Freddie Mac
We make home possible®

Freddie Mac Duty to Serve Underserved Markets Plan

For 2025–2027

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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

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.

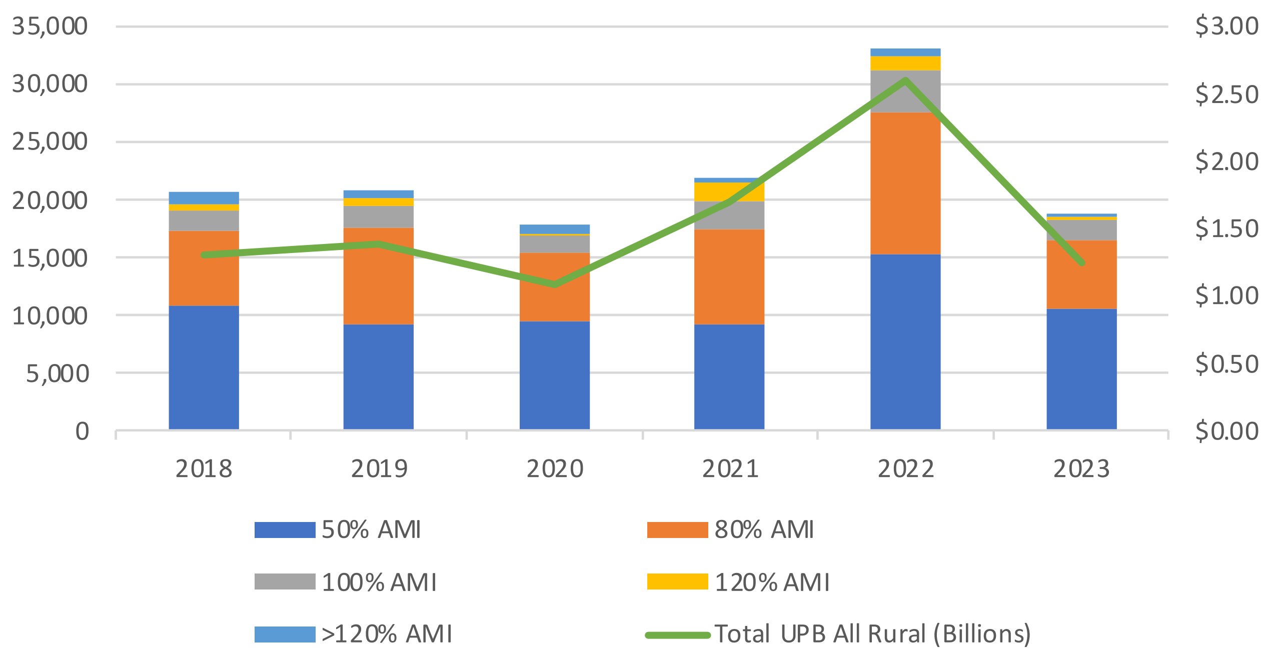
Developing and implementing product enhancements, taking into account consistent safety and soundness practices, takes substantial time and resources. The complexities of lenders' internal processes affect the adoption rate, even when lenders understand the value of offerings and want to incorporate 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.

Rural Housing

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.

opportunities for Freddie Mac and other participants to identify and consider potential solutions to market challenges. These initiatives build on existing work but will require substantial effort and staff work to be successful. The work of locating and attracting multifamily lenders and borrowers that focus on rural markets is highly tactical, requiring relationship management and development over an extended period. The work is both iterative and cumulative. Each additional year we work to include rural correspondents and borrowers in our initiatives, we further strengthen connections and networks that can advance opportunities to extend liquidity to rural markets.

Baseline

Freddie Mac has established an Emerging Correspondent Program and a separate initiative to support emerging borrowers. Although each of these initiatives are open to financial institutions and borrowers that serve rural areas, they do not presently include specific outreach to these parties.

Actions

Year 1 - 2025

Emerging Correspondent Program:

1. Define "rural correspondents" and begin tracking rural correspondent relationships within the Emerging Correspondent Program.
    a. This work will involve developing a clear understanding of financial institutions that serve rural areas and developing parameters for rural correspondents based on that understanding.
2. Encourage Freddie Mac lenders to consider relationships with rural correspondents through annual Emerging Correspondent Program communications.
    a. This work will involve inclusion of the category in annual Emerging Correspondent Program communications, including emails and conference calls, to lenders and continuous follow-up communications throughout the year.
    b. Add at least one rural correspondent lender relationship to the program and report resulting transactions, if applicable.

Emerging Rural Borrower Initiative:

1. Conduct outreach to lenders to identify emerging borrowers, including those that focus on 5- to 50-unit properties, which serve rural areas, and invite borrowers to participate in diverse and emerging borrower events.
    a. This work will be achieved through ongoing communications, including email, conference calls, and collateral materials, for Diverse and Emerging Borrower initiative stakeholders.
2. Include rural borrower discussion topics during at least one diverse and emerging borrower event.
    a. This work will be incorporated through agenda-setting discussions that take place prior to events.

Year 2 - 2026

Emerging Correspondent Program:

1. Encourage Freddie Mac lenders to consider relationships with rural correspondents through annual and frequent Emerging Correspondent Program communications, including emails and conference calls.
    a. Add at least one new rural correspondent lender relationship to the program and report resulting transactions if applicable.
2. Survey and conduct focused outreach to sample of previously identified financial institutions to understand characteristics of multifamily lending in rural areas and needs of multifamily lenders serving rural areas.
    a. This work will involve sample selection, survey development, fielding a survey and data analysis.

Emerging Rural Borrower Initiative:

1. Conduct outreach to lenders to identify emerging borrowers, including those that focus on 5- to 50-unit properties, which serve rural areas and invite borrowers to participate in diverse and emerging borrower events.
    a. This work will be achieved through ongoing communications, including emails, conference calls and other materials, for Diverse and Emerging Borrower initiative stakeholders.
2. Include rural borrower discussion topics during at least one diverse and emerging borrower event.
    a. This work will be incorporated through agenda-setting discussions that take place prior to events.

