Fannie Mae

2024
Rural Housing
Investment

ACTIVITY:

E. Additional Activity: Invest in Low-Income Housing Tax Credit (LIHTC) properties to facilitate the provision of affordable multifamily housing in rural areas (12 C.F.R. § 1282.35 (d)).

OBJECTIVE:

1. Invest in LIHTC properties in rural areas.

INFEASIBILITY:

☐ Check here if the Enterprise is submitting an infeasibility request for the objective.

SUMMARY OF RESULTS:

This objective was modified. Please see the impact explanation section below for more detail.

Objective's components detailed in the Plan	*Corresponding actions taken*	*Explanation of any deviations from the Plan (if applicable)*
☒ Make equity investments in 30 - 50 LIHTC projects in rural areas.	Fannie Mae made 55 LIHTC equity investments in rural areas.	
☒ Evaluate portfolio and investment strategy based on lessons learned from 2023 and market conditions.	To address the tax-exempt controlled entity (TECE) issue raised in 2022, we developed a new strategy in 2023. The strategy was implemented at the beginning of 2024, allowing for reentry into the multi-investor fund market.	
☒ Continue to strengthen syndicator partnerships to achieve the goal by investing equity in proprietary funds.	We met with our syndicator partners to facilitate 2024 equity investment goals and reentry into the multi-investor fund market.	
☒ Continue industry engagement through a presence in key networks and explore new relationships or expand existing relationships, if feasible.	We continued to engage with LIHTC market stakeholders and attended the 2024 conferences for Affordable Housing Investors Council (AHIC), National Council of State Housing Agencies (NCSHA), and AHF Live.	
☒ Maintain support for investments located in high-needs rural regions and high-needs rural populations, when opportunities arise.	Out of 55 rural LIHTC Equity investments, 20 were in high-needs rural regions (HNRRs), continuing our support of all types of rural communities.	As explained in Impact Explanation #1, the residual impacts of the TECE issue reduced the number of our new HNRRs investments in 2024.

SELF-ASSESSMENT RATING OF PROGRESS:

☒ Target met
☐ Target exceeded
☐ Target partially completed
☐ No milestones achieved

IMPACT:

☐ 50 – Very Large Impact
☒ 40
☐ 30 – Meaningful Impact
☐ 20
☐ 10 – Minimal Impact
☐ 0 – No Impact

IMPACT EXPLANATION:

1. How and to what extent were actions under this objective impactful in addressing underserved market needs, or in laying the foundation for future impact in addressing underserved market needs?

At the beginning of 2024, Fannie Mae implemented a new strategy to address the TECE issue raised by external stakeholders in early 2022, which prompted our exit from the multi-investor fund market at the end of 2022. We made no investment commitments to any multi-investor funds in 2023. Instead, we spent that year engaging with external stakeholders as we developed a strategy to resolve the TECE issue. We prioritized work and expended significant resources, time, and energy toward that goal. As a result, we achieved our goal and returned to the multi-investor fund investment market in 2024 and reengaged with six multi-fund investor syndicator partners.

Multi-investor funds make many of their project investments in the next year or two after investors commit to the fund. Consequently, and as we anticipated, ceasing our participation in the multi-investor fund investment market in 2023 substantially reduced the number of our rural investments below our originally expected number for the 2024 Duty to Serve (DTS) Plan year. In response to that reduction, FHFA approved a 2024 DTS plan year modification request to lower the initially projected rural investment target from 70 to a range of 30 to 50 investments. This outcome reemphasizes the impact multi-investor funds have on our ability to distribute more capital to more properties and although we resumed multi-investor fund investing in 2024, it will take time to ramp up our multi-investor fund investment activity to pre-2023 levels.

We achieved the modified 2024 Duty to Serve Plan target with investments in 55 rural LIHTC properties. These investments were impactful in addressing the rural underserved market's needs by supporting the creation or preservation of 2,670 DTS-eligible affordable LIHTC units. Of these units, 100%, were affordable to low-income households earning at or below 80% of AMI; and 23.8% of the units were affordable to very low-income households at or below 50% of AMI. These rural properties are in 24 states, and 20 are in HNRRs specifically identified in the Duty to Serve rule where the need for capital is often most critical.

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

LIHTC equity investments are our most important lever to increase the supply of affordable housing in this country. Through these investments, we can provide a reliable source of capital. LIHTC multi-investor fund investments are a critical part of promoting affordable housing in underserved markets. Our ability to participate in these investments allows us to expand our impact while strengthening our portfolio by working with a greater array of syndicators and developers and in more markets.

Our multi-investor fund activity, particularly through our regional nonprofit partners that only offer multi's, allows us to leverage our support of underserved rural markets to a very high degree and adds to our ability to meet substantial Duty to Serve LIHTC investment targets in rural markets.

