Freddie Mac Duty to Serve Underserved Markets Plan

For 2025 – 2027

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Disclaimer: Implementation of the activities and objectives in Freddie Mac's Duty to Serve Underserved Markets Plan may be subject to change based on factors including FHFA review for compliance with the Charter Act, specific FHFA approval requirements and safety and soundness standards, FHFA guidance and directives, regulatory requirements, Preferred Stock Purchase Agreement obligations, and adverse market or economic conditions, as applicable

Underserved Markets Plan 3-Year Activities and Objectives (By Evaluation Area and Year)

Manufactured Housing

Activities and Objectives	Evaluation Area				Plan Year		
	Loan Purchase	Loan Product	Outreach	Investment	Year 1 (2025)	Year 2 (2026)	Year 3 (2027)
Activity 1 – Support for Manufactured Housing Titled as Real Property: Regulatory Activity							
Objective A: Purchase Single-Family Loans Secured by Manufactured Housing Titled as Real Property	✓				✓	✓	✓
Objective B: Design Product Flexibilities to Facilitate the Origination of Mortgages Secured by Manufactured Housing Titled as Real Property		✓			✓	✓	✓
Activity 2 – Manufactured Housing Communities Owned by a Governmental Instrumentality, Non-Profit Organization, or Residents: Regulatory Activity							
Objective A: Conduct Outreach to Support Resident-Owned, Non-Profit-Owned and Government Instrumentality-Owned MHC Loans			✓		✓	✓	✓
Activity 3 – Manufactured Housing Communities with Certain Pad Lease Protections: Regulatory Activity							
Objective A: Purchase Loans that Institute Duty to Serve Tenant Pad Lease Protections	✓				✓	✓	✓
Objective B: Preserve Manufactured Housing Community Affordability through Loan Terms		✓			✓		

Rural Housing

Activities and Objectives	Evaluation Area				Plan Year		
	Loan Purchase	Loan Product	Outreach	Investment	Year 1 (2025)	Year 2 (2026)	Year 3 (2027)
Activity 1 – Support for All Rural Areas: Additional Activity							
Objective A: Conduct Outreach to Deepen Insights into the Rural Single-Family Housing Landscape			✓		✓	✓	
Objective A: Conduct Outreach to Deepen Insights into the Rural Single-Family Housing Landscape	✓						✓
Objective B: Facilitate Thought Leadership Related to Housing and Mortgage Financing in Rural Communities			✓		✓	✓	✓
Objective C: Engage in LIHTC Equity Investment in All Rural Areas				✓	✓	✓	✓
Objective D: Establish and Implement a Rural Developer Capacity Building Program			✓		✓	✓	✓
Objective E: Enhance Outreach to Financial Institutions and Borrowers that Serve Rural Areas through a Multifamily Emerging Correspondent Program and Emerging Borrower Initiative			✓		✓	✓	✓
Objective F: Enhance Rural Multifamily Liquidity by Guaranteeing Loans from Rural Lenders		✓			✓	✓	✓
Activity 2 – Support for High-Needs Rural Regions: Regulatory Activity							
Objective A: Purchase Single-Family Loans in High-Needs Rural Regions	✓				✓	✓	✓
Objective B: Facilitate Rural Developer Capacity Building to Increase Supply of Single-Family Homes			✓		✓	✓	✓
Objective C: Increase Resources for Resolving Heirs' Property Rights			✓		✓	✓	✓
Objective D: Engage in LIHTC Equity Investment				✓	✓	✓	✓

Activity 3 – Support for High-Needs Populations: Regulatory Activity							
Objective A: Purchase Single-Family Loans to Members of Federally Recognized Native Tribes in Tribal Areas	✓				✓	✓	✓
Objective B: Develop Product Flexibilities to Facilitate Loan Originations for Members of Federally Recognized Native Tribes in Tribal Areas		✓				✓	✓
Objective C: Engage in LIHTC Equity Investment				✓	✓	✓	✓
Activity 4 – Financing by Small Financial Institutions of Rural Housing: Regulatory Activity							
Objective A: Purchase Loans from Small Financial Institutions Serving Rural Areas	✓				✓	✓	✓
Activity 5 – Support for Certified Community Development Financial Institutions Serving the Rural Housing Market: Additional Activity							
Objective A: Design Product Flexibilities to Facilitate Origination of Conventional Mortgages from Community Development Financial Institutions		✓			✓	✓	✓
Activity 6 – Small Multifamily Rental Properties in Rural Areas: Regulatory Activity							
Supported through our LIHTC Equity Investments (Activity 1, Objective C; Activity 2, Objective D; and Activity 3, Objective C), our Rural Developer Capacity-Building (Activity 1, Objective F), and our multi-lender securitization product and outreach efforts (Activity 1, Objective D)				✓	✓	✓	✓

Affordable Housing Preservation

Activities and Objectives	Evaluation Area				Plan Year		
	Loan Purchase	Loan Product	Outreach	Investment	Year 1 (2025)	Year 2 (2026)	Year 3 (2027)
Activity 1 – Financing of Energy- and/or Water-Efficiency Improvements on Single-Family Properties: Regulatory Activity							
Objective A: Purchase Single-Family Loans Energy-Efficiency First-Lien Properties	✓				✓	✓	✓
Objective B: Develop Tools to Inform the Financing of Energy- and/or Water-Efficiency Improvements on Single-Family Homes		✓			✓	✓	
Activity 2 – Support for Shared Equity Programs for Affordable Housing Preservation: Regulatory Activity							
Objective A: Purchase Single-Family Shared Equity Loans	✓				✓	✓	✓
Objective B: Provide Technical Assistance to Establish Community Land Trusts and Facilitate Origination of Shared Equity Mortgages			✓		✓	✓	✓
Activity 3 – Low-Income Housing Tax Credits (Debt): Statutory Activity							
Objective A: Provide Liquidity and Stability through LIHTC Loan Purchases	✓				✓	✓	✓
Objective B: Examine the Impact and Use of the Qualified Contracts Provisions in LIHTC Transactions		✓			✓		
Activity 4 – Section 8: Statutory Activity							
Objective A: Provide Liquidity and Stability through Section 8 Loan Purchases	✓				✓	✓	✓
Activity 5 – Support Residential Economic Diversity: Additional Activity							
Objective A: Purchase Loans on Properties that Support Residential Economic Diversity	✓				✓	✓	✓
Activity 6 – Comparable State and Local Affordable Housing Programs: Statutory Activity							
Objective A: Purchase Loans with State and Local Programs	✓				✓	✓	✓
Activity 7 – Financing of Small Multifamily Rental Properties: Regulatory Activity							
Objective A: Enhance Multifamily Liquidity by Aggregating and Guaranteeing Loans from Multiple Lenders		✓			✓	✓	✓

Manufactured Housing

Manufactured Housing

Strategic Priorities 2025-2027

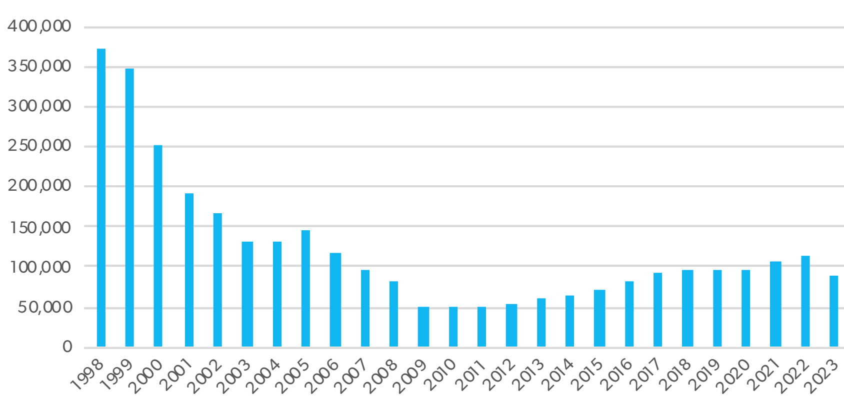
Overview

Manufactured housing is the largest source of unsubsidized affordable homes nationwide and provides vital housing, especially for households with very low, low, and moderate incomes and those outside of metropolitan areas. According to the American Community Survey (ACS), as of 2021, households living in manufactured homes had a median income of $40,000, compared with $70,000 for all other households.

At the end of 2020, the U.S. had a housing supply deficit of 3.8 million units. Between 2018 and 2020, the deficit grew by approximately 52%[1]. The number of entry-level homes – typically defined as 1,400 square feet or smaller – represent less than 10% of all newly constructed homes, compared to about 35% in the 1970s[2]. Manufactured homes built since 2000 average about 1,400 square feet in size.[3] Yet manufactured homes compose only around 6% of existing and 10% of new homes.

According to the U.S. Census Bureau, manufactured home shipments consistently exceeded 250,000 units before 2000 but then began declining significantly, bottoming at less than 50,000 units in 2009. Shipments have remained below 100,000 units since 2007, except in 2021 and 2022; they fell again to just over 89,000 units in 2023.[4]

Manufactured Housing Units
Annual Shipments 1998-2023



Source: U.S. Census Bureau

1 Freddie Mac Research Note, "Housing Supply: A Growing Deficit", May 7, 2021 - https://www.freddiemac.com/research/insight/20210507-housing-supply

2 Alleviating Supply Constraints in the Housing Market; Council of Economic Advisors; Jared Bernstein, Jeffery Zhang, Ryan Cummings, and Matthew Maury; September 1, 2021 - https://www.whitehouse.gov/cea/written-materials/2021/09/01/alleviating-supply-constraints-in-the-housing-market/

3 Joint Center for Housing Studies; "A Review of Barriers to Greater Use of Manufactured Housing for Entry-Level Homeownership"; Christopher Herbert, Alexander Hermann, Daniel McCue, Chadwick Reed; January 2024 - https://www.jchs.harvard.edu/research-areas/working-papers/review-barriers-greater-use-manufactured-housing-entry-level

4 U.S. Census Bureau, Manufactured Housing Survey data - https://www.census.gov/programs-surveys/mhs/data.html

Of the 6.7 million occupied manufactured homes nationwide, 74% – or around 5 million – are owner-occupied, according to the ACS. In total, 46% of households in manufactured homes own both the home and the land where it is sited; there is an even split between households owning the home but renting the land where it is sited and those renting both the home and the land. More than 44% of manufactured homes are located in rural areas around the country, and manufactured homes make up around 13% of all occupied homes in rural communities.[5]

A single-section home costs 35% as much to buy as a comparable site-built home, excluding the cost of the land. A double-section home costs 60% as much as a comparable site-built home; a CrossMod™ home, with features and aesthetics of a site-built home, costs 73% as much.[6] More than 70% of households who financed manufactured homes in 2021 had annual incomes of less than $75,000, compared with 36% of those who financed site-built homes.[7]

Freddie Mac is committed to supporting manufactured housing as an attractive and affordable housing solution. Under Freddie Mac's Duty to Serve program, we have increased the flow of liquidity to the market by increasing purchases of loans on manufactured homes and the number of lenders delivering those loans to us.

