Fannie Mae

Fannie Mae 2021
Affordable Housing Preservation
Loan Purchase

ACTIVITY:

E. Statutory Activity: Other comparable State or local affordable housing programs.

OBJECTIVE:

1. Expand Fannie Mae's multifamily affordable housing (MAH) definition to support other comparable State or local programs to preserve affordable housing and purchase loans (Partner and Innovate, Do What We Do Best).

SUMMARY OF RESULTS:

Following are the 2021 Actions under this Objective per the **[January 1, 2021 Duty to Serve Plan]**:

Objective's components detailed in the Plan	*Corresponding actions taken*	*Explanation of any deviations from the Plan (if applicable)*
☒ Purchase 59 loans secured by properties under Fannie Mae-approved State or local affordable housing programs, which represents approximately 9,617 units, an increase of 16 percent over the Baseline.	We purchased 78 loans secured by properties under our approved state or local affordable housing programs, with 12,776 units, representing a 32% increase over baseline	N/A
☒ Strengthen our State and local relationships and engage with organizations focused on local affordable housing development and preservation to better understand how Fannie Mae products can meet the needs of the market.	Our Multifamily Affordable Housing (MAH) customer engagement staff continued to engage with organizations to successfully close financing transactions.	N/A

SELF-ASSESSMENT RATING OF PROGRESS:

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

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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?

In 2021, state and local governments continued to provide assistance to affordable rental housing in the form of subsidies, tax exemptions or abatements, inclusionary zoning or housing policies, or other regulatory relief. Fannie Mae continued to support these efforts through competitive pricing for affordable properties that supported community housing needs with state and local capital and operating subsidies. Our financing had a particular impact in major metropolitan areas facing acute affordable housing shortages, most notably in California. Almost 30% of financed properties with state/local affordable housing programs were in California, with the top two localities being San Jose and Los Angeles that used tax abatements from the California Tax Credit Allocation Committee (TCAC). We provided financing for multiple Texas properties with state/local programs, with the majority in Houston and Austin, although we also supported smaller cities, including El Paso. Smaller jurisdictions have also adopted affordable housing incentive programs, and we provided financing for properties in Shelby, AL; Wilton, CT; and Lancaster, PA.

Fannie Mae has also observed growing numbers of private entities, including technology companies, supporting transactions as equity investors. A highlight is a property in Renton, WA. In this transaction, a tax exemption from the Renton Housing Authority and a technology company with a presence in the metropolitan area provided the equity to purchase the property via a subordinate loan debt structure (the property will be 100% owned by the Renton Housing Authority). This provided financing for 106 units in an area designated as one of concentrated poverty, with 50% of units restricted at 80% of the area median income (AMI).

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

State and local affordable housing programs are crucial supports for the "missing middle" of affordable housing – units affordable at of 80-120% AMI, also referred to as workforce housing. While state and local affordable housing programs are not subject to federal funding challenges, their unique challenges in 2021 shared similar characteristics: lack of broad political support, budget uncertainty, and the effects of COVID-19.

There continues to be political opposition to state/local affordable housing legislation in areas of high need, such as California. Furthermore, established programs are subject to budgeting pressures and funding cuts, and are impacted by increases in construction and rehabilitation costs; existing tax credits or abatements may not be remunerative enough to cover rising costs. Finally, the pandemic both exacerbated underlying affordable housing issues and affected state and local funding in ways that have yet to be fully realized. States and

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localities received funding from the American Rescue Plan, landlords were eligible to apply for rental assistance on behalf of their tenants, and many households were eligible to receive stimulus funds. These funds were distributed in a time of dire need. They allowed many municipal services to continue without interruption and kept individuals in homes. However, these initiatives were largely short-term, and the state/local American Rescue Plan funding, in particular, may obscure lost municipal revenue as a result of the pandemic. As an example, the Washington, D.C., Office of the Chief Financial Officer anticipates that the city will see tax revenue from large office buildings drop by an estimated $121 million in the fiscal year 2022, spurred on by a nearly 10% reduction in the total assessed value of now-vacant office properties. As a result, D.C. is looking to incentivize office-to-rental housing conversions, with a goal to increase the affordable unit supply . As we and other stakeholders, including Grounded Solutions Network (our partner in inclusionary housing research), continue to share best practices and lessons learned in developing state and local inclusionary housing programs, we will continue to monitor the landscape for positive impact and ways that we can support these programs.

3. If applicable, why was the Enterprise unable to achieve the Plan target?
N/A