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

N/A

Rural Housing
Second Quarter Report: April 1 - June 30, 2024
Investment

REGULATORY ACTIVITY:

Invest in Low-Income Housing Tax Credit (LIHTC) properties to facilitate the provision of affordable multifamily housing in rural areas (12 C.F.R. § 1282.35 (d)).

OBJECTIVE:

1. Invest in LIHTC properties in rural areas.

SUMMARY OF PROGRESS:

Fannie Mae is currently off-track in meeting the year-end goal of making 70 equity investments in Low-Income Housing Tax Credit (LIHTC) projects in rural areas. Our records[1] reflect that during the second quarter of 2024, we closed one investment in a rural LIHTC property and an aggregate of three investments in rural LIHTC properties since January 1. These numbers are low because of the residual effects on our rural LIHTC investments pipeline from the tax-exempt controlled entity (TECE) issue that arose in 2022.

At the end of 2022, Fannie Mae ceased multi-investor fund investment commitments due to a concern by a few LIHTC equity market participants that Fannie Mae could be considered a TECE under the Internal Revenue Code due to Treasury's ownership of our preferred stock. Other investors saw this potential interpretation as a regulatory threat to their anticipated economic return, causing them to be unwilling to invest in multi-investor funds in which Fannie Mae is a member. As soon as the issue was raised and throughout 2023, Fannie Mae worked to develop and garner support for a possible solution to address the TECE issue, which Fannie Mae implemented this year.

Multi-investor funds are the primary source of our rural LIHTC investments, and many of their project investments, including rural project investments, close in the years after the fund closes. As a result, although Fannie Mae implemented the TECE solution at the beginning of 2024, the absence of our multi-investor fund channel last year severely reduced the number of rural LIHTC investments we will count this year. Accordingly, our current activities focus on restoring our presence in the multi-investor fund market and rebuilding our pipeline of multi-

[1] Some investments that closed toward the end of the current quarter are not yet reflected in our records, so we will update these numbers in our next quarterly report.

Rural Housing
Second Quarter Report: April 1 - June 30, 2024
Investment

fund investment projects. Due to these challenges, Fannie Mae will require a 2024 modification for this Objective.

SELF-ASSESSMENT RATING OF PROGRESS:

☐ On track to meet or exceed the target

☐ Progress delayed and/or partial completion of the objective expected

☒ Unlikely to achieve any milestones of the objective

ADDITIONAL INFORMATION (IF APPLICABLE):

Rural Housing
Third Quarter Report: July 1 - September 30, 2024
Investment

ACTIVITY:

E. Invest in Low-Income Housing Tax Credit (LIHTC) properties to facilitate the provision of affordable multifamily housing in rural areas

OBJECTIVE:

1. Invest in LIHTC properties in rural areas.

SUMMARY OF PROGRESS:

Fannie Mae is currently off-track in meeting the year-end goal of making 70 equity investments in Low-Income Housing Tax Credit (LIHTC) projects in rural areas. Our records[1] now reflect that we closed two investments in the first quarter, eight investments in the second quarter, and nine investments in the third quarter, for an aggregate of 19 investments in rural LIHTC properties since January 1, 2024. Our numbers remain low due to the residual effects of the tax-exempt controlled entity (TECE) issue on our pipeline of rural LIHTC investments.

At the end of 2022, Fannie Mae ceased multi-investor fund investment commitments due to an ongoing concern by a few LIHTC equity market participants that Fannie Mae could be considered a TECE under the Internal Revenue Code due to Treasury's ownership of our preferred stock. Other investors saw this potential interpretation as a regulatory threat to their anticipated economic return, causing them to be unwilling to invest in multi-investor funds in which Fannie Mae is a member. As soon as the issue was raised and throughout 2023, Fannie Mae worked to develop and garner support for a solution to address the TECE issue, which Fannie Mae implemented this year.

Multi-investor funds are the primary source of our rural LIHTC investments, and many of their project investments, including rural project investments, close in the years after the fund closes. As a result, although Fannie Mae implemented the TECE solution at the beginning of 2024, the absence of our multi-investor fund channel last year severely reduced the number of rural LIHTC investments we will count this year. Accordingly, our current activities focus on restoring our presence in the multi-investor fund market and rebuilding our pipeline of multi-

[1] Some investments that closed in prior quarters are not yet reflected in our records, so we will update these numbers in our next quarterly report.

fund investment projects. Due to these challenges, Fannie Mae submitted a 2024 modification for this Objective.

SELF-ASSESSMENT RATING OF PROGRESS:

☐ On track to meet or exceed the target

☐ Progress delayed and/or partial completion of the objective expected

☒ Unlikely to achieve any milestones of the objective

ADDITIONAL INFORMATION (IF APPLICABLE):