FREDDIE MAC

MANUFACTURED HOUSING

2021

ACTIVITY:

1 – Support for Manufactured Homes Titled as Real Property: Regulatory Activity

OBJECTIVE:

A – Increase Single-Family Loan Purchases of Manufactured Housing Titled as Real Property

PROPOSED MODIFICATION:

The proposed modifications would amend the Plan in:

☒ *The current Plan year*

☐ *Future Plan year(s)*

Briefly describe the change to be made to the Objective.

Increase purchase target for single-family loans on owner-occupied manufactured housing titled as real property.

JUSTIFICATION FOR PROPOSED MODIFICATION:

☒ *The proposed changes to the Objective will increase our commitment to the underserved market.*

☐ *The proposed changes to the Objective are in response to special circumstances, such as a significant change in interest rates or other market conditions or a regulatory decision by FHFA, that materially alter our ability to execute the Objective through the actions in our Plan.*

☐ *N/A – Proposed modifications only address future Plan year(s).*

Freddie Mac proposes to raise our 2021 Single-Family purchase targets to reflect our success in and opportunity for increasing liquidity for manufactured housing titled as real property. The policy enhancements that we have made to date are contributing to increased affordable lending. Our extensive outreach efforts—including actively engaging with lenders, delivering education, and communicating with industry participants through various channels—are helping to raise awareness and adoption of our offerings and loan sales to Freddie Mac. In addition, interest rates have stayed at or near historic lows for longer than originally forecast, generating greater-than-expected loan origination activity.

As the first step in revising our 2021 manufactured housing loan purchase target, we revised our baseline. To normalize the record amount of refinance volume we purchased in 2020 as a result of the historically low interest-rate environment, we calculated the new baseline as five-year historical average of our loan purchase volume, rather than basing it on the preceding three years as we have done before. As a result, our baseline moves from 3,938 to 4,304 loans. Given this change and our revised expectations for this year's purchase activity, we propose to increase our target range from 4,200-4,700 loans to 7,900-8,500 loans. We estimate that reaching the new goal will provide $800 million in liquidity to the market, double our original estimate.

OBJECTIVE A: INCREASE SINGLE-FAMILY LOAN PURCHASES OF MANUFACTURED HOUSING TITLED AS REAL PROPERTY

Evaluation Area	Year	Incomes Targeted	Extra Credit
Loan Purchase	**1, 2, 3 and 4**	**VLI, LI, MI**	**Not applicable**

Freddie Mac plans to use a variety of tactics to increase our manufactured housing real property loan purchases, including enhancing our existing secondary market offerings, conducting a significant amount of outreach, providing investment and technical training, as well as adding new Seller/Servicers. We believe that an incremental and strategic approach will allow Freddie Mac to increase our share of manufactured housing loans to reflect more closely the overall market.

Baseline for 2018-2020

The following table reflects Freddie Mac's single-family loan purchases of manufactured housing from 2014 to 2016. Our baseline for performance in this market is a three-year average of all manufactured home loans purchased by Freddie Mac that meet the Duty to Serve income-qualifying definition of very low-, low- and moderate-income borrowers. All loan counts represented include purchase-money originations and refinances for owner-occupied properties.[i] The overall loan count includes all manufactured housing loans without a limiter for qualifying borrower income segments. The income-qualifying loan count is limited to only purchases of loans to qualifying borrower income segments of very low-, low-, and moderate-income borrowers. It should be noted that the historical loan volume previously represented in Freddie Mac's initial draft Plan did not distinguish the loan population by qualifying income, but instead included all conventional loans securing manufactured housing on owner-occupied properties.

Freddie Mac Single-Family Loan Purchase Volume – Manufactured Housing[ii]			
Year	**2014**	**2015**	**2016**
Overall Loan Count	4,346	4,710	4,682
Income-Qualifying Loan Count **(A three-year average of this loan count was used to establish the baseline)**	2,820	3,064	3,071

Baseline	2,985

Baseline for 2021

~~Freddie Mac followed the same methodology to create the baseline for our 2021 loan purchase target as we used to calculate our 2018-2020 targets. We calculated the three-year average of all Freddie Mac manufactured home loans purchased that meet the Duty to Serve income-qualifying definition for very low-, low-, and moderate-income borrowers, as shown in the following table. The loans are purchase-money originations and refinances for owner-occupied properties. The following table shows Freddie Mac's purchase volume in this market from 2017 through 2019 and the baseline that reflects the average annual volume.~~The following table reflects Freddie Mac's purchases of loans on manufactured homes titled as real property from 2016 through 2020. Our baseline for performance in this market is the average of all Freddie Mac manufactured home loans bought during that time span that meet Duty to Serve income-qualifying definitions of very low-, low-, and moderate-income borrowers. The loan counts include purchase-money originations and refinances for owner-occupied properties only. We calculated the baseline as a five-year historical average to normalize the record number of refinance loans we bought in 2020 as a result of the historically low interest-rate environment. That year, refinance volume accounted for 53 percent of Duty to Serve-qualifying loans purchased, versus 40 percent in prior years. Overall qualifying manufactured housing loan volume increased 51 percent from 2019 to 2020.

Freddie Mac Single-Family Loan Purchase Volume – Manufactured Housing[iii]					
Year	**2016**	**2017**	**2018**	**2019**	**2020**
Income-Qualifying Loan Count **(A ~~three~~five-year average of this loan count was used to establish the baseline)**	3,071	3,824	3,601	4,390	6,634
Baseline			~~3,938~~4,304		

2018-2020 Targets

Our single-family purchase targets over the Plan Term are set forth in the following table. Loan purchase volume in prior years reflects an increasing trend, and we anticipate that our purchase volume will continue to increase as we deploy a variety of tactics, including expanding our lender footprint, leveraging various purchase execution options (including selling for cash, bulk portfolio sales and flow purchases), conducting outreach, enhancing our product features and providing technical training that enables lenders to lend confidently to very low-, low-, and moderate-income homebuyers.

Single-Family Loan Purchase Targets – Manufactured Housing		
Year 1 – 2018	**Year 2 – 2019**	**Year 3 – 2020**
3,075 – 3,100 loans	3,200 – 3,350 loans	3,500 – 4,000 loans

Projected volume for the first two years of the Plan takes into account that not all of the activities intended to promote growth will have been implemented. Freddie Mac's forecast for 2018, relative to 2016, includes higher interest rates, higher consumer prices and a 25 percent[iv] decrease in single-family origination volume. A three-year historical average as a benchmark will ensure that we realistically grow our share to gradually increase our loan purchases as we implement activities that will further increase market growth and purchase opportunities.

2021 Target

Our single-family purchase target for Plan Year 2021 is set forth in the following table. We anticipate that our purchase volume will continue to increase relative to our historical average as we deploy various tactics to expand lender adoption of the product flexibilities previously introduced under our Plan to help create more homeownership opportunities for very low-, low-, and moderate-income households. This work may include actively engaging with lenders, delivering training, participating in industry events, and increasing awareness and understanding through web content, news updates, e-mail to customers, and social media posts.

~~Projected volume for 2021 does not take into account potential market reactions to the historically low interest-rate environment or the coronavirus pandemic.~~ In addition, interest rates have remained near historic lows, causing origination volume, particularly refinance volume, to soar. Freddie Mac forecasts that interest rates will stay relatively stable for the rest of 2021. However, we expect overall originations to decline, from $4.1 trillion in 2020 to $3.9 trillion in 2021. Projections do not take into account potential market reactions to the interest rate environment, the coronavirus pandemic, or other market disruption.

Single-Family Loan Purchase Targets – Manufactured Housing
Year 4 – 2021
~~4,200 – 4,700~~7,900 – 8,500 loans

Market Opportunity and Impact

Assuming we are successful in increasing the amount of loan purchases securing manufactured housing titled as real property, we will increase liquidity by providing lenders with more than $300 million annually in years 1 through 3 to make additional loans in two underserved markets: manufactured housing and rural areas. Because of the relatively small size of the market, any increase in origination volume for loans secured by manufactured housing titled as real property will be significant in terms of market impact and encourage lending and standardization in the market.

As we refresh ~~look to~~our view of Year 4~~ from our current vantage point in Year 3~~, Freddie Mac estimates that we could provide more than $~~400~~800 million in liquidity in the marketplace in 2021. We will engage lenders already active in this market as well as encourage additional lenders to participate in this underserved market.

[i] Data includes loan purchases for both conventional and government loan types for very low-, low-, and moderate-income borrowers.

[ii] Data is Freddie Mac purchases of owner-occupied manufactured housing loans.

[iii] ~~Data is Freddie Mac purchases of owner-occupied manufactured housing loans.~~

[iv] Reflation & the Housing Market. Forecast for the decrease in loan origination volume is reflected in Freddie Mac's Economic and Housing Research Outlook, http://www.freddiemac.com/research/outlook/20170228_reflation_and_housing_market.html p. 9

FREDDIE MAC

MANUFACTURED HOUSING

2021

ACTIVITY:

1 – Support for Manufactured Homes Titled as Real Property: Regulatory Activity

OBJECTIVE:

B – Design New Product Flexibilities to Facilitate the Origination of Mortgages Securing Manufactured Housing Titled as Real Property

PROPOSED MODIFICATION:

The proposed modifications would amend the Plan in:

☒ *The current Plan year*

☐ *Future Plan year(s)*

Expand the range and anticipated impact of our research, which will provide market participants with an in-depth analysis of opportunities to increase MH supply and ownership currently unavailable in the industry.

JUSTIFICATION FOR PROPOSED MODIFICATION

☒ *The proposed changes to the Objective will increase our commitment to the underserved market.*

☐ *The proposed changes to the Objective are in response to special circumstances, such as a significant change in interest rates or other market conditions or a regulatory decision by FHFA, that materially alter our ability to execute the Objective through the actions in our Plan.*

☐ *N/A – Proposed modifications only address future Plan year(s).*

In conducting our research under this objective, we have increased our understanding of available data, enabling us to provide the industry with a fuller view of MH market potential, including where zoning is a help or a hindrance, where opportunities to help increase affordable housing supply and homeownership with MH are greatest, and the characteristics of people and communities that are accepting of MH as a housing option. By integrating data from numerous disparate sources, we will provide a first-of-its kind, holistic view of opportunities to increase the supply and ownership of manufactured homes in markets nationwide. The research will give industry participants insights that equip them to help drive MH market growth and expand affordable, sustainable housing and homeownership.

