we found that few lenders have experience lending in tribal areas and many lenders made the business decision not to enter the market, given the complexities and relatively small opportunity associated with lending in tribal areas.

In addition, many lenders currently serving Native borrowers are small community banks and CDFIs that would need to sell loans to Freddie Mac indirectly through aggregators. They might not meet the capital requirements to become participating correspondent lenders, and aggregators often lack an effective channel for small lenders. Freddie Mac would need to expend significant time and effort to expand our direct and indirect seller network.

Single-Family

Activity 4 – Financing by Small Financial Institutions of Rural Housing: Regulatory Activity

Objective A:
Purchase Loans from Small Financial Institutions Serving Rural Areas

Evaluation Area	Year(s)	Income Targeted	Extra Credit
Loan Purchase	1, 2, 3	VLI, LI, MI	Not applicable

Objective Background and Description
Freddie Mac will continue to provide liquidity to small financial institutions with assets of less than $304 million. We plan to engage more deeply with SFIs that are already approved Freddie Mac seller/servicers to increase the purchase of rural housing loans. We also intend to expand our outreach and support to increase the number of small financial institutions approved as direct Freddie Mac seller/servicers or that sell to us through an aggregator. Our approach is intended to increase the financing options for these institutions and our purchase volume.

Baseline
In setting Freddie Mac's baseline and targets for the 2025-2027 Plan cycle, we reviewed the volume of purchase-money and refinance loans purchased since 2018 from SFIs serving rural areas identified in FHFA's 2025-2027 Small Financial Institutions Data file. We also assessed market conditions during those years to the present.

Unusually low mortgage interest rates in 2020 and into 2022 sparked a refinance boom. The timing coincided with a spike in home purchase demand from Millennials entering prime homebuying ages and the COVID-19 pandemic prompting many individuals to want more or different space. As a result, single-family mortgage originations soared to levels not experienced since the housing boom in the early 2000s.

Interest rates rose rapidly starting in 2022, more than doubling from 3.8% in second quarter 2022 to 7.79% in fourth quarter 2023. They have receded slightly since then but remained near 7% at the end of second quarter 2024. Also, during this time frame, inflation rose dramatically, and housing supply and production remained tight, further pushing up home prices. Although inflation has eased in recent months, it continues to significantly affect many households in rural areas. Loan originations and Freddie Mac's loan purchases significantly contracted as a result — most notably, refinance loans.

Macroeconomic conditions have made the refinance business particularly volatile and difficult to predict over the last several years. After reaching historic highs in 2021, refinance volume in second quarter 2024

was the lowest in nearly 28 years.[40] We expect continued volatility during this Plan cycle. Therefore, in developing our baseline for this Plan cycle, we included only purchase-money loans in the annual loan volume used in our calculation and used an average of the most recent three years where refinance shares within the market were below 50% of our annual loan purchases.

The following table reflects our baseline, developed according to the methodology described.

Year	2019	2022	2023
Income-Qualifying Loan Count (Purchases from SFIs serving rural areas identified in FHFA's 2025-2027 Small Financial Institutions Data file)	1,113 loans	1,324 loans	1,069 loans
Baseline (An average of the three most recent years in which purchase-money loans composed < 50% of purchases in this market was used to establish the baseline)	1,175 loans		

Targets

Our purchase targets for single-family loans from SFIs serving rural areas over the Plan cycle are set forth in the following table. We intend to use various tactics to meet our targets. These may include leveraging various execution options where feasible, conducting outreach, and offering technical training to raise lenders' confidence in lending to very low-, low-, and moderate-income homebuyers.

Our economists expect home sales to increase modestly through 2025, staying below 6 million annually. We expect lower rates to loosen the rate lock-in effect, providing a minimal boost to inventory. Supported by solid demand, we expect upward pressure on home prices, rising by 2.1% and 0.6% in 2024 and 2025, respectively. Expectations for modestly improved home sales and an increase in home prices should stimulate purchase originations, which are broadly consistent with the Mortgage Bankers Association's August 2024 forecast of almost $1.5 trillion in 2025 and almost $1.7 trillion in 2026.

Further affecting loan purchase volume in this market, the pool of eligible lenders has shrunk each year. FHFA's 2025 small financial institutions reference file contains 18% fewer lenders than the 2022 file used for the previous Plan cycle. To assess the impact that the new file could have on our loan purchase volume going forward, we applied the 2025-2027 file to our 2024 loan purchases; the result was a 38% decrease in volume. Our 2026 and 2027 targets take into account the decrease in eligible lenders with the new file; however, we based the 2025 target on the previous data file because of the timing of our analysis. Developing relationships with small financial institutions not currently doing business with Freddie Mac will require a significant investment in resources to support and sustain the level of purchase growth targeted in the Plan cycle. Additionally, as we add new lenders to our customer base, it will take time before we realize loan purchases while lenders navigate through the onboarding process.

40 Freddie Mac U.S. Economic, Housing and Mortgage Market Outlook – August 2024 - https://www.freddiemac.com/research/forecast/20240820-us-economy-continues-remain-strong

Projected volume does not consider potential market reactions to changes in the interest-rate environment or other market disruption. It also does not factor in the possibility of slower-than-expected adoption of our products or product enhancements. Lenders' business priorities and the complexities of their internal processes affect the rate of adopting new or updated mortgage offerings, even when lenders understand the value of offerings and are anxious to incorporate them into their businesses.

2025	2026	2027
2,000 loans	1,200 loans	1,350 loans

Examples of efforts we will undertake to increase loan purchases from small financial institutions that have delivered loans to us and the number of small financial institutions serving rural areas that sell loans to Freddie Mac:

- Analyze loan data to identify opportunities for additional targeted and individualized outreach to lenders, both direct Freddie Mac sellers as well as those acting as aggregators.
- Reach out to small financial institutions with presence in rural areas to encourage them to adopt and use our offerings and to sell loans to Freddie Mac either directly or through an aggregator. We will factor insights gained during our interactions into our ongoing efforts in this market.
- Purposefully promote products most relevant to rural areas in marketing and communications activities.
- Conduct strategic outreach to expand our direct and indirect loan-delivery networks; however, the timeline from reaching agreement with a lender to establishing the required channels to receiving loan deliveries can take many months.

Anticipated Market Impact

We estimate that we will provide nearly $710 million in liquidity over the Plan cycle to small financial institutions that serve rural areas. Deliberately increasing our engagement with small financial institutions to provide liquidity will notably improve access to credit in rural markets because we have heard from lenders that they are limited in resources, available products, and outreach capacity.

Through our outreach efforts, more lenders also will become able to sell their loans into the secondary market either directly or indirectly, with some lenders becoming direct Freddie Mac seller/servicers.

We anticipate that achieving this objective will be very challenging for many reasons, including lenders' competing internal priorities; potential operational complexities; the range of available financing options, including proprietary products offered by small financial institutions; and the large number of geographic areas served. The lack of homes available for sale and affordable to individuals with very low, low, and moderate incomes also limits mortgage lending in rural regions. In addition, many lenders hold loans in portfolio so that they can extend credit to borrowers who fall outside of the Enterprises' credit box, according to lenders we interviewed.

The outreach and product enhancement efforts that we will undertake during this Plan cycle are intended to help overcome some of these potential limitations.

Single-Family

Activity 5 – Support for Certified Community Development Financial Institutions Serving the Rural Housing Market: Additional Activity

Objective A:
Design Product Flexibilities to Facilitate Origination of Conventional Mortgages from Community Development Financial Institutions

Evaluation Area	Year(s)	Income Targeted	Extra Credit
Loan Product	1, 2, 3	VLI, LI, MI	Yes

Objective Background and Description

CDFIs that serve rural areas facilitate investment and provide affordable financing for a wide range of needs in some of the nation's most economically distressed areas. To support affordable home financing, CDFIs often allow terms that do not meet conventional mortgage standards. CDFI staff we interviewed told us that they would like to sell more of the loans they originate into the secondary mortgage market but typically hold them in portfolio because the loans often do not meet Enterprise requirements. The population that CDFIs serve often earn very low or low incomes, have thin or no credit histories, and have low capacity to set aside savings.

During the previous Duty to Serve Plan cycles, Freddie Mac formed partnerships with CDFIs that enabled them to become direct or indirect sellers to us, opening their access to the secondary mortgage market. Through these relationships, we increased their capacity to deliver localized financial and homebuyer education to help prepare more people for responsible homeownership in high-needs rural regions, including Native American tribal areas.

We also updated our policies based on industry feedback to help meet the specialized needs of CDFIs and their borrowers. We offered the new flexibilities to CDFIs through a term of business (TOB), to help ensure safety and soundness as we expand our presence in this part of the market.

During the 2025-2027 Plan cycle, we will obtain industry feedback on our offerings to identify and, if appropriate, introduce improvements intended to make it easier for CDFIs to originate loans that can be sold to Freddie Mac. Through this iterative approach, we will strategically expand the flexibilities to increase our support for CDFIs in rural areas. We also will continue to expand the network of CDFIs that are eligible to deliver loans under the TOB.

Developing and implementing product enhancements, taking into account consistent safety and soundness practices, takes substantial time and resources. The complexities of lenders' internal processes affect the adoption rate, even when lenders understand the value of offerings and want to incorporate them into their businesses. The rate of adoption depends on lender priorities as well as the need for resources, systems updates, new internal policies, and training.

Baseline

Freddie Mac updated our affordable lending policies in 2024 to provide flexibilities supportive of CDFIs in originating loans that are eligible for sale to the secondary mortgage market. The flexibilities were offered through a proprietary TOB to a small number of CDFIs to assess their effectiveness.

Actions

Year 1 - 2025

1. Gather feedback through direct engagement with CDFIs that adopted the TOB introduced in 2024 to help identify potential enhancements that could help increase loan production.
    a. Conduct working sessions with CDFIs that have the TOB and have delivered loans under the TOB to Freddie Mac to gather insight into strengths and areas for improvement.
    b. Conduct working sessions with CDFIs that have the TOB but have not delivered loans under the TOB to gain insight into obstacles preventing loan originations and deliveries.
2. Obtain commitment from at least two additional CDFIs that can support direct selling relationships with Freddie Mac to adopt the TOB and/or to serve as aggregators to expand access to the secondary mortgage market.
3. Provide technical assistance to support CDFIs that enter into the TOB. For example, conduct individual walk-throughs to help ensure that each CDFI understands the TOB terms, educate each CDFI on how to originate and deliver loans to Freddie Mac, and provide each CDFI with a single point of contact for support.
4. Engage FHLBs to gain insight into their CDFI programs and potential synergies.