Year 3 - 2027

Emerging Correspondent Program:

1. Encourage Freddie Mac Optigo® lenders to consider relationships with rural correspondents through annual Emerging Correspondent Program communications.
    a. This work will involve inclusion of the category in annual Emerging Correspondent Program communications to lenders and continuous follow-up communications throughout the year.
    b. Add at least one new rural correspondent lender relationship to the program and report resulting transactions, if applicable.
2. Consider Emerging Correspondent Program rural correspondent initiative enhancements based on Freddie Mac lender and stakeholder outreach efforts.

Emerging Rural Borrower Initiative:

1. Conduct outreach to lenders to identify emerging borrowers, including those that focus on 5- to 50-unit properties, which serve rural areas and invite borrowers to participate in diverse and emerging borrower events.
    a. This work will be achieved through ongoing communications, including emails, conference calls and collateral materials, for Diverse and Emerging Borrower initiative stakeholders.
2. Include rural borrower discussion topics during at least one diverse and emerging borrower event.
    a. This work will be incorporated through agenda-setting discussions that take place prior to events.

Anticipated Market Impact

Our goal through this objective is to help bridge gaps between rural lending institutions, borrowers and Freddie Mac. This work can help both lenders and borrowers grow in scale and impact, laying a foundation for increased liquidity in the rural market.

By including lending institutions that serve rural areas in our Emerging Correspondent Program, we can help extend access to Freddie Mac capital and foster mentoring relationships between our lender network and smaller lenders that face challenges such as balance sheet and geographic concentration limitations and limited access to capital markets.

Separately, by including borrowers that serve rural areas in our emerging borrower work, we can help to close gaps through relationship building and knowledge sharing. These challenges are uniquely faced by smaller borrowers, including those who focus on 5- to 50-unit properties.

More specifically, we hope to achieve advancements in three key areas by including rural developers in our Diverse and Emerging Borrower initiative. First, we will enhance knowledge exchange by including the unique perspectives and experiences borrowers have as it relates to supporting multifamily development in rural areas. Second, we will help foster new connections within the multifamily ecosystem, facilitating new partnerships and collaborations that bridge geographic and market divides. Finally, this work will also help strengthen access to capital, by providing Freddie Mac with insights related to the challenges rural borrowers encounter in accessing our debt offerings and by providing rural borrowers with insights that can streamline their efforts to work within our existing offerings.

The work of this objective will require Freddie Mac and our lenders to go beyond our typical activities and roles in the market. Lenders will not only function as an intermediary for smaller rural lenders but will also provide mentoring for these lenders over time.

As we work with our lenders to develop rural correspondent relationships, we will continue to leverage our existing suite of seasoned and affordable loan pool offerings to provide liquidity to CDFIs, MDIs and SFIs when possible and develop new offerings over time specifically targeted to small lenders.

Multifamily

Activity 1 – Support for All Rural Areas: Additional Activity

Objective G:
Enhance Rural Multifamily Liquidity by Guaranteeing Loans from Rural Lenders

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

Objective Background and Description

Freddie Mac has included an Affordable Housing Preservation product objective, which would enhance existing "Q-Deal[SM]" securitizations by allowing for multi-sponsor transactions involving seasoned loans and those executed with the intent to sell to a third-party trust. The executions are a component of Freddie Mac's strategy to provide liquidity to the market while preserving safety and soundness by distributing risk.

This objective is to extend these executions to rural lenders or sponsors, including those that provide debt capital for 5- to 50-unit properties. As noted in the separate objective, a key barrier to leveraging Q-Deals faced by smaller institutions, including those that serve rural areas, is that they alone cannot aggregate a sufficient volume of loans to complete a successful Q-Deal execution. As a result, these loans remain on the balance sheets of smaller lenders and may constraining their ability to further extend liquidity to the market as a result.

In addition to the activities described in the AHP objective, Freddie Mac will work to raise awareness of the multi-sponsor Q-Deal with the institutions it identifies through the rural outreach work described in Rural Housing Activity 7, Objective A.

Baseline

Freddie Mac completed our 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.

Actions

Year 1 - 2025

1. Complete a proof-of-concept multi-sponsor transaction.[35] This transaction 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 a term sheet, including applicability for Duty to Serve-qualifying small financial institutions, 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. Seek to include rural loans in at least one multi-sponsor transaction through 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.

Year 3 - 2027

1. Seek to include rural loans in at least one multi-sponsor transaction through 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.

Anticipated Market Impact

The ability to aggregate both seasoned loans and those originated for the purpose of selling to a third-party Q-Deal trust from multiple sponsors 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 rural institutions that are a key source of debt capital for rural affordable housing, including rural 5- to 50-unit properties and multifamily. The multi-sponsor Q-Deal 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.

35 A proof-of-concept transaction may not include Duty to Serve qualifying financial institutions and is designed to ensure that the structure can work as we develop final terms.

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.

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. In addition, our collaboration with FHLBs will help expand use of their heirs' property rights programs. 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.[36]

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.

36 "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[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 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.

37 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, 2, 3	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 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.

Targets

With a baseline of zero, we leveraged our 2024 purchase target to determine our 2025-2027 targets, which are set forth in the following table. 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	2026	2027
5 loans	10 loans	15 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.

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, governmental agencies, and FHLBs 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 the Native Tribal Housing Ecosystem Summit as well as 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, including FHLB members, 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 the Native Tribal Housing Ecosystem Summit as well as 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 the Native Tribal Housing Ecosystem Summit as well as 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.

The Native Tribal Housing Ecosystem Summit will put a spotlight on housing challenges and opportunities for Native populations in tribal areas. We will be among the leaders from across the ecosystem who come together to gain insights, exchange ideas, and build relationships that could ultimately lead to innovative solutions that help expand access to credit and affordable homes.

Also, 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 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.

Multifamily

Activity 3 – Support for High-Needs Rural Populations: 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 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[38] 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 support of Duty to Serve high-needs rural populations, which include members of a federally recognized Indian tribe located in an Indian area, or agricultural workers. By maintaining our focus in support of these populations, through investments in properties that are located within Duty to Serve rural 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 high-needs rural populations as the properties they support are often overlooked by investors. Most of the LIHTC-financed properties located within the identified geographies for these populations 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 must act in a safe and sound manner. We achieve this by accounting for concentration risk and maintaining a diversity of investments at sufficient scale to ensure a stable business platform.