OBJECTIVE B: DESIGN NEW PRODUCT FLEXIBILITIES TO FACILITATE THE ORIGINATION OF MORTGAGES SECURING MANUFACTURED HOUSING TITLED AS REAL PROPERTY

Evaluation Area	Year	Incomes Targeted	Extra Credit
Loan Product	**1, 2, 3 and 4**	**VLI, LI, MI**	**Not applicable**

During our public outreach and comments on our draft Plan, we identified four key areas of concern related to the origination of manufactured housing mortgages:

1. A need for additional financing options and underwriting flexibility related to borrower qualification, including expansion of options for down payment assistance to further support the purchase of manufactured homes by very low-, low- and moderate-income households
2. A market need for additional solutions related to the collateral, including appraisal guidance, property use restrictions, land-ownership designations, and product parameters to further support the expense of siting and installing the home
3. A lack of information on comparable sales in the market
4. A lack of information and understanding of the attributes of energy efficiency in manufactured housing and the long-term affordability advantages through utility savings

In response, Freddie Mac intends to undertake a comprehensive review of our existing product offerings to determine how we can enhance our collateral underwriting parameters to better serve manufactured housing titled as real property. Freddie Mac has developed a strategy intended to address market challenges by increasing product flexibility, lender participation, and borrower assistance.

Freddie Mac will undertake a comprehensive review of our existing underwriting parameters to better serve potential homebuyers and existing homeowners of manufactured housing titled as real property, while establishing a foundation for future product development. We intend to collaborate with industry participants, such as lenders, community development financial institutions, housing finance agencies and non-profits, to help inform the design of additional product features. Based on the reviews of our products and the needs of the market, we intend to make enhancements and underwriting changes consistent with prudent underwriting and safety and soundness. We will start by undertaking an assessment of our requirements related to

- borrower qualifications,
- collateral valuation,
- down payment and closing costs,
- renovation financing criteria, and
- pricing.

We anticipate that obtaining additional information on market needs and publishing what we learn about the efficacy of manufactured housing products and consumer behavior on financing can lead to additional innovations by Freddie Mac and other industry participants when developing lending products.

We intend to provide further underwriting automation to promote lender confidence in making loans to very low-, low-, and moderate-income borrowers who are purchasing manufactured housing. We also plan to research ways to enhance current product requirements and methodologies to address the challenge of finding similar and recent comparable sales to support valuations.

Cumulatively, we expect that enhancements will have a significant impact on potential buyers of manufactured housing titled as real property by providing increased access to credit for very low-, low- and moderate-income borrowers through flexibility in underwriting parameters to lenders.

We will leverage advisory councils to assist with product calibration and socialization of features we plan to bring to market.

- The Manufactured Housing Initiative Task Force, which currently meets bi-annually, and is comprised of lenders, representatives from manufactured housing trade organizations, retailers, housing counseling agencies, housing finance agencies, builders of manufactured housing, a non-profit that supports the development of ROCs, a community owner and community development financial institutions
- The Next Step SmartMH Task Force, which currently meets bi-annually and is comprised of lenders, retailers, a community owner, representatives from a manufactured housing trade organization, housing counseling agencies, housing finance agencies, builders of manufactured housing and community development financial institutions
- Freddie Mac's Affordable Housing Advisory Council, which currently meets quarterly and is comprised of lenders, affordable housing trade organizations, a mortgage insurer, housing counseling agencies, housing finance agencies, and community development financial institutions
- Lender and servicing advisory boards, which currently meets quarterly, and consist primarily of Seller/Servicers.

This objective is designed to address enhancements to our existing offerings, flexible underwriting, pricing adjustments, lower closing costs and shorter processing times. We expect that these improvements will result in increased purchase volume and additional liquidity to this market. Freddie Mac plans to follow a strategic and progressive schedule in conducting our review and addressing market challenges. Incremental enhancements of product offerings focusing on certain features and underwriting guidelines can be efficiently and effectively launched and adopted by the market.

In addition, because a significant amount of manufactured housing is sited in rural areas, the challenges borrowers face in obtaining financing in rural areas overlaps with those related to the financing of manufactured homes. Accordingly, where possible, we intend to promote further lender standardization by making product changes that lenders, including housing finance agencies, can leverage broadly for both the rural and manufactured housing markets.

To address industry requests and help lay the foundation for further market growth and transformation, Freddie Mac will analyze which areas across the country ~~currently do not receive shipments of new homes but~~that offer significant potential opportunity for manufactured housing. By integrating data from numerous disparate sources, we will provide a first-of-its kind, holistic view of opportunities to increase the supply and ownership of manufactured homes in markets nationwide. The research will give industry participants insights that equip them to help drive MH market growth and expand affordable, sustainable housing and homeownership. We also will provide information and resources that industry participants could use to help educate the public on how zoning affects perceptions and acceptance of manufactured homes. Zoning is one of the greatest impediments to the manufactured housing market's growth.

Baseline

Freddie Mac has fixed- and adjustable-rate mortgage options, including our affordable product, Home Possible, that offer low down payment and refinance solutions for very low-, low- and moderate-income borrowers. In addition, we have the HFA Advantage® product that provides additional flexibility and enhancements to our affordable product for housing finance agencies. As mission-oriented institutions offering a broad spectrum of support to the affordable housing market, the housing finance agencies are focused on regional challenges and provide local solutions, including down payment assistance and homebuyer education to very low-, low- and moderate-income homebuyers in their specific markets. However, current policy parameters within the HFA Advantage product do not support manufactured housing. Given the housing finance agencies' community focus, Freddie Mac will consider changes to our HFA Advantage program to support manufactured housing. Even with these financing options, the market experiences many limitations related to pricing, borrower qualification and collateral requirements that inhibit growth.

Challenges, Actions and Market Impacts

Market Challenge	Freddie Mac Action
Limited product usage and product awareness ▪ There are limited conventional product features and incentives available to support the financing of manufactured homes for very low-, low- and moderate-income borrowers. Access to credit is further limited by a lack of lending on small loan sizes and unique borrower profiles, including those with limited credit histories. To increase originations of manufactured housing titled as real property, lenders need solutions that address lending costs and product flexibilities that are more closely aligned with product requirements of site-built homes. ▪ Freddie Mac's product features in support of manufactured housing may not be obvious to market participants and difficult to distinguish from site-built requirements. ▪ Conventional financing requirements supporting the construction costs of manufactured-home siting and installation are more onerous than the requirements for site-built homes. Borrowers may encounter less-favorable terms if lenders opt for portfolio products to finance homes. **Historical perception of manufactured housing as a mobile home or "trailer"** ▪ Manufactured housing is plagued by the stereotype of the "trailer" or mobile home typically represented by manufactured	**Year 1 – 2018** Freddie Mac will focus on increasing awareness of product features, research opportunities to improve collateral valuations, test new product features, leverage purchases to inform product design and conduct a product assessment to determine opportunities for new or updated product features to support the financing of manufactured homes. Freddie Mac will take these actions: 1) Publish to the Selling Guide and Freddie Mac website an update of our current product features and highlight at least one new product feature in support of manufactured housing to make the requirements more obvious to the market and to clarify the availability of product features to Seller/Servicers to increase awareness in the market. 2) Develop and implement a marketing campaign to promote quality energy efficient manufactured housing and de-emphasize the perception of manufactured housing as "trailers," highlighting it as a viable source of sustainable and affordable homeownership. 3) Evaluate and assess the barriers of existing manufactured housing policies focused on very low-, low- and moderate-income borrower qualifications to identify at least three policies that may need to be

homes built prior to the 1976 Housing and Urban Development manufactured home construction and safety standards (HUD code), even though the latest generation of homes have standard features and finishes similar to site-built homes and are seldom moved after installation.

Appraisal and valuation impediments

- Some of the barriers to obtaining conventional financing on a manufactured home titled as real estate include, but are not limited to, lack of guidance and underwriting flexibility on appropriate comparable sales, no recognition of energy efficiency improvements in the valuation, titling the home as real property, lending restrictions on unit size, land ownership and zoning that may exclude homes titled as real estate.
- Real estate appraisers attempting to value a manufactured home are challenged by a lack of data about manufactured-home sales. Transactions are not always listed in the Multiple Listing Service, and the difficulty is exacerbated when the home is in a rural market that has few overall home sales.
- There is a lack of appraisers that are experienced in assessing value of manufactured homes also impacts access to credit because it limits financing options, which leads to higher lending costs.

State titling variations add complexity

- States do not have a standardized process for recording the title conversion from personal property to real property, which adds operational complexity for lenders.

Limited down payment assistance and funds for closing

- Underlying challenges exist related to availability of programs that provide down payment and closing cost assistance to support manufactured housing as an eligible property type.