Contributing to that accomplishment are the numerous new and enhanced financing solutions that we have introduced, based on industry input gathered through our extensive outreach efforts, our experience and expertise, and our continual efforts to help ensure the usefulness and usability of our solutions. For example, we expanded the types of manufactured homes eligible for financing. CHOICEHome® may be used to finance CrossMod homes; we also allow financing for CrossMod homes in community land trusts, further supporting affordability. In addition, members of federally recognized American Indian and Alaska Native tribes may finance manufactured homes in tribal areas with our innovative HeritageOneSM product. Homebuyers and homeowners may finance single-section manufactured homes and manufactured homes used as accessory dwelling units (ADUs) with our mortgage products, including our low down payment products. In developing our renovation suite of products – CHOICERenovation®, CHOICEReno eXPress®, and GreenCHOICE Mortgage® – we included manufactured homes as an eligible property type. More generally, we have brought our manufactured housing loan requirements increasingly in line with our site-built home loan requirements to make originations easier for lenders and to expand access to credit for more creditworthy borrowers.

To help prepare more households to achieve affordable homeownership and navigate the manufactured home buying process, which typically differs significantly from the process of buying a site-built home,

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5 Housing Assistance Council; Taking Stock; Lance George, Christina Davila, Manda LaPorte, Natasha Moodie, Leslie Strauss, Keith Wiley; October 2023 - https://takingstockrural.org/

6 Joint Center for Housing Studies of Harvard University; "Comparison of the Costs of Manufactured and Site-Built Housing"; Christopher Herbert, Chadwick Reed, And James Shen; July 2023 - https://www.jchs.harvard.edu/sites/default/files/research/files/harvard_jchs_pew_report_1_updated_0.pdf

7 Urban Institute Housing Finance Policy Center, "The Role of Manufactured Housing in Increasing the Supply of Affordable Housing", Karan Kaul and Daniel Pang, July 2022 - https://www.urban.org/sites/default/files/2022-07/The%20Role%20of%20Manufactured%20Housing%20in%20Increasing%20the%20Supply%20of%20Affordable%20Housing.pdf

Freddie Mac collaborated with Next Step and eHome America to develop and deliver a homebuyer education curriculum. As part of that, we also helped focus the ecosystem on helping potential homebuyers become owners of manufactured homes, facilitating creation of a collaborative network of housing counselors, lenders, and manufactured housing retailers.

Through our research, we also provided thought leadership and groundbreaking insights into manufactured housing loan performance, buying behaviors of manufactured homebuyers, and the impacts of zoning on manufactured housing.

Furthermore, we worked in partnership with Next Step, a non-profit social enterprise, and EquityPlus, a mission-oriented developer, to create a scalable model for residential housing development and infill using energy-efficient manufactured homes. Our zoning research factored into selecting markets for the initial projects launched during the second Plan cycle. Kilpatrick Woods in Hagerstown, Maryland, will grow to more than 230 CHOICEHome-eligible CrossMod homes in an Opportunity Zone. The development in Harrisonburg, Virginia, will include about 300 CHOICEHome-eligible homes. CHOICEHome-eligible homes were also used for infill in Petersburg, Virginia.

Through the 2025-2027 Duty to Serve Plan, Freddie Mac will work to continue moving the single-family manufactured housing market forward in three significant ways. One: We will continue to purchase loans secured by manufactured homes titled as real property. Two: We will assess our manufactured housing financing offerings and enhance them to expand market support, as appropriate, based on industry feedback and with consideration for safety and soundness. And three: In collaboration with industry partners, we will integrate a curriculum into our Develop the Developer℠ program to educate real estate developers on using manufactured homes in new housing developments and as infill; this will increase the number of knowledgeable developers and lead to increased supply of affordable homes for sale, especially in rural areas.

About half of manufactured homes are located within the more than 43,000 manufactured housing communities (MHCs) nationwide. A small subset of MHCs, just over 1,000 of them,[8] are manufactured housing resident-owned communities (MHROCs), which are owned by residents, a non-profit organization, or government instrumentality. The availability of stable sources of debt capital for MHCs is important to any effort to serve the manufactured housing market.

MHCs face many challenges, which we further detail below and work to address through our objectives. These include gaps in tenant protections, market pressures on pad rents, natural disaster resiliency needs, and limited availability of equity capital and technical assistance for MHROCs. Since launching our multifamily offerings in 2014, Freddie Mac has become an important source of financing for MHCs. The liquidity we provide can often be essential to MHC efforts to recapitalize in a way that enables capital improvements to address issues such as aging infrastructure and natural disaster resiliency.

8 manufacturedhousing.org/wp-content/uploads/2023/10/2023-Industry-Overview.pdf

> …from 2019 to 2023 nearly 64,000 MHC residents have benefited from Duty to Serve tenant protections.

Beyond being a leading provider of debt capital to this market, we have been a pioneer in addressing gaps in state landlord-tenant laws that limited protections for MHC residents. Starting in late 2021, we began requiring tenant pad lease protections (tenant protections) for all future MHC transactions. This requirement was based on foundational research we published that demonstrated that no state had implemented a comprehensive set of tenant protections identified by the Duty to Serve rule.[9] These protections help address the unique challenges residents of MHCS may face. The cumulative result of our objectives from 2019 to 2023 is that nearly 64,000 MHC residents have benefited from Duty to Serve tenant protections.

Freddie Mac has also worked to provide financing for MHROCs. This effort has proved challenging. In 2019, we published research examining where these communities are located and other characteristics, including the availability of financing and challenges that impede the formation of MHROCs. Freddie Mac also published the industry's first MHROC term sheet, offering specific financing terms designed to meet the unique needs of these communities. Since the publication of that term sheet in 2018, we have engaged in thorough and consistent outreach to raise awareness of our offering and identify potential transaction opportunities. We are proud to have financed four separate transactions since publishing our term sheet, and we will continue promoting our offering to support MHROCs that seek debt capital to support either an acquisition or a refinance.

Leveraging our experience in the markets and stakeholder outreach, Freddie Mac has broadly examined the needs of MHCs. We address the challenges facing this underserved market in three important ways through our 2025-2027 efforts. First, we will work to maintain liquidity for MHCs that adopt tenant protections. Second, we will engage in a focused outreach effort to promote our existing MHROC offering, re-examine the market to determine what additional steps Freddie Mac can take to support these communities, and consider whether there is a need for training, support, or other resources that can aid MHROC formation or refinance efforts.

A third objective in the MHC space maintains Freddie Mac's pioneering efforts to support residents of MHCs by helping to address the growing concern related to rising pad rents. Like all multifamily housing, MHCs experienced unusually high rent growth in recent years due to post-pandemic housing market dislocations, high inflation, and a sustained housing supply shortage. Freddie Mac has introduced multifamily loan offerings that incentivize borrowers to preserve affordability as part of its past Duty to Serve and Equitable Housing Finance Plan efforts. An objective in our 2025-2027 plan will be to examine the potential for carrying this concept through to our MHC offerings. Taken together, these efforts help to continue driving the impact we are having on the market today while laying a foundation for future opportunities to address manufactured housing market challenges.

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9 https://mf.freddiemac.com/docs/tenant-protections-manufactured-housing-communities.pdf

Supporting Manufactured Housing – 2018-2023

Freddie Mac has consistently worked to meet the unique needs of manufactured housing homeowners and support the manufactured housing communities in which many of them reside through the deployment of consistent liquidity and efforts to encourage both tenant protections and resident-owned communities.

- Financed more than 46,000 manufactured homes titled as real property, providing more than $6.7 billion in market liquidity. Each year under Duty to Serve, about 75% of manufactured home loan purchases helped make homeownership possible and affordable for very low- and low-income households.
- Introduced 25 policy updates to enhance existing offerings and launch new offerings to help increase affordable lending and access to credit for manufactured homes titled as real property. As part of these efforts:
  - Aligned many eligibility requirements with those for site-built homes.
  - Enabled financing for single-section homes, CrossMod homes certified as CHOICEHome®, CHOICEHomes in community land trusts, accessory dwelling units, and manufactured homes purchased/owned by members of federally recognized Native tribes in tribal areas.
  - Made Freddie Mac's suite of single-family renovation offerings available for use with manufactured homes.
- Collaborated on the innovative use of manufactured homes in new housing developments and as infill in existing neighborhoods.
- Supported the development and delivery of a homebuyer education curriculum and supportive network focused on increasing sustainable manufactured homeownership.
- Supported the development of a curriculum for appraisers on appraising manufactured homes titled as real property.
- Completed due diligence and a feasibility assessment on the potential to develop a framework for purchasing loans on manufactured homes titled as personal property.

- Published groundbreaking research on these and other topics:
  - The COVID-19 pandemic's effect on loan performance with a focus on manufactured housing and high-needs rural regions
  - Opportunities to expand manufactured housing, with a companion white paper on how manufactured homes could help close the housing supply gap, and other educational resources
  - Manufactured home loan shopping experiences
  - Insights into manufactured housing loan performance
  - State-by-state analysis of MHC tenant pad lease protections
  - A comprehensive analysis of the needs and challenges faced by MHROCs
- Pioneered the requirement for tenant protections for all future transactions:
  - 439 MHCs financed with tenant protections since launching an offering in 2019
  - 63,982 MHC pads financed with tenant protections
- Introduced a leading MHROC offering providing residents with refinance and acquisition debt financing and financed four communities since launching our offering.

Manufactured Housing Market Challenges and Needs

Through our efforts to support manufactured housing, including our outreach to market stakeholders, we have identified several challenges that are broadly shared across the market.

Dynamic and elevated interest rate environment: Elevated interest rates have reduced lending for single-family and multifamily properties. The interest rate environment exacerbates a single-family housing market already challenged with high home prices and a severe shortage of affordable homes. The higher mortgage interest rates have pushed homeownership beyond reach for many potential homebuyers. Also, 90% of all single-family mortgage holders have interest rates of 6% or less,[10] and may be experiencing a lock-in effect.[11] That is, they are neither motivated to refinance their mortgages nor to sell their homes. According to the National Association of Realtors Quarterly Housing Affordability Index, home affordability is at its lowest in almost 40 years.[12] In multifamily, volatility in Treasury rates has uniquely impacted MHROC transactions, which have a longer-than-normal deal cycle. Significant movements in benchmark rates can quickly alter transaction economics.

Zoning and land-use restrictions: The states typically have authority over residential land use, and zoning in particular; however, they can delegate authority to local governments. State and local governments use zoning and other regulations to specify where and how many homes are sited as well as what they look like, and the infrastructure required to support them. Zoning regulations may be implemented for various reasons, but often have the effect of partially or completely constraining manufactured home placements. While site-built homes are built to individual state codes, manufactured homes are built to the national U.S. Department of Housing and Urban Development's (HUD's) Manufactured Home Construction and Safety Standards, known as the HUD Code. However, none of the states allow manufactured homes to be placed in a single-family residential neighborhood simply based on compliance with the HUD Code.

Perceptions of manufactured homes: Images of pre-HUD Code mobile homes, as well as beliefs that loans on manufactured homes perform poorly or that manufactured homes do not appreciate in value are outdated and incorrect but have proven stubbornly persistent. These and other negative misperceptions affect the acceptance and expansion of manufactured housing.

Limited supply of manufactured homes: According to the U.S. Census Bureau, annual manufactured home shipments have trended significantly downward since 2000.[13] Manufacturers have been affected by supply chain issues, rising cost of building materials, and a lack of skilled labor, which have increased production times and costs. In addition to the low volume of new units, a limited number of units are available for resale because of financing issues on older units and title constraints.