38 See footnote 34.

Baseline

Our baseline transactions for the 2025-2027 Duty to Serve Plan is two transactions, which is the five-year average of the transactions we have completed in support of high-needs rural populations 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
0 transactions	2 transactions	2 transactions	4 transactions	4 transactions	2 transactions

Targets

The targets for this plan cycle are based on our experience in supporting high-needs rural populations, including market trends, throughout the past five years. During this time, we have developed a clearer understanding of how we can support these populations, including the opportunities and limitations. Although we will seek to continually increase our work in support of these communities, we are maintaining an investment target of three transactions annually for the Plan.

We anticipate years in which we surpass this goal, and years during which completing three transactions will be challenging. This is due to the way LIHTC is distributed at the state and local levels. Annual allocations that are both rural and support high-needs populations 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.

There are few transactions available in any given year that support high-needs rural populations, and an even smaller subset of these transactions are in a Duty to Serve-designated rural area, indicating a very small market opportunity. Additionally, only eight states have tribal set-asides as part of their Qualified Allocation Plans (QAPs), which means that outside those states high-needs population transactions face competition from other high priority transactions. Similarly, there are a very limited number of transactions each year that benefit rural agriculture workers, and no states have farmworker set-asides as part of their QAPs.

Despite the small number of available transactions in the high-needs rural population space, our targets are set to represent an impactful share of annual transactions. We believe that our transactions target balances our need to maintain safety and soundness and support high-needs rural populations while considering LIHTC investment opportunities.

2025	2026	2027
3 transactions	3 transactions	3 transactions

As we continue building our LIHTC equity investments in support of high-needs rural populations, 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.

A separate but important factor in sourcing potential LIHTC transactions our work to identify and build strong partnerships with qualified consultants who have experience completing developments that benefit high-needs rural populations. Freddie Mac will continue its efforts to identify and work with new consultants as we work meet the targets of this objective.

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.

Our work in the space has revealed that few state QAPs have set-asides that prioritize high-needs rural populations, which continues to limit the competitiveness of these transactions. To help continually identify investment opportunities, we will maintain our efforts to monitor and identify any changes to QAPs that might improve the number of investment opportunities we see.

Anticipated Market Impact

Investments benefiting high-needs rural populations face 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 presence in the market is helping provide a higher degree of confidence to developers as they consider opportunities that benefit high-needs rural populations.

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 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. 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.[39] 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	2,391 loans	2,524 loans	1,937 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)		2,284 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. Our targets take into account the decrease in eligible lenders. 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.

39 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	2,100 loans	2,200 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 $1 billion 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. In addition, we will explore additional opportunities to support CDFIs, including through partnerships with FHLBs.

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. Collaborate to develop and begin to execute a strategy to work together to support CDFIs. Tactics may include, for example, participating in industry events together to inform attendees on how to take advantage of Freddie Mac and FHLB offerings aimed at CDFIs as well as educating FHLB member CDFIs on the TOB and other Freddie Mac offerings.

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. Continue to execute the strategy for collaborating with FHLBs developed in Year 1, if applicable.
4. 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. Working collaboratively with FHLBs, if appropriate, will contribute to the expansion of and support for our mutual efforts in this space.

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 D; Activity 2, Objective C, Activity 3, Objective C), our Rural Developer Capacity-Building work (Activity 1, Objective E) and our multi-lender securitization product and outreach efforts (Activity 1, Objective G).

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 increasing understanding of the benefits of and financing for energy- and water-efficiency improvements, 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:

- Promote home energy and water efficiency:
  - Develop tools to offer insights into opportunities to lower the cost of making home energy- and/or water-efficiency improvements.
  - Increase awareness and understanding among industry professionals, homebuyers, and homeowners about the benefits of improved home energy and water efficiency as well as solutions for financing improvements, including conducting targeted outreach in energy cost-burdened communities in high-needs rural regions.
- 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.
- Examine opportunities to further address affordability loss caused by use of the Qualified Contract process for LIHTC properties.
- 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.

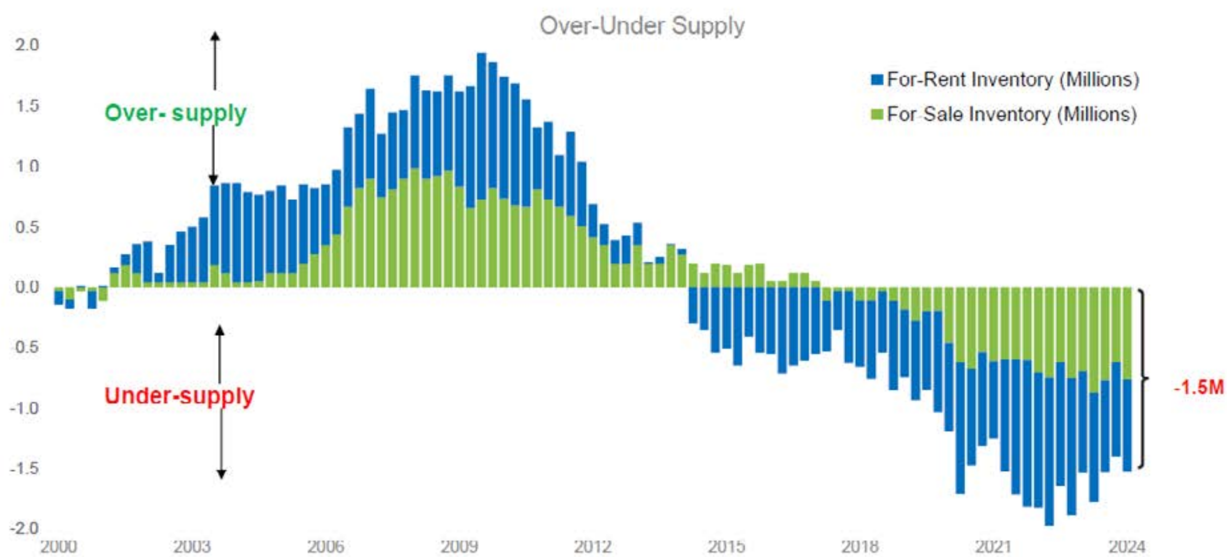
Freddie Mac decided not to pursue a single-family energy-efficiency loan purchase objective at this time, following further assessment. We will continue to work with our regulator on evaluating the safety, soundness, and viability of such an objective in the future.

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,[40] 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.[41] In addition, renovations or other improvements are needed on many properties to keep them viable and/or to help increase energy efficiency and resiliency, given the age of much of the housing stock, housing's contribution to greenhouse gas emissions, and the impacts of climate change.