Product support for housing finance agencies (HFAs)

- The housing finance agencies are mission-focused to assist low- to moderate-income households but have limited product features to leverage for very low-, low- and moderate-income homebuyers and existing

adjusted to support financing for existing homeowners and potential homebuyers of manufactured housing; outline an action plan to address product parameters that will have the greatest impact on the market. Assessment will include the following activities:

a. Assessing policies related to down payment requirements and options for down payment assistance that can assist borrowers purchasing manufactured housing. To inform policy design, Freddie Mac will initiate at least one Test and Learn pilot with at least three lenders (national and regional) and at least one non-profit to assist borrowers with options for down payment assistance to increase the ability of very low-, low- and moderate-income homebuyers to purchase a manufactured home.

b. Conducting policy assessment of Freddie Mac’s renovation product offering to determine product changes necessary to support the renovation of existing manufactured homes, including energy-efficiency retrofits.

c. Researching available property databases or data sources to determine whether sufficient data is available to support automated valuations on manufactured housing titled as real property and to further inform solutions on aggregation of data.

d. Conducting collateral policy assessment on manufactured-housing property characteristics to identify the policies that need to be adjusted in support of additional appraisal guidance and best practices, including valuation of energy efficient features, eligible manufactured housing collateral, titling the home as real property, property use restrictions and land ownership. Freddie Mac will work in partnership with at least one appraiser, lender and appraisal trade organization to develop a comprehensive curriculum for lenders on eligible manufactured housing collateral. This outreach activity will further inform additional collateral guidance that can be published to the

homeowners of manufactured housing titled as real property. **Lack of market data and information** ▪ The market lacks transparency and information on the efficacy of manufactured-housing products and loan performance. **Limited renovation financing support** ▪ A significant number of existing manufactured homes in the market can benefit from renovation or replacement strategies. ▪ Limited financing solutions are available to homeowners who are attempting to renovate a manufactured home; these issues may also inhibit homeowners who want to sell or refinance their homes.	Selling Guide. e. Purchasing more manufactured housing loans to obtain data on loan characteristics and performance to increase understanding of product flexibilities being provided by other lending institutions to further inform product enhancements. See also Objective A, Increase Single-Family Loan Purchases, for measurable purchase actions. f. Conducting quarterly outreach with market participants, such as lenders, housing finance agencies, appraisers, community development financial institutions, manufactured housing trade organizations and non-profits, via at least four industry events to understand the barriers to financing and related opportunities. g. Convening our Manufactured Housing Initiative Task Force and the Next Step SmartMH Task Force at least bi-annually and leveraging at least one meeting of the Affordable Housing Advisory Council to discuss manufactured housing. 4) Submit findings and an action plan to FHFA once assessments are completed and implement resulting policy changes in 2019 and 2020. **Year 2 – 2019** Freddie Mac will begin to implement policy changes resulting from the assessment completed in 2018 in addition to building up our marketing efforts to educate stakeholders on new product features. 1) Issue at least one change to the Seller/Servicers Guide to support manufactured housing financing for existing homeowners and potential homebuyers, based on results from the assessment of existing program policies conducted in 2018. 2) Complete renovation mortgage product development leveraging outreach and assessment conducted in 2018 to support manufactured housing. Updated product enhancements will be issued via a negotiated term of business with select lenders or via the Seller/Servicers Guide depending on whether additional data is

	needed. 3) Initiate a consumer research project that will entail a variety of outreach components, including a survey, to gather data on consumers' choices in manufactured housing financing. 4) Use results and learnings from the collateral policy assessment conducted in 2018 to achieve the following: a. Develop best practices and a training curriculum for lenders on manufactured housing valuations and titling homes as real property and implement it by conducting a training session with at least five lenders. Freddie Mac anticipates expansion of a comprehensive curriculum to all lenders in 2020. b. Publish at least one policy change to the Seller/Servicers Guide giving additional underwriting guidance on acceptable collateral and valuation of a manufactured home. 5) Update our valuation model and incorporate changes in applicable applications (e.g., Loan Advisor Suite®) for lender use, if research conclusions related to available data sources for manufactured housing support an update to our valuation methodology. 6) Assess the effectiveness of a pilot related to down payment assistance issued in 2018 to determine the impact on purchase volume for very low-, low- and moderate-income households. Gather industry feedback from at least five lenders and one non-profit to gauge success and market reaction. Findings will be submitted in a report to FHFA. 7) Issue at least one negotiated term of business to each Freddie Mac-approved housing finance agencies that provide additional product support of manufactured housing titled as real property so they may assist more very low-, low- and moderate-income households. 8) Assess historical loan performance and effectiveness of Freddie Mac's current manufactured housing policy by using available public data and data on our existing loan portfolio. Analyze the impact

	on housing affordability for very low, low- and moderate-income borrower segments and geographic distribution, including high-needs rural regions. Freddie Mac will document results and publish a report on our website. 9) Socialize product changes with market participants by publishing updated collateral material to our website, Freddie Mac's News Center, and Freddie Mac blogs and via email to all Single-Family News subscribers and present the changes at least six industry events. 10) Hold at least one meeting with our Affordable Housing Advisory Council and/or servicing advisory boards to discuss manufactured housing, in addition to bi-annual meetings of the Manufactured Housing Initiative Task Force and the Next Step SmartMH Task Force, to obtain feedback and further calibrate product features. 11) Develop best practices for lenders related to underwriting, appraisal and settlement criteria obtained from outreach activities. Publish the summary of best practices along with product features in a fact sheet on Freddie Mac's dedicated manufactured housing webpage by year-end. 12) Provide ongoing manufactured housing training to lenders on best practices and product features via on-demand webinars and/or scheduled quarterly webinars. **Year 3 – 2020** Freddie Mac will focus on publishing research findings on consumer behavior related to financing manufactured homes, ramping up purchases, and conducting initial assessments of changes implemented in 2018 and 2019. Freddie Mac will take these actions: 1) Assess the effectiveness of policy changes made in 2018 and 2019 by obtaining market feedback from at least five lenders for any changes issued broadly via the Seller/Servicer Guide, analyzing internal data including impact on purchase volume and income-eligible borrower segments. Freddie Mac will document results and provide a report to

	FHFA. 2) Complete a research project on manufactured housing consumer financing selections, analyze the information and data from the research project and publish findings on Freddie Mac's website. 3) Convene our Affordable Housing Advisory Council annually to obtain feedback and further calibrate product features. **Year 4 – 2021** 1) Perform a quantitative analysis to identify markets that ~~currently receive no manufactured home shipments yet~~ offer significant opportunity for MH, including the following types of data~~.~~: a. Manufactured home shipments b. MH loan originations by market c. Areas with favorable zoning regulations d. Profiles of consumers and neighborhoods supportive of MH e. Mortgage-ready consumers 2) ~~Freddie Mac will s~~Share the results with the industry to help inform efforts to grow the market and promote manufactured homes as a means of increasing the affordable housing supply. ~~1)~~3) Provide materials and resources to support industry participants in educating audiences on how zoning affects the acceptance and siting of manufactured homes.

Market Impact

The manufactured housing market currently makes limited use of conventional financing for either the purchase or refinance of a manufactured home titled as real property. Providing product adjustments that increase a borrower's entry into conventional financing will have a significant impact on lenders and housing finance agencies as they look for liquidity rather than holding manufactured housing loans in portfolio.

Freddie Mac anticipates the following focused activities will have a significant impact on the market:

- Enhancing products will allow the collection of automated property values where none exist currently. Furthermore, we expect sharing best practices and training for lenders on eligible collateral will provide more confidence in lending, which increases liquidity and homebuyers' entry into the real property financing market.
- Providing new incentives and underwriting flexibilities with respect to manufactured housing via HFA Advantage to housing finance agencies will have a material impact on very low-, low- and moderate-income consumers as it can translate to lower lending costs (housing finance agencies typically cap the fees that can be charged to a borrower).

- Increasing the data available to inform property values increase confidence in lending against the collateral, may reduce the time and cost to obtain a property value, and address a primary obstacle to lending in this market.
- Increasing knowledge and understanding of the market by sharing information regarding the efficacy of manufactured housing products and consumer behavior on financing can lead to significant innovations by Freddie Mac and other industry participants in lending products and increase usage of our product.
- Providing immediate alternatives and assistance for down payment and closing costs will have a dramatic impact by increasing a qualified borrower's ability to purchase by closing the asset gap that is significant in the very low-, low- and moderate-income homebuying market.
- Supporting renovation activity will ultimately reduce barriers to entry to conventional financing for existing homeowners of manufactured housing, including homeowners in rural markets who can benefit from energy-efficiency retrofits if their utility costs are making housing unaffordable.
- Identifying and supporting education about opportunities to introduce manufactured homes where they currently are prohibited through zoning or otherwise absent will equip industry participants with data and tools they have requested to help in lowering barriers to market growth. These efforts will help raise the visibility and image of manufactured housing, encourage acceptance of manufactured homes in more communities, and expand possibilities for affordable homeownership.

Understanding the product levers that have the most impact on very low-, low- and moderate-income borrower qualifications and providing operational simplification can result in increased lender usage, solutions for small balance loans, and, with the right incentives, more affordable financing for borrowers in the long run, especially in high-needs rural markets where manufactured housing tends to be sited.

The assessment of existing policies will include outreach to lenders, mortgage insurers, appraisers and appraisal trade organizations, manufactured housing trade organizations, housing finance agencies and other housing professionals. This will require resources from multiple areas internally at Freddie Mac to complete varied analyses including Single Family teams responsible for affordable lending, Seller/Servicers relationships, credit decisions, modeling, pricing and product development to understand the economics, credit risk and operational impacts, including impacts to our supporting applications. Once product development activities have been completed in years 1 and 2, we will increase our focus on loan purchases by leveraging policy changes to source more loans from lenders and reach more homebuyers through outreach activities. See also Objectives A and C for measurable actions on homebuyer outreach and loan purchases. Freddie Mac expects that encouraging additional lenders to offer manufactured housing financing products will lead to more purchases of manufactured housing loans. Freddie Mac will enhance the Seller/Servicers Guide in cases where we have clear data and performance information to support a broad policy change. We may use a negotiated term of business with select lenders in limited cases where we need additional data to inform product development and support a product change with the intention of publishing future Guide adjustments once we have sufficient data to make informed policy and business decisions.

Additional transparency and marketing of product solutions and publication of research should also assist other housing professionals, including housing counselors, who are educating borrowers on financing options. We believe the market can realize increased industry participation through dedicated efforts by Freddie Mac to provide information and product clarity through education and training. Freddie Mac has extensive experience in training and educating market participants. However, engaging more lenders and other housing professionals to support this market will present a significant level of effort if it is to be accomplished within the Plan cycle. Increasing purchase opportunities will involve a high degree of coordination and production from many departments in Freddie Mac to research, produce, coordinate, publish and monitor the effectiveness of product features and training.

Freddie Mac also is uniquely positioned to deliver insights and resources that could help open new avenues toward market growth. The industry lacks data for identifying significant openings for expansion beyond current markets. By performing and sharing a comprehensive quantitative analysis of data drawn from a variety of sources ~~where manufactured homes have not been shipped but could make an important difference in the affordable housing supply~~, Freddie Mac ~~can help industry participants better understand market opportunities and develop strategies for expanding the use and acceptance of manufactured housing into additional geographies~~ will provide an integrated, holistic view that industry participants could use to design strategies and tactics for advancing the acceptance, use, and ownership of MH. It will layer together loan origination data pinpointing where MH lending currently occurs, impacts of zoning in local markets, and profiles of consumers and communities supportive of MH, compiled from various data sources. In addition, it will include where people who currently do not own homes but could qualify for mortgages may be concentrated in areas of opportunity for MH. The analysis also will provide a line of sight into markets where MH can help increase equitable housing and offer affordable options for people of different generations. Such a comprehensive analysis has never been done. It will be helpful to lenders, manufacturers, and retailers as they build strategies geographically to increase production and financing of MH.