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10 2023 Freddie Mac Rural Research Symposium, "Market Watch: Economic Insights and Market Segments - Macroeconomic Overview", November 2023

11 FHFA Working Paper 24-03; "The Lock-In Effect of Rising Mortgage Rates"; Ross M. Batzer, Jonah R. Coste, William M. Doerner, Michael J. Seiler; March 2024; https://www.fhfa.gov/PolicyProgramsResearch/Research/PaperDocuments/wp2403.pdf

12 https://www.nar.realtor/research-and-statistics/housing-statistics/housing-affordability-index

13 https://www.census.gov/programs-surveys/mhs/data.html

Titling manufactured housing as real property: Manufactured homes are typically initially titled as personal property; a title-conversion process must be completed to title the homes as real property and make them eligible for mortgage financing. The additional effort may discourage borrowers from converting the titling. Also, the titling laws vary by state, which causes complications for lenders.

Aging infrastructure and natural disaster resilience of MHCs: Manufactured housing is often sited in areas that are prone to natural disaster related damage, including flood zones. In addition, infrastructure systems in some communities could face deferred maintenance. The availability of debt capital that can help recapitalize MHCs and MHROCs is often essential to the ability of MHCs to invest in capital improvements.

Gaps in tenant protections: Freddie Mac examined the landscape of tenant protections for MHCs in 2018 and determined that these properties often fall into a gap not addressed by state and local multifamily housing regulations or single-family housing regulations. As a result, no state at the time of our study had in place the full set of MHC Duty to Serve tenant protections. Although some states and localities have updated their approach to MHCs, gaps remain.

Market pressures on MHC pad rents: The Manufactured Housing Institute estimated that pad rents rose 6% in 2023, but anecdotal evidence suggests that many communities saw rents consistently rise by substantially more than that. Rising pad rents threaten this vital source of naturally occurring affordable housing and create significant financial pressures for MHC residents who may not be able to, or simply cannot afford to, relocate their manufactured home.

Limited equity capital for MHROCs: Our 2019 analysis found that a key challenge facing MHROCs is limited availability of equity capital, necessitating debt capital that can exceed the value of the community itself. The need for LTVs that can often exceed 100% limits the ability of government-sponsored enterprises to responsibly finance these properties in a safe and sound manner.

Limited technical capacity for MHROCs: Forming an MHROC requires significant technical expertise and advanced planning, which can be challenging for residents with a limited timeframe in which to organize and assemble financing.

Manufactured Housing Strategic Priorities at a Glance

Over the next three years, Freddie Mac will work to provide steady and sufficient liquidity as well as expand our support for the manufactured housing market in the following ways.

To support the market for single-family homeownership of manufactured homes:

- Purchase loans secured by manufactured homes titled as real property.
- Enhance our mortgage offerings to help make financing for manufactured homes titled as real property easier for lenders and more accessible to homebuyers and homeowners.
- Incorporate a manufactured housing curriculum into our Develop the Developer Academy to enable and encourage more real estate developers to use manufactured homes in housing developments and as infill, especially in rural areas.

To support the market for manufactured housing communities:

- Purchase loans secured by MHC properties that commit to implementing Duty to Serve tenant pad lease protections.
- Examine the potential for enhancing multifamily offerings to include an affordability preservation option for manufactured housing community loan products.
- Expand outreach to lay the foundation for the future purchase of loans for manufactured housing resident-owned communities (ROCs) and non-profit- and government instrumentality-owned communities through an innovative outreach objective.

Regulatory Activities Considered but Not Included

Freddie Mac considered but has not included a regulatory activity related to Support Manufactured Homes Titled as Personal Property in our 2025-2027 Duty to Serve Plan. We continue to work with our regulator on evaluating the safety, soundness, and viability of pursuing an initiative focused on manufactured housing titled as personal property.

Single-Family

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

OBJECTIVE A:
Purchase Single-Family Loans Secured by Manufactured Housing Titled as Real Property

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

Objective Background and Description

Freddie Mac recognizes the importance of manufactured housing as an affordable housing option and remains committed to supporting the market by purchasing loans on manufactured homes titled as real property. Building on the momentum achieved during the previous Duty to Serve Plan cycles, we will drive loan purchases through efforts including enhancing our offerings in a safe and sound manner, conducting outreach, and expanding lender participation in the manufactured home finance market.

Baseline

Freddie Mac will focus our loan purchase targets exclusively on purchase-money loans during the 2025-2027 Plan cycle. Unusually low mortgage interest rates from 2020 through 2022 sparked a refinance boom. The timing coincided with a spike in home purchase demand from Millennials entering prime homebuying ages and the COVID-19 pandemic prompting many individuals to want more or different space. As a result, single-family mortgage originations soared to levels not experienced since the housing boom in the early 2000s.

Interest rates rose rapidly starting in 2022, more than doubling from 3.8% in second quarter 2022 to 7.79% in fourth quarter 2023. They have receded slightly since then but remained near 7% at the end of first quarter 2024. During those years, inflation rose dramatically and manufactured housing supply and production remained tight, further pushing up home prices. Loan originations and Freddie Mac's loan purchases significantly contracted as a result – most notably, refinance loans.

Macroeconomic conditions have made the refinance business particularly volatile and difficult to predict over the last several years. We expect similar conditions during this Plan cycle. Therefore, we removed refinances from the annual loan volume used to calculate our baseline.

This shift does not diminish Freddie Mac's commitment to purchasing refinance loans on such homes to help make homeownership more affordable and sustainable for very low-, low-, and moderate-income owners of manufactured homes.

The following table reflects our baseline:

Year	2021	2022	2023
Income-Qualifying Loan Count	5,501 loans	6,123 loans	6,248 loans
Baseline (A 3-year average of purchase-money loan purchases was used to establish the baseline)	5,957 loans		

Targets

Our single-family purchase targets for real-property manufactured home loans that meet the Duty to Serve income-qualifying definition for very low-, low-, and moderate-income borrowers are set forth in the following table. Our targets only include purchase-money loans on owner-occupied properties.

2025	2026	2027
6,550 loans	6,750 loans	6,800 loans

Our economists expect positive but cooler economic growth over the next few years. Total new and existing home sales should improve in time, after bottoming at 4.8 million in 2023. One driver of the low sales is a rate lock-in effect incentivizing existing homeowners not to change homes; this will only gradually ease over time. Given poor affordability and a projected cooling of the job market, we expect home price growth to soften but remain positive. Our expectations of purchase-money originations are broadly consistent with the Mortgage Bankers Association's February 2024 forecast of almost $1.7 trillion in 2025 and almost $1.8 trillion in 2026. Higher sales volume and home prices support originations increasing modestly over the three-year horizon.

Projected volume does not consider potential market reactions to changes in the interest-rate environment or other market disruption. It also does not factor in the possibility of slower-than-expected adoption of our products or product enhancements. Lenders' business priorities and the complexities of their internal processes affect the rate of adopting new or updated mortgage offerings, even when lenders understand the value of offerings and are anxious to incorporate them into their businesses.

Anticipated Market Impact

We estimate that we will provide the market with more than $3.3 billion in liquidity over the Plan cycle through our purchases of purchase-money loans on manufactured homes titled as real property. Because these homes are more prevalent in rural areas, the rural market will benefit as well. Our loan purchases will extend access to credit for qualified borrowers and help create affordable, sustainable homeownership opportunities.

We expect that our continuing efforts to enhance our mortgage products, promote real estate development with manufactured homes, engage lenders already active in the manufactured housing market, and encourage more lenders to participate will lead to wider distribution of liquidity. Because of the market's relatively small size, any additional origination volume for loans secured by manufactured housing titled as real property will be significant in terms of market impact and encourage further lending in the market.

Anticipated Market Challenges

Although significant progress has been made in recent years, deep-rooted misperceptions about manufactured homes continue to inhibit market growth and efforts to increase liquidity. For example, the image of pre-HUD Code homes still lingers in many people's minds. Prospective homebuyers may not consider manufactured homes because they have false impressions that the homes are built to low standards, do not offer attractive designs, and do not appreciate in value. From a financing perspective, lenders – especially those that had negative experiences during the economic crisis – may continue to believe that manufactured home loans do not perform well and choose to stay out of the market.

Long-standing negative perceptions have led to zoning regulations in most states and localities that restrict placement of manufactured homes, thereby limiting their use as housing stock.

Even where zoning is favorable, market conditions limit opportunities for households to realize homeownership with manufactured homes. Relatively few existing homes are entering the market in part because of the lock-in effect; given current mortgage rates and home prices, a large percentage of homeowners are unable or unwilling to sell their homes and move elsewhere.[14]

Exacerbating the shortage of existing homes for sale is the decline in new manufactured home production. According to the U.S. Census Bureau, manufactured home shipments declined from 250,000 in 2000 to 96,000 in 2007, then bottomed in 2009 and 2010 to about 50,000 in the wake of the economic crisis. Shipments ticked up to about 113,000 by 2022 but dropped to 89,000 in 2023.[15] The lack of manufactured homes for sale has increased their cost; combined with higher interest rates, many aspiring homeowners have been sidelined.

Also, property insurance costs have been rising sharply over the past several years. The average price borrowers pay to insure their homes is up by almost 19% in the past year and more than 55% since 2019.[16] For manufactured homes, insurance is often more difficult to obtain and more expensive than it is for traditional site-built housing. Additionally, while mortgage insurance companies have increased support for manufactured housing, it is still difficult to insure single-section manufactured homes.

14 FHFA Working Paper 24-03; "The Lock-In Effect of Rising Mortgage Rates"; Ross M. Batzer, Jonah R. Coste, William M. Doerner, Michael J. Seiler; March 2024 - https://www.fhfa.gov/PolicyProgramsResearch/Research/PaperDocuments/wp2403.pdf

15 U.S. Census Bureau's Manufactured Housing Survey, https://www.census.gov/programs-surveys/mhs/data/latest-data.html

16 National Mortgage News, "Homeowners insurance rates rose nearly 19% in 2023", Bonnie Sinnock, March 14, 2024 - https://www.nationalmortgagenews.com/news/homeowners-insurance-rates-rose-nearly-19-in-2023

Single-Family

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

OBJECTIVE B:
Design Product Flexibilities to Facilitate the Origination of Mortgages Secured by Manufactured Housing Titled as Real Property

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

Objective Background and Description

Manufactured housing has the potential to play a much larger role in addressing the nation's housing needs than it does today. Manufactured homes cost about half the price per square foot of site-built homes on average, without the land.[17] Yet they compose only around 6% of existing U.S. housing stock, more than 12% in rural areas.[18] Because manufactured homes are constructed in factories, they can be built faster and more efficiently than site-built homes. They also are built to high standards of quality and energy efficiency and offer designs that appeal to a wide range of potential homebuyers. According to research by the Joint Center for Housing Studies of Harvard University, 3.2 million low- and moderate-income renters across the country who would be priced out of the site-built housing market could afford to buy manufactured homes.[19]

As developers seek ways to meet homebuyer demand, they are starting to turn to manufactured housing. Developing with manufactured homes is very different from developing with site-built homes, however, and access to technical assistance focused on best practices for developing using manufactured homes is limited.

As developers seek ways to meet homebuyer demand, they are starting to turn to manufactured housing.