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.[42]

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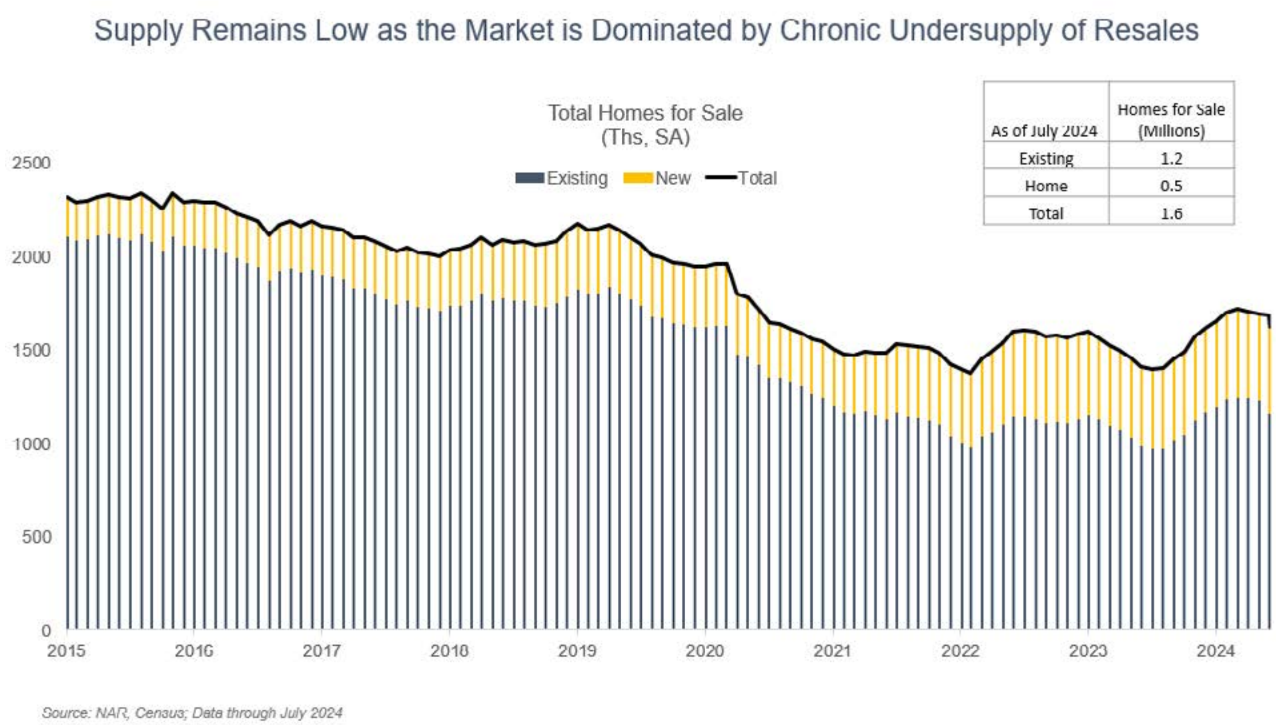
40 Harvard Joint Center for Housing Studies, The State of the Nation's Housing 2023 - https://www.jchs.harvard.edu/sites/default/files/reports/files/Harvard_JCHS_The_State_of_the_Nations_Housing_2024.pdf

41 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

42 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.[43]
- The number of entry-level homes represent less than 10% of all newly constructed homes, compared to about 35% in the 1970s.[44]
- Entry-level home prices have risen 62% faster than higher-end home prices since 2000, largely driven by Millennials reaching homebuying age.[45]

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,[46] which discourages those homeowners from refinancing or selling their homes.



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

44 See footnote 2.

45 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

46 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.[47] 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.[48]

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.[49] 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.[50]

A Need for Greater Home Energy Efficiency

One way to preserve affordability is by lowering the cost of homeownership, such as through utility cost savings. Interest in environmental sustainability continues to grow with households seeking energy-efficient homes that reduce usage of natural resources and utility costs, state governments setting energy-efficiency requirements for homes, and lenders considering ways to participate. According to a study published by Rocky Mountain Institute, single-family homes contribute to 58% of U.S. building emissions.[51]

More than half of respondents to a 2023 Freddie Mac consumer survey stated that their homes' environmental footprint was important to them; that number rose to 60% for Millennials responding, with 60% also stating that they were actively taking steps to reduce their impact and their utility costs. In addition, the federal government is considering requiring adherence to stricter International Energy Conservation Code standards.[52] Of the homeowners responding to the survey, 84% stated that utilities costs rose over the past year. By updating major systems (including heating and cooling, windows, and appliances), households could reduce the utility costs of those systems by 20 to 50%; homeowners also may qualify for tax credits once the improvements are made.[53]

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

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

49 See footnote 20.

50 See footnote 40.

51 Rocky Mountain Institute, Financing U.S. Building Decarbonization, March 2024 - https://rmi.org/wp-content/uploads/dlm_uploads/2024/03/us_real_estate_insights_report.pdf

52 https://www.hud.gov/program_offices/comm_planning/environment_energy/mes_notice

53 Ibid

In addition, the federal government requires adherence to International Energy Conservation Code standards[54] as well as the American Society of Heating, Refrigerating, and Air-Conditioning Engineers (ASHRAE) 90.1-2019 energy-efficiency standards.[55] Furthermore, the Inflation Reduction Act (IRA) of 2022 pledged $783 billion to promote clean-energy production. As a result, the housing industry is increasing focus on construction of energy-efficient homes as well as retrofits of existing homes to help reduce carbon emissions.

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.