In addition, zoning laws in many states and localities nationwide severely limit the industry’s potential and perpetuate misperceptions about manufactured homes. Industry participants have been striving for years to overcome these obstacles. The information and tools that we can provide them will enhance their ability to educate key stakeholders on zoning’s impacts on access to quality, affordable homes for a wide range of very low-, low-, and moderate-income households. Supporting industry efforts in these ways, we will help lower systemic barriers to the advancement of manufactured housing.

FREDDIE MAC

MANUFACTURED HOUSING

2021

ACTIVITY:

4 - Manufactured Housing Communities with Certain Pad Lease Protections: Regulatory Activity

OBJECTIVE:

C - Purchase Loans that Institute Duty to Serve Tenant Protections

PROPOSED MODIFICATION:

The proposed modifications would amend the Plan in: (check all that apply)

☒ *The current Plan year*

☐ *Future Plan year(s)*

JUSTIFICATION FOR PROPOSED MODIFICATION:

☒ *The proposed changes to the Objective will increase our commitment to the underserved market.*

☐ *The proposed changes to the Objective are in response to special circumstances, such as a significant change in interest rates or other market conditions or a regulatory decision by FHFA, that materially alter our ability to execute the Objective through the actions in our Plan.*

☐ *N/A – Proposed modifications only address future Plan year(s).*

In 2019, Freddie Mac developed a pilot offering to encourage borrowers to institute Duty to Serve Tenant Protections as part of Activity 4 Objective B in Manufactured Housing. We laid a strong foundation for making tenant pad lease protections available to a larger number of MHC residents through our resources and marketing, and have seen a considerable increase in adoption in the market. As a result, we have decided to modify our plan by substantially increasing our loan purchase target for MHC loans with tenant protections. We restructured our business to focus on Duty to Serve, with greater strategic oversight on each transaction. This restructuring, and the product refinements made with FHFA, was a major contributing factor to the substantial increase in tenant protection business. Further, on September 13th we announced that any new transactions must qualify for DTS credit under the requirements for manufactured housing communities with pad lease protections.

OBJECTIVE C: PURCHASE LOANS THAT INSTITUTE DUTY TO SERVE TENANT PROTECTIONS

Evaluation Area	Year	Incomes Targeted	Extra Credit
Loan Purchase	**3, 4**	**Affordable**	**Not applicable**

Based on our research and the eight transactions we completed in 2019, we believe we have identified adoptable parameters to provide the full complement of Duty to Serve protections to homeowner tenants in their MHC leases. In 2020, we are setting a loan purchase target for this market.

We have set a purchase target for 2020 that exceeds 2019 purchase volume despite market uncertainty in relation to COVID-19 risk.

Baseline Year 2019

We implemented the product in 2019 so we don't have additional historical volume to reference. We funded a total of 8 deals in 2019 and we anticipate volume will continue to expand as more borrowers participate.

Year	2019
Total Loan Amount	$88MM
Loans	8
# of Qualifying Pads*	1,322 units

*Qualifying Pads means pads occupied by a tenant who owns their home at the time of origination. Vacant pads and pads occupied by homes that are rented out are excluded. This number may fluctuate as the number of homeowners changes within the communities.

2020 and 2021 Target

Based on our success with our pilot offering for MHCs with tenant protections present in our 2018-2020 plan and our 2019 performance in this space, we are adding 2020 and 2021 purchase targets. We have set our 2020 and 2021 targets higher than the achieved volume in 2019 in terms of number of loans but expect to have less units because we have found this product to be attractive for smaller communities. In recognition that both small communities and large communities benefit from this offering, we have set our target as the lesser of a number of pads or transactions completed so as not to disadvantage smaller communities. Should market conditions change, we will work with FHFA to responsibly adjust our targets based on our volume cap, market needs and capacity. We anticipate that we will reach our target goal by leveraging our MHC network.

Year	2020	2021
Target		~~Lesser of 1,800 pads or 15 deals~~

	Lesser of 1,170 pads or 10 transactions	Lesser of 7,500 pads or 75 transactions

Challenges

It is unclear how the market will recover from the COVID-19 outbreak. Our role, particularly in 2020, will be to focus on being a stable source of liquidity as the market recovers. Affordable housing is likely to remain in very high demand for existing renters, and demand may increase if new renters enter the market due to negative financial impacts of COVID-19. Acquisition might be slow to recover; however, we may see increases in refinances depending on economic indicators at the time. Because of such a substantial market disruption, it is especially difficult to set targets and plan for business opportunities outside of providing continuous liquidity to meet market needs.

Market Impacts

Freddie Mac intends to continue our role of providing liquidity in these hard-to-serve markets though our innovation and dedicated platform, providing support to more families through our MHC tenant protections financing. Our role in establishing a market standard for tenant protections and providing liquidity will continue to have a profound influence on the MHC market—and MHC tenants—in the near-and long-term.

Recognizing the critical role the GSEs may play in providing stable source of capital during this period of market turmoil, we will be mindful of our purchase volume and credit standard are consistent with safety and soundness. In furtherance of this goal, we are also able to distribute risk away from taxpayers through our market-leading credit risk transfer program. This allows us to provide attractive financing and flexible terms to borrowers, channel private capital to support public good efficiently and cost effectively while protecting taxpayers and maintaining safety and soundness.

FREDDIE MAC

RURAL HOUSING

2021

ACTIVITY:

1 – Support for High-Needs Rural Regions: Regulatory Activity

OBJECTIVE:

A – Increase Single-Family Loan Purchases in High-Needs Rural Regions

PROPOSED MODIFICATION:

The proposed modifications would amend the Plan in: (check all that apply)

☒ *The current Plan year*

☐ *Future Plan year(s)*

Increase the target for single-family loan purchases in high-needs rural regions.

JUSTIFICATION FOR PROPOSED MODIFICATION:

☒ *The proposed changes to the Objective will increase our commitment to the underserved market.*

☐ *The proposed changes to the Objective are in response to special circumstances, such as a significant change in interest rates or other market conditions or a regulatory decision by FHFA, that materially alter our ability to execute the Objective through the actions in our Plan.*

☐ *N/A – Proposed modifications only address future Plan year(s).*

Freddie Mac proposes to raise our 2021 Single-Family purchase targets to reflect our success in and opportunity for increasing loan purchases in the high-needs rural regions. The policy enhancements that we have made to date are contributing to increased affordable lending. Our extensive outreach efforts—including actively engaging with lenders, delivering education, and communicating with industry participants through various channels—are helping to raise awareness and adoption of our offerings and loan sales to Freddie Mac. In addition, interest rates have stayed at or near historic lows for longer than originally forecast, resulting in greater-than-expected loan origination activity.

As the first step in revising our 2021 high-needs rural regions loan purchase target, we revised our baseline. To normalize the record amount of refinance volume we purchased in 2020 as a result of the historically low interest-rate environment, we calculated the new baseline as five-year historical average of our loan purchase volume, rather than basing it on the preceding three years as we have done before. As a result, our baseline moves from 9,167 to 10,527 loans. Given this change and our revised expectations for this year's purchase activity, we propose to increase our target range from 10,500-12,000 loans to 16,500-17,900 loans. We estimate that reaching the new goal will provide $3.3 billion in liquidity to the market, more than three and a half times our original estimate.

OBJECTIVE A: INCREASE SINGLE-FAMILY LOAN PURCHASES IN HIGH-NEEDS RURAL REGIONS

Evaluation Area	Year	Incomes Targeted	Extra Credit
Loan Purchase	**1, 2,3 and 4**	**VLI, LI, MI**	**Yes – HNRR**

Freddie Mac intends to increase purchases of single-family mortgage loans in certain high-needs rural regions each Plan year to increase liquidity in these markets. For purposes of this objective, we are focusing specifically on the rural census tracts in the following high-needs regions: 1) persistent poverty counties; (2) Lower Mississippi Delta, (3) Middle Appalachia; and (4) colonias in the Texas counties of El Paso, Cameron, Hidalgo, Starr, Webb and Maverick. We will focus our efforts to increase purchase volume in these Texas counties because they have both the largest number of colonias and the largest relative colonia population. This combination increases the likelihood that our activities will have impact and yield purchase volume.[i] We have limited the target areas in the colonias for this objective so that we can appropriately deploy resources to support our plans. Over time, we intend to extend our efforts to additional colonias in other states.

Baseline for 2018-2020

The following table reflects Freddie Mac's historical single-family loan purchases in the high-needs rural regions, as described above, from 2017 to 2019. Our baseline for performance in this market is a three-year average of all Freddie Mac loans purchased that meet the Duty to Serve income-qualifying definition of very low-, low- and moderate-income borrowers. The income-qualifying loan count is limited to only DTS income-qualifying loan purchase volume located in rural census tracts. The baseline represents a three-year average of income-qualifying loan volume from 2017 to 2019. In 2020, we reset our baseline, shifting the years averaged, as a first step in raising our purchase target for the year. Because of historically low interest rates combined with our outreach efforts, we met and exceeded our 2020 purchase target by mid-year. Recognizing the impact we were having on the market, we revised our 2020 target upward.

Freddie Mac Loan Purchase Volume – High-Needs Rural Regions			
Year	**2017**	**2018**	**2019**
Income-Qualifying Loan Count **(A three-year average of this loan count was used to**	8,505	9,202	9,849

establish the baseline)			
Baseline	9,167		

Baseline for 2021

The following table reflects Freddie Mac's purchases in high-needs rural regions from 2016 through 2020. Our baseline for performance in this market is the average of all Freddie Mac high--needs rural region loans bought during that time span that meet Duty to Serve income-qualifying definitions of very low-, low-, and moderate-income borrowers. The loan counts include purchase-money originations and refinances for owner-occupied properties only. We calculated the baseline as a five-year historical average to normalize the record number of refinance loans we bought in 2020 as a result of the historically low interest-rate environment. That year, refinance volume accounted for more than 60 percent of Duty to Serve-qualifying loans purchased in high-needs rural regions, versus 40 percent in prior years. Overall qualifying high--needs rural region loan volume increased 66 percent from 2019 to 2020.