Year 2 - 2026

1. Obtain commitments from at least three CDFIs that can support a direct selling relationship with Freddie Mac to adopt the TOB and/or to serve as aggregators to expand access to the secondary mortgage market.
2. Provide technical assistance to support CDFIs that adopt the TOB in Year 2 and/or become aggregators.
3. Analyze data from loans delivered by CDFIs under the TOB. Assess loan characteristics and performance as well as feedback gathered in Year 1. Determine potential policy updates that could help increase the likelihood that CDFIs will deliver loans to Freddie Mac, based on our analysis. Either expand the flexibilities allowed through the TOB, make the existing terms available through a policy update to our *Single-Family Seller/Servicer Guide*, or consider a new CDFI loan product, with consideration for safety and soundness matters.

Year 3 - 2027

1. Based on the path selected in Year 2, either move forward with expanded flexibilities through the TOB, an update to our *Single-Family Seller/Servicer Guide* to support CDFIs, or a CDFI loan product.
2. Promote the offering to industry participants to raise awareness and encourage adoption. Efforts may include, for example, industry conferences and learning events, webinars/tutorials, targeted e-mail, social media posts, marketing collateral, updated web site content, Freddie Mac-supported housing forums, and articles or blog posts.
3. Conduct working sessions with participating CDFIs to gain insight into additional market potential needs for further product enhancements and assess the feasibility of including a loan purchase objective to the 2028-2030 Duty to Serve Plan.

Anticipated Market Impact

Through our efforts under this objective, Freddie Mac will help boost CDFIs' ability to provide affordable lending and access to credit for the purchase or refinance of homes in rural areas. By promoting the product flexibilities offered through the TOB, deepening relationships with CDFIs, and providing technical assistance, we will encourage adoption of the offering and help CDFIs use it efficiently and effectively.

The feedback that we gather from CDFIs on their experience with the flexibilities and the insights that we gain from assessing loan data will contribute to continued refinement of our policies. We anticipate that the updates will enable CDFIs to originate and deliver more loans that meet our requirements, which will help increase liquidity to high-needs rural regions.

In addition, expanding the number of CDFIs with the TOB will create channels into the secondary mortgage market for a more diverse set of lenders and could increase access to credit for more rural households. Because the flow of liquidity to these areas currently is low, our loan purchases will make a meaningful difference.

Building direct and indirect selling relationships may be challenging. For example, a CDFI may want to sell loans through an aggregator but not meet the capital requirements to become a participating correspondent lender. For CDFIs that want to expand support for their communities by becoming aggregators, the financial resources, time, technology infrastructure, and staffing needed may limit them.

In addition, CDFIs' internal processes will affect the rate of adopting new or updated offerings, even when the organizations understand the value of offerings and are anxious to incorporate them into their businesses. The speed to market depends on priorities as well as resources, systems updates, new internal policies, and training. The process can take a year or more.

Our outreach and technical assistance efforts during this Plan cycle are intended to help overcome some of these potential challenges.

Multifamily

Activity 6 – Small Multifamily Rental Properties in Rural Areas: Regulatory Activity

Small multifamily rental properties are an important segment of the rural rental market. Freddie Mac will support small rural properties through our LIHTC equity investments (Activity 1, Objective E; Activity 2, Objective C), and our rural developer capacity-building work (Activity 1, Objective F).



Affordable Housing Preservation



Affordable Housing Preservation

Strategic Priorities 2025-2027

Meeting the Needs of the Affordable Housing Preservation Market

Our mission in the affordable housing preservation market is to protect and expand the availability of affordable, quality housing for very low-, low-, and moderate-income households. We aim to address critical housing challenges by supporting shared equity homeownership and facilitating the preservation of affordable rental units through loan purchases and product innovations. We also will expand technical assistance that accelerates the establishment of new shared equity programs, which maintain housing affordability for the long term.

By collaborating with lenders, affordable housing developers, non-profit organizations, and governments, Freddie Mac will help ensure that affordable housing is available to support underserved communities for generations to come.

Freddie Mac's strategy takes into account the public input we received regarding affordable housing preservation market needs, while enabling us to make informed decisions about an appropriate level of loan purchases within the bounds of safety and soundness.

Over the next three years, Freddie Mac will provide steady liquidity to help meet the needs of the objectives we set out and expand our support for the affordable housing preservation market in the following ways:

- Advance shared equity homeownership:
  - Purchase loans on shared equity homes.
  - Continue evolving our shared equity product offerings and facilitate loan originations.
  - Facilitate capacity building to assist non-profit organizations and localities in standing up shared equity homeownership programs according to best practices, thereby increasing industry standardization and helping to expand access to affordable homeownership, especially in high-cost areas.
  - Support shared equity workforce development training.
- Provide liquidity to help make multifamily housing more affordable for more households nationwide, including through loan purchases for properties that benefit from:
  - LIHTC
  - Section 8
  - State and local subsidy programs

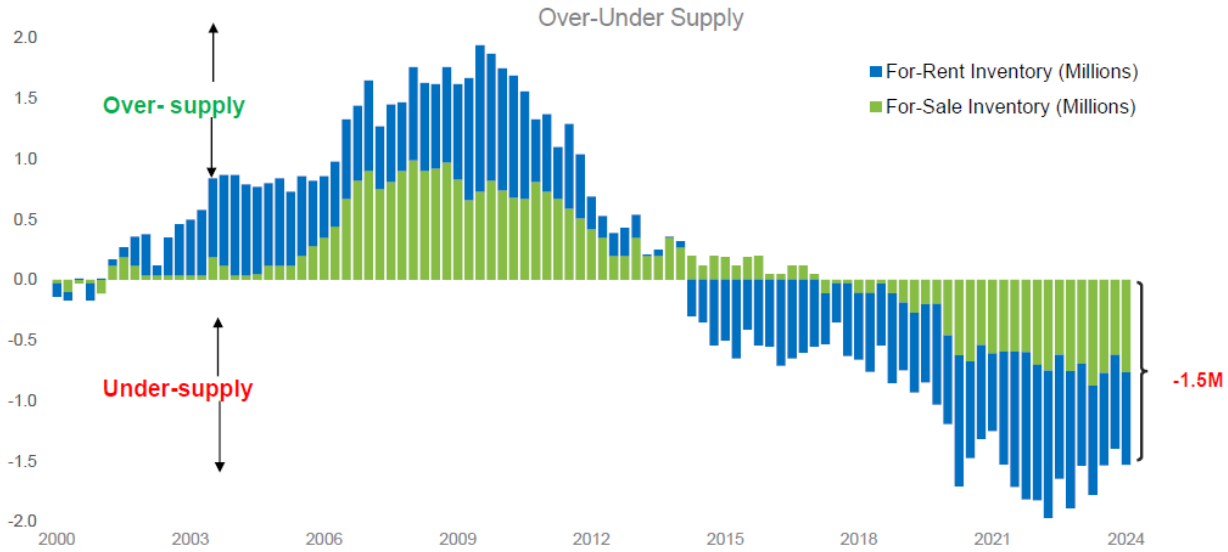
- Provide liquidity to support properties that support Residential Economic Diversity (RED) in high opportunity areas.
- Develop new securitization products that can support the needs of smaller financial institutions, including those that finance 5- to 50-unit properties and rural properties.

Highlights – 2018-2023

- 500+ loans on shared equity homes since 2019
- Launched and enhanced shared equity mortgage offerings
- Launched and enhanced GreenCHOICE Mortgages
- Increased shared equity industry standardization through a community land trust training and certification program and model legal documents
- Increased energy-efficiency industry standardization by championing the addition of energy-efficiency data points in the Uniform Appraisal Dataset and our lender-facing systems
- Issued $3.9 billion in Single-Family Green Bonds backed by nearly 11,000 energy-efficiency mortgages in 2021-2023
- $58 billion in liquidity to support the creation and preservation of affordable housing through Duty to Serve Plan objectives
- 300,000 LIHTC debt units
- 165,000 Section 8 units

Affordable Housing Preservation Market Overview

With the demand for affordable housing continuing to grow and outpace supply, the need to find ways to create and support the long-term preservation of affordable housing is clear. Nearly one-third of all U.S. households were cost burdened in 2021, defined as paying more than 30% of their incomes for housing,[41] and housing affordability has declined since then. Fewer housing units are available for rent and sale now than at any time in the last 30 years.[42] In addition, renovations or other improvements are needed on many properties to keep them viable, given the age of much of the housing stock.