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.[56]

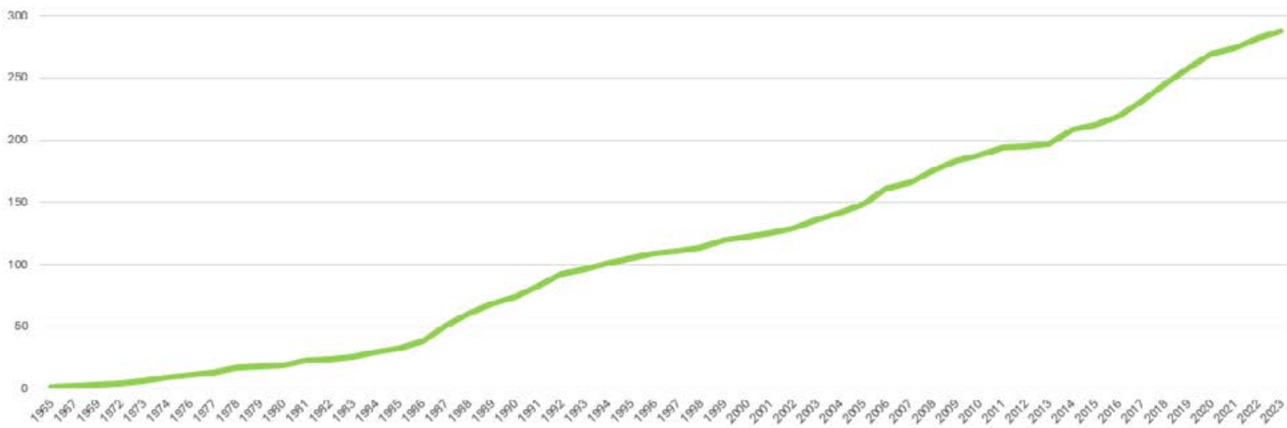
54 Ibid

55 Ibid

56 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

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.[57] 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

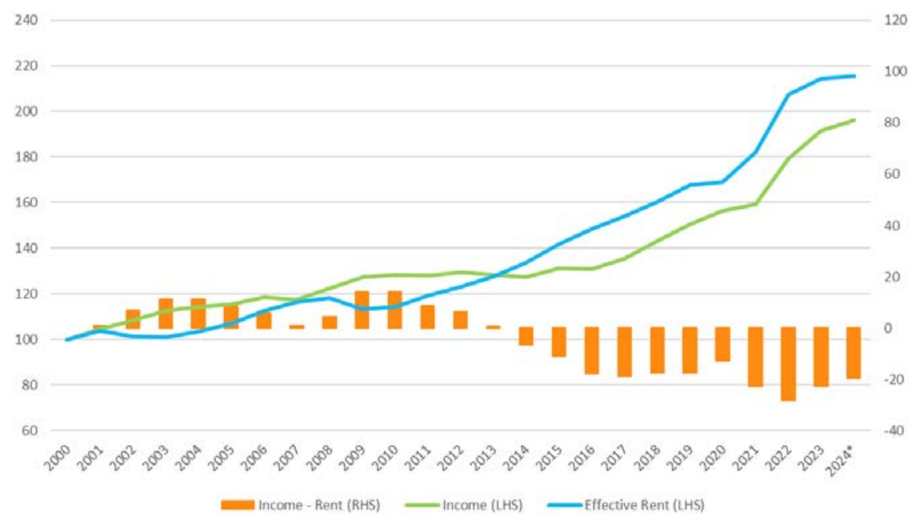
Shared equity homeowners tend to stay in their homes longer than traditional homeownership models, according to Grounded Solutions Network's 2019 report. The volatile interest rate environment and high home prices in recent years have led many shared equity homeowners to stay in their homes even longer 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.

57 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.[58] 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.[59]

A Growing Role for Freddie Mac

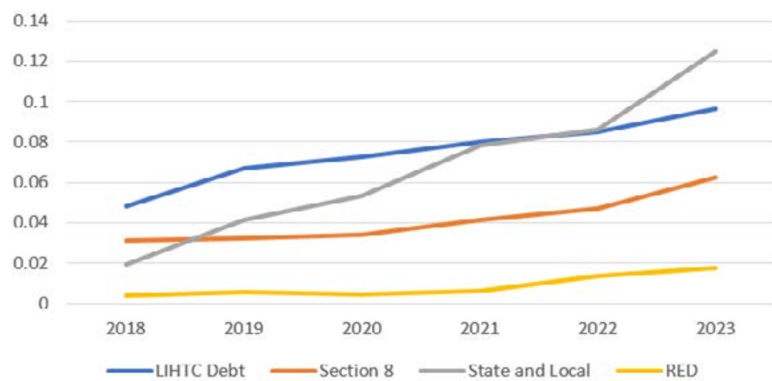
To ensure we are appropriately supporting this market, Freddie Mac has examined how our loan purchases changed over time and the market context for those changes. Throughout a dynamic market environment since 2018, we have seen a general increase in the percentage of units Freddie Mac finances that are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

58 See footnote 40.

59 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.

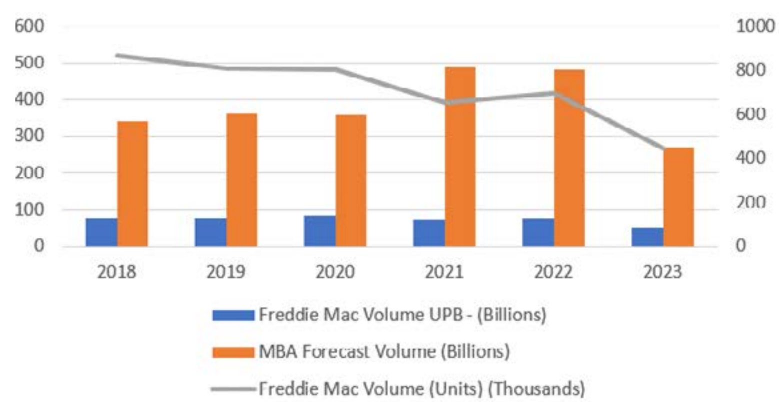
AHP Purchases as Percent of Total Unit Volume



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.[60] 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



60 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.[61] 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.

61 See footnote 40.

Efficient use of energy and water: Heating and cooling costs are the largest utility expense for most U.S. households. Older properties are often less energy and water efficient than newer ones and may not have the benefit of more recent technologies. As a result, renters and homeowners may pay more for utilities each year than they would otherwise, adding to housing cost burdens. Undertaking projects to increase a property's energy and/or water efficiency can be expensive and the return on the investment is not well understood.

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. Additionally, as projects leave the LIHTC program, either through expiration of the extended use period or exits through the Qualified Contract provision, affordable units are lost each year.