~~For 2021, we used the recalculated baseline that we referenced for modifying our 2020 purchase target, as shown in the following table~~.

Freddie Mac Loan Purchase Volume – High-Needs Rural Regions					
Year	**2016**	**2017**	**2018**	**2019**	**2020**
Income-Qualifying Loan Count (A ~~three~~five-year average of this loan count was used to establish the baseline)	7,801	8,505	9,202	9,849	16,708
Baseline	~~9,167~~10,413				

2018-2020 Targets

Our purchase targets over the Plan Term are set forth in the following table. Purchase volume in prior years reflects an increasing trend, and we anticipate that our purchase volume will continue to increase as we deploy a variety of tactics, including expanding the number of lenders, leveraging various purchase-execution options (including selling for cash, bulk portfolio sales and flow purchases), conducting outreach, enhancing our product features and providing technical training that enables lenders to lend confidently to very low-, low-, and moderate-income homebuyers.

Projected volume for the first two years of the Plan takes into account that not all of the activities intended to promote purchases will have been implemented by that time. Using a three-year historical average as a benchmark will ensure that we have set realistic targets as we implement activities to grow our share and gradually increase our loan purchases.

In 2020, the market experienced unprecedented refinance volume. Interest rates continued the decline that began in the second half of 2019, breaking previous record lows. In addition, we continued to engage with lenders more actively. Our Year 3 purchase target reflects our greater success and opportunity in supporting affordable homeownership and increase liquidity in high-needs rural regions.

Purchase Targets – High-Needs Rural Regions		
Year 1 – 2018	**Year 2 – 2019**	**Year 3 – 2020**
7,900 – 8,000 loans	8,550 – 8,600 loans	9,200 – 10,500 loans

2021 Target

Our 2021 purchase target is shown in the following table. ~~We expect that historically low interest rates will continue to drive high refinance volumes for the first few months of the year. However, that level of activity is unsustainable and will decrease.~~ To help maintain momentum in rural areas relative to our historical average, our efforts will focus on increasing our volume of loans that finance home purchases. Examples include conducting outreach, expanding the number of lenders selling loans to us, leveraging various execution options, and providing technical assistance to raise lenders' confidence in lending to very low-, low-, and moderate-income homebuyers and homeowners. Outreach may include actively engaging with lenders, participating in industry events, and increasing awareness and understanding through web content, news updates, e-mail to customers, and social media posts.

In addition, interest rates have remained near historic lows, causing origination volume, particularly refinance volume, to soar. Freddie Mac forecasts that interest rates will stay relatively stable for the rest of 2021. However, we expect overall originations to decline, from $4.1 trillion in 2020 to $3.9 trillion in 2021.[ii] Projections do not take into account potential market reactions to interest rate environment, the coronavirus pandemic, or other market disruption.

~~Projected volume for 2021 does not take into account potential market reactions to the interest-rate environment or to the coronavirus pandemic~~.

Purchase Targets – High-Needs Rural Regions
Year 4 – 2021
~~10,500 – 12,000~~16,500 – 17,900 loans

Market Opportunity and Impact

This objective will provide liquidity of more than $911 million per year to financial institutions that serve high-needs rural regions in years 1 through 3. Targeted loan volume may also include loans originated by small financial institutions and loans securing manufactured homes.

Meeting this objective will be difficult due to the high level of need in each region and the unique challenges that face individual regions. Our ability to meet this objective will be somewhat dependent upon our ability to meet our other objectives, as well as the ability of our existing seller/servicers to increase purchase activity in these regions. Developing relationships with new counterparties will require a significant investment in resources to support and sustain the level of purchase growth targeted in the Plan cycle. Further, it will take time to onboard new seller/servicers as approved counterparties before we can realize any purchases from them. After establishing multiple partnerships, we will increase our outreach in Year 2 in specific regions anticipating that this activity will result in increased purchases in years 2 and 3.

However, Freddie Mac plans to engage with lenders that are already active in this market and seeks to increase the purchase of both new and seasoned rural housing loan originations. We also intend to expand our outreach to increase support of small financial institutions, including community development financial institutions and housing finance agencies. This will provide these institutions with access to capital and further capacity, which, in turn, can help grow loan volume and serve very low-, low- and moderate-income homebuyers. Accordingly, notwithstanding the challenges, we believe the targets we have set are reasonable.

As we refresh our view of ~~we look ahead to~~ Year 4 ~~from our vantage point in Year 3~~, Freddie Mac estimates that we could provide ~~more than $910 million~~ $3.3 billion in liquidity to the marketplace in 2021. Targeted loan volume may also include loans originated by small financial institutions and loans securing manufactured homes. We will continue our outreach efforts to expand adoption of our offerings and increase loan purchases relative to historical volume in high-needs rural regions, including with small financial institutions.

[i] There are more than 2,294 Texas colonias, located primarily along the state's 1,248-mile border with Mexico. Texas Secretary of State, http://www.sos.state.tx.us/

[ii] http://www.freddiemac.com/research/forecast/20210715_quarterly_economic_forecast.page?

FREDDIE MAC
RURAL HOUSING
2021

ACTIVITY:

3 – Financing by Small Financial Institutions of Rural Housing: Regulatory Activity

OBJECTIVE:

A – Increase Loan Purchases from Small Financial Institutions Serving Rural Regions

PROPOSED MODIFICATION:

The proposed modifications would amend the Plan in:

☒ *The current Plan year*

☐ *Future Plan year(s)*

Increase the target for single-family loan purchases through small financial institutions in rural areas.

JUSTIFICATION FOR PROPOSED MODIFICATION:

☒ *The proposed changes to the Objective will increase our commitment to the underserved market.*

☐ *The proposed changes to the Objective are in response to special circumstances, such as a significant change in interest rates or other market conditions or a regulatory decision by FHFA, that materially alter our ability to execute the Objective through the actions in our Plan.*

☐ *N/A – Proposed modifications only address future Plan year(s).*

Freddie Mac proposes to raise our 2021 Single-Family purchase targets to reflect our success in and opportunity for increasing liquidity to small financial institutions in rural areas for conventional lending. The policy enhancements that we have made to date are contributing to increased affordable lending. Our extensive outreach efforts—including actively engaging with lenders, delivering education, and communicating with industry participants through various channels—are helping to raise awareness and adoption of our offerings and loan sales to Freddie Mac. In addition, interest rates have stayed at or near historic lows for longer than originally forecast, resulting in greater-than-expected loan origination activity.

As the first step in revising our 2021 target for loan purchases from rural small financial institutions, we revised our baseline. To normalize the record amount of refinance volume we purchased in 2020 as a result of the historically low interest-rate environment, we calculated the new baseline as five-year historical average of our loan purchase volume, rather than basing it on the preceding three years as we have done before. As a result, our baseline moves from 4,253 to 5,956 loans. Given this change and our revised expectations for this year's purchase activity, we propose to increase our target range from 4,260-4,800 loans to 8,600-9,300 loans. We estimate that reaching the new goal will provide $1.8 billion in liquidity to the market, more than four times our original estimate.

OBJECTIVE A: INCREASE LOAN PURCHASES FROM SMALL FINANCIAL INSTITUTIONS SERVING RURAL REGIONS

Evaluation Area	Year	Incomes Targeted	Extra Credit
Loan Purchase	**1, 2, 3 and 4**	**VLI, LI, MI**	**Not Applicable**

Freddie Mac intends to increase purchases of rural housing loans made by small financial institutions with assets of less than $304 million to generate liquidity and expand the distribution of capital. We plan to engage more deeply with small financial institutions that are already approved Freddie Mac seller/servicers to increase the purchase of both new and seasoned rural housing loans. We also intend to expand our outreach and support to increase the number of small financial institutions that can be approved as direct Freddie Mac seller/servicers or that sell to us through an aggregator. We believe that our incremental and strategic approach will increase the financing options for these institutions and our purchase share.

Baseline for 2018-2020

The table below reflects Freddie Mac's actual purchase volume of mortgages in rural areas from community development financial institutions, and federally insured banks and credit unions that we could identify as having an asset size of less than $304 million. The income-qualifying loan count represents only the population of loans that meet the Duty to Serve qualifying-income segment of very low-, low- and moderate-income volume.

The baseline for this objective is an average of the loans Freddie Mac purchased from small financial institutions that meet income-qualifying criteria for Duty to Serve in the last three years (2016 through 2018), which is 4,340 loans. The numbers represent purchase-money originations and refinances for owner-occupied properties of very low-, low-, and moderate-income borrowers.[i]

Freddie Mac Loan Purchase Volume – Small Financial Institutions[ii]			
Year	**2016**	**2017**	**2018**
Income-Qualifying Loan Count **(A three-year average of this loan count was used to establish the baseline)**	4,872	4,269	3,880

Baseline	4,340

Baseline for 2021

The following table reflects Freddie Mac's purchases of loans from small financial institutions in rural areas from 2016 through 2020. Our baseline for performance in this market is the average of all Freddie Mac loans from small financial institutions in rural areas bought during that time span that meet Duty to Serve income-qualifying definitions of very low-, low-, and moderate-income borrowers. The loan counts include purchase-money originations and refinances for owner-occupied properties only. We calculated the baseline as a five-year historical average to normalize the record number of refinance loans we bought in 2020 as a result of the historically low interest-rate environment. That year, refinance volume accounted for 53 percent of Duty to Serve-qualifying loans purchased, versus 40 percent in prior years. Overall qualifying volume from rural small financial institutions increased 163 percent from 2019 to 2020.