Source: Freddie Mac calculations using US Census Bureau data. Negative values reflect undersupply. The under/oversupply of vacant housing was estimated based on the average vacancy rate from 1994 Q1 to 2003 Q4

In the single-family market, there is a great need to preserve and increase the availability of affordable homes and to support access to affordable financing for them. Rapidly rising interest rates and home prices, inflation, and the severe lack of homes for sale prevent many very low-, low-, and moderate-income households from becoming homeowners. The National Association of REALTORS® second-quarter 2024 Housing Affordability Index was the lowest since July 1985.[43]

41 Harvard Joint Center for Housing Studies, *The State of the Nation's Housing 2023* - https://www.jchs.harvard.edu/sites/default/files/reports/files/Harvard_JCHS_The_State_of_the_Nations_Housing_2023.pdf

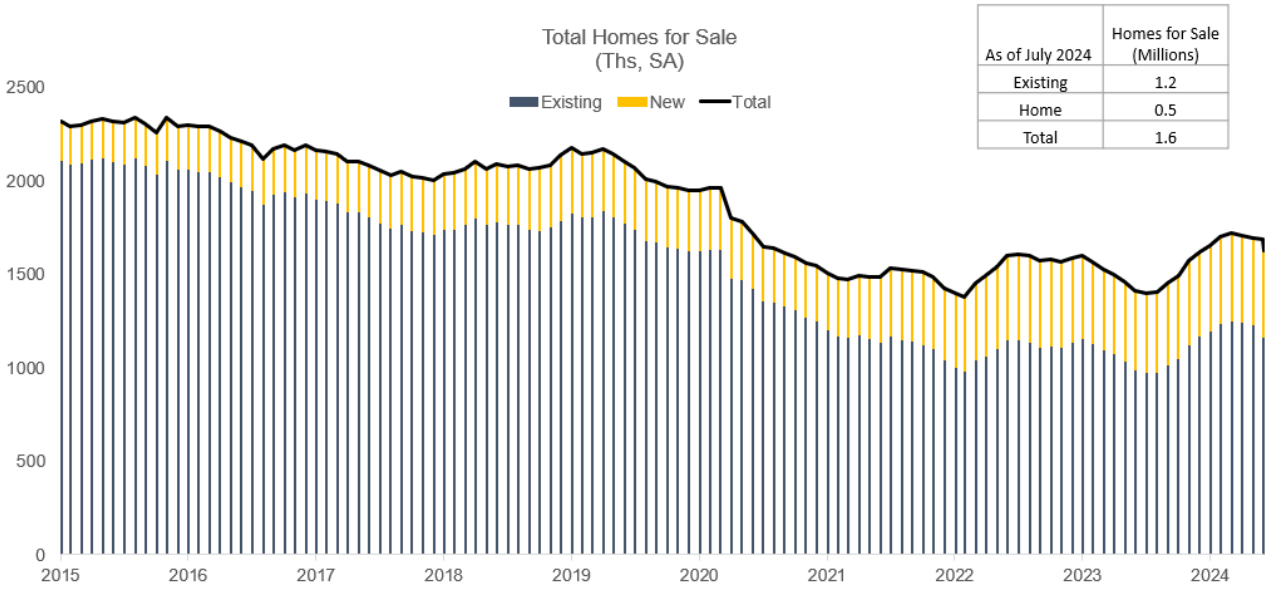
42 Urban Institute, "Overcoming the Nation's Daunting Housing Supply Shortage", Jim Parrott and Mark Zandi, March 2021 - https://www.urban.org/sites/default/files/publication/103940/overcoming-the-nations-daunting-housing-supply-shortage.pdf

43 National Association of REALTORS®, Housing Affordability Index webpage - https://www.nar.realtor/research-and-statistics/housing-statistics/housing-affordability-index

- Mortgage interest rates tripled from May 2020 to October 2023 and remained around 7% through second quarter 2024, according to Freddie Mac's Primary Mortgage Market Survey®.
- At the end of September 2023, about 1% of existing homes were for sale. Total home sales were at their lowest since 2011, and the lock-in effect has pushed sales of existing homes to their lowest level since 1995.[44]
- The number of entry-level homes represent less than 10% of all newly constructed homes, compared to about 35% in the 1970s.[45]
- Entry-level home prices have risen 62% faster than higher-end home prices since 2000, largely driven by Millennials reaching homebuying age.[46]

Mortgage rate lock-in effect keeps many existing homes off of the market. Close to 90% of active mortgages had rates of 5% or less at origination as of January 2024,[47] which discourages those homeowners from refinancing or selling their homes.

Supply Remains Low as the Market is Dominated by Chronic Undersupply of Resales



As of July 2024	Homes for Sale (Millions)
Existing	1.2
Home	0.5
Total	1.6

Source: NAR, Census; Data through July 2024

44 First American calculations of data from the National Association of REALTORS, U.S. Census Bureau, and Federal Reserve Board of St. Louis

45 See footnote 2.

46 Entry-level home prices are for homes that sell at 75% of the median or below. High-end home prices sell at 125% of the median or higher. Data through November 2023. Source: CoreLogic. Freddie Mac Quarterly Economic & Housing Market Outlook, February 2024 - https://capitalmarkets.freddiemac.com/crt/docs/pdfs/feb-quarterly-economic-housin-market-outlook.pdf

47 Freddie Mac Quarterly Economic & Housing Market Outlook, August 2024. Freddie Mac calculations using the National Mortgage Database. Includes single-family owner-occupied, mortgage originated since 1990 and active as of January 2024, both purchase and refinance. "At origination" refers to when purchased or refinanced.

The number of new single-family housing completions — including manufactured homes — grew in 2023, reaching around 1.5 million for the first time since the global economic crisis that started in 2008.[48] Completions exceeded that level in all but four years between 1968 and 2007. Labor and materials shortages have expanded the time and costs of building new and repairing or renovating existing homes. More recently, the interest-rate environment has been another deterrent to new construction. With low levels of construction, the housing gap has continued to widen. Moreover, the June 2024 National Association of Home Builders'/Wells Fargo Housing Market Index showed homebuilder confidence at 42, down a point month over month and the lowest since December 2023. A rating below the index threshold of 50 denotes poor building conditions over the next six months.[49]

More than new construction is needed to increase the availability of adequate, affordable homes. Around 80% of U.S. homes were built before 2000, with more than half built before 1980.[50] Many do or will require renovations and/or repairs to better enable them to meet buyers' or owners' needs and to extend their viability. Renovation projects, though, can be relatively costly, especially given rising construction materials and labor costs. Meanwhile, economic conditions put financial pressure on an increasing number of homeowners. In 2021, 19 million homeowners were cost burdened.[51]

The Shared Equity Model Maintains Long-term Affordability

The shared equity homeownership model creates homeownership opportunities with lasting affordability under programs administered by community land trusts, not-for-profit organizations, and state and local government agencies. It provides a path to attainable, sustainable homeownership for many people who otherwise would be unable to reach that goal, especially in high-cost areas. Most shared equity homeownership programs apply resale restrictions to keep the properties affordable as they are resold over time.

Freddie Mac supports two types of shared equity homeownership.

- Income-based resale restrictions, where the program steward reduces the home's sale price to below-market levels through deed covenants, government or philanthropic subsidy, inclusionary zoning, or affordability incentive.
- Community land trusts (CLTs), where the program steward leases the land under a long-term ground lease to a homebuyer who purchases the home located on the land (house). CLTs typically subsidize the sale price of homes in their inventory. The homes have income-based resale or deed restrictions and the ground leases are long term and charge below-market rents. In return, the homeowner agrees to 1) a limited return on the property on future sale and 2) future sale to another income-eligible homebuyer.

48 U.S. Census Bureau and HUD, Institute for Building Technology & Safety

49 National Association of Home Builders - https://www.nahb.org

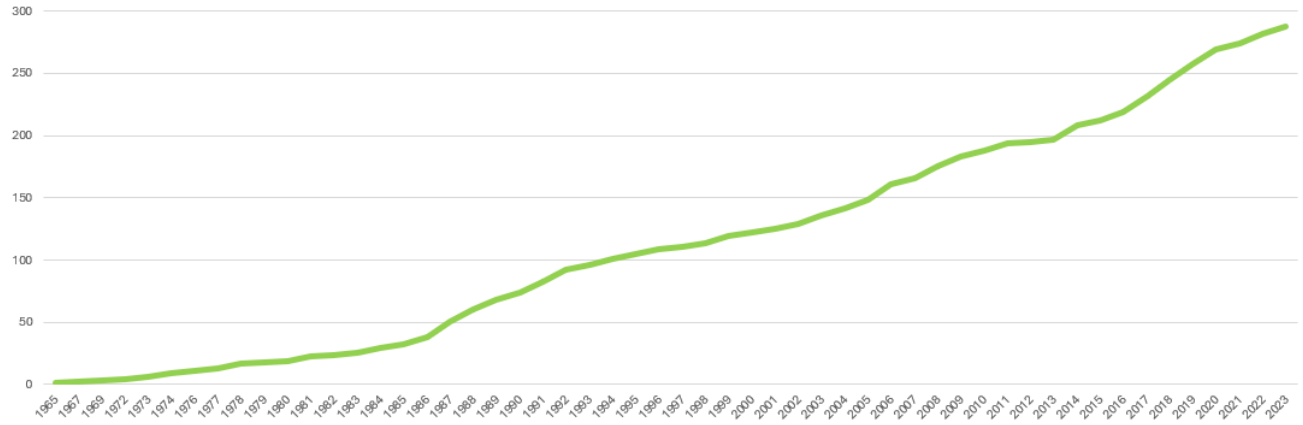
50 See footnote 20.

51 See footnote 40.

According to Grounded Solutions Network's 2019 report, "Tracking Growth and Evaluating Performance of Shared Equity Homeownership Programs During Housing Market Fluctuations", 95% of shared equity homes are affordable to low-income households, 72% of shared equity homeowners are first-time homebuyers, and 58% of shared equity home sellers use earned equity to buy market-rate homes.[52]

Grounded Solutions Network's "2022 Census of Community Land Trusts and Shared Equity Entities in the United States" found that 314 shared equity programs nationwide have an estimated total of 15,606 for-sale homes in inventory. While the market is very small, it is growing. The number of shared equity programs grew 30% from 2011 to 2023.53 The largest concentrations are in Florida, the Northeast, and the West Coast but shared equity programs have gained traction across the country.

Number of Shared Equity Programs 1965-2023



Source: Grounded Solutions Network

Shared equity homeowners tend to stay in their homes longer than traditional homeownership models, according to Grounded Solutions Network's 2019 report. The volatile interest rate environment and high home prices in recent years have led many shared equity homeowners to stay in their homes even longer than usual. According to Grounded Solutions Network's "2022 Census of Community Land Trusts and Shared Equity Entities in the United States", 314 shared equity programs nationwide have an estimated total of 15,606 for-sale homes in inventory.