Activities and Objectives

Single-Family

Activity 1 – Financing of Energy- and/or Water-Efficiency Improvements on Single-Family Properties: Regulatory Activity

Objective A:
Develop Tools to Inform the Financing of Energy- and/or Water-Efficiency Improvements on Single-Family Homes

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

Objective Background and Description

Energy costs have put a financial strain on many homeowners, especially those with low and very low-incomes (80% of area median income or less) and in high-needs rural regions.[62] The U.S. Department of Energy defines a household that spends 6% or more on energy costs as energy cost burdened. Low-income households have an energy burden of 6% on average nationwide, three times the rate for other households. In some locations, households spend a much higher percentage of income on energy. Many factors contribute to the discrepancy in energy cost burden between income levels, including the use of higher-cost fuels or home energy inefficiencies, such as older appliances and a lack of insulation.[63]

While most consumers care about their home's environmental footprint, few are willing or financially able to pay for a sustainable home unless it guarantees a return on their investment, according to the findings of a 2023 Freddie Mac consumer survey. In addition, market participants told us that consumers and real estate professionals lack appropriate awareness about financing solutions available to pay for energy-efficiency improvements. Most improvements are financed with cash or unsecured debt.

To understand and make decisions about how to increase their homes' energy efficiency, homeowners need access to actionable information about the benefits of energy-efficient improvements, which improvements might be most cost-effective for them, and solutions for financing those improvements, including both the available options as well as lowering the cost of improvements. But relevant information is challenging to obtain and assess. Sponsors of benefits — such as financing and tax incentives — vary from state, local, and federal governments and from utility companies across electricity, natural gas, and water.

62 SEEA, Energy Insecurity in the South - https://storymaps.arcgis.com/stories/4377299f586a493984222bfc6ee84e60

63 U.S. Department of Energy, Low-Income Energy Affordability Data (LEAD) Tool and Community Energy Solutions - https://www.energy.gov/scep/low-income-energy-affordability-data-lead-tool-and-community-energy-solutions

In addition, each program may have unique criteria and expiration dates, and programs are likely to be altered and augmented as a result of the IRA. Also, lenders often do not have a depth of knowledge about green financing products and/or available consumer subsidies, which leads them to suggest other types of financing for improvements.

In the previous Duty to Serve Plan cycles, Freddie Mac expanded our support for increased home energy and water efficiencies that lead to utility cost savings, thereby helping to make homeownership more affordable and sustainable. We introduced and enhanced our GreenCHOICE Mortgages for financing home energy- and/or water-improvements, established a Green Bond framework according to International Capital Market Association standards for securitizing loans on energy-efficient homes, and expanded the framework to include newly constructed homes with Home Energy Rating System (HERS®) scores; we have issued Green Bonds since 2022, which reduce taxpayer risk while increasing market liquidity. These offerings promote industry standardization and market growth.

We helped drive further standardization through the selection and implementation of data points related to energy-efficient home features in the Uniform Appraisal Dataset (UAD) under the Uniform Mortgage Data Program and included the energy-efficiency dataset in our lender-facing loan origination systems. Standardizing this data capture will help provide insights into energy-efficiency lending, the value of energy-efficient home features, and performance of energy-efficiency loans, which could help increase the adoption and usage of green mortgages.

During the 2025-2027 Plan cycle, Freddie Mac will conduct outreach and education to deepen lenders' awareness of GreenCHOICE and its benefits to encourage product adoption and usage as well as to help enable them to inform potential borrowers of the offering and its benefits. We will also roll out educational materials intended to expand homebuyers' and homeowners' awareness and understanding of ways to increase energy efficiency and solutions for financing the improvements. In addition, we will introduce tools to help homebuyers and homeowners weigh the cost/benefit of energy-efficiency improvements and gain insight into how long it might take to realize returns on their investments. To offer lenders, homebuyers, and homeowners insight into opportunities to lower the cost of improvements, we will expand our DPA One® tool to include information about available subsidy and incentive programs in select markets where the dollar amounts could have the most impact for borrowers.

Baseline

Freddie Mac's GreenCHOICE finances home energy- and/or water-efficiency improvements. We continually promote GreenCHOICE and its benefits to housing professionals through outreach and education to help increase understanding, adoption, and use of the offering. Despite these efforts, many buyers lack knowledge about the potential utility cost savings and other returns on investment that could result from certain improvements as well as the ability to use tax credits and other incentives to make those improvements affordable.

Freddie Mac's free, on-line DPA One tool contains information about down payment assistance programs nationwide.

Actions

Year 1 - 2025

1. Collaborate with at least three industry stakeholders, including the Federal Home Loan Banks (FHLBs), lenders, and non-profit organizations, to gain insights into the needs and opportunities in this emerging market and inform development of educational materials and homeowner tools.
2. Conduct at least four information sessions on GreenCHOICE Mortgages to educate lenders and real estate professionals on product benefits and to encourage adoption and usage.
3. Develop borrower education materials focused on identifying current utility costs along with the potential annual savings associated with certain energy-efficiency improvements based on the home's characteristics.
4. Create and execute a marketing campaign to promote the benefits of home energy- and water-efficiency improvements to lenders, real estate professionals, homebuyers, and homeowners. Channels may include, for example, industry conferences or learning events, webinars, tutorials, web content, updated marketing materials, consumer-facing blog posts, and social media posts.
5. Determine the feasibility of expanding the purpose and content of DPA One to include information on available government tax credits and other incentives for implementing home energy- and/or water-efficiency improvements.
6. Conduct a market analysis to identify areas in Duty to Serve high-needs rural regions with comparatively high percentages of energy cost-burdened households. Inform lenders, real estate professionals, housing organizations, potential homebuyers, and homeowners in at least one of the identified markets of the benefits of improved energy and water efficiency, Freddie Mac resources for identifying improvement opportunities, and financing options.

Year 2 - 2026

1. Continue promoting education materials and assessment tools through various channels, which may include industry conferences or learning events, webinars, tutorials, web content, consumer-facing blog posts, and social media posts.
2. Research states' plans for distributing IRA funds. Identify at least three markets where expanding DPA One to highlight available subsidies could have significant market impact, given the subsidy amounts.
3. Incorporate information into DPA One about energy-related rebates and tax credits available in the pilot markets identified.
4. Create a marketing campaign to promote DPA One expansion to lenders and other industry professionals in the markets identified through activities such as webinars, industry events, targeted e-mail, direct outreach, and web content. Monitor DPA One activity to determine the frequency of program access in Duty to Serve markets to inform additional outreach strategies.