Freddie Mac Loan Purchase Volume – Small Financial Institutions[iii]					
Year	**2016**	**2017**	**2018**	**2019**	**2020**
Income-Qualifying Loan Count (A ~~three~~five-year average of this loan count was used to establish the baseline)	4,872	4,269	3,880	4,611	12,147
Baseline	~~4,253~~5,956				

2018-2020 Targets

Freddie Mac's purchase share of mortgages in rural areas from small financial institutions has been decreasing since 2016. The loan purchase volume in 2016 was largely due to high refinance volume. We will aim to gradually increase the volume of mortgages used for home purchases to increase the overall volume of loans in rural regions over the Plan cycle. We intend to use a variety of tactics with small financial institutions, including leveraging various execution options for loan purchase including purchasing loans via our bulk execution path where feasible, conducting outreach, offering technical training and providing toolkits that enable these lenders to lend confidently to very low-, low-, and moderate-income homebuyers.

Freddie Mac will commit to achieving the following loan purchases in rural regions for very low-, low-, and moderate-income borrowers in the following years:

Purchase Targets – Small Financial Institutions		
Year 1 – 2018	**Year 2 – 2019**	**Year 3 – 2020**

4,550 – 4,700 loans	3,700 – 3,900 loans	3,600 – 3,900 loans

2021 Target

Our single-family purchase targets for the plan year 2021 are set forth in the following table. We intend to use tactics to increase loan purchases relative to our historical volume from small financial institutions, which may include~~ing~~ leveraging various execution options where feasible, actively engaging with lenders, participating in industry events, and increasing awareness and understanding through web content, news updates, e-mail to customers, and social media posts, ~~conducting outreach,~~ and offering technical training to raise lenders' confidence in lending to very low-, low-, and moderate-income homebuyers and homeowners. ~~Projected volume for 2021 does not take into account potential market reactions to the historically low interest-rate environment or the coronavirus pandemic.~~

In addition, interest rates have remained near historic lows, causing origination volume, particularly refinance volume, to soar. Freddie Mac forecasts that interest rates will stay relatively stable for the rest of 2021. However, we expect overall originations to decline, from $4.1 trillion in 2020 to $3.9 trillion in 2021.[iv] Projections do not take into account potential market reactions to the interest rate environment, the coronavirus pandemic, or other market disruption.

Purchase Targets – Small Financial Institutions
Year 4 – 2021
~~4,260 – 4,800~~8,600 – 9,300 loans

Market Opportunity and Impact

This objective will provide liquidity of more than $420 million per year to small financial institutions that serve high-needs rural regions in years 1 through 3. Freddie Mac believes that deliberately increasing our engagement with small financial institutions to provide liquidity will notably improve access to credit in rural markets because we have heard that these lenders are limited in resources, available products and outreach capacity.

Freddie Mac's increased market share will benefit these markets by improving the availability of affordable financing, including Freddie Mac's Home Possible and HomeOne~~ Possible Advantage~~ mortgages. We anticipate this objective will be very challenging due to the varied operational systems used by small financial institutions; different missions and levels of financing; distinct financial products offered; and the large number of geographic areas served. Furthermore, Freddie Mac anticipates that approximately 4~~%~~ percent of the eligible lender population will stop reporting financial data due to continuous mergers and acquisitions in this segment. 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.

As we ~~look ahead to~~refresh our view of Year 4~~ from our current vantage point in Year 3~~, Freddie Mac estimates~~d~~ that we could provide ~~about~~ $~~420 million~~1.8 billion in liquidity in the marketplace in 2021. We will continue to actively engage with small financial institutions to increase liquidity and access to credit in rural markets and expand lenders' ability to support affordable homeownership opportunities.

[i] Data includes loan purchases for both conventional and government loan types for very low-, low-, and moderate-income borrowers.

[ii] Data is Freddie Mac owner occupied purchase volume of small financial institutions (banks and credit unions only) with asset sizes of less than $304 million.

[iii] Data is Freddie Mac owner occupied purchase volume of small financial institutions (banks and credit unions only) with asset sizes of less than $304 million.

[iv] http://www.freddiemac.com/research/forecast/20210715_quarterly_economic_forecast.page?

FREDDIE MAC

AFFORDABLE HOUSING PRESERVATION

2021

ACTIVITY:

8 – Support for Shared Equity Programs for Affordable Housing Preservation: Regulatory Activity

OBJECTIVE:

B – Inform Loan Product Design Through Loan Purchases and Increase Single-Family Purchases of Loans Secured by Properties Under Shared Equity Programs

PROPOSED MODIFICATION:

The proposed modifications would amend the Plan in:

☒ *The current Plan year*

☐ *Future Plan year(s)*

Increase purchase targets for single-family loans secured by properties under shared equity programs.

JUSTIFICATION FOR PROPOSED MODIFICATION

☒ *The proposed changes to the Objective will increase our commitment to the underserved market.*

☐ *The proposed changes to the Objective are in response to special circumstances, such as a significant change in interest rates or other market conditions or a regulatory decision by FHFA, that materially alter our ability to execute the Objective through the actions in our Plan.*

☐ *N/A – Proposed modifications only address future Plan year(s).*

Freddie Mac proposes to raise our 2021 single-family purchase targets to provide additional liquidity, reflecting our success with and support for shared equity homeownership programs. The shared equity market is small and difficult to size, making setting a purchase target particularly challenging. The policy enhancements that we have made to date are contributing to increased affordable lending. Our extensive outreach efforts—including actively engaging with lenders, delivering education, and communicating with industry participants through various channels—are helping to raise awareness and adoption of our offerings and loan sales to Freddie Mac. In addition, interest rates have stayed at or near historic lows for longer than originally forecast, generating greater-than-expected loan origination activity.

Freddie Mac entered the shared equity market in earnest during the first Duty to Serve Plan cycle. The shared equity homeownership model is particularly effective in increasing homeownership opportunities for first-time, minority, and low- and moderate-income homebuyers. Our baseline is limited to two years of shared equity loan purchases: 41 loans in 2019 and 52 in 2020. Given our year-to-date progress and expectations for the rest of this year, we propose to increase our 2021 target purchase range from 40-50 loans to 90-110 loans. We estimate that reaching the new goal will provide $19 million to the market, more than two and a half times our original estimate.

OBJECTIVE B: INFORM LOAN PRODUCT DESIGN THROUGH LOAN PURCHASES AND INCREASE SINGLE-FAMILY PURCHASES OF LOANS SECURED BY PROPERTIES UNDER SHARED EQUITY PROGRAMS

Evaluation Area	Year	Incomes Targeted	Extra Credit
Loan Product	**1**	**VLI and LI**	**Not applicable**
Loan Purchase	**4**	**VLI, LI, MI**	**Not applicable**

During the public comment period on Freddie Mac's proposed Plan, market participants encouraged Freddie Mac to set loan purchase targets under this activity. Freddie Mac takes market feedback seriously and, as such, we took another look at designing a loan purchase goal for the first three years of the Plan. However, we were challenged with a lack of available market sales data to design an appropriate loan purchase baseline and historically-based loan purchase projections that would accurately reflect the size of the market versus Freddie Mac's probable market share. Nevertheless, Freddie Mac acknowledges the importance and urgency of providing liquidity into the market through loan purchases. Therefore, to inform our product design efforts, we intend to look for opportunities to purchase loans originated under shared equity programs, through specific and targeted portfolio loan purchases, so we can perform data and loan analysis on these loans. We plan to analyze the loans we purchase to identify product characteristics that have worked well and to obtain loan level data that can be used for our product development activities under Objective A.

By doing so we will be providing liquidity to lenders and financing institutions that are already supporting the market and may be holding shared equity loans in portfolio. This will allow them to originate more loans with valuable information that Freddie Mac can use to analyze and design product flexibilities to be introduced in Year 2.

In extending our Plan to a fourth year, we will continue our commitment to increasing liquidity in the shared equity homeownership market. The process for a lender to adopt a new offering or product enhancement has many facets and can take a year or more; it can take longer for niche products that will generate low origination volume. The speed to market varies and can depend on resources, enhancements to the loan origination system, internal prioritization based on a business case, the development of internal credit and product policies, and training. Lenders are gradually beginning to adopt the product flexibilities that we introduced in years 1 and 2 as well as to show interest in participating in this market. Based on this progress and program stewards' requests, we will commit to purchasing loans secured by properties under shared equity homeownership programs in Year 4.

Baseline for 2018

Freddie Mac has not specifically targeted shared equity loan purchases under bulk portfolio transactions to date. While we have experience purchasing seasoned loans through bulk portfolio transactions, we have not bought shared equity loan portfolios. This is a new activity for Freddie Mac.

Baseline for 2021

Having introduced product flexibilities and conducted extensive outreach, Freddie Mac will purchase loans secured by properties under shared equity programs to expand affordable homeownership opportunities and boost the flow of liquidity into this market.

Given how recently we introduced the eligibility requirements, we do not have a three-year historical purchase cycle to establish a reliable baseline. We purchased 41 loans on homes in shared equity programs in 2019 and 52 in 2020 for a two-year average of 47 loans.~~Therefore, we based our 2021 loan purchase target on our 2019 volume, which was 41 loans~~.

Freddie Mac Single-Family Loan Purchase Volume – Shared Equity		
Year	**2019**	**2020**
Income-Qualifying Loan Count	41	52
Baseline	47	

2021 Target

Our Single-Family purchase target~~s~~ for Plan Year 2021 ~~are~~ is set forth in the following table. We will continue to deploy various tactics to increase lender adoption of the product flexibilities previously introduced under Duty to Serve to help create more homeownership opportunities for very low-, low-, and moderate-income households. ~~Given how recently we rolled out~~The newness of the flexibilities, lenders' current priorities, and the shared equity homeownership market's small size~~, we expect to purchase around the same number of loans as in 2020~~ affect the number of loans potentially available for purchase. However, the policy enhancements that we have made to date are contributing to increased affordable lending and our extensive outreach efforts are helping to raise awareness and adoption of our offerings and loan sales to Freddie Mac. This work may include actively engaging with lenders, delivering webinars, participating in industry events, and increasing awareness and understanding through web content, e-mail to customers, and social media posts. In addition, interest rates have stayed at or near historic lows for longer than originally forecast, generating greater-than-expected loan origination activity. Therefore, we set our 2021 target range at more than two and a half times our baseline.

Projected volume for 2021 does not take into account potential market reactions to the ~~historically low~~ interest-rate environment, ~~or~~ the coronavirus pandemic, or other market disruption.