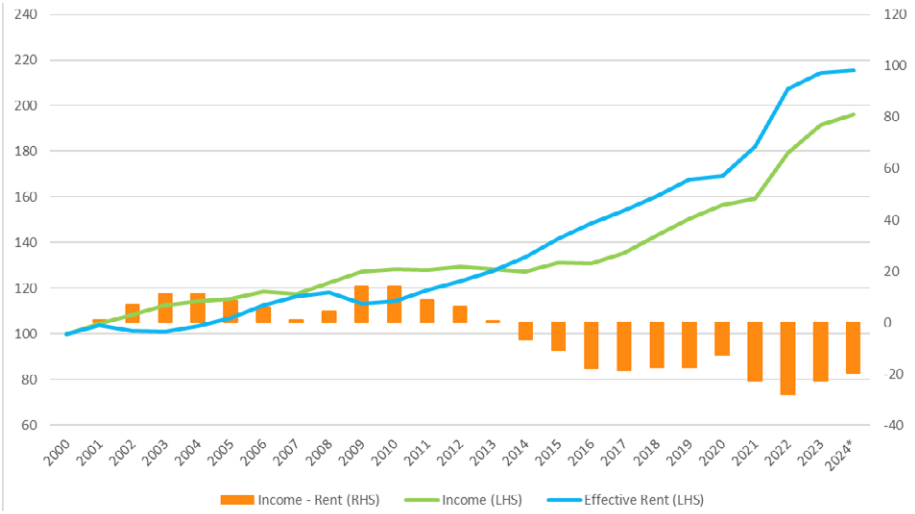
52 Grounded Solutions Network, "Tracking Growth and Evaluating Performance of Shared Equity Homeownership Programs During Housing Market Fluctuations"; Ruoniu Wang, Claire Cahen, Arthur Acolin, and Rebecca J. Walter; April 2019 - https://www.lincolninst.edu/publications/working-papers/tracking-growth-evaluating-performance-shared-equity-homeownership

53 Grounded Solutions Network, "The 2022 Census of Community Land Trusts and Shared Equity Entities in the United States"; Ruoniu Wang, Celia Wandio, Amanda Bennett, Jason Spicer, Sophia Corugedo, and Emily Thaden; June 2023 - https://groundedsolutions.org/community-land-trust-census/

Rents Rise as Multifamily Housing Supply Challenges Persist

In multifamily, rent growth has on average outpaced income growth since the Great Financial Crisis and the availability of rent- or income-restricted units has remained limited. Although the market saw an uptick in the delivery of new units as rents rose and borrowing costs fell following the pandemic, new starts have again fallen due to economic uncertainty and the higher interest rate environment.

Multifamily Rent Growth vs. Income Growth 2000-2024



Source: RealPage® (rent data), FHFA (income data)

Even though the number of multifamily units has increased and rent growth has started to slow, multifamily residents across the country are facing near record-high levels of cost burdening. The Harvard Joint Center for Housing Studies reports that rising housing costs coupled with pandemic-related income loss have left 21.6 million households, or nearly half of all renters, cost burdened.[54] This is experienced across the income spectrum but concentrated in very low- and low-income households, with 63% to 86% of the lowest income households experiencing cost-burdening.[55]

A Growing Role for Freddie Mac

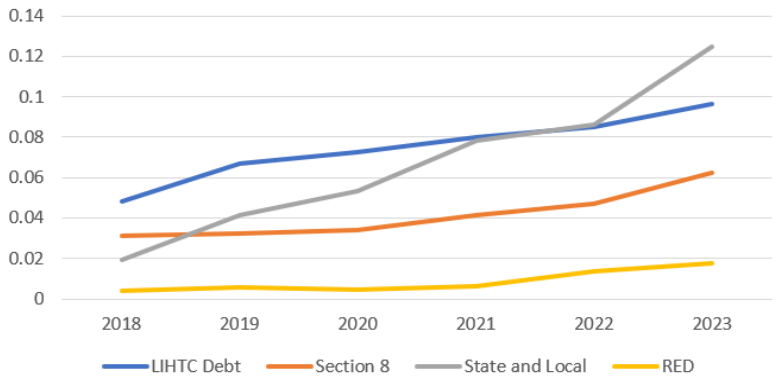
To ensure we are appropriately supporting this market, Freddie Mac has examined how our loan purchases changed over time and the market context for those changes. Throughout a dynamic market environment since 2018, we have seen a general increase in the percentage of units Freddie Mac finances that are eligible for credit under our Duty to Serve objectives.

54 See footnote 40.

55 Ibid

For example, the percentage of units Freddie Mac finances that meet our LIHTC debt purchase objective has doubled since the start of our Duty to Serve efforts, from 5% of overall units financed to 10% of overall units financed. For our Section 8 objective, we see a similar trend with an increase from 3% to 6% of units financed.

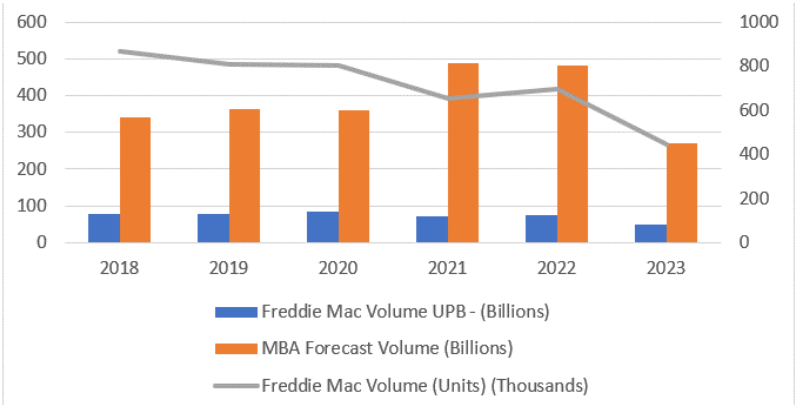
AHP Purchases as Percent of Total Unit Volume



A Volatile Multifamily Market

Taking a broader view, Freddie Mac has observed a range of market conditions since the inception of Duty to Serve. From 2018 to 2021, the overall multifamily originations market grew substantially, from $339 billion to $487 billion according to the Mortgage Bankers Association.[56] Since the market peak, however, originations have fallen by nearly 50% to $246 billion in 2023. Similarly, Freddie Mac's loan purchase volume increased, and then fell, and is now 41% down from its peak. As a result of rising property values and the reduction in total market originations, the number of units financed annually by Freddie Mac has generally fallen. In 2023, unit volume was just over half of what it was in 2018.

Multifamily Market Dynamics 2018-2023



56 Mortgage Bankers' Association, "Quarterly Survey of Commercial/Multifamily Mortgage Bankers Originations", February 12, 2024 - https://www.mba.org/docs/default-source/research-and-forecasts/cmf-originations-index/4q23cmforiginationssurvey.pdf?sfvrsn=29bc3fa0_1

Given this dynamic, each of our affordable housing preservation objectives includes a baseline methodology that allows us to set ambitious targets that are appropriate based on current and likely near-term market conditions.

In this challenging environment, Freddie Mac's Duty to Serve affordable housing preservation efforts are helping provide liquidity and support safe and sound lending standards for rent- and income-restricted housing that benefits from a range of public subsidies. The debt capital we provide is critical to addressing AHP challenges and needs.

Affordable Housing Preservation Challenges and Needs

Through our efforts to support affordable housing preservation, including our outreach to market stakeholders, we have identified several challenges that are broadly shared across the market.

Volatile and elevated interest rate environment: Elevated interest rates have reduced lending for single-family and multifamily properties. The interest rate environment exacerbates a single-family housing market already challenged with high home prices and a severe shortage of affordable homes. The multifamily market environment has fluctuated greatly since the inception of our Duty to Serve work. Dynamic capital markets and Treasury rates, changes in labor and construction costs, and inflation have contributed to market uncertainty. A lack of predictability can hamper efforts to develop and maintain affordable housing.

Constrained supply: The lack of construction of single-family homes — in particular, homes of 1,400 square feet or less — negatively impacts affordability and availability. Exacerbating the situation is the lock-in effect, which prevents owners of existing homes who have comparatively low mortgage interest rates from moving. Rapidly rising home prices, interest rates, and construction-related costs all contributed to shrinking the supply of homes for sale. While recent years have seen a large increase in multifamily starts, many of these projects are concentrated in Class A properties, meaning that supply remains constrained in rent-restricted and naturally occurring affordable housing. Additionally, land use and zoning policies in many municipalities make increasing the supply of multifamily housing difficult.

Aging housing stock: Potentially worsening the housing supply shortage is the aging of housing stock, which could remove some existing properties out of the inventory. The median single-family home in 2021 was 43 years old.[57] In rural areas, homes on average are even older. Many of the homes require improvements to enhance livability, resiliency, and energy efficiency. A substantial component of multifamily housing stock is older vintage and, therefore, presents elevated operational expenses and a need for continual capital investment. Rising interest rates and other growing costs make these investments in single-family and multifamily properties more challenging. This is especially true for affordable housing where the goal is to maintain both affordability to low-income residents and property quality.

57 See footnote 40.

Support for shared equity homeownership: To help bring affordable homeownership in reach of very low-, low-, and moderate-income earners, especially in high-cost areas, some state and local governments, housing finance agencies and other organizations offer shared equity homeownership programs. The programs sell homes in their inventories to income-eligible households at below-market rates and either preserve the affordability upon resale through deed restrictions or provide subsidies structured as secondary financing to homebuyers. The lack of industry standardization has resulted in a fragmented market and inhibited market growth. It has also discouraged lender participation and lenders' ability to sell loans into the secondary market. In addition, an increasing number of localities and non-profit organizations are recognizing the importance and benefits of shared equity homeownership. However, setting up shared equity programs tends to be a complex and lengthy process. More technical assistance is needed to facilitate growth.

Affordable rental housing preservation: Increased materials and construction costs, high interest rates, elevated insurance costs, and very tight margins on new projects all contribute to limiting affordable rental housing supply. These costs lead to increases in rents that often cannot be supported by very low-, low-, and moderate-income households. As a result, newly constructed properties that are affordable to low-income residents rely on government subsidy and existing naturally occurring affordable housing sees continued rent growth.

Subsidized affordable rental housing constraints: There is an imbalance between the need for and availability of housing supported by federal programs like LIHTC and Section 8. In the LIHTC program, project financing gaps driven by elevated costs and reduced LIHTC equity pricing have led to a need for additional credits or soft debt.



