FACT SHEET: NEW MULTIFAMILY CAPS FOR FANNIE MAE AND FREDDIE MAC

Highlights of 2021 Multifamily Caps

The 2021 volume caps applicable to the multifamily loan purchases of Fannie Mae and Freddie Mac (the Enterprises) will be $70 billion for each Enterprise, for a total of $140 billion during the four-quarter period Q1 2021 – Q4 2021. FHFA anticipates the 2021 cap levels to be appropriate given current market forecasts; however, FHFA has been and will continue to monitor the coronavirus' impact on the multifamily mortgage market and will update the multifamily cap and mission-driven minimum requirements if the data shows changes in the market that warrant adjustments.

Consistent with the 2020 cap structure, the 2021 caps apply to all multifamily business – no exclusions. However, the 2021 cap structure, like the cap structures from 2014 through 2019, only covers the four quarters of the 2021 calendar year. This is a change from the 2020 cap structure, which covered five quarters.

Increased Mission-Driven, Affordable Housing Requirements

To ensure a strong focus on affordable housing and traditionally underserved markets, FHFA directs that at least 50 percent of the Enterprises' multifamily business be mission-driven, affordable housing in accordance with the definitions in Appendix A.

FHFA is revising the multifamily requirements for mission-driven, affordable housing to create more consistent affordability thresholds across markets and more closely align eligibility parameters with FHFA's Housing Goals and Duty to Serve programs.

Mission-driven, affordable housing is generally defined as housing affordable for residents at 80 percent of area median income (AMI) or below, with special provisions for rural housing and for manufactured housing communities.
For rural housing, Appendix A credits a loan as mission-driven if the property is in a Duty to Serve-designated rural area and affordable to residents at 100 percent of AMI or below.

For manufactured housing communities (MHC), Appendix A credits a loan as mission-driven if it is eligible for credit under the Duty to Serve regulation. The MHC must meet affordability requirements and either be resident/government/nonprofit-owned or adopt the tenant pad lease protections included in the Duty to Serve regulation.

BACKGROUND

- In 2014, FHFA set a cap on the Enterprises' conventional (market-rate) multifamily business.
- The purpose of the cap is to support liquidity in the multifamily market, especially in affordable housing and traditionally underserved segments, without crowding out private capital.
- To encourage Enterprise financing in affordable housing and underserved market segments, in 2014, FHFA also excluded several categories of business from the cap.
- On September 13, 2019, FHFA announced a revised cap structure that applied to all multifamily business (no exclusions) and covered the five-quarter period, Q4 2019 – Q4 2020.
- In 2021, FHFA is maintaining the 2020 cap structure, but returning to the calendar year, four-quarter cap period, Q1 2021 – Q4 2021.

FHFA also requires that at least 20 percent of the Enterprises' multifamily business must be affordable to residents at 60 percent of AMI or below. This new minimum sub-requirement assures that the Enterprises' multifamily businesses have a strong and growing commitment to affordable housing finance, particularly for residents and communities that are most difficult to serve.

Loan purchases that meet the 20 percent requirement also count as loan purchases that meet the 50 percent requirement.