Single-Family Loan Purchase Targets – Loans Secured by Properties under Shared Equity Programs
Year 4 – 2021
~~40 – 50~~90 – 110 loans

Challenges, Actions and Market Impacts

Market Challenge	Freddie Mac Action
Lack of market data and information ▪ Given the lack of uniform data collection mechanisms and information to systematically assess the overall size of the market, it is challenging to estimate yearly loan production numbers without speculation. ▪ Information about which financial institutions are holding or have originated loans under shared equity programs is not readily available. **Limited production** ▪ Given this market's relatively small scale, Freddie Mac anticipates loan pools held in portfolio to be relatively small. Therefore, these loan pools will present pricing challenges for Freddie Mac. ▪ Low production increases overall transactional costs for lenders. As such, many do not participate in the market. **Limited secondary market activity** ▪ Investor demand to purchase shared equity loans is inadequate so many lenders end up keeping these loans in portfolio which often limits their participation unless they get balance sheet relief. ▪ Loans held in portfolio are likely to amount to small pools and therefore are not attractive to investors who generally look for more sizable pools to offset transactional costs. **No standardized products** ▪ Products in support of this market vary across geographic locations and/or from lender to lender. ▪ Existing loans originated under eligible programs are most likely underwritten outside	**Year 1 – 2018** While we test product features and underwriting flexibilities in Year 1 under Objective A, Freddie Mac will take the following actions: 1) Leverage loan purchases to inform product design: a) Survey the market in partnership with program stewards, inclusionary housing programs, Freddie Mac lenders, housing finance agencies, community development financial institutions and/or other financing organization to identify seasoned loan pools that Freddie Mac could purchase on a negotiated basis. b) Perform analysis on loans we purchase at the transaction and loan level to be used in the product development activities described under Objective A. Findings will be submitted to FHFA. 2) Bid on loan pools identified through our market survey. If unsuccessful, Freddie Mac will provide a report to FHFA which will include lessons learned from this targeted activity. **Year 4 - 2021** Freddie Mac will purchase loans secured by properties under shared equity programs, leveraging the product flexibilities introduced in Plan years 1 and 2. 1) Purchase 90-110 ~~40-50~~ loans to increase liquidity in the shared equity market.

of GSE guidelines. ▪ Supporting non-standardized programs requires more lender resources which coupled with low production volumes make the cost benefit of lender participation a non-viable economic business opportunity.	

Market Impact

Although it will be challenging to source loans under this objective without a fully developed product, if successful, Freddie Mac expects to provide gradual liquidity to lenders that are already active in this market. We anticipate our seasoned loans purchase activity will spur partial market growth while providing Freddie Mac with access to data on loans and programs to help us further develop policy guardrails and product features. Additionally, through our ongoing outreach efforts to source bulk portfolio loans, we intend to work with lenders and program stewards to facilitate adoption of the new and revised underwriting flexibilities we intend to issue under Objective A.

We expect purchases of portfolio loans may spurt small but incremental loan origination activity as those counterparties we purchase seasoned loans from may have balance sheet relief. Additionally, as we discuss potential portfolio loan sales, we plan to obtain information that we plan to use in the design of our product offerings during the Plan Cycle. With the data and information we collect through our market outreach to carry out this objective, Freddie Mac intends to perform analysis to define loan purchase metrics in subsequent Plan periods or, if appropriate, in revisions of this Plan during the first three-year Plan period.

Given the lack of market information, sourcing loans and loan pools under this objective will require significant effort on Freddie Mac's part. We are relatively new to this market and have not systematically engaged in loan purchases of this loan type in the past. Therefore, we will need to build relationships with program stewards and lenders who can provide volume. Many of the organizations who are likely to be active in this market may not have an existing business relationship with Freddie Mac or may not have the expertise and resources to effectuate loan pool sales. Therefore, the extent of our efforts may also include dedicated resources to work with lenders on these transactions and to provide transactional assistance. During the entire Plan Cycle, our efforts to roll out a comprehensive product offering, supported by automated underwriting, will require a significant amount of resources including Freddie Mac's Single Family teams responsible for affordable lending, Seller/Servicers relationships, non-profit relationships, credit decisions, modeling, pricing and product development. If this objective proves to be successful in Year 1, Freddie Mac is prepared to continue this activity in year two while we design product features and underwriting flexibilities under all other objectives. However, if this activity does not yield any bulk portfolio purchases or if it only yields a small number of loans that does not provide liquidity to the market nor information to Freddie Mac, Freddie Mac will not continue this objective beyond Year 1 and will focus our resources on all other objectives under this activity.

We are adding a purchase target in 2021 to increase liquidity in this market. During the first three years of Duty to Serve, we saw gradual adoption of our product flexibilities that promote shared equity homeownership, greater lender interest in the market, incremental loan purchases, and reasonable market growth. This progress laid the foundation on which we set our loan purchase target. We estimate that meeting our loan purchase target could provide more than $~~7~~19 million in liquidity in 2021 to financial institutions that support shared equity homeownership programs. Research[i] and our own experience also show that the shared equity model effectively helps increase homeownership opportunities for first-time, minority, and low- and moderate-income homebuyers.

We will pursue loan purchases by increasing our engagement with lenders already active in this market as well as expanding our efforts to lenders that currently do not participate. Meeting this objective would be difficult under any circumstances, but more so because of lenders' focus on responding to the coronavirus pandemic and high refinance volumes. We cannot predict the impact of the coronavirus pandemic on the housing market.

[i] https://groundedsolutions.org/shared-equity-housing-numbers

FREDDIE MAC

AFFORDABLE HOUSING PRESERVATION

2021

ACTIVITY:

9 - Support for Residential Economic Diversity: Additional Activity: Regulatory Activity

OBJECTIVE:

G - Conduct and Publish Research on ~~Zoning Practices that Further Residential Economic Diversity~~Rental Housing and the Opportunity to Rent in High Opportunity Areas Defined in LIHTC QAPs.

PROPOSED MODIFICATION:

The proposed modifications would amend the Plan in: (check all that apply)

☒ *The current Plan year*

☐ *Future Plan year(s)*

JUSTIFICATION FOR PROPOSED MODIFICATION:

☒ *The proposed changes to the Objective will increase our commitment to the underserved market.*

☐ *The proposed changes to the Objective are in response to special circumstances, such as a significant change in interest rates or other market conditions or a regulatory decision by FHFA, that materially alter our ability to execute the Objective through the actions in our Plan.*

☐ *N/A – Proposed modifications only address future Plan year(s).*

As we conducted our research in 2021, we realized that in addition to looking at zoning policies, we also must look at the possibility and likelihood for renters to access affordable housing in high opportunity areas. States have prioritized high opportunity areas in their LIHTC QAPs, but it does not necessarily follow that building in these areas is easy—or that these areas already have zoning or even a precedent in housing stock that would indicate new multifamily rental can be built. In order to understand opportunities to further RED today and in the near future, we are revising this research effort to look not just at zoning data, which is difficult, if not impossible, to obtain in the aggregate, but also at the current and forthcoming rental housing stock in high opportunity areas defined in LIHTC QAPs. This approach will enable us to extrapolate some broad findings on rental housing availability in these areas, while allowing us to look closely at certain markets where zoning information may be more readily available.

~~Income segregation in the United States has increased substantially over the last 50 years and there has been various research published on why the gap continues to widen120. Zoning practices have been recognized as a significant factor in furthering—and persisting—income and racial segregation throughout the United States. Restrictive zoning practices make it difficult for those with lower incomes to live in communities that further economic opportunity. Restrictive zoning can also limit the housing supply and potentially raise housing costs for both renters and homeowners across the country. In recent years, certain zoning and housing policies have emerged that can address income segregation and further residential economic diversity. We intend to study a selection of these policies and publish a report on our findings.~~

OBJECTIVE G: CONDUCT AND PUBLISH RESEARCH ON RENTAL HOUSING AND THE OPPORTUNITY TO RENT IN HIGH OPPORTUNITY AREAS DEFINED IN LIHTC QAPs ~~ZONING PRACTICES THAT FURTHER RESIDENTIAL ECONOMIC DIVERSITY~~

Evaluation Area	Year	Incomes Targeted	Extra Credit
Outreach	**4**	**VLI, LI, MI**	**Yes**

Income segregation in the United States has increased substantially over the last 50 years and there has been various research published on why the gap continues to widen. Zoning practices have been recognized as a significant factor in furthering—and persisting—income and racial segregation throughout the United States. Restrictive zoning practices make it difficult for those with lower incomes to live in communities that further economic opportunity. Restrictive zoning can also limit the housing supply and potentially raise housing costs for both renters and homeowners across the country. While states use~~d~~ LIHTC QAPs to incentivize the development of affordable housing in high opportunity areas, local conditions, such as zoning and land use, can affect whether or not this goal can be met. In this objective, we examine opportunities to find rental housing in high opportunity areas defined in LIHTC QAPs, what general trends there may be around the placement of new rental housing in these areas, and, in certain markets, how zoning relates to these opportunities.

Baseline Year 2019

We have published research on various aspects of Residential Economic Diversity, focusing past research efforts on Areas of Concentrated Poverty, Residential Economic Diversity in QAPs and ways to further other aspects of the market like job opportunities or quality education through affordable multifamily housing.

Market Challenges

Studying ~~There are market challenges associated with public perception and preference as there are public misconceptions regarding economic diversity, housing and zoning restrictions that exist and may play a role in creating preconceived notions~~ land use and zoning in high opportunity areas is challenged~~,~~ by~~. There is also a resource challenge associated with~~ the limited ~~research on zoning and obtaining~~availability of zoning data at very local levels. ~~data that is not widely available.~~ There is no publicly available, comprehensive source with data on zoning practices or changes throughout metropolitan areas in the United States, and in many cases zoning data that is available may not factor in highly local rules or regulations. It also may be challenging to see clear effects of varying zoning practices, as zoning policies change at different points in time and across different MSAs. The approach we are taking in this research of leveraging data on the current and forthcoming housing stock can help mitigate these challenges and further understanding ~~into~~ of~~what~~ different zoning and land use policies ~~may be in place in different markets~~ and what rental housing may be allowed or feasible to build.~~, long-term effects of zoning practices that have been implemented recently as there has been little time to observe the impact zoning has had on these areas.~~

Action Items

Year 4 – 2021

~~Explore and identify zoning practices that have enabled more economically diverse communities to expand and increase affordability in the multifamily housing market in metropolitan areas.~~

~~1) Research zoning practices that have furthered Residential Economic Diversity in metropolitan areas~~

~~a.) Identify similar characteristics and factors of these metropolitan areas, such as population size, growth rates and density.~~

1) ~~1)~~ Explore the prevalence and character of rental housing in high opportunity areas defined by LIHTC QAPs to understand both the existing rental housing stock~~-~~ and the incoming rental stock.