Activities and Objectives

Single-Family

Activity 1 – Support for Shared Equity Programs for Affordable Housing Preservation: Regulatory Activity

Objective A:
Purchase Single-Family Shared Equity Loans

Evaluation Area	Year(s)	Income Targeted	Extra Credit
Loan Purchase	1, 2, 3	VLI, LI, MI	Not applicable

Objective Background and Description

Freddie Mac supports two types of shared equity homeownership: CLTs and income-based resale-restricted properties. Our work over the last two Duty to Serve Plan cycles helped expand support for this housing model. We introduced CLT and income-based resale-restricted mortgage offerings and continually seek ways to improve them based on lender and market feedback. Also, our collaboration with shared equity market participants to increase standardization led to the creation and adoption of industry model documents. These efforts, along with the outreach and education we have conducted, have given lenders more confidence in supporting shared equity homeownership.

In addition, the survey conducted with Grounded Solutions and the resulting Directory of Non-profits with Shared Equity Homeownership Programs helped increase the visibility of shared equity homeownership programs to lenders across the country. Freddie Mac's CLT Database, which builds on the directory, helps lenders connect with, and help grow, shared equity programs in their lending areas.

During the 2025-2027 Plan cycle, Freddie Mac will continue our extensive outreach efforts to encourage lenders to expand their support for shared equity homeownership and to sell shared equity loans to us.

Baseline

Freddie Mac first established a shared equity loan purchase target in 2021. The following table reflects Freddie Mac's single-family purchases of shared equity purchase-money loans. Historically, the shared equity market is a purchase market with few refinance transactions. Only 2% of shared equity homeowners refinanced their homes in 2021,[58] the year with the lowest average interest rates since the Freddie Mac's Primary Mortgage Market Survey® began in 1971.[59] Shared equity homeowners are less likely to refinance than other homeowners because some shared equity programs require the program steward's permission and preauthorization to refinance.

Given the limitations on refinancing combined with generally low refinance purchase volume, Freddie Mac's shared equity loan purchase targets will include only purchase-money loans during the 2025-2027 Plan cycle. However, this does not diminish our commitment to purchase refinance loans to help make homeownership more affordable and sustainable for very low-, low-, and moderate-income households.

We calculated our baselines using a three-year historical average of our Duty to Serve-qualifying purchase-money loan transactions.

Year	2021	2022	2023
Income-Qualifying Loan Count	100 loans	130 loans	149 loans
Baseline (Established using a 3-year average of purchase-money loans)	126 loans		

Targets

Shared equity homeownership primarily serves very low- and low-income households. The interest rate environment and high home prices keep many potential homebuyers out of the market. Interest rates rose rapidly starting in 2022, more than doubling from 3.8% in second quarter 2022 to 7.79% in fourth quarter 2023. They have receded slightly since then but remained near 7% at the end of second quarter 2024. During those years, inflation rose dramatically, and housing supply remained tight, further pushing up home prices. Although inflation has eased in recent months, it continues to significantly affect many households.

Some lenders told us about pre-qualifying individuals for mortgages on shared equity homes only to have the purchases fall through because the buyers no longer had the resources to proceed. In addition, fewer individuals with lower incomes may be able to qualify for shared equity loans. Moderate-income individuals who do qualify for such loans may have incomes exceeding Duty to Serve parameters. In such cases, those loans will not count toward our Duty to Serve loan purchase targets.

58 The 2022 Census of Community Land Trusts and Shared Equity Entities in the United States - https://www.lincolninst.edu/publications/working-papers/2022-census-community-land-trusts-shared-equity-entities-in-united

59 https://www.freddiemac.com/pmms

Also, according to the 2023 Grounded Solutions Network survey, shared equity programs have an estimated total of 15,606 for-sale homes in inventory. Although we doubled lender participation and have more engagement, in many cases the lender's geographical footprint for financing does not map to where properties are — or are expected to become — available. Existing shared equity homes tend to come on the market for resale at a slower pace than market-rate homes. Under current conditions, many shared equity homeowners may stay in their homes even longer than average. They might not be able to afford to move to market-rate homes, further reducing the number of shared equity homes available for sale. Most shared equity transactions each year are from shared equity program growth, not from resale or refinance transactions.

Our single-family purchase targets for this Plan cycle are set forth in the following table. Loan counts only include purchase-money originations for owner-occupied properties. We will continue our efforts to increase operational efficiency, industry standardization, and lender adoption and use of our offerings to help more income-eligible households achieve sustainable homeownership. By purchasing shared equity loans, we will provide liquidity to help the market grow.

Given the shared equity homeownership market's small size, lenders' business priorities, dynamic market conditions, and the complexity of lending on resale-restricted properties, we expect modest growth in loan count. Besides promoting our offering to regulated entities as a way to help meet their Community Reinvestment Act (CRA) obligations, we promote it to entities without CRA obligations, such as credit unions and independent mortgage banks, as a niche product providing incremental business opportunities and bolstering their standing in their communities.

Projected purchase volume does not take into account potential market reactions to the interest-rate volatility or other market disruption. It also does not account for lenders' rate of adopting new or updated mortgage offerings.

2025	2026	2027
155 loans	170 loans	180 loans

Anticipated Market Impact

We estimate that we will provide $103 million in liquidity over the Plan cycle to finance homes purchased through shared equity programs. As a result, more income-eligible households will realize affordable homeownership and wealth-building opportunities. Research[60] that we supported in the last Plan cycle and our own experience show that supporting the shared equity model helps to increase homeownership opportunities for first-time and low- and moderate-income homebuyers.

The very small business opportunity that shared equity presents discourages some lenders from participating. In addition, the number of potential mortgage transactions in a given year is unpredictable, with relatively few homes becoming available for sale each year. Our engagement with lenders already active in this market and efforts to bring others into it as well as continued enhancement of our offerings may expand participation in the shared equity market as well as adoption and usage of our offerings. Ultimately, these efforts may lead to market growth.

Because of the relatively small size of the market, any increase in origination volume for loans secured by homes in shared equity homeownership programs will be significant in terms of market impact and will encourage lending in the market.

The 2019 Grounded Solutions research showed that shared equity homeowners stay in their homes longer than traditional homeownership models. Rising interest rates and home prices in recent years have led many shared equity homeowners to stay in their homes even longer than usual.

60 Tracking Growth and Evaluating Performance of Shared Equity Homeownership Programs During Housing Market Fluctuations - https://www.lincolninst.edu/publications/working-papers/tracking-growth-evaluating-performance-shared-equity-homeownership

Single-Family

Activity 1 – Support for Shared Equity Programs for Affordable Housing Preservation: Regulatory Activity

Objective B:
Provide Technical Assistance to Establish Community Land Trusts and Facilitate Origination of Shared Equity Mortgages

Evaluation Area	Year(s)	Income Targeted	Extra Credit
Outreach	1, 2, 3	VLI, LI, MI	Not applicable

Objective Background and Description

The shared equity model provides a path to attainable, sustainable homeownership for many people who otherwise would be unable to reach that goal, especially in high-cost areas. However, several factors constrain shared equity's advancement. For example, shared equity programs often have unique structures, documentation for originating loans under their programs, and definitions of success; the lack of standardization presents operational challenges to lenders. In addition, the potential loan origination volume from shared equity programs is small, which further affects lender participation. Yet lender participation is vital for shared equity programs to scale.

Furthermore, as more localities learn about the benefits of shared equity homeownership and opt to establish their own programs, they may find that they are insufficiently equipped to undertake the effort in a way that furthers industry standards, support, and growth. Market research and Freddie Mac's experience have shown standing up a shared equity program involves navigating many complexities. Among them are establishing a leadership structure, staff hiring and training, identifying and securing funding, developing a property-acquisition strategy, and establishing procedures and program documentation, including legal documents. According to Grounded Solutions Network's 2023 report, it takes an average of about two years to establish a shared equity program, acquire properties, and sell the first shared equity home.[61]

Currently, there is no formal training for individuals looking to work in shared equity. Shared equity programs often are in the position of hiring and training entry-level employees on their processes and procedures plus general shared equity methodology. This can be difficult for non-profit administrators that already are resource constrained. It is not uncommon for other shared equity programs to recognize seasoned staff members' abilities and experience and offer them higher-level roles in their organizations. As a result, the programs that trained the employees have staffing gaps again and must expend additional resources to hire and train new staff, adding strain on already limited resources.

61 The 2022 Census of Community Land Trusts and Shared Equity Entities in the United States; Ruoniu Wang, Celia Wandio, Amanda Bennett, Jason Spicer, Sophia Corugedo, and Emily Thaden; June 2023 - https://groundedsolutions.org/community-land-trust-census/

Freddie Mac made progress toward lowering barriers to the growth of the shared equity market in previous Duty to Serve Plan cycles. Working collaboratively with industry participants, we introduced and enhanced solutions for financing shared equity homes in CLTs and with income-based resale-restrictions to help increase affordable lending and access to credit as well as help ensure that loans originated could be sold into the secondary mortgage market, thereby increasing liquidity. We also promoted standardized legal documents, program best practices, and operational efficiencies to help expand lender participation in the market.

In addition, the previously mentioned research that we supported, in collaboration with Grounded Solutions and the Lincoln Institute of Land Policy, helped fill gaps in information about shared equity programs, loan performance, and the people who buy and own homes within shared equity programs, including CLTs. The findings helped in understanding shared equity homeownership, its importance to communities nationwide, and the business opportunities that it offers lenders. Building on the findings, Freddie Mac created a database of CLTs to help lenders identify programs in their lending footprints with homes that might need mortgage financing.

Also, the CLT Training and Certification Program that we developed in collaboration with the Florida Housing Coalition provided education, best practices, and resources to equip newly forming and established CLTs in setting up operations and processes that further industry standardization and comply with Freddie Mac requirements; Florida has one of the highest concentrations of CLTs in the country. For CLTs that become certified through the program, Freddie Mac offers a streamlined process for originating loans on homes in their inventories. In addition, the technical assistance that we provided to the City of Milwaukee helped enable it to establish a CLT that operates according to shared equity program best practices and standards and employs a property-acquisition strategy that leverages properties owned by Milwaukee's Department of City Development. Today, the Milwaukee CLT brings homeownership within reach for income-eligible households.

