

Exhibit G:

Annual Loan Products Narrative Reporting Template

FREDDIE MAC

RURAL HOUSING

2019

PRODUCT

ACTIVITY:

4 - Small Multifamily Rental Properties in Rural Areas: Regulatory Activity

OBJECTIVE:

C - Research and Develop a New Offering to Support the USDA Section 538 Program

ACTIONS:

In 2019 Freddie Mac published a paper on the role of USDA’s Multifamily Housing Loan Guarantee program. In this report, we examine the program’s impact on the multifamily housing market. We consolidated multiple data sources and evaluated impact by analyzing the market size of this subsidy program, including geographic and demographic characteristics, and considering the primary and secondary mortgage markets for 538 guaranteed loans. The research also helped us to determine if we can play a beneficial role in the market by purchasing 538 guaranteed loans.

Objective’s components detailed in the Plan	Corresponding actions taken	Explanation of any deviations from the Plan (if applicable)
Build broader market awareness of the 538 program by publishing research in a report on our website.	Complete Freddie Mac published a research paper on the role of USDA’s Section 538 Multifamily Housing Loan Guarantee Program on our website.	
1) Report will evaluate the scope and potential of the 538 program based on data from sources such as: National Housing Preservation Database, data.gov, HUD, and Census Bureau.	Complete The report evaluated the scope and potential of the 538 program based on data from the National Housing Preservation Database (NHPD), HUD, USDA (including data sets from the USDA site) and U.S. Census shapefiles.	
2) In support of our report, we will take the following actions: a. Engage with at least two experienced 538 lenders to understand their use of the program. b. Reach out to at least one investor in securities backed by loans guaranteed by the 538 program to understand their needs.	Complete a. We engaged with two leading experienced 538 lenders—Greystone and Bellwether—to understand their use of the program. b. We engaged with Credit Suisse, a leading investor in securities backed by loans guaranteed by the 538 program. Through conversations with them, we came to understand their	

<p>c. Engage with at least one leading researcher on rural markets and the 538 program to help inform our research.</p>	<p>needs, the benefits and risks of the program and its place in the capital markets.</p> <p>c. We engaged with a researcher from Credit Suisse to inform our research.</p>	
<p>3) Report will include the following: a. Market size estimate for current properties with the section 538 guarantee b. Geographic distribution of current 538 properties and the geographic scope of the program c. An overview of the program and its use in the multifamily rural market</p>	<p>Complete</p> <p>a. Market size is included b. Geographic distributions of current 538 properties and geographic scope of the program are included c. Overview of the program and its use in the multifamily rural market are included</p>	
<p>4) Publish a report on our website, promote it with a press release and share on social media so that research organizations, advocacy organizations, and lenders have access to the work.</p>	<p>Complete</p> <p>We published a report on our website and promoted it with a press release on November 6, 2019. We also promoted it on social media so that research and advocacy organizations and lenders have access to the work. As of January 31, 2020, we had 1,795 LinkedIn impressions. On our Freddie Mac Multifamily page, we received 152 web page views and 59 downloads.</p>	

(Character limit: 3,000 characters, including spaces)

SELF-ASSESSMENT RATING OF PROGRESS:

Select the category that best describes progress on this objective for the year.

- Objective met
- Objective exceeded
- Objective partially completed:
 - 75-99% (substantial amount)
 - 50-74% (limited amount)
 - 25-49% (minimal amount)
 - 1-24% (less than a minimal amount)
- No milestones achieved

IMPACT:

Provide a self-assessment of the level of impact that actions under the objective have accomplished.

- 50 – Substantial Impact
- 40
- 30 – Meaningful Impact
- 20
- 10 – Minimal Impact
- 0 – No Impact

IMPACT EXPLANATION:

Answer the following questions.

1. **How and to what extent were actions under this objective impactful in addressing underserved market needs, or in laying the foundation for future impact in addressing underserved market needs? (limit: 3,000 characters, including spaces)**

This paper provides stakeholders across the industry a large-scale public analysis of the scope and impact of the 538 program. It can be used to draw greater attention to the program, its role in the market, and opportunities to increase its support of rural markets. While other analysis of the 538 program has been done over time, we have not found papers that examine the same aspects of the market as our analysis such as utilized appropriation, use of the 538 guarantee in conjunction with other federal subsidies, and national distribution of properties per lender.

Three aspects of the paper are particularly important:

- a. It reveals strengths of the program—from competitive terms, attractive pricing, and liquidity via Ginnie Mae securitizations—and effectiveness of the market that can be leveraged to by policymakers to expand the impact of the program over time. As a result, it would be difficult for a new entrant with a new securitization structure to enter and compete for 538 guaranteed loans in a way that would be economical to borrowers.
- b. It reveals the geographic distribution of loans in the program, which includes areas where the program has been well utilized and where it could be utilized more. This can enable stakeholders to increase the use of the program in markets that have not benefited from it today.
- c. It reveals the ways the 538 guarantee can be used by developers and lenders to identify opportunities to build off of the program’s successful history to strengthen the program through reforms over time that potentially increase liquidity to rural markets. It identifies the degree to which the program leverages or relies on other public subsidies, and the distribution of loans for rehab of existing properties versus new construction. This information is valuable to stakeholders as they explore how to make the program more effective or best use its capabilities in support of the market. For example, stakeholders may determine that the guarantee should be used for rehab of existing stock, which may be more cost effective than building new stock.

2. **What did the Enterprise learn from its work about the nature of underserved market needs and how to address them? (limit: 1,500 characters, including spaces)**

Our review of the Section 538 program demonstrates that the program supports some of the markets that are in greatest need of affordable rental housing across the country. The program aids in both the renovation and construction of properties, provides liquidity where needed and ultimately increases support for rural areas. The benefits of the guarantee are clear: It maximizes loan proceeds for borrowers, facilitates access to the capital markets through Ginnie Mae and allows lenders to provide liquidity to rural markets at highly attractive mortgage rates. The impact of the program can be significant, but its scale is tied to the annual appropriations process, which has continued to increase over time – reflecting positive market demand for the guarantee. The network of experienced lenders, in combination with Ginnie Mae, have established an efficient primary and secondary market for the securitization of these loans. The combination of the 538 guarantees with federal, state, or local subsidies allows for more efficient financing for the preservation or construction of affordable multifamily housing in rural areas that have not historically supported affordable multifamily rental housing in a pure market environment.

Further, the 538 program continues to evolve by streamlining processes and program requirements to better meet market needs. Our research can be of service to the USDA and other industry stakeholders as they work to evolve the program further.



3. **Optional: If applicable, why were all components of this objective not completed? (limit: 1,500 characters, including spaces)**

Not applicable

Attach the information detailed in the list of documentation specific to the objective that was provided by FHFA.