2) Identify trends and/or characteristics related to the absence or prevalence of rental housing in high opportunity areas

3~~4)~~ Analyze the relationship between current zoning and the current and incoming rental housing stock in select high-opportunity areas.

3~~2) Identify opportunities, best practices or replicable models~~ or trends ~~we can explore in greater depth that allow fo~~show greater~~r development in areas of Residential Economic Diversity~~

4~~3~~) Publish a report ~~on zoning practices in~~analyzing ~~how different metropolitan areas that have had an impact on economically diversifying metropolitan communities~~the opportunities to find and develop rental housing in high opportunity areas and the relationship between zoning ~~to~~ and those opportunities. ~~around the country~~

~~5 4) Engage with at least two leading researchers on zoning and housing policy to review or discuss our research.~~

5~~5~~) Report will be published on our website, promoted with a press release, and shared on social media so that research organizations, advocacy organizations, and lenders have access to the work.

Market Impacts

The ability to move to high opportunity areas—and further residential economic diversity—is dependent upon the prevalence of affordable rental housing options in those areas and the local market conditions. Access to this housing is uneven within and across markets, and there is not likely a single answer to increasing rental housing in all markets. This research will ~~Our research in Year 4 on how zoning can help promote Residential Economic Diversity will help policymakers recognize the impacts of benefits of particular modifying zoning practices in relation to increasing affordable housing. in metropolitan areas, decreasing the income segregation gap, and furthering opportunities for those with lower incomes. Policymakers will then have the opportunity to adopt certain zoning practices or trends at a federal, state and local level in support of furthering Residential Economic Diversity. Identifying these zoning practices that further Residential Economic Diversity and publishing a reporttrends may~~ provide localities, rental housing stakeholders, developers, and capital providers a better understanding of how they might direct their efforts over time to achieve both near and long-term improvements in residential economic diversity, maximizing the opportunities available with current and forthcoming housing stock and planning for future increases in affordable housing that can be achieved in local markets. This research will help us and other relevant stakeholders assess how to further the preservation or creation of – and access to – rental housing in high opportunity areas.

~~allow for localities and municipalities across the country to adopt certain practices that can promote social and economic mobility as well~~.

FREDDIE MAC

AFFORDABLE HOUSING PRESERVATION

2021

ACTIVITY:

11 – Sustainability and Resiliency: Additional Activity

OBJECTIVE:

A – Conduct and Publish a Report on Resiliency Efforts Within Multifamily Housing

PROPOSED MODIFICATION:

The proposed modifications would amend the Plan in: (check all that apply)

☒ *The current Plan year*

☐ *Future Plan year(s)*

JUSTIFICATION FOR PROPOSED MODIFICATION:

☒ *The proposed changes to the Objective will increase our commitment to the underserved market.*

☐ *The proposed changes to the Objective are in response to special circumstances, such as a significant change in interest rates or other market conditions or a regulatory decision by FHFA, that materially alter our ability to execute the Objective through the actions in our Plan.*

☐ *N/A – Proposed modifications only address future Plan year(s).*

As a result of our initial outreach and research, we are sharpening the focus for our report on resiliency in affordable multifamily housing under Activity 11 Objective A in our 2021 Duty to Serve Plan. As initially described in our plan, we will examine the disparate impacts vulnerable communities such as low-to-moderate income renters and minorities are facing as a result of natural disasters. However, before analyzing specific property-level resilient improvements in detail—which we will cover in future work—, we are taking a deeper look at public policy and private market solutions to addressing resiliency. By identifying which public policy and private market solutions are most effective in regard to financing and incentivizing increased resiliency, this work will better set us up for future research on property-level resiliency improvements. Public policy and private market solutions do not appear to be working in conjunction with one and other. It is important to identify and understand how these solutions can be better aligned before implementing property-based solutions to better optimize results at the property level. This will allow stakeholders to recognize the potential for scalable solutions at the policy level while also providing a framework for us to later consider specific property-level improvements that could be implemented in line with broader public-private efforts. Once we identify the necessary alignment of public policy and private market solutions, we will be able to have a clearer understanding of where we can make true impact at the property level.

OBJECTIVE A: CONDUCT AND PUBLISH A REPORT ON RESILIENCY EFFORTS WITHIN MULTIFAMILY HOUSING

Evaluation Area	Year	Incomes Targeted	Extra Credit
Outreach	**4**	**VLI, LI, MI**	**Yes**

With our national presence and experience supporting a wide range of property types, Freddie Mac has the opportunity to present a broad view on resiliency efforts in the affordable multifamily housing space. We see a need to bridge the gap between the study of these opportunities and the implementation at scale in multifamily housing. Conversations with other industry leaders have led us to believe that significantly more research is needed on resiliency in the multifamily housing space. Through our thought leadership and mission-based focus on promoting safe and energy efficient affordable housing, Freddie Mac is committed to providing the market with a comprehensive view on resiliency efforts within multifamily housing.

This objective will focus on how the alignment of public policy and private market solutions can~~cost effective ways to~~ create opportunities to improve resiliency at the property level and reduce the environmental impact for tenants. Energy and water efficiency improvements—in addition to benefiting the environment—have strong tenant benefits in terms of increased affordability, particularly for low- and moderate-income renters. In this report, ~~We~~we will examine how public policy and private market solutions can incentivize improvements such as these and other resiliency improvements. We will also examine the disparate effects minorities and low- and moderate-income renters face in regards to resiliency challenges and natural disasters and what factors contribute to this. Through our Green Advantage program we have had a significant market impact on efficiency. As such, it is appropriate to turn our attention to opportunities to further benefit tenants—not just through savings, but through identifying opportunities to mitigate environmental impacts on low- and moderate-income renters who are often most affected.

Baseline for 2021

Our Green Advantage program and Multifamily green bond framework outlines eligible projects for energy and water efficiency that provide important and necessary steps towards emissions reductions and climate resilience in the U.S. multifamily rental housing market. However, Freddie Mac has never published research on resiliency efforts in relation to multifamily housing.

Market Challenges

There are several challenges associated with increasing resiliency efforts in multifamily housing. While there have been significant advances in improving resiliency in new construction, it is much more difficult to do in existing multifamily rental stock. There are also concerns that the cost of improving resiliency in existing multifamily housing will threaten a building's affordability and that the expenses will be passed on to tenants. Additionally, there are challenges associated with transparency and distribution of data from

HUD and other federal and state inter-agency partners regarding unmet needs, natural hazard risk, and social vulnerability[i].

Action Items

Year 4 - 2021

1. Conduct research and publish a report that examines what resiliency means in the context of multifamily housing and how public policy and private market ~~to implement cost-effective~~ solutions can~~to~~ minimize current and future environmental risk. Freddie Mac will provide a detailed explanation of why resiliency is critically important to the rehabilitation and preservation of older and existing multifamily properties and why increasing resiliency efforts is crucial to improving the lives and cost-savings to tenants. The paper will contain information on the following:
    a. Existing resiliency efforts and strategies available to multifamily housing, specifically focusing on resiliency efforts benefitting low- to moderate- income renters
        i. Disparities that minorities and low- to moderate-income renters experience as a result of natural disasters and aging housing stock
    ~~b. Case study(ies) of cities and specific properties that highlight effective resiliency efforts to existing affordable multifamily housing stock. These case studies will examine properties in different regions throughout the country and will focus on different resiliency-related challenges based on region, climate events and existing housing stock~~
    ~~c.~~b. Examples of effective public policy solutions ~~Building and infrastructure resilient materials~~ and ~~effective~~private market investment strategies aimed at increasing resiliency in the affordable multifamily housing market. This report will analyze how the combination of public policy and private market solutions can most effectively increase resiliency in affordable multifamily housing, and provide a baseline foundation for future research on property-level resilient improvements.
    ~~d.~~c. State and local energy policies and codes that further resiliency efforts specifically for low- to moderate-income renters
    ~~e.~~d. Considerations on strategies, methods and concepts on potentially scalable solutions for how to improve resiliency in multifamily properties that will benefit low- and moderate-income renters
2. This report will be published on our website, distributed to research organizations, advocacy organizations, and the Seller/Servicer network, and will be promoted with a press release.

Impact

Freddie Mac will be able to increase awareness on ways to improve resiliency in affordable multifamily housing and the benefits to tenants associated with increasing resiliency efforts. Although there has been some published research with a focus on improving resiliency in multifamily housing, as the leader in affordable housing, Freddie Mac has the opportunity to specifically focus on ways to increase resiliency efforts in the affordable multifamily space. There is a need in the market for a comprehensive report on ways to improve and increase resiliency efforts specifically for low-income and moderately low-income renters. By examining~~exhausting~~ the disparate impacts natural disasters have on low-income communities and the most effective public policy and private market solutions to addressing ~~ways to increase~~ resiliency in affordable housing, ~~positively impacting tenants and minimizing environmental risk, this report will allow~~ Freddie Mac will be able to present a broad viewpoint and impact future resiliency efforts in the affordable multifamily housing market. These identified solutions will bring greater attention to the market on resiliency in affordable multifamily housing and will identify the potential for scalable solutions going forward. Additionally, by identifying comprehensive market-based solutions to increasing resiliency, this work will allow for more refined future research on property-level resiliency improvements . ~~We will also be able to provide the market with information on cost-effective measures that can be~~

~~applied to different asset types. These measures can be included in our offerings to reduce environmental impact on underserved communities and reduce cost to the tenants.~~

As a result of our efforts, Freddie Mac will be able to better understand how we can help finance resilient design and resiliency improvements in the future and what the potential impact will be on borrowers, tenants and the environment.

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[i] https://www.enterprisecommunity.org/blog/policy-convening-identifies-ways-improve-disaster-recovery