During the 2025-2027 Plan cycle, Freddie Mac will continue our efforts to promote the shared equity market's success by collaborating across the ecosystem to provide technical assistance that helps accelerate the creation of additional CLTs and increases the capacity of shared equity program staff. In addition, we will continue to evolve our shared equity financing solutions.

Freddie Mac will gather input from program stewards to better understand strengths and barriers to standing up new shared equity programs and collaborate with an industry-leading organization to provide technical assistance and related resources to help navigate and facilitate the processes associated with establishing programs. However, we will create our own technical assistance program if we cannot engage an organization with the required capacity. We will conduct an assessment to select localities to receive technical assistance in creating their CLTs.

Freddie Mac also will engage the industry in identifying opportunities to continue evolving our mortgage offerings in ways that could expand their adoption and usage as well as encourage more lenders to participate in the market.

Baseline

Freddie Mac acted as a catalyst in developing CLT programs. As an example, in Omaha, we helped educate interested stakeholders on the shared equity homeownership model and provided a wide range of technical assistance to help the Omaha Municipal Land Bank strengthen its position for achieving its stated goal of prioritizing wealth building for people already living in the area. In Milwaukee, we provided significant technical assistance to support the Milwaukee Community Land Trust in establishing its nascent shared equity program in accordance with best practices and to develop a property-acquisition strategy that leverages properties owned by Milwaukee's Department of City Development.

Freddie Mac supports the financing of shared equity homes through our CLT Mortgage and flexibilities in our *Single-Family Seller/Servicer Guide* for underwriting mortgages on income-based deed-restricted properties.

Actions

Year 1 - 2025

1. In collaboration with existing CLT coalitions/networks, facilitate a series of at least three working group sessions with shared equity program providers and lenders to evaluate existing conventional mortgage offerings and identify product terms and flexibilities needed to increase originations for shared equity homeownership.
2. In collaboration with existing CLT coalitions/networks, conduct three working group sessions with established shared equity providers in regions where shared equity programs are concentrated to gather feedback on the challenges, best practices, and useful resources in creating a shared equity program.
3. Identify and engage an organization with experience in standing up CLTs that could collaborate with Freddie Mac to provide technical assistance to shared equity programs. Analyze the organization's capacity; develop and implement a capacity-building plan, if needed. If no organization is identified, begin to develop a Freddie Mac program to provide technical assistance.
4. Assess potential localities to receive technical assistance that helps stewards accelerate new program formation and promote industry standardization.
5. In collaboration with industry trade organizations, provide technical assistance to existing programs through a bifurcated approach, focused on advancing program development and on workforce development for individuals working in the shared equity space.
    a. Build the capacity of one technical assistance provider to provide existing CLT programs with resources to help accelerate program growth and promote industry best practices. Technical assistance may be delivered through conferences, one-on-one coaching, or virtual delivery.
    b. Support development and enhancement of a shared equity workforce training program aimed at preparing professionals to work in the shared equity space. Deliver workforce development training to professionals working, or aspiring to work, in shared equity programs. Professional development will be delivered in a virtual classroom setting. Depending on demand, one or more training cohorts may be offered.

Year 2 - 2026



1. Publish at least one policy update to our *Single-Family Seller/Servicer Guide* based on input gathered during Year 1 of this Plan to facilitate product adoption and usage. Promote the update(s) through efforts that may include, for example, conferences and events, webinars, tutorials, e-mail to target audiences, web content, and articles.
2. Identify at least four localities where non-profit organizations have strong support from local stakeholders, including municipalities, other non-profit organizations, and funders to stand up shared equity programs but need technical assistance in organizing in accordance with industry standards and best practices. Analyze barriers to success and collaborate with existing shared equity programs as well as local stakeholders to determine ways to overcome barriers.
3. Provide technical assistance to the four localities identified in Year 1 to facilitate setting up or completing the process of establishing shared equity homeownership programs. Technical assistance will include a focus on education and stakeholder engagement, feasibility and business planning, and program launch and support.
4. Deliver workforce development training to an additional cohort of aspiring professionals.

Year 3 - 2027

1. Publish one policy update to our *Single-Family Seller/Servicer Guide* based on industry feedback to facilitate product adoption and usage. Promote the update through efforts that may include, for example, conferences and events, webinars, tutorials, e-mail to target audiences, web content, and articles.
2. Provide technical assistance to four additional localities to facilitate setting up or completing the process of establishing shared equity homeownership programs.
3. Deliver technical assistance to establish the framework for programs in the selected markets. Examples of technical assistance that may be provided include designing a CLT's organizational and board structures, training the board and staff, coaching and mentoring, developing property-acquisition plans, developing strategic partnerships, financial planning, and designing marketing and communications and membership structures.
4. Collaborate with an existing CLT technical assistance provider in modernizing its curriculum intended to replicate best practices across existing and newly forming CLTs.
5. Deliver workforce development training to an additional cohort of aspiring shared equity professionals.

Anticipated Market Impact



Freddie Mac's efforts around enhancing our shared equity financing solutions based on industry input will help increase effectiveness of our mortgage offerings and strengthen relationships with shared equity organizations, program stewards, and practitioners. Our outreach activities will raise lenders' awareness of the enhancement and encourage them to adopt and use our shared equity financing options. As lenders increase their participation in the market, more people will achieve sustainable homeownership, and Freddie Mac will increase market liquidity through shared equity loan purchases.

Providing technical assistance to non-profits and localities will accelerate the creation of CLT programs that increase long-term affordable homeownership opportunities for income-eligible households. Establishing a new CLT is a difficult and complicated process; each program addresses particular needs, audiences, and stakeholders. Without proper preparation and insight, the locality may expend more time, effort, and resources than expected and risks developing a program that does not effectively support the locality and may not incorporate industry best practices.

According to Grounded Solutions Network's "2022 Census of Community Land Trusts and Nonprofits with Shared Equity Homeownership Programs", the shared equity market grew 30% from 2011 to 2022, an average of 2.7% organic growth each year over the 11-year period. Our efforts to provide technical assistance in establishing CLTs during this Plan cycle will result in expedited growth of 2.5% in each year of the program.

Freddie Mac's involvement in facilitating the set-up of additional CLTs also will help ensure that the new CLTs are structured to increase industry standardization, including the use of industry-recognized model legal instruments. In addition, collaborating with a technical assistance provider to modernize its existing CLT curriculum for promoting industry standardization and best practices will enable the provider to expand its footprint. With a growing number of CLTs and broader standardization, lenders will have more confidence in participating in the shared equity market, financing homes in the CLTs' inventories, and selling the loans into the secondary mortgage market. This, in turn, will increase the flow of liquidity to the shared equity market.

The workforce development program will help alleviate the need for programs to train new employees on the basics of shared equity and to focus instead on internal processes and procedures. As a result, new employees will be productive faster and may be more likely to stay longer with an employer.

Multifamily

Activity 2 – Low-Income Housing Tax Credits (Debt): Statutory Activity

Objective A:
Provide Liquidity and Stability through LIHTC Loan Purchases

Evaluation Area	Year(s)	Income Targeted	Extra Credit
Loan Purchase	1, 2, 3	VLI, LI, MI	Not applicable

Objective Background and Description

The LIHTC program is the primary resource for supporting the creation and redevelopment of affordable housing for middle, low-, and very low-income households. LIHTC provides state and local housing finance agencies and other LIHTC-allocating agencies the equivalent of nearly $9 billion in annual budget authority to issue tax credits for the acquisition, rehabilitation, and construction of affordable housing. The program awards developers tax credits that offset the costs associated with the development of affordable units with rent restrictions.

Through our loan purchases in support of LIHTC properties, Freddie Mac continues to play a vital role in providing liquidity, stability, and affordability in the LIHTC debt market. Our suite of product offerings and our commitment to Targeted Affordable Housing (TAH) has allowed us to remain a market leader as we maintain our strong share of the LIHTC market. We have doubled the percentage of units we finance annually that meet our LIHTC debt target since 2018.

Baseline

Our baseline for LIHTC loan purchases is 38,953 units.

The baseline was calculated using a three-year average (2021-2023) of Freddie Mac's LIHTC Debt unit counts, adjusting 2021 and 2022 to current market conditions as seen in 2023. In 2023, our total unit volume was down approximately -32% and -35% from 2021 and 2022, respectively. We have observed that the 2023 figure is a closer representation of current market conditions. Adjusting unit counts in 2021 and 2022 by the total unit count declines normalizes those years in line with 2023, allowing us to set reasonable targets based on presently observed market conditions.

Our baseline calculations include distinct units on which we purchased loans during the year in question through our retail seller/servicer network or via TAH negotiated transactions on individual mortgages.

	2021	2022	2023	3-year Average
Total Units	52,390 units	58,880 units	43,127 units	51,466 units
Adjusted Total Units	35,753 units (~68.2% of actual volume)	37,979 units (~64.5% of actual volume)	43,127 units	38,953 units

Targets

Through our suite of offerings, innovations, and lender relationships, we have built a platform that can deliver consistent liquidity to the LIHTC Debt market. Our LIHTC Debt unit volume as a percentage of overall units financed by Freddie Mac has increased substantially since the inception of Duty to Serve. In 2018, 5% of the total units Freddie Mac Multifamily financed met our LIHTC Debt Duty to Serve target. That figure doubled by 2023, when 10% of units financed met the goal.

Although the percentage of units that meet our LIHTC Debt target increased from 8% to 10% between 2022 and 2023, the total number of LIHTC Debt units financed fell by 15,753. This is due to a substantially smaller total originations market, which was driven by market factors outside Freddie Mac's control.

Given a reduced market opportunity, the number of units we finance cannot continue to grow while maintaining safe and sound lending practices. Our goal is to provide appropriate liquidity and be a stabilizing force in the market. Targets that are misaligned to market realities may pose safety and soundness risks for the market. Our 2025-2027 Duty to Serve plan targets reflect this goal while also bearing in mind that, based on our experience in the market, we believe we have already reached a significant level of market saturation.

The targets increase annually by 2.5%, which will allow us to maintain our continual focus supporting LIHTC properties in need of debt financing, continue support of LIHTC as a share of overall business, and maintain our commitment to market safety and soundness.