17 Manufactured Housing Institute, 2023 Manufactured Housing Facts, June 2023 - https://www.jchs.harvard.edu/blog/five-barriers-greater-use-manufactured-housing-entry-level-homeownership

18 Housing Assistance Council tabulations of the U.S. Census Bureau's 2017-2021 American Community Survey Data

19 Joint Center for Housing Studies of Harvard University; "Five Barriers to Greater Use of Manufactured Housing for Entry-Level Homeownership"; Chris Herbert; January 23, 2024 - https://www.manufacturedhousing.org/wp-content/uploads/2023/10/2023- Industry-Overview.pdf

Lender participation in the market and mortgage lending on manufactured homes have increased over the last several years, but more progress needs to be made on these fronts. One significant barrier is lack of support for small-balance mortgages, which we define as loans for $150,000 or less. The fixed origination and servicing costs make small-balance lending less profitable than higher-balance lending. Already-thin profit margins may disappear if the Qualified Mortgage standard is exceeded, and the lender must reduce fees. As a result, small-balance mortgage lending is limited – one of the reasons that many manufactured homebuyers who own the land on which the home will be sited choose personal property loans. However, those loans typically have higher interest rates and lack the consumer protections available through mortgages.

Over the last Duty to Serve Plan cycles, Freddie Mac demonstrated our commitment to working collaboratively across the ecosystem to advance the manufactured housing market. Based on industry input, our experience and expertise, and our continual efforts to help ensure the usefulness and usability of our solutions, we introduced 25 policy updates, which included launching new offerings and enhancing existing ones to help increase affordable lending and access to credit. For example, we aligned many of our eligibility requirements with those for site-built homes to expand the pool of eligible borrowers and to make it easier for lenders to participate in the market. We also now allow financing for single-section homes and manufactured homes used as accessory dwelling units, helping to increase the supply of affordable homes. Several of the product enhancements stem from the groundbreaking research we have conducted to help fill the industry's need for data that can help drive business decisions.

In addition, we introduced CHOICEHome® mortgage to finance CrossMod™ homes, which have the aesthetics of site-built homes and have wider appeal to potential homebuyers. These homes increasingly are being used in new developments and as infill in existing neighborhoods, including projects that we support in Hagerstown, Maryland, and Petersburg, Virginia, respectively. CHOICEHome also may be used to finance CrossMod homes in community land trusts, which support long-term housing affordability, especially in high-cost areas. To help address aging housing stock, we made manufactured homes eligible property types when we developed our CHOICERenovation® and GreenCHOICE Mortgages®. Importantly, members of federally recognized Native American tribes may finance manufactured homes on tribal lands with our HeritageOne mortgage; the relative affordability of manufactured homes make them a common housing solution in tribal areas.

Freddie Mac promoted ownership of manufactured homes in other ways as well. We worked with the Appraisal Institute to develop and deliver a curriculum that prepares appraisers to evaluate manufactured homes efficiently and accurately. We also collaborated with Next Step® and eHome America to develop and deliver a curriculum that prepares individuals to responsibly buy and own manufactured homes.

During the 2025-2027 Duty to Serve Plan cycle, Freddie Mac will work collaboratively with industry participants including but not limited to lenders and developers. Freddie Mac will continue refining our products to expand the manufactured home market, with consideration for safety and soundness. As part of this effort, we will explore the feasibility of introducing product enhancements to encourage small-balance mortgage lending on manufactured homes, based on industry input and the results of research that Freddie Mac performed in 2023.

Developing and implementing product enhancements, taking into account consistent safety and soundness practices, takes substantial time and resources. The complexities of lenders' internal processes affect the adoption rate, even when lenders understand the value of offerings and want to incorporate them into their businesses. The rate of adoption depends on lender priorities as well as the need for resources, systems updates, new internal policies, and training.

In addition, we will increase developers' capacity to build developments and take on infill projects using manufactured homes, which will increase the supply of affordable single-family homes. We will add a manufactured housing focus to our Develop the Developer Academy curriculum, expand the program to select markets, and continue to provide technical assistance as needed while the developers complete their projects as part of the Academy.

Baseline

Manufactured homes are eligible for many of Freddie Mac's financing solutions.

Freddie Mac does not have a product offering that specifically supports small-balance mortgage financing, but we encourage lending through incentives that help offset lenders' origination costs. We updated our automated underwriting tool and expanded manual underwriting borrower eligibility to increase operational efficiency for lenders and reduce the cost to originate loans for borrowers with no credit scores.

Freddie Mac's Develop the Developer program promotes reinvestment and development in historically underserved communities. The Develop the Developer Academy is offered through established academies and is integrated within those local education organizations' programs. Developers who enroll in the Develop the Developer Academy complete an intensive 36-hour curriculum as well as continuing education. Academy graduates receive training in foundational development and financing instruction, technical assistance, and community connectivity. Graduates also gain access to funding sources for developers, including grants, loans, investors, and foundations that encourage economic progress. The Academy curriculum currently only covers creating developments with site-built homes.

Actions

Year 1 – 2025

1. Gather feedback from manufacturers, lenders, and other market participants on Freddie Mac's manufactured home loan offerings. Review and identify potential policy updates to our Single-Family Seller/Servicer Guide.
2. Collaborate with a non-profit organization to complete development of a manufactured housing curriculum for the Develop the Developer Academy. Incorporate the manufactured housing curriculum into the existing Develop the Developer Academy curriculum. The rollout process is outlined under Rural Housing, Activity 2: Support for High-Needs in Rural Regions, Objective B: Facilitate Rural Developer Capacity Building to Increase Supply of Single-Family Homes for the rollout process.

3. Explore the feasibility of introducing product enhancements to encourage small-balance mortgage lending on manufactured homes.
    a. Analyze the findings of Freddie Mac research conducted in 2023.
    b. Gather feedback from 10 industry participants, including community development financial institutions and at least one Federal Home Loan Bank.
    c. Determine potential new product features, if needed, and the feasibility of developing and implementing them.

Year 2 – 2026

1. Publish at least one update to our Single-Family Seller/Servicer Guide to support manufactured housing titled as real property, based on feedback gathered in Year 1. Promote the product enhancement(s) to raise awareness and encourage adoption. Channels may include, for example, industry conferences or learning events, webinars, tutorials, e-mail to target audiences, web content, articles, and features in Freddie Mac Single-Family Lender News.
2. Enhance our policies to support the purchase of small-balance loans on manufactured homes, if feasible. Promote the updated policies, if applicable, to raise awareness and encourage adoption. Channels may include, for example, industry conferences or learning events, webinars, tutorials, e-mail to target audiences, web content, articles, and Single-Family Lender News features.

Year 3 – 2027

1. If policies to support the purchase of small-balance loans were introduced in Year 2, solicit feedback from lenders who provided feedback in Year 1 to determine effectiveness.
2. Convene rural Develop the Developer Academy graduates who completed the manufactured housing curriculum to share best practices and exchange ideas for future program enhancements.

Anticipated Market Impact

Freddie Mac's continuing efforts to enhance our product offerings and features will make it easier for lenders to originate loans on manufactured homes titled as real property and increase opportunities for more very low-, low-, and moderate-income households to attain and sustain homeownership. Basing the enhancements on industry feedback and our experience in the market will help us design solutions that address borrower and market needs. In addition, actionable solutions to small-balance lending may increase liquidity and access to credit in this market. Enhanced product offerings and features will help encourage greater lender participation, increase affordable lending on manufactured homes titled as real property, and increase the flow of liquidity in this market.

Also, creating a manufactured housing curriculum as an expansion of our Develop the Developer program will help raise real estate developers' awareness of manufactured housing's benefits as a housing solution, increase interest in its use, and grow the number of developers with the knowledge, capabilities, and motivation to construct developments with this housing type. As a result, this could help improve the image of manufactured homes, increase affordable housing supply, and lead to more liquidity for financing manufactured home purchases.

The Develop the Developer Academy provides a standardized curriculum that can be adapted to local market needs. Significantly, it helps community members remove barriers to access capital. Graduates become part of a Freddie Mac alliance of developers that provides mentoring, ongoing networking opportunities, and a forum for sharing best practices. The education, resources, and connections gained by developers support their professional development and equip them to take on development projects that could help spur economic opportunities and investment.

Anticipated Market Challenges

Regarding new or updated manufactured housing loan offerings, lenders may be slow to adopt them due to potential resource constraints, perceived limited incremental volume potential, and perceived additional risk of manufactured homes themselves. Along similar lines, there may be limitations on the extent to which Freddie Mac could increase product flexibilities to reduce small-balance mortgage origination costs, while maintaining safety and soundness. Furthermore, if we expand flexibilities, they may not be enough to encourage lenders to lend in this space.

Develop the Developer Academy participants may choose not to complete the curriculum because of a lack of interest, a decision not to invest the additional time, or other reasons. Even for those who complete the curriculum and want to pursue development projects, manufactured homes historically have not been eligible for public subsidies and placements often are constrained through restrictive zoning practices. Compounding those matters, funding for developments with manufactured homes often is difficult to identify and secure.

Local zoning reform may be required to enable the use of manufactured homes in housing developments and for infill. In addition, persistent misperceptions about manufactured homes may deter some prospective homebuyers from purchasing manufactured homes.

Multifamily

Activity 2:
Manufactured Housing Communities Owned by a Governmental Instrumentality, Non-Profit Organization, or Residents: Regulatory Activity

OBJECTIVE A:
Conduct Outreach to Support Resident-Owned, Non-Profit-Owned, and Government Instrumentality-Owned MHC Loans

Evaluation Area	Year(s)	Income Targeted	Extra Credit
Outreach	1, 2, 3	VLI, LI, MI	Yes

Objective Background and Description

Manufactured Housing Resident-Owned Communities (MHROCs) provide residents with more control over their housing than they would have in a typical investor-owned community. In an MHROC, the residents govern and collectively own their community through a cooperative, corporation, or similar legal framework. Typically, the community is set up as a non-profit entity. The cooperative owns the entire community, including the land, amenities, infrastructure, and facilities, but the residents continue to own their own homes. The members vote on major decisions and elect a board of directors (Board) to oversee the day-to-day operations. The Board may choose to hire a professional management company to oversee operations and bookkeeping, especially if the community is large.

In a 2019 white paper[20] Freddie Mac examined the MHROC market, finding that there were just over 1,000 MHROCs nationwide and that they were primarily concentrated in California and Florida. As described in more detail below, this market segment is so small, in part, because converting an investor-owned MHC to resident ownership is difficult.

Since publishing our paper, Freddie Mac has established an MHROC offering and purchased three loans through our lender network as a result. We have continued promoting our offering through our lender network but have found limited opportunities for loan purchases.

In our 2025-2027 Plan, our approach to the MHROC will be to conduct affirmative outreach designed to help MHROCs and those that wish to form them have clear awareness and understanding of how to access multifamily loans. Our outreach will also consider what debt capital sources are being accessed now by MHROCs and how Freddie Mac's offering compares. Freddie Mac will also communicate with stakeholders that provide technical assistance to MHROCs to determine what opportunities exist to provide further assistance to this market. This work will include considerations of climate risks faced by these communities. The goal of this outreach is to support and encourage the growth of this small but important market.

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20 https://mf.freddiemac.com/docs/dts_mhroc_report.pdf

Baseline

Freddie Mac undertook a survey of the MHROC market and published research on these communities in 2019. We will use this work as a baseline for our efforts to better understand the technical assistance and financing needs of MHROCs in a substantially different market than existed even just five years ago.

Freddie Mac has consistently delivered communications to our lender network and worked frequently with loan originators that focus on the broader Manufactured housing community (MHC) space to locate and finance MHROC transactions. We have also consistently published and promoted successful MHROC transactions and conducted direct outreach to non-profit and other organizations that focus on the needs of MHROCs. In 2023, Freddie Mac introduced additional promotional activities for our MHROC offering, including articles, social media posts, podcasts, and additional outreach to stakeholders. Going forward, we will leverage and expand upon the techniques used previously as we enhance our affirmative marketing plan.