5. Include energy and water efficiency as a requested research topic in the Rural Research Symposium call for papers. Invite energy- and water-efficiency thought leaders and stakeholders to the symposium. Include a representative of the energy- and water-efficiency sector on the advisory council convened in conjunction with the symposium. (Go to the Rural Housing Market, Activity 1, Objective B for details on the symposium.)
6. Expand targeted outreach and education efforts to an additional high-needs rural region identified in Year 1 as having comparatively high percentages of energy cost-burdened households. Inform lenders, real estate professionals, housing organizations, potential homebuyers, and homeowners in at least one of the identified markets of the benefits of improved energy and water efficiency, Freddie Mac resources for identifying improvement opportunities, and financing options.

Anticipated Market Impact

Freddie Mac's education efforts will help increase awareness and understanding among industry professionals, homebuyers, and homeowners of the potential opportunities and benefits of improving a home's energy and/or water efficiency. According to our research, such improvements can add value to the home as well as help improve the health and safety of people living in the home. By highlighting related financial incentives and promoting Freddie Mac's mortgage solutions, we also will raise the visibility of ways to make the improvements more affordable for the near and the long term. This is especially relevant in energy cost-burdened markets.

By offering these expanded education opportunities, Freddie Mac will help homeowners to achieve the following:

- Better understand their energy usage and expenses, opportunities to reduce them, and the benefits of implementing home energy- and/or water-efficiency improvements.
- Gain insights that could increase the likelihood that they will finance improvement projects.
- Increase the home's energy and/or water efficiency that could lead to cost savings, which help lower the cost of homeownership. Improved energy efficiency also can help make homes more comfortable.

Access through DPA One to information about tax breaks and other incentives for homes with energy- and/or water-efficiency features will enable homeowners to easily identify and take advantage of opportunities to lower the overall costs of the improvements and realize returns on their investments sooner.

The added insights could lead more homeowners to seek mortgage financing for energy-efficiency improvement projects. More lenders also might be encouraged to adopt and use our GreenCHOICE offering, which would enable us to increase the flow of liquidity to this market. As we purchase loans and analyze the data, we might identify additional opportunities to enhance our offerings to further support the energy-efficiency market.

Personal funds and unsecured debt remain the most widely used financing options in this market, however. Logistical issues, such as unreliable or, especially in high-needs rural regions, a lack of internet coverage, also could hamper our outreach efforts. Reaching borrowers with this information will require collaboration with local trusted non-profit partners. Homeowners who learn of our solutions still may choose not to take advantage of them. The costs of energy-efficiency improvements often are not properly valuated in an appraisal. Loan-to-value limitations can make some energy-efficiency improvements difficult to finance through first-lien mortgages.

Featuring energy efficiency during the Rural Research Symposium and including energy-efficiency experts on the advisory council will bring additional focus to the challenges and opportunities around improving energy efficiency, particularly in rural areas, and will promote collaboration across the ecosystem to help identify and develop solutions.

Single-Family

Activity 2 – 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 have 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,[64] the year with the lowest average interest rates since the Freddie Mac's Primary Mortgage Market Survey® began in 1971.[65] 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.

64 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

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

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 three-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.

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[66] 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.

66 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 2 – 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.[67]

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.

67 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, host 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 the 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 learning events, webinars, tutorials, e-mail to targeted 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. Provide technical assistance to four additional localities to facilitate setting up or completing the process of establishing shared equity homeownership programs.
2. 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.
3. Collaborate with an existing CLT technical assistance provider in modernizing its curriculum intended to replicate best practices across existing and newly forming CLTs.
4. 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 modernizing 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 3 – 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 – Low-Income Housing Tax Credits (Debt): Statutory Activity

Objective B:
Examine the Impact and Use of the Qualified Contracts Provisions in LIHTC Transactions

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

Objective Background and Description

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

LIHTC provides a production subsidy to developers who restrict rents at a certain level for at least a 30-year period, which is comprised of a 15-year tax compliance period and a 15-year extended use period. Many states and jurisdictions require longer periods of rent restricted affordability. Under the QC provision of the tax code, a LIHTC operator may approach the housing finance agency after year 14 of operation to request a QC. The state housing finance agency then must seek a qualified buyer at a purchase price stipulated by Section 42 of the tax code. If no qualified buyer is found within a year, the property owner is released from the affordability requirement and may either sell the property without deed restrictions or increase rents to market rate after a three-year period.[68] Although 39 state housing finance agencies now require and nine states incentivize LIHTC applicants to waive their QC rights, housing advocates and others have raised concerns about use of the QC provision as a means to remove a property from the LIHTC program during the extended use period.[69] [70]

68 National Council of State Housing Agencies, "Closing the Qualified Contract Loophole", November 2021 - https://www.ncsha.org/wp-content/uploads/Qualified-Contract-Background.pdf

69 National Housing Trust, "Protecting Long-term Affordability by Closing the Qualified Contract Loophole", July 10, 2023 - https://nationalhousingtrust.org/news/protecting-long-term-affordability-closing-qualified-contract-loophole