2025	2026	2027
39,500 units	40,500 units	41,500 units

Anticipated Market Impact

Through 2025-2027, Freddie Mac will seek to maintain its leadership in the LIHTC debt market as we leverage our comprehensive suite of TAH programs and our platform to make consistent and meaningful investment.

Our work translates to four areas of market impact. First, it supports efficient executions with reasonable credit terms. Second, the ready availability of debt capital drives increased equity investment in LIHTC properties from both affordable housing developers and institutional investors, leading to both the preservation and creation of affordable housing units. Third, our presence in the market provides stability through consistent purchases and credit standards. Finally, Freddie Mac's focus on safety and soundness in the lending process allows for successful capital markets executions that attract private capital. Our securitizations allow us to improve liquidity to the market with attractive terms for borrowers and appropriately distribute Freddie Mac's risk, further insulating taxpayers.



Multifamily

Activity 3 – Section 8: Statutory Activity

Objective A:
Provide Liquidity and Stability through Section 8 Loan Purchases

Evaluation Area	Year(s)	Income Targeted	Extra Credit
Loan Product	1, 2, 3	VLI, LI, MI	Not applicable

Objective Background and Description

The Section 8 program is one of the most important tools for providing low- and very-low-income tenants access to safe, decent, and affordable housing. Project-based and tenant-based Section 8 vouchers support more than 1.4 million[62] dedicated rent-restricted affordable units within multifamily properties.

Freddie Mac believes it is critical to continue providing liquidity, stability, and affordability to the Section 8 market. We doubled the percentage of units we finance that meet our Section 8 targets between 2018 and 2023, and we will continue working to maximize our impact in this market, while maintaining safe and sound lending practices through our 2025-2027 Plan activities.

Baseline

Our baseline for Section 8 loan purchases is 22,504 units.

The baseline was calculated using a three-year average (2021-2023) of Freddie Mac's Section 8 unit counts, adjusting 2021 and 2022 to current market conditions as seen in 2023. In 2023, our total unit volume was down approximately -32% and -35% from 2021 and 2022, respectively. We have observed that the 2023 figure is a closer representation of current market conditions. Adjusting unit counts in 2021 and 2022 by the total unit count declines normalizes those years in line with 2023, allowing us to set reasonable targets based on presently observed market conditions.

62 Public and Affordable Housing and Research Corporation and the National Low Income Housing Coalition, "2021 Picture of Preservation", October 2021 - https://preservationdatabase.org/wp-content/uploads/2021/10/NHPD_2021Report.pdf

Our baseline calculations include distinct units on which we purchased loans during the year in question through our retail seller/servicer network or via TAH negotiated transactions on individual mortgages.

	2021	2022	2023	3-year Average
Total Units	27,279 units	32,629 units	27,849 units	29,252 units
Adjusted Total Units	18,616 units (~68.2% of actual volume)	21,046 units (~64.5% of actual volume)	27,849 units	22,504 units

Targets

Through our suite of offerings, Freddie Mac has provided consistent support to the Section 8 debt market, and we will continue to maintain our leadership in this space. Our Section 8 unit volume as a percentage of overall units financed by Freddie Mac has increased substantially since the inception of Duty to Serve. In 2018, 3% of the Section 8 units we financed met our Section 8 Duty to Serve target. That figure doubled by 2023, when 6% of units financed met the target.

Although the percentage of units that meet our Section 8 goal increased between 2022 and 2023, the total number of Section 8 units financed fell by 4,780. This is due to a substantially smaller total originations market, which was driven by macroeconomic factors outside Freddie Mac's control.

Given a reduced market opportunity, the growth in the number of units we finance cannot continue to grow while maintaining safe and sound lending practices. Our goal is to provide adequate liquidity and be a stabilizing force in the market. Targets that are misaligned to market realities may pose safety and soundness risks for the market. Our 2025-2027 Duty to Serve Plan targets reflect this market position, bearing in mind that based on our experience in the market we believe we have already reached a significant level of market saturation.

The targets increase annually by approximately 5% which will allow us to maintain our continual focus supporting Section 8 properties in need of debt financing, continue support for Section 8 as a share of overall business, and maintain our commitment to market safety and soundness.

2025	2026	2027
23,000 units	24,000 units	25,000 units

Anticipated Market Impact

Through 2025-2027, Freddie Mac will seek to maintain its leadership in providing debt capital that benefits properties with Section 8 units.

This translates to four areas of market impact. First, it supports efficient executions with reasonable credit terms for Section 8 properties. Second, the ready availability of debt capital makes properties with Section 8 units more attractive to investors, helping support their preservation. Third, our presence in the market provides stability through consistent purchases and credit standards. Finally, Freddie Mac's focus on safety and soundness in the lending process allows for successful capital markets executions that attract private capital. Our securitizations allow us to improve liquidity to the market with attractive terms for borrowers and appropriately distribute Freddie Mac's risk, further insulating taxpayers.



Multifamily

Activity 4 – Support Residential Economic Diversity: Additional Activity

Objective A:
Purchase Loans on Properties that Support Residential Economic Diversity in High Opportunity Areas

Evaluation Area	Year(s)	Income Targeted	Extra Credit
Loan Purchase	1, 2, 3	VLI, LI, MI	Yes

Objective Background and Description

The Duty to Serve regulation defines "Residential Economic Diversity" (RED) as affordable housing in a high-opportunity area or mixed-income housing in an area of concentrated poverty. In this objective, we establish purchase targets for high-opportunity areas, which include HUD-designated Difficult Development Areas with specified poverty rate caps or areas designated in state or local QAPs.[63]

Since 2016, Freddie Mac has been a consistent provider and supporter of financing for affordable housing properties in high-opportunity areas. In this Plan cycle, we will continue to maximize the impact of these loan purchases through our product offerings and by leveraging our lender network.

Freddie Mac's financing for affordable housing within high-opportunity areas in support of RED allow us to create and preserve affordable housing while promoting diverse, vibrant, and healthy communities and economic and social mobility. Our commitment to properties that meet our high opportunity area objective target has continually grown since 2018, and our 2025-2027 objective builds on this work.

Baseline

Our baseline in loan purchases that support high opportunity areas is 5,573 units.

The baseline was calculated using a three-year average (2021-2023) of Freddie Mac's high-opportunity area unit counts, adjusting 2021 and 2022 to current market conditions as seen in 2023. In 2023, our total unit volume was down approximately -32% and -35% from 2021 and 2022, respectively. We have observed that the 2023 figure is a closer representation of current market conditions. Adjusting unit counts in 2021 and 2022 by the total unit count declines normalizes those years in line with 2023, allowing us to set reasonable targets based on presently observed market conditions.

63 FHFA, "Duty to Serve Evaluation Guidance 2022-6", November 4, 2022 - https://www.fhfa.gov/PolicyProgramsResearch/Programs/Documents/Evaluation-Guidance-2022-6.pdf

Our baseline calculations include distinct units in high opportunity areas with affordability restrictions (restricted units) on which we purchased loans during the year in question through our retail seller/servicer networks or via TAH negotiated transactions on individual mortgages.

	2021	2022	2023	3-year Average
Total Units	4,142 units	9,340 units	7,867 units	7,116 units
Adjusted Total Units	2,827 units (~68.2% of actual volume)	6,025 units (~64.5% of actual volume)	7,867 units	5,573 units

Targets

Freddie Mac continues to regularly and meaningfully purchase loans that finance properties in income-restricted affordable housing programs through our work in high-opportunity areas. This work has more than doubled since 2018 when we financed just 3,647 units.

Although the percentage of units that meet our high-opportunity area target doubled from 2022 and 2023, the total number units financed fell by 1,473. This is due to a substantially smaller total originations market, which was driven by macroeconomic factors outside Freddie Mac's control.

Given a reduced market opportunity, the number of units we finance cannot continue to grow while maintaining safe and sound lending practices. Our goal is to provide appropriate liquidity and be a stabilizing force in the market. Targets that are misaligned to market realities may pose safety and soundness risks for the market. Our 2025-2027 Duty to Serve plan targets reflect this market position, bearing in mind that based on our experience in the market we believe we have already reached a significant level of market saturation.

Beyond constraints on the overall market, affordable multifamily housing in high opportunity areas is further constrained by geographic and development opportunities, zoning and land use policy limitations, and high land costs in high opportunity areas.

The targets increase annually by approximately 5% which will allow us to maintain our continual focus supporting properties high opportunity areas.

2025	2026	2027
5,600 units	5,900 units	6,200 units

Anticipated Market Impact

Through 2025-2027, Freddie Mac will seek to maintain its support of properties that advance RED. Our financing benefits the market in four primary ways. First, our efficient executions with reasonable credit terms provide stability and ensure the ready availability of debt capital. Second, consistent liquidity in this space can help drive investor and developer attention to properties that advance RED, supporting the creation and preservation of affordable housing units that advance economic mobility and opportunity. Third, Freddie Mac's financing for affordable housing in these areas can support state and local policy efforts to further RED. Finally, Freddie Mac's focus on safety and soundness in the lending process allows for successful capital markets executions that attract private capital. Our securitizations allow us to improve liquidity to the market with attractive terms for borrowers and appropriately distribute Freddie Mac's risk, further insulating taxpayers.



Multifamily

Activity 5 – Comparable State and Local Affordable Housing Programs: Statutory Activity

Objective A:
Purchase Loans with State and Local Programs

Evaluation Area	Year(s)	Income Targeted	Extra Credit
Loan Purchase	1, 2, 3	VLI, LI, MI	Not applicable

Objective Background and Description

The creation and preservation of rent-restricted, middle-, low- and very low-income affordable multifamily housing often depends on complex layers of property-level and tenant-level subsidy, supply dynamics, and governmental policies and programs. Federal programs like LIHTC and Section 8 are often the most visible paths to ensuring that affordable housing units are created and preserved, but programs offered by states and localities are also often available to meet affordability and production goals and to support local populations.

To determine what units will count toward our State and Local Affordable Housing Programs target, Freddie Mac conducts a regulatory and legal review of relevant transactions to ensure that units counted toward the target have a regulatory agreement or recorded use restriction in place that is linked to a program run by a state or local governmental agency or authority. These programs impose rent, income or other restrictions on the property. Depending on the state or local program, the restrictions may be a condition of a subordinate loan that was issued, a tax abatement that was granted, or a ground lease that was approved. In each case, the borrower receives a benefit in exchange for keeping their property affordable. Tax-Exempt Bonds (TEBS) or Municipal Bonds are also an example of this type of program. Bonds issued by a local or state government are typically used to raise capital for improvements in infrastructure or other improvements to the municipality. These bonds are exempt from federal income taxes and sometimes state and local taxes as well. In exchange for below-market financing, the municipality will require restrictions.

Federal programs such as LIHTC, Section 8 or RAD, for example, are not counted simply because they are administered by a state agency/authority. A unit may receive credit under both a federal program purchase target and a state and local target if there is both a federal program and a state and local regulatory agreement or recorded use restriction associated with the unit. Freddie Mac also does not count units associated with state or local programs that do not restrict rents and/or income. For example, a program restricting unit eligibility by age without any rent and/or income restrictions would not count towards the target.

Leveraging state and local programs is essential to supporting borrowers' efforts to create and preserve affordable housing. The programs have also grown in their importance. The percentage of units Freddie Mac finances annually that meet our state and local target increased substantially through our initiative from 8% of units in 2021 to 12% of units by 2023.

Baseline

Our baseline for State and Local Affordable Housing Program loan purchases is 43,085 units.

The baseline was calculated using a three-year average (2021-2023) of Freddie Mac's State and Local Affordable Housing Program unit counts, adjusting 2021 and 2022 to current market conditions as seen in 2023. In 2023, our total unit volume was down approximately -32% and -35% from 2021 and 2022, respectively. We have observed that the 2023 figure is a closer representation of current market conditions. Adjusting unit counts in 2021 and 2022 by the total unit count declines normalizes those years in line with 2023, allowing us to set reasonable targets based on presently observed market conditions.

Our baseline calculations include distinct units on which we purchased loans during the year in question through our retail seller/servicer network or via TAH negotiated transactions on individual mortgages.

	2021	2022	2023	3-year Average
Total Units	51,174 units	59,816 units	55,750 units	55,580 units
Adjusted Total Units	34,923 units (~68.2% of actual volume)	38,583 units (~64.5% of actual volume)	55,750 units	43,085 units

Targets

Freddie Mac continues to regularly and meaningfully purchase loans on properties that rely on state and local programs. State and local programs are essential to meeting local housing needs and to closing gaps in the supply of affordable housing.

Although the percentage of units that meet our state and local target increased from 9% to 12% between 2022 and 2023, the total number of state and local units financed fell by 4,239. This is due to a substantially smaller total originations market, which was driven by macroeconomic factors outside Freddie Mac's control.

Given a reduced market opportunity, the number of units we finance cannot continue to grow while maintaining safe and sound lending practices. Our goal is to provide appropriate liquidity and be a stabilizing force in the market. Targets that are misaligned to market realities may pose safety and soundness risks for the market. Our 2025-2027 Duty to Serve plan targets reflect this market position, bearing in mind that based on our experience in the market we believe we have already reached a significant level of market saturation.

A separate factor that can limit and cause variations in market opportunity is that state and local programs are funded and developed in conjunction within the multitude of other programs that states and localities support, therefore variation in program capital and availability occurs each year as policy and fiscal priorities shift. These changes can impact our annual volume in the space and require continued monitoring.

The targets increase annually by approximately 5%, which will allow us to maintain our continual focus supporting State and Local properties in need of debt financing, continue support of State and Local units as a share of overall business, and maintain our commitment to market safety and soundness.

2025	2026	2027
44,000 units	46,000 units	48,000 units

Anticipated Market Impact

Through 2025-2027, Freddie Mac will seek to maintain its leadership in purchasing loans on properties that benefit from state and local housing programs, including tax credits, bonds, production bonuses and other subsidies. This translates to four areas of market impact. First, it supports efficient executions with reasonable credit terms. Second, the ready availability of our debt capital supports state and local government efforts to build a comprehensive capital stack for affordable housing development and preservation. Third, the consistent availability of Freddie Mac capital can drive increased investor attention to properties that benefit from state and local subsidies. Finally, Freddie Mac's focus on safety and soundness in the lending process allows for successful capital markets executions that attract private capital. Our securitizations allow us to improve liquidity to the market with attractive terms for borrowers and appropriately distribute Freddie Mac's risk, further insulating taxpayers.

State and local programs are critical to closing investment gaps for affordable housing in areas that have limited access to federal subsidy and tax credits or where federal subsidy is insufficient due to the high cost of housing. Freddie Mac's support of this market helps to ensure that these programs continue to bring affordable housing to areas that may otherwise face a shortage.

Multifamily

Activity 6 – Financing of Small Multifamily Rental Properties: Regulatory Activity

Objective A:
Enhance Multifamily Liquidity by Aggregating and Guaranteeing Loans from Multiple Lenders

Evaluation Area	Year(s)	Income Targeted	Extra Credit
Loan Product	1	VLI, LI, MI	Yes
Loan Purchase	2 and 3	VLI, LI, MI	Yes

Objective Background and Description

Freddie Mac Multifamily has pioneered several securitization programs designed to extend liquidity to Duty to Serve qualifying SFIs as well as other lenders/sponsors, such as those that provide debt capital for 5- to 50-unit properties.

One successful execution has been Freddie Mac's Q-Deal structure, which allows Freddie Mac to securitize and guarantee senior bonds issued by a third-party trust, which are backed by loans sold to the trust by a third-party lender. Freddie Mac is then able to sell the guaranteed bonds into the capital markets thereby enhancing the lender's balance sheet liquidity and ability to make additional loans. This is significant to SFIs and particularly depository institutions that lack liquidity, balance sheet diversity and the ability to securitize, which can be key factors to their long-term stability. Freddie Mac uses the Q-Deal structure to support affordable housing throughout the United States. The executions are a component of Freddie Mac's strategy to provide liquidity to the market while preserving safety and soundness by distributing risk.

Through our efforts to extend liquidity to CDFIs, MDIs and SFIs, including those that provide debt capital for 5- to 50-unit properties, and those that serve rural areas, Freddie Mac has discovered a potential opportunity to enhance the Q-Deal execution. A key barrier to leveraging Q-Deals faced by these smaller institutions is that often they alone cannot aggregate a sufficient volume of loans to complete a successful execution. The economics of a Q-Deal only work when transactions exceed $150 million.

To address this problem, Freddie Mac will further develop its securitization platform, allowing multiple financial institutions to sell their loans to the same third-party trust, allowing sufficient aggregation to complete a securitization execution. Freddie Mac is building this capability for seasoned loans that are already on a lender's balance sheet and will work toward further enhancements that allow lenders to originate for the purpose of selling loans through a multi-sponsor Q-Deal. This enhancement will require a substantial level of effort as it would require pre-approved loan documents, rolling term sheets, and consistent, programmatic issuance.

Beyond that, each transaction will require working with sponsors to locate appropriate collateral and structuring and executing the transaction based on the collateral. Finally, to maintain safety and soundness, substantial credit and legal due diligence to re-underwrite loans is required.

Through our outreach related to Q-Deal innovations, Freddie Mac discovered that our PC (Participation Certificate) swap offering when paired with backend Credit Risk Transfer (CRT) can be a preferred and efficient tool for SFIs in certain conditions. Because PC Swaps allow for smaller loan sizes, they are particularly helpful to SFIs, CDFIs, MDIs, and other small institutions. Our strategic shift toward backend CRT for these executions, and away from first-loss risk transfer through a B-Piece, has created additional opportunities for SFIs to leverage PC Swaps.

Together, these innovations can enhance liquidity for a wider range of market participants. As we pursue both executions, we will continue our outreach to SFIs and consider opportunities to include loans that support properties in rural markets and 5- to 50-unit properties.

Baseline

Freddie Mac completed its first Q-Deal execution in 2014. Freddie Mac is working to develop the ability to complete Q-Deal executions with multiple parties for both seasoned loans and loans originated with the intent to sell to a third-party Q-Deal trust. Additionally, because we have not executed a PC Swap with backend CRT for an SFI, CDFI, or other small institution, we do not have an established baseline for this objective.

Actions

Year 1 - 2025

1. Complete a proof-of-concept multi-sponsor transaction. This involves development of terms, working with lenders to locate appropriate collateral, structuring and executing the transaction based on the collateral, and substantial credit and legal due diligence to re-underwrite the loans.

Year 2 - 2026

1. Publish term sheet, including applicability for Duty to Serve qualifying SFIs, such as those that provide debt capital for 5- to 50-unit properties and those that serve rural areas. This process applies what we learned in the proof-of-concept transaction, allowing us to craft a basic structure for the offering. Formally launching the offering involves substantial internal due diligence and approvals.
2. Complete at least one transaction involving a Duty to Serve qualifying small financial institution.

Year 3 - 2027

1. Conduct targeted outreach to raise awareness of the offering with at least 10 Duty to Serve qualifying financial institutions including CDFIs, MDIs and SFIs that provide debt capital for 5- to 50-unit properties, and those that serve rural areas.
2. Complete at least two transactions, either through the Q-Window or PC Swap execution, involving a Duty to Serve-qualifying SFI.

Anticipated Market Impact

The ability to aggregate loans from multiple lenders that are either seasoned loans or originated for the purpose of selling to a third-party Q-Deal trust or a PC Swap execution can address what has been a major hurdle facing small institutions that seek to enhance their liquidity and distribute risk but lack the ability to do so through in-house securitization platforms. These executions can provide balance sheet relief for smaller institutions and provide participating lenders with a clear exit strategy for new executions by eliminating concerns over aggregating sufficient like-kind collateral.

Through this work, we can support lending institutions that are a key source of debt capital for affordable housing, including 5- to 50-unit properties and multifamily properties in rural areas. The multi-sponsor Q-Deal and PC Swap executions will allow these institutions to hold or sell guaranteed bonds in lieu of holding balance sheet loans, enhancing liquidity and allowing for additional lending to what are often underserved markets.



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