



Fannie Mae 2020  
Affordable Housing Preservation  
Loan Product

**ACTIVITY:**

M. Additional Activity: Residential Economic Diversity Activity (12 C.F.R. §§ 1282.32 (d)(3) and 1282.36(c)(3)).

**OBJECTIVE:**

6. Develop and approve product enhancements designed to improve affordable housing preservation and development in High Opportunity Areas (Analyze, Test and Learn).

**SUMMARY OF RESULTS:**

Following are the 2020 Actions under this Objective per the January 1, 2021 Duty to Serve Plan:

<i>Objective's components detailed in the Plan</i>	<i>Corresponding actions taken</i>	<i>Explanation of any deviations from the Plan (if applicable)</i>
<input checked="" type="checkbox"/> Review and analyze product enhancement performance from 2019 and consider expansion of products to additional geographic areas and partnerships.	•Fannie Mae reviewed and analyzed interim progress from the product enhancement enacted in 2019 and considered similar programs in additional geographic areas.	•N/A
<input checked="" type="checkbox"/> If program has produced promising results, amplify the results via webinars, lender calls and/or in-person presentations.	•Fannie Mae discussed interim program results with select lenders and program participants, as well as external stakeholders, and will plan for a broader amplification when final results are available.	•N/A

**SELF-ASSESSMENT RATING OF PROGRESS:**

- Objective met
- Objective exceeded
- Objective partially completed: 75-99% (substantial amount)
- Objective partially completed: 50-74% (limited amount)
- Objective partially completed: 25-49% (minimal amount)
- Objective partially completed: 0-24% (less than a minimal amount)
- No milestones achieved

**PARTIAL CREDIT JUSTIFICATION:**

N/A

**IMPACT:**



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

**IMPACT EXPLANATION:**

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

In Q3 of 2019, Fannie Mae approved a programmatic business request to allow for financing of acquisitions of Multifamily Affordable Housing (MAH) related to the JBG Washington Housing Initiative Impact Pool (WH Initiative). In doing so, Fannie Mae allowed the WH Initiative to provide subordinate debt or mezzanine financing for acquisitions at combined metrics outside of the customary allowable range for Fannie Mae’s book of business. Through 2020, the WH Initiative, through Fannie Mae DUS lenders, has brought multiple loans to Fannie Mae for financing, but due to a variety of factors, Fannie Mae has yet to acquire a loan related to properties from this program.

Fannie Mae continues to believe in the potential of this affordable housing program utilizing mezzanine debt products and will persist in monitoring the progress of the WH Initiative and other similar impact pools and mixed-income programs, such as the ones described in the provided required documentation. If the Mezzanine debt guide waiver/product enhancement proves to be impactful and performance bears out that the risks to increased DSCR and LTV are effectively mitigated, then Fannie Mae is poised to consider expanding or scaling the waiver in appropriate situations, depending on strong sponsor and transaction specifics.

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

Preserving affordable housing in transitioning neighborhoods is challenging even in the best of times. Interviews with developers and affordable housing program staff show a common theme that developing this type of housing takes considerable patience and, at times, luck, as suitable properties available at the right price are few and far between. While the WH Initiative solves some of the challenges other programs have faced in terms of attracting investors and having ready financing, other delays, such as delays in local approvals, remain. In addition, COVID-19 impacts have adversely affected the program results over the past year, further delaying property acquisitions and making it difficult to fully analyze the Initiative’s impact, as well as Fannie Mae’s product enhancement.

Through our review of similar affordable housing initiatives, Fannie Mae learned a great deal. An important distinction among these models reviewed is that some aim to serve households with very low or low incomes and therefore rely upon federal or state subsidies, while others primarily aim to serve households with moderate incomes and do not require additional subsidy (or in some cases, market rate units are able to subsidize affordable units). All the programs reviewed aim to create long-term affordability, although with differing success in that endeavor, as well as in their ability to attract investors who may be seeking a return, however modest, on that investment.



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**3. (Optional): If applicable, why were all components of this objective not completed?**

N/A



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**Second Quarter Report: April 1 - June 30, 2020**  
**Loan Product**

**ACTIVITY:**

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**OBJECTIVE:**

6. Develop and approve product enhancements designed to improve affordable housing preservation and development in High Opportunity Areas (Analyze, Test and Learn).

**SUMMARY OF RESULTS:**

The product enhancement developed in 2019 for Residential Economic Diversity in High Opportunity Areas has not resulted in any acquired loans to date, as of the end of Q2 2020.

Undeterred by recent results, we are continuing our analysis of the Washington Housing Initiative's Impact pool; along with Fannie Mae's approval of the mezzanine debt program, to determine whether the program is merely slow to get off the ground, or if there are other structural impediments that could be addressed via financing. Meanwhile, we have spoken with several additional stakeholders familiar with innovative models with a similar aim—that of mixed-income or affordable housing in high-opportunity areas. Through 2020 we will continue to monitor the Washington Housing Initiative's progress and explore similar programs in Texas, Illinois, and Minnesota to examine whether Fannie Mae's financing approach and related product enhancement could be used in those cases as well.

Following are the 2020 Actions under this Objective:

- Review and analyze product enhancement performance from 2019 and consider expansion of products to additional geographic areas and partnerships.
- If program has produced promising results, amplify the results via webinars, lender calls and/or in-person presentations.

**SELF-ASSESSMENT RATING OF PROGRESS:**

- On-target to meet or exceed the objective
- Progress delayed and/or partial completion of the objective expected
- Unlikely to achieve any milestones of the objective

**ADDITIONAL INFORMATION (IF APPLICABLE):**

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**Fannie Mae**  
**Affordable Housing Preservation**  
**Third Quarter Report: July 1 - September 30, 2020**  
**Loan Product**

**ACTIVITY:**

M. Additional Activity: Residential Economic Diversity Activity (12 C.F.R. §§ 1282.32 (d)(3) and 1282.36(c)(3)).

**OBJECTIVE:**

6. Develop and approve product enhancements designed to improve affordable housing preservation and development in High Opportunity Areas (Analyze, Test and Learn).

**SUMMARY OF RESULTS:**

The product enhancement developed in 2019 for Residential Economic Diversity in High Opportunity Areas continues to show promise with potential properties in Fannie Mae's pipeline, but as of the end of Q3, has not yet resulted in loans acquired to date.

As reported in Q2, we continue our analysis of Washington Housing Initiative's Impact pool; along with Fannie Mae's approval of the mezzanine debt program, there are other structural impediments that could be addressed via financing. Through 2020 we will continue to monitor and analyze the Washington Housing Initiative's progress and explore similar programs in Texas, Illinois, and Minnesota to examine whether Fannie Mae's financing approach and related product enhancement could be used in those cases as well.

Following are the 2020 Actions under this Objective:

- Review and analyze product enhancement performance from 2019 and consider expansion of products to additional geographic areas and partnerships.
- If program has produced promising results, amplify the results via webinars, lender calls and/or in-person presentations.

**SELF-ASSESSMENT RATING OF PROGRESS:**

- On-target to meet or exceed the objective
- Progress delayed and/or partial completion of the objective expected
- Unlikely to achieve any milestones of the objective

**ADDITIONAL INFORMATION (IF APPLICABLE):**