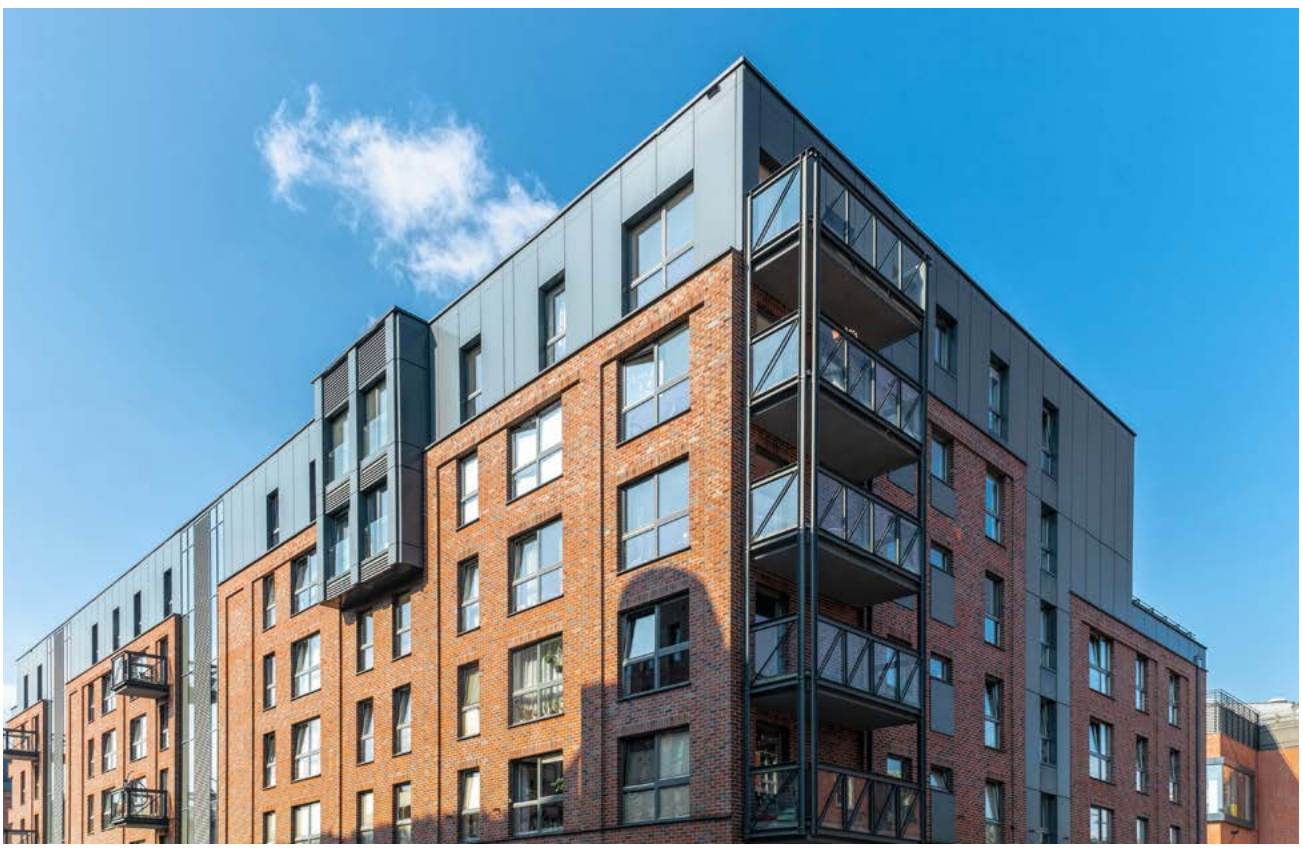
70 Local Initiatives Support Corporation, "Affordable Housing Loss Grows as 'Qualified Contracts' Sap Thousands of Housing Credit Units", Matt Josephs and Michael Skrebutenas, January 25, 2023 - https://www.lisc.org/our-stories/story/affordable-housing-loss-grows-as-qualified-contracts-sap-thousands-of-housing-credit-units/

In 2025, Freddie Mac will further examine what opportunities we might have for appropriately limiting use of the QC provision in the context of loans purchased by Freddie Mac. This will include outreach to various LIHTC developers and syndicators, Freddie Mac lenders, affordable housing borrowers, and advocates, particularly in states that do not require or incentivize QC waivers as part of their QAP process. From this research, we will have a framework to better understand the impact of the QC provision on our portfolio and the market more broadly and a pathway to how to best ensure long-term affordability is preserved across LIHTC properties. This outreach and research will consider the impact of QC waivers on the overall safety and soundness of the market.

If deemed appropriate by our 2025 work, Freddie Mac will announce product enhancements associated with actionable opportunities to further limit use of the QC provision in the future.

Baseline

Freddie Mac has not conducted sufficient outreach regarding how it might change its debt offerings to address properties exiting the LIHTC program through QC waivers. We have previously conducted research into affordability loss at LIHTC properties that exit the program and developed a preservation loan offering that incentivizes affordability preservation at properties that exit the LIHTC program during the Freddie Mac loan term, which will help inform this outreach.



Actions

Year 1 - 2025

In 2025, Freddie Mac will review existing research on use of the QC provision and formulate an engagement plan to inform our efforts to better understand how the QC provision is used, its implications for affordability, and the risks and benefits of actions Freddie Mac might take to address these implications. We will then use this plan to conduct direct outreach to LIHTC developers and syndicators, Freddie Mac lenders, affordable and conventional borrowers, and key advocates. We will use this outreach to formulate a set of future actions we may take.

Through this work, we will develop a framework for understanding the most effective and efficient interventions related to our debt offerings that can build on our efforts to preserve affordability across LIHTC properties.

This work will require a high level of effort. Freddie Mac will need to engage a range of market stakeholders to identify the potential implications associated with modifying debt offerings in a way that could limit use of the QC provision. Separately, we will need to consider how changes could be operationalized. Finally, we will need to analyze the market implications through an assessment of how any changes might affect our ability to provide liquidity to the market.

Year 2 - 2026

In 2026, Freddie Mac will develop and announce product enhancements to further limit the use of QC provisions through our debt offerings if warranted by our 2025 analysis. We will provide details related to the findings of our 2025 analysis in the rollout of any product enhancements. The product enhancements will be provided through a published term sheet or requirements added to relevant term sheets for existing loan offerings.

Anticipated Market Impact

The LIHTC program supports nearly 90% of all income-restricted affordable housing. Understanding the impact of the QC provision and how it is used to remove properties from their affordability obligations during the extended use period will lay a foundation for potential product changes that extend our efforts to preserve affordable housing.

The work builds on our efforts to provide leadership in developing loan products and underwriting guidelines that facilitate affordable housing preservation.

Multifamily

Activity 4 – 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 and 2	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[71] 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.

71 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 5 – 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.[72]

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.

72 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 6 – 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 7 – 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.

Once complete, this initiative has the potential to open access to liquidity to a wider range of market participants.

To support its efforts, Freddie Mac will work to complete proof of concept multi-sponsor executions. To expand the product for use by CDFIs, MDIs and SFIs, including those that provide debt capital for 5- to 50-unit properties, and those that serve rural areas, Freddie Mac will work to identify eligible institutions and conduct targeted outreach to raise awareness and gauge interest in completing these executions. In 2026 and 2027 we will work to complete executions involving Duty to Serve qualifying SFIs.

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.

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 involving a Duty to Serve-qualifying SFI.

Anticipated Market Impact

The ability to aggregate both seasoned loans and those originated for the purpose of selling to a third-party Q-Deal trust from multiple sponsors 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 execution 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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