This work will have a meaningful impact on the manufactured housing market. Although MHROCs show promise in addressing many of the challenges the market faces, the model has not proven scalable. Our shift in focus to marketing, technical assistance, and direct outreach is designed to help the market work through barriers to ROC formation and refinances.

Actions

Year 1 – 2025

1. Conduct affirmative marketing plan, including three or more of the following tactics:
    a. Quarterly lender communications
    b. Web site news article highlighting our engagement with ROCs
    c. Media outreach to trade publications
    d. Social media promotion of offering and/or other resident-owned community content
2. Promotion at events
    a. Identify and conduct outreach with at least one provider of MHROC technical assistance and review existing technical assistance materials available to the market.
    b. Conduct focus groups with at least three MHROCs to determine their debt capital needs and whether Freddie Mac's existing approach is appropriate.

Year 2 – 2026

1. Conduct affirmative marketing plan, including three or more of the following tactics:
    a. Quarterly lender communications
    b. Web site news article highlighting our engagement with ROCs
    c. Media outreach to trade publications
    d. Social media promotion of offering and success stories and/or other resident owned community content
    e. Promotion at events

2. Further examine what gaps exist in the provision of MHROC technical assistance, including how technical assistance addresses climate risk, and identify what actions are needed to close those gaps through an initial scoping document.
3. Based on 2025 outreach, evaluate our offerings to MHROCs and consider whether these can be better tailored to the market.

Year 3 – 2027

1. Conduct affirmative marketing plan, including three or more of the following tactics:
    a. Quarterly lender communications
    b. Website news article highlighting offering our engagement with ROCs
    c. Media outreach to trade publications
    d. Social media promotion of offering and success stories and/or other resident owned community content
    e. Promotion at events
2. Support technical assistance to MHROCs if warranted by 2026 analysis.
3. Implement improvements to MHROC offerings if identified by 2026 analysis.

Anticipated Market Impact

Since 2019, Freddie Mac has made a substantial effort to understand and extend debt liquidity to the MHROC market. Our goal through this work is to provide a clear pathway to debt capital that can embolden those who wish to form an MHROC and help preserve existing MHROCs through favorable financing terms. Despite these efforts, the opportunities to finance MHROCs have been limited. This is in part due to ROCs high loan-to-value (LTV) ratios and low debt service coverage ratios (DSCRs) that exceed safe and sound lending standards. Our approach to the ROC market is to maintain safe and sound lending standards while considering alternative opportunities to strengthen the pipeline of eligible transactions.

Our actions in the 2025-2027 Plan are designed to do three things: first, promote and educate MHROC stakeholders on our offerings; second, evaluate current assistance to MHROCs and identify additional assistance necessary to further generate a pipeline of potential debt transactions; and third, engage in direct outreach to MHROCs to determine how they leverage debt capital today, what their needs are, and whether Freddie Mac's approach can be enhanced. Each of these activities require a substantial level of effort and staffing resources to complete and draw upon a comprehensive set of functions within Freddie Mac.

Although the MHROC space is likely to remain small relative to the overall MHC market, our efforts can help preserve existing MHROCs and may enable new MHROCs to form.

Anticipated Market Challenges

In our 2019 white paper, Freddie Mac identified seven challenges that limit the conversion of an MHC to an MHROC: First, a community must be put up for sale. Second, the residents must want to own the community. Third, a well-organized core tenant group equipped with the knowledge needed to navigate what will be a complex financial transaction must be present. Fourth, a sufficient equity or equity-equivalent financing must be available. Fifth, specialized debt financing products must be available. Sixth, adequate technical assistance must be provided. Seventh, the owner must choose to sell to the residents (assuming the residents do not have a right of first refusal). In addition, our research finds, and our market experience demonstrates that MHROCs often rely on high-LTV lending that exceeds safe and sound lending parameters.

Beyond these inherent challenges, MHROCs also face similar market headwinds that many other transactions face. For example, interest rate volatility is a significant obstacle for MHROCs, including those that are refinancing, as the loan cycle for these transactions is substantially longer than for other transactions. Separately, changing economic conditions can affect the ability of residents to pool sufficient equity capital for a community purchase.

Our objective seeks to ensure MHROCs understand how to leverage our offering to meet their financing needs and learn directly from the perspective of MHROCs and their stakeholders about what actions can help address and overcome identified challenges.

Multifamily

Activity 3:
Manufactured Housing Communities with Certain Pad Lease Protections: Regulatory Activity

OBJECTIVE A:
Purchase Loans that Institute Duty to Serve Tenant Pad Lease Protections

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

Objective Background and Description

Freddie Mac has examined the role manufactured housing communities (MHCs) play in providing affordable housing, especially in rural areas, and found it is substantial. Even so, the residents of these communities face unique challenges that stem from a bifurcated ownership structure where residents typically own their manufactured home but rent the pad on which it sits. In the first year of its Duty to Serve Plan work, Freddie Mac conducted a state-by-state analysis of tenant protections affecting MHCs and found that in many cases there were gaps. These considerations were detailed in our 2019 white paper, "Tenant Protections in Manufactured Housing Communities".[21]

In response to this research, Freddie Mac has worked to scale our Duty to Serve Manufactured Housing Community offering, which requires certain pad lease protections. We formally introduced this offering in 2019, completing two transactions in that year. In the following years, we ramped up our financing incentive for borrowers that agreed to adopt tenant protections. In late 2021, we made the protections a requirement for all future MHC transactions. The result of this phased approach has been general market acceptance of MHC tenant protections. As of the end of 2023, nearly 64,000 pads have benefited from this work.

In the 2025-2027 Plan cycle, we plan to continue purchasing loans for properties that commit to implement Duty to Serve tenant protections.

21 https://mf.freddiemac.com/docs/tenant-protections-manufactured-housing-communities.pdf

Baseline

Our baseline for MHC loans with tenant protections is 15,656 units and 106 properties.

The baseline was calculated by taking Freddie Mac's average MHC loans with tenant protections purchase volume and adjusting it by a market condition factor. First, Freddie Mac calculated a simple average of its MHC loans with tenant protections purchase volume by units and properties from 2021 to 2023. Second, we adjusted the average based on a market trends factor in the three-year baseline period. To determine the appropriate market trend adjustment factor, we looked at the following:

- Freddie Mac's total origination volume for 2021 to 2023 averaged $64 billion per year. In the final year of that period (2023), our volume was 25% down from the average at $48 billion.
- Freddie Mac's unit volume also fell by approximately 25% in 2023 when compared to the three-year average.
- Finally, we examined MBA data for the overall multifamily originations market, finding a 35% decline in 2023 when compared against the baseline-period average.

Although MHC financing activity in the most recent year of our baseline was elevated, our market experience demonstrates that volumes in this market can be volatile and that this was likely an outlier year based on unique market circumstances.

To account for this substantial shift in market conditions, which limits our market opportunity, we adjusted our baseline down by the 25% figure. This baseline sets the appropriate context for Freddie Mac's 2025-2027 targets.

	2021	2022	2023	3-Year Average	Adjusted 3-year Average
Qualifying Pads	13,843	19,785	28,994	20,874	15,656
Properties	116	146	161	141	106

Targets

Our decision in late 2021 to require tenant protections for all future transactions means that loan purchases meeting this objective generally correspond to the overall liquidity we supply to the manufactured housing community market.

Freddie Mac's goal in setting targets for this objective is to ensure that we continue to encourage the broad adoption of tenant protections and provide sufficient liquidity to the MHC market while maintaining safe and sound lending standards.

2025	2026	2027
Lesser of 110 properties or 16,000 pads	Lesser of 113 properties or 16,500 pads	Lesser of 116 properties or 17,000 pads

Anticipated Market Impact

Freddie Mac's continued efforts to extend tenant protections to manufactured housing communities will result in tens of thousands of additional pad renters benefiting from protections that typically exceed those provided by state or local law every year. Through our offering, we are not only ensuring sufficient debt liquidity for one of the most affordable sources of housing, but also helping to improve the tenant experience. Our presence in the manufactured housing market also provides stability through consistent purchases and credit standards.

In setting its targets, Freddie Mac works to preserve safety and soundness in our lending to MHCs by maintaining standards that allow for appropriate distribution of risk to private investors through capital markets executions. MHC loans are securitized to reduce risks to Freddie Mac and taxpayers, while providing borrowers with consistent executions that meet their debt capital needs.

Anticipated Market Challenges

The primary challenge we face with tenant protections is that borrowers often have concerns about how our protections might interact with state or local regulations. In some cases, borrowers may have a comfort level with some, but not all, of the protections or may wish for flexibilities that address concerns raised by legal counsel, which often cannot be addressed under our program requirements. Freddie Mac continues to encounter and work through these challenges.

A second challenge is that not all available lending sources require tenant protections to be implemented. MHCs can obtain loans from life insurance companies, banks, commercial mortgage-backed securities (CMBS) conduits, housing finance agencies, and community development financial institutions (CDFIs). Because these institutions do not require additional protections for tenants above and beyond state law, communities may prefer to obtain financing from these entities instead. Although some large borrowers have sidestepped agency finance to avoid tenant protections, we are encouraged by the success of our offering, and anticipate that we will continue to have a strong presence in the MHC market.

Finally, like all sources of affordable housing, manufactured housing communities face significant upward pressure on rents that is driven primarily by housing shortages, and more recently by pandemic-driven market dislocations and inflation. Although the tenant protections include requirements that tenants receive sufficient notification of rent increases, community sales, or other events that might affect housing stability, they do not limit rent increases or otherwise preserve affordability. In MH Activity 3, Objective B, Freddie Mac will examine the potential of carrying over lessons learned from our conventional affordable housing preservation loan offerings to the MHC space. These loans offer advantages to sponsors that agree to maintain affordability as a condition of the loan agreement.

Multifamily

Activity 3:
Manufactured Housing Communities with Certain Pad Lease Protections: Regulatory Activity

OBJECTIVE B:
Preserve Manufactured Housing Community Affordability through Loan Terms

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

Objective Background and Description

The role manufactured housing communities (MHCs) play in providing affordable housing, especially in rural areas, is substantial. However, this vital source of naturally occurring affordable housing is at risk. Like all affordable housing, MHCs face significant upward pressure on rents that is driven primarily by housing shortages, and more recently, by pandemic-driven market dislocations and inflation.

In 2021, Freddie Mac pioneered efforts to require tenant protections for all of our MHC transactions. These include requirements that tenants receive sufficient notification of rent increases, community sales, or other events that might affect housing stability. These protections stop short of requirements to preserve affordability although such a standard was contemplated at the time of the Duty to Serve rulemaking.

Outside the MHC space, Freddie Mac was the first to market, starting in 2018, with an offering that offered favorable financing terms in exchange for multifamily sponsors agreeing to maintain the affordability of a percentage of units. Freddie Mac preserved affordability for more than 3,000 units through our various preservation offerings in 2023.

To help address affordability challenges in the MHC space, Freddie Mac will work to establish a new loan product that provides favorable financing to borrowers that agree to the preservation of affordable pad lease rents as a condition of the Freddie Mac loan agreement. A substantial level of effort is required with any new product effort, including work to understand market opportunities and needs, product design that accounts for those needs while maintaining safe and sound lending standards, feedback on the proposed offering to improve the marketability, product launch, and finally promotion through our lender network.

Baseline

Freddie Mac has made tenant pad lease protections mandatory for all its MHC transactions. Separately, Freddie Mac has introduced conventional loan product offerings that preserve unit affordability as a condition of our loan agreements. Freddie Mac does not presently have a preservation offering that applies to MHCs.

Actions

Year 1 - 2025

1. Examine market opportunities through outreach to lenders, borrowers, and other market participants to determine how best to apply the preservation concept to MHC lending.
2. Design a new offering to meet market needs while preserving safe and sound lending standards.
3. Solicit market feedback on the proposed offering to improve its marketability.
4. Publish a term sheet.
5. Promote the term sheet throughout our lender network.

Anticipated Market Impact

Our goal in developing an MHC preservation offering will be to encourage operators to maintain affordability at MHCs, further enhancing housing stability for manufactured housing residents who are often low-income and subsisting on a fixed income.

Anticipated Market Challenges

Preserving MHC affordability through loan terms will require innovation. Freddie Mac's preservation offerings to date have focused on preserving rents for a percentage of units in a rental community, relative to area median income levels. It may not be feasible to preserve rents on only a percentage of pads in MHCs where residents' total housing costs are typically split between a home loan and pad rent. Separately, it is not possible to use AMI calculations alone as a baseline for preserving affordability given that pad rents are just one component of an MHC's resident's housing costs. Freddie Mac will need to develop a unique approach that appropriately preserves rents and is market adoptable. This adds to complexity of already challenging work detailed in the steps laid out above.

Beyond these challenges, the market adoptability of an MHC preservation offering will be subject to market conditions, which have fluctuated substantially in recent years. It may not be possible to incentivize affordability preservation through financing terms alone, as they may be insufficient to overcome market pressures on rents.

Rural Housing

Rural Housing

Strategic Priorities 2025-2027

Overview

Rural America encompasses more than 90% of the nation's landmass and 18% of the U.S. population.[22] It is vast in geography and rich in diversity, but its circumstances and needs are often broadly shared across rural areas.

Of homes in the United States, 21% are in rural areas. In 2021, 73% of rural homes were owner-occupied, compared to 65% nationally. Close to half of rural homeowners own their homes outright. About 27% of rural households rent their homes, a little less than half as many as in urban areas.[23]

Single-Family

Over the previous Duty to Serve Plan cycles, Freddie Mac made extensive efforts to deepen our understanding of the single-family rural market and its challenges, expand our market presence, and create opportunities for more rural households with very low, low, and moderate incomes to attain and sustain homeownership responsibly. From the start of Duty to Serve in 2018 through 2023, Freddie Mac provided more than $174 billion in liquidity to finance more than 990,000 rural single-family homes.

Our continuous work to engage and collaborate with industry stakeholders, lower identified barriers to affordable lending and access to credit and develop and promote creative solutions helped make those loan purchases possible. For example, we introduced and enhanced our renovation suite of products to help address the challenges of aging homes, changing demographics, home energy and water efficiency, and home resiliency: CHOICERenovation®, CHOICEReno eXPress®, and GreenCHOICE Mortgage®. In addition, we introduced HeritageOne℠ to help make it easier for members of federally recognized American Indian and Alaska Native tribes to finance homes on tribal lands. Given the prevalence of manufactured housing in rural areas, all four products may be used for financing related to such homes titled as real property. We also made numerous enhancements to other offerings, including but not limited to our manufactured housing offerings, and we introduced our CHOICEHome® mortgage to finance CrossMod™ homes, which have many of the same features as site-built homes.

To help make obtaining appraisals on rural homes easier and more efficient, we allowed use of the cost approach, created training for lenders, and launched a rural appraisals curriculum for appraisers with the Appraisal Institute. We also worked with the South Dakota Coalition and Appraisal Institute to create a curriculum to educate appraisers on appraising homes on tribal lands.

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22 Housing Assistance Council; Taking Stock; Lance George, Christina Davila, Manda LaPorte, Natasha Moodie, Leslie Strauss, Keith Wiley; October 2023 - https://takingstockrural.org/

23 Housing Assistance Council, Taking Stock

Our Rural Research Symposium brings together leaders across the housing ecosystem to share research and exchange ideas on single- and multifamily housing matters. When we launched it in 2019, to our knowledge, it was the first industry forum focused solely on rural housing. Research presented at the symposium included original research conducted by Freddie Mac.

Given their economic circumstances and lack of access to financial services, many rural residents have relatively low credit scores or thin/no credit histories. Understanding the value of homebuyer education and housing counseling in preparing individuals to achieve responsible homeownership, Freddie Mac has collaborated with trusted non-profit housing intermediaries since the start of Duty to Serve to expand their capacity to extend access to these services in rural areas.

Support for creating homeownership opportunities is particularly important in tribal areas.[24] More than half of American Indians and Alaska Natives live in rural areas. Homes in tribal areas are eight times as likely to experience overcrowding as other homes.[25] Homeownership traditionally has not been prevalent in Native culture, but the idea has been gaining popularity. Before introducing HeritageOne to facilitate home financing, we collaborated with trusted organizations that focus on support for Native households to strategically lay a foundation on which homeownership opportunities could be built.

For example, we collaborated with the South Dakota Native Homeownership Coalition (SDNHC) to facilitate knowledge sharing, coordination, and technical assistance across Native organizations, tribes, and lenders. We also worked together to support existing and new regional Native coalitions focused on housing matters. With Enterprise Community Partners, we facilitated housing summits – including in Alaska, where climate and geography create unique challenges – and a range of technical assistance forums. Enterprise, with our involvement, created a curriculum to assist tribal organizations in developing homeownership programs. We also expanded capacity to provide homebuyer and financial management education and housing counseling in collaboration with Oweesta Corporation and SDNHC. During the depths of the pandemic, which hit tribal areas particularly hard, our support helped enable these organizations to continue their work as well as to provide additional assistance to struggling homeowners. The curriculum developed with Oweesta educates teens and young adults preparing for their futures on financial management. We continue to support these efforts.

While we have made a positive difference in the rural market since our Duty to Serve program began in 2018, many of the challenges faced are long-standing and complex. During the 2025-2027 Duty to Serve Plan cycle, Freddie Mac will continue working to lower barriers and help make affordable homeownership possible for more rural households. These efforts will center on five main goals:

24 Housing Assistance Council, Taking Stock

25 HUD Office of Policy Development and Research, "Housing Needs of American Indians and Alaska Natives in Tribal Areas", January 2017 - https://www.huduser.gov/portal/sites/default/files/pdf/HNAIHousingNeeds.pdf

- Continue to provide market liquidity: Freddie Mac plays a critical role in providing liquidity to support affordable homeownership in rural areas. To demonstrate our commitment, we will begin providing annual reporting of the liquidity we provide to rural America. In addition, we will continue to channel liquidity to high-needs rural regions, small financial institutions that serve rural areas, and tribal areas through loan purchases.
- Evolve our rural home financing solutions: We will continue to refine our mortgage solutions to help expand homeownership opportunities, with a focus on increasing support for loan originations, including through community development financial institutions (CDFIs). To increase support for Native homeownership, we will seek to enhance HeritageOne, which we launched in 2023 to offer members of federally recognized tribes a conventional mortgage option for financing homes on tribal lands. As part of this work, we will make efforts to collaborate with Federal Home Loan Banks.
- Support capacity building for rural single-family housing developers: To increase the number of developers focused on building rural homes that are affordable, we will expand our Develop the Developer Academy to selected rural markets; as part of this, we will encourage more development with manufactured homes, given their relative affordability and prevalence in rural areas.
- Increase access to resources for resolving heirs' property rights issues: We will work with non-profit organizations and Federal Home Loan Banks to expand access to education and resources for homeowners with tangled title to help resolve the issues, thereby gaining the opportunity to build generational wealth and benefit from the equity in their homes.
- Act as a catalyst for generating thought leadership and creative solutions: We will continue to host our annual Rural Research Symposium, which brings together leaders from across the ecosystem to exchange insights and build relationships. To sharpen our focus on better understanding and lowering barriers to rural housing opportunities, we will establish an advisory council of key industry leaders.

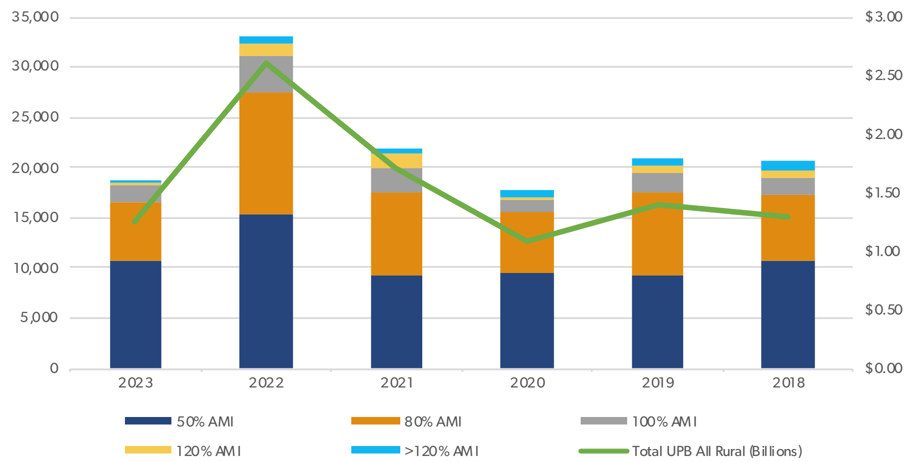
Multifamily

Although more than 7 million rural residents are renters,[26] they are predominately housed in single-family homes or small multifamily structures with fewer than 50 units. Manufactured homes, including those located in manufactured housing communities, also play a significant role in the multifamily housing supply in rural areas.

To support the needs of renters in multifamily properties, Freddie Mac is a significant provider of debt capital in rural markets. In an average year, we extend more than $1.5 billion annually in multifamily liquidity, financing more than 20,000 units affordable to rural renters with low or moderate incomes. Important in the context of our debt offerings is that we have made Freddie Mac capital available to support recapitalization and preservation of properties with USDA Section 515 debt.

26 https://ruralhome.org/wp-content/uploads/storage/documents/ts2010/ts-report/ts10_intro-docs.pdf

All Rural Volume & Multifamily Units by Affordability



In perspective, our multifamily lending in these rural markets typically exceeds USDA's lending more than five times over. Our overall lending to rural markets has not traditionally been captured through our Duty to Serve planning and reporting, but it is essential to our overarching rural strategy.

In addition, through our Duty to Serve efforts since 2018, Freddie Mac has worked to deliver impactful Low-Income Housing Tax Credit (LIHTC) equity investments. This work has supported the creation or substantial rehabilitation of properties through 112 separate investments offering more than 6,500 units of affordable housing in rural areas.

Following two Duty to Serve Plan cycles, Freddie Mac has taken time to reassess our approach and more broadly consider the needs of multifamily housing in rural markets. Through that work, which leveraged our experience in the market and stakeholder feedback, we identified several barriers that limit access to liquidity and affordable housing development in rural markets. These are detailed in our market challenges and needs section below. To address these market gaps, we established five main areas of multifamily focus for our 2025-2027 Plan:

- Continue to provide multifamily debt liquidity: Freddie Mac will seek to maintain consistent lending to rural markets to support subsidized and naturally occurring affordable housing. To demonstrate our commitment, we will begin providing annual reporting of the liquidity we provide to rural America. Our goal is to meet the needs of the market and remain a substantial financier of multifamily housing in rural markets. The availability of debt capital for rural multifamily housing is foundational to any efforts to address the challenges and needs of these communities.

- Continue building our LIHTC equity investment program: Freddie Mac has built our LIHTC equity program around our support for underserved rural markets. Our Plan maintains aggressive targets for these investments, and each year we grow our program, our cumulative impact grows with it. Our intentional focus in rural areas, including properties that support high-needs rural regions and populations, can help increase the value of tax credits in these markets. This provides more equity capital to developers as they build and rehabilitate multifamily housing in the hardest-to-serve markets. These investments benefit a range of property types in rural areas, including small 5–50-unit properties.
- Support rural developer capacity building: In our last Plan cycle, Freddie Mac examined existing capacity-building programs and determined that there is a significant and growing need for these resources. We will continue working to help meet this need through a capacity-building program that provides annual trainings in key rural markets, leveraging partnerships with experts in the field. These efforts will include support for owners and developers that wish to preserve affordability at USDA Section 515 properties and those financing small 5-50-unit properties.
- Maintain the ability to recapitalize and preserve properties with USDA Section 515 debt: We introduced offerings that achieve this goal in our first Duty to Serve Plan cycle and will maintain their availability to the market.
- Further extend access to Freddie Mac capital for rural lenders and borrowers: We will achieve this through two new objectives. The first creates a new correspondent category for rural in our emerging correspondent program and adds rural borrowers to our Diverse and Emerging Borrower strategy. In a separate objective, we will work toward the creation of a new capital markets execution, which allows for the aggregation of loans from several smaller lenders in a way that can support rural financial institutions.

Taken together, these efforts will advance our support for rural multifamily affordable housing and lay a foundation for future opportunities to address rural housing market challenges.

Supporting Rural Housing Markets – 2018-2023

Throughout the first two Duty to Serve Plan cycles, Freddie Mac worked to serve the needs of rural markets throughout the United States. We are committed to building on this work in the years ahead.

- Financed more than 990,000 homes for very low-, low-, and moderate-income households across rural America, providing more than $174 billion in liquidity.
- Created and enhanced market-relevant mortgage offerings, including our renovation suite of products and HeritageOne.
- Introduced numerous enhancements to other offerings to facilitate affordable lending and responsibly expand access to credit in rural areas.
- Created education on conducting rural appraisals for lenders and, in collaboration with the Appraisal Institute, for appraisers. Also created a curriculum with the Appraisal Institute for appraising homes on tribal lands.
- Hosted the Rural Research Symposium since 2019 to raise the visibility of research on rural housing and housing finance as well as to build relationships that could lead to collaboration across the ecosystem. Presented original Freddie Mac research conducted to fulfill the industry’s need for data and insights that could help inform business decisions and creative solutions.
- Expanded non-profit housing intermediaries’ capacity to deliver homebuyer education and housing counseling. Also collaborated with them to deliver those services, with a total of 60,000 potential homebuyers participating.
- In collaboration with trusted non-profit housing intermediaries, promoted knowledge sharing and coordination across Native tribes through support for Native housing summits and regional tribal coalitions. Also supported technical assistance for tribal leaders and organizations in developing homeownership opportunities in tribal areas and on a financial management curriculum for teens and young adults.
- Funded more than $9 billion in multifamily loan purchases to finance more than 133,000 rental units from 2018 to 2023.
  - 94% of units affordable to moderate-income residents
  - 84% of units affordable to low-income residents
- Provided $1 billion in equity investments to support construction or preservation of LIHTC properties.
  - More than 6,500 units of affordable housing supported through LIHTC equity investments
  - 110 investments in Duty to Serve rural areas
  - 37 investments in high-needs rural regions
  - 12 investments serving high-needs rural populations
- Developed new loan offering to support properties with USDA Section 515 Subordinate Debt and existing offerings to support properties with maturing Section 515 Debt.

Rural Housing Market Challenges and Needs

Through our efforts to support rural housing, including our outreach to industry stakeholders, we have identified several challenges that are broadly shared across the market.

Lack of economic opportunity: Rural households typically experience less economic opportunity and benefit less from positive market conditions than households in non-rural areas. Rural residents typically have lower education-attainment levels, lower employment, lower-than-average credit scores or thin/no credit histories, and inadequate access to financial services.[27] These ongoing challenges, coupled with the lingering effects of the COVID-19 pandemic, have put further financial stress on rural households.

Persistent poverty: More than 85% of the nation's persistent-poverty counties are in rural areas. The U.S. rural median household income was less than $59,000 in 2021, compared to the national median of $70,784. Close to one-quarter of rural households in 2021 had annual incomes of less than $25,000.[28]

Lack of affordable housing stock: Rural markets have experienced negative housing inventory growth since the Great Recession. The decline accelerated during the COVID-19 pandemic; from December 2020 to May 2021 alone, rural housing inventories fell 38%.[29]

Aging and substandard housing: The average age of rural owner-occupied homes is 40 years old, according to the 2021 American Community Survey (ACS). In addition, rural areas grapple with higher rates of substandard housing; the issue is particularly acute in American Indian and Alaska Native tribal areas. Economic hardships and natural disasters can lead to delayed maintenance and abandoned properties, and there is often a shortage of skilled professionals available for repairs.

Limited access to lenders: Given the relatively low volume of loans and comparatively low home values, fewer lenders operate in rural areas. Internet connectivity limitations may compound matters, leaving rural borrowers to rely on one or two local lenders, which may offer limited loan products and charge higher rates to maintain local presence.

Heirs' property rights retention: Many families lack clearly documented property ownership for a range of reasons, including inheriting land without a legal title, distributing property among multiple descendants, or an incomplete formal transfer process such as unfinished probate proceedings. These circumstances are most prevalent in the Mississippi Delta, Colonias, and Middle Appalachia. "Tangled title" prevents the homeowners from fully experiencing the generational wealth and ability to leverage equity typically associated with home or land ownership.

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27 Housing Assistance Council, Taking Stock; feedback from industry participants

28 Housing Assistance Council, Rural Voices, Conference 2018 Edition, "The Delta's future depends on a sustained investment in local economies and residents' well-being", Rep. Bennie G. Thompson - https://ruralhome.org/rv-rural-capacity-building

29 Freddie Mac Research Note; "Has An Urban Exodus Occurred? Residential Environment Trends Shaping the Future of Where We Live"; July 12, 2021 - https://www.freddiemac.com/research/insight/20210712-urban-exodus-occurred

Appraisals: Rural appraisals are challenging for various reasons, including limited comparable sales and distance between homes. As a result, rural appraisals may take additional time, research, and justification to determine an acceptable value for a property. Therefore, rural appraisals may also cost more, an expense that is proportionately greater where the property value may be low.

Limited multifamily investment: Rural areas often receive limited LIHTC allocations and limited interest from investors who prefer to invest in areas with higher population densities or those within Community Reinvestment Act assessment areas. Rural areas may also face zoning challenges and operational challenges that increase multifamily building costs.

Maturing USDA Section 515 loans: Either through maturities or prepayments, many properties are exiting the Section 515 program, creating challenges in preserving affordability at these properties.

Insufficient technical assistance for developers: Less development takes place in rural areas than elsewhere in the nation; therefore, the number of developers with experience building in rural areas is lower and securing financing may be difficult. Local governments and non-profit organizations may also have limited experience in multifamily as well as single-family development. Although many organizations excel at providing technical assistance, the need exceeds the availability of resources.

Natural disaster resilience and other climate risks: Rural economies are often dependent on natural resource development, which can be heavily impacted by climate risks. Additionally, rural communities are subject to disproportionate household energy burdens, with one out of four low-income rural household facing energy costs that exceed 18% of income. Separately, rural communities often have limited resources to mitigate natural disaster risk and the cost to deliver energy efficiency and resiliency measures are higher than in urban areas.

Limited capital markets access for rural small financial institutions: Many small lenders lack access to the secondary mortgage market and often hold loans in portfolio. In addition, financial institutions in rural areas often do not have in-house securitization programs. These circumstances limit the lenders' ability to improve market liquidity and efficiently distribute risk.

Rural Housing Strategic Priorities at a Glance

In our third Duty to Serve Plan, Freddie Mac will address the needs of very low, low-, and moderate-income households in communities throughout the rural housing market in the following ways.

To support single-family homeownership in rural areas:

- Provide liquidity to help make home possible and affordable for more rural households, including those in high-needs regions and tribal areas. As part of this, endeavor to channel liquidity to small financial institutions serving rural areas.
- Enhance our mortgage offerings to facilitate conventional mortgage originations in rural areas, including by CDFIs, based on industry input. Identify opportunities to work in partnership with Federal Home Loan Banks.
- Explore opportunities to increase housing finance support for members of federally recognized American Indian and Alaska Native tribes in tribal areas.
- Expand our Develop the Developer program to provide capacity building to help increase the number of rural developers and the supply of affordable single-family homes, including manufactured homes.
- Increase access to resources for addressing heirs' property rights issues. Identify opportunities to work in partnership with Federal Home Loan Banks.
- Serve as a thought leader, sharing and facilitating insights into the rural housing market as well as promoting collaboration across the ecosystem to help drive solutions for expanding affordable lending and access to credit.

To support multifamily housing in rural areas:

- Provide substantial liquidity annually to rural properties with units affordable at 100% of area median income.
- Increase the multifamily housing supply by directly investing in the construction and major renovation of LIHTC Properties, including 5–50-unit properties.
- Help address the need for enhanced technical assistance, including for owners and developers that wish to preserve affordability at USDA Section 515 properties and those financing 5–50-unit properties, through a Rural Developer Capacity Building program.
- Continue to provide the capability in our core offerings to support USDA 515 properties as needed by the market.
- Extend access to Freddie Mac capital to rural lenders through our emerging correspondent program, emerging sponsor initiatives, and new capital markets executions.

Single-Family

Activity 1:
Support for All Rural Areas: Additional Activity

OBJECTIVE A:
Conduct Outreach to Deepen Insights into the Rural Single-Family Housing Landscape

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

Objective Background and Description

Duty to Serve rural market efforts during the first two Plan cycles focused mainly on increasing support for areas defined as high-needs rural regions. Freddie Mac recognizes, however, that more attention needs to be paid to rural areas more broadly.

During the 2025-2027 Plan Cycle, Freddie Mac will engage with stakeholders across the rural housing ecosystem to broaden and deepen our understanding of barriers to affordable homeownership and to increasing the flow of liquidity in rural areas. The insights gained will factor into future decisions and plans for how to help clear the path for more households in rural areas with very low, low, and moderate incomes to attain and sustain homeownership. Based on analysis of our findings, we plan to increase the flow of liquidity to rural areas by establishing an appropriate purchase target in Year 3, taking safety and soundness into consideration.

The analysis of our rural loan data and the assessment of existing products that support rural housing finance will require substantial research, time, and analytical skills from teams across Freddie Mac. In addition, in response to industry participants' comments that rural appraisals remain challenging for them, Freddie Mac will review the rural appraisals training that we created for lenders and the rural appraisals curriculum for appraisers that we developed with the Appraisal Institute. We will collaborate with industry experts to update or enhance the courses as needed, promote their availability, and deliver training.

Baseline

Freddie Mac purchases loans secured by homes in rural areas, but we have not analyzed rural loan data to set a baseline at this time.

Freddie Mac offers an on-demand rural appraisals tutorial on FreddieMac.com, Reviewing Rural Properties. In collaboration with the Appraisal Institute, we developed the Rural Area Appraisals curriculum.

Actions

Year 1 – 2025

1. Analyze our loan data to gain insights:
    a. Concentrations of rural areas being served
    b. Freddie Mac product usage in rural areas
    c. Rural borrower characteristics
    d. Lenders delivering loans on homes in rural areas
2. Perform a review of existing government loan products used primarily for rural home financing to understand strengths and identify potential gaps.
3. Gather feedback from stakeholders, such as lenders and housing intermediaries, in high-needs rural regions, including persistent-poverty areas and tribal areas, on our existing products and borrower needs.
4. Identify stakeholders that serve the broader rural housing market.
5. Review rural appraisals training resources that Freddie Mac developed during the first Plan cycle to assess their continued relevance. Identify areas for improvement.
6. Leverage the convening of a diverse group of experts in conjunction with our Rural Research Symposium to discuss the feedback gathered and exchange ideas around opportunities to increase support for rural housing.

Year 2 – 2026

1. Gather feedback on our existing products and borrower needs from the rural market stakeholders identified in Year 1. Select participants based on areas of loan concentration identified during our data analysis.
2. Analyze feedback gathered from stakeholder groups in years 1 and 2 to identify potential opportunities for enhancements to offerings and resources.
3. Revise rural appraisal training resources in collaboration with industry experts, if needed.
4. Leverage the convening of a diverse group of experts in conjunction with our Rural Research Symposium to discuss the feedback gathered and exchange ideas around opportunities to increase support for rural housing.
5. Analyze historical rural loan data to calculate a baseline and purchase target for loans secured by single-family homes in rural areas.

Year 3 – 2027

1. Purchase loans secured by homes in rural areas, as established in our modified Duty to Serve Plan.

Anticipated Market Impact

Freddie Mac's efforts will lay the foundation to increase liquidity and expand access to credit for making home possible and affordable throughout rural America. Through our loan data analysis, we will gain insight into where Freddie Mac is buying loans, the types of loans, and the borrowers. Combining these insights with our analysis of existing government mortgage products used in rural areas along with feedback on our own products will give us a broad view of where and how we are most effective and where we could provide more support. These insights will factor into future plans and decisions related to improving offerings and outreach, with the goal of more broadly serving underserved rural areas.

Our engagement with stakeholders across the ecosystem will strengthen our network of relationships and help ensure that a range of industry perspectives are considered as we develop strategies and plans for widening our support for affordable homeownership across all rural areas. Their buy-in also will facilitate execution of the strategies and plans.

Updating appraisals training and related resources, if needed, will help ensure that they are relevant and effective in preparing appraisers to complete appraisals accurately and efficiently. Through our promotional efforts, we will help make appraisers aware of the educational opportunities and their benefits. Having more appraisers informed on rural appraisals will help address an obstacle to lending in rural markets.

Anticipated Market Challenges

Rural areas span the entire country. They encompass various and diverse demographics, cultures, economics, and housing. While there are commonalities, there are differences in terms of needs, challenges, and opportunities. In addition, the rural housing ecosystem comprises many players. Conducting outreach, gathering feedback, and analyzing input will require extensive coordination and a significant amount of time and resources.

Given the diversity of rural areas and residents, we may find that solutions to help address certain barriers to affordable homeownership are not adequately scalable or do not meet safety and soundness requirements; in some cases, solutions may be more appropriately provided by government entities.

Expanding affordable lending and access to credit more broadly in rural areas will be challenging. Compared to other areas in the United States, rural areas historically experience lower levels of education, employment, income, and economic opportunity.[30] The shortage of available homes is compounded by the lack of housing construction, aging housing stock, and damage from climate-related natural disasters. High home prices and interest rates further reduce affordability. Moreover, people in many rural areas lack access to lenders, and the number of lenders based in rural areas has declined substantially in recent years.

30 HAC, Taking Stock

Single-Family

Activity 1:
Support for All Rural Areas: Additional Activity

OBJECTIVE B:
Facilitate Thought Leadership Related to Housing and Mortgage Financing in Rural Communities

Evaluation Area	Year(s)	Income Targeted	Extra Credit
Outeach	1, 2, 3	VLI, LI, MI	Not applicable

Objective Background and Description

Freddie Mac's Rural Research Symposium reflects our leadership in and commitment to supporting positive housing outcomes in rural communities nationwide. It brings together a broad spectrum of single-family and multifamily housing experts – academics, policy makers, finance industry professionals, and housing intermediaries focused on rural issues – to share research findings and build relationships across the ecosystem that could lead to innovative, market-relevant solutions. When we established the symposium in 2019, to our knowledge, it was the first-ever event to encompass such a variety of participants and research focused exclusively on rural housing and finance. Since then, it has become an annual event and inspired other leading organizations focused on affordable housing to hold rural-centered events.

We have held the symposium annually to highlight research into existing and emerging challenges and opportunities in rural communities, with a goal of encouraging discussions around expanding prosperity. Topics have included, for example, population movement and growth, the effects of climate change and weather on housing sustainability, manufactured housing, rental affordability, poverty and hardship, and Native homeownership. Overall, the Rural Research Symposium shines a light on the unique issues affecting rural housing related to housing finance needs, trends, and opportunities in rural markets where data has traditionally been very limited and narrowly available.

Freddie Mac will continue to host the Rural Research Symposium each year of the 2025-2027 Plan cycle; based on participants' feedback, we will alternate between in-person and virtual attendance. Each year's topics will center on current rural market dynamics, top-of-mind matters, and trends. As we have in the past, Freddie Mac will ask the housing industry's top thought leaders to collaborate in shaping the annual agendas by submitting research papers or detailed abstracts for research that highlight implications for consumers, households, communities, or financial institutions in rural housing areas for consideration.

In combination with the event, Freddie Mac will facilitate a session with a set of key stakeholders from across the ecosystem to discuss the research findings presented and exchange ideas for how to bring about impactful change and solutions.

Baseline

Freddie Mac established the Rural Research Symposium in 2019. We have hosted it each year since then. After holding the inaugural symposium in person, we moved to a virtual platform in 2020, 2021, and 2022 for health and safety reasons during the COVID-19 pandemic. It was held in person in 2023 and virtually in 2024.

While Freddie Mac previously has established specialized advisory groups to share insights and exchange ideas with leaders from across the ecosystem, we have not had a group focused on rural housing.

Actions

Year 1 – 2025

1. Host a Rural Research Symposium that focuses on new research and insights developed since the 2024 symposium on rural mortgage markets to better understand who is being served and the effectiveness of mortgage products, services, and financing as well as the effect on communities, consumers, and financial institutions.
2. Convene a diverse group of experts to discuss research findings and determine their potential for helping to drive impactful solutions in the market.

Year 2 – 2026

1. Host a Rural Research Symposium that focuses on rural mortgage markets to better understand who is being served and the effectiveness of mortgage products, services, and financing as well as the effect on communities, consumers, and financial institutions. The symposium will focus on new research and insights developed since the 2025 event.
2. Convene a diverse group of experts to discuss research findings and determine their potential for helping to drive impactful solutions in the market.

Year 3 – 2027

1. Host a Rural Research Symposium that focuses on rural mortgage markets to better understand who is being served and the effectiveness of mortgage products, services, and financing as well as the effect on communities, consumers, and financial institutions. The annual symposium will focus on new research and insights developed since the 2026 event.
2. Convene a diverse group of experts to discuss research findings and determine their potential for helping to drive impactful solutions in the market.

Anticipated Market Impact

Freddie Mac is uniquely positioned within the industry to bring together the variety of thought leaders and influencers from across the housing ecosystem. By hosting the Rural Research Symposium during this Plan cycle, we will continue to act as a catalyst to expand access to new research and to spark cross-disciplinary relationships as well as ideas for additional research and new approaches to supporting rural housing. The deeper understanding, collaboration, and energy that the annual symposium inspires can encourage the broader industry to explore opportunities and create possibilities for improving the future of home and boosting mortgage liquidity in rural America. The symposium's success to date reflects the industry's need for such a knowledge-sharing forum and Freddie Mac's industry leadership.

In addition, the adjunct convening will focus leaders from across the ecosystem on considering potential next steps and collaborations that could help meet current and emerging market needs. Together, findings will provide insights to the marketplace that will enable the industry to better support rural households.

The symposium, combined with the convening, will motivate additional research, collaboration, and innovation, which is greatly needed to help improve outcomes in rural communities nationwide.

Anticipated Market Challenges

Research takes time to conduct, analyze, and shape into reportable findings. Freddie Mac might have difficulty collecting a sufficient number of papers that cover topics of interest and the authors are ready to share in a particular year.

In addition, some speakers and/or attendees may be unable or unwilling to travel to an in-person event, either for financial or health reasons.

Multifamily

Activity 1:
Support for All Rural Areas: Additional Activity

OBJECTIVE C:
Engage in LIHTC Equity Investment in All Rural Areas

Evaluation Area	Year(s)	Income Targeted	Extra Credit
Investment	1, 2, 3	VLI, LI, MI	Not applicable

Objective Background and Description

The Low-Income Housing Tax Credit (LIHTC) program is the primary resource for supporting the creation and redevelopment of affordable housing for low- and very-low-income households. LIHTC provides state and local housing finance agencies and other LIHTC-allocating agencies the equivalent of nearly $9 billion[31] in annual budget authority to issue tax credits for the acquisition, rehabilitation, and construction of low-income affordable housing. The program awards developers tax credits that are generally allocated to investors for capital contributions that offset the costs associated with the development of affordable units and rent restrictions.

Freddie Mac re-entered the LIHTC equity investment space in 2018 and has focused a meaningful portion of our investments in support of Duty to Serve rural areas. By maintaining our focus in support of these geographies, we support competition for credits that can increase stability and improve LIHTC pricing. This can improve affordability by advancing housing supply and reducing debt financing needs at individual properties and could lower the portion of rent needed to pay for debt service.

These investments are particularly important to rural areas as the properties they support can be overlooked by investors. Most of the LIHTC-financed properties located within the identified geographies are outside of banks' Community Reinvestment Act (CRA) assessment regions and do not receive competitive pricing for credits as a result.

As we engage in this important work, we prioritize safety and soundness. We achieve this by accounting for concentration risk and maintaining a diversity of investments at sufficient scale to ensure a stable business platform.

31 https://www.huduser.gov/portal/datasets/lihtc.html

Baseline

Our baseline number of transactions for the 2025-2027 Plan is 19 transactions, which is the 5-year average of the transactions we have completed in support of Duty to Serve rural areas between 2019 and 2023. A 5-year baseline for our LIHTC Equity objectives captures our expectations for the market going forward. It accounts for a range of market environments and the year-over-year volatility that is associated with investment opportunities that can meet our targets.

2019	2020	2021	2022	2023	5-Year Average
13 transactions	20 transactions	16 transactions	20 transactions	26 transactions	19 transactions

Targets

The targets for this Plan cycle are based on our experience in supporting Duty to Serve rural areas throughout the past five years, including observed market trends. During this time, we have developed a clearer understanding of how we can support these geographies, including the opportunities and limitations. Although we will seek to continually increase our work in support of rural communities, we are maintaining an investment target of 20 transactions annually for the Plan.

We anticipate years in which we surpass this goal and years during which completing 20 transactions will be challenging. This is due to the way LIHTC is distributed at the state and local levels. Annual allocations for rural geographies are limited and not all transactions are viable. Although competition for credits in these regions tends to be low, like all investors, we are subject to being outbid.

Despite the small number of available transactions, our targets represent an impactful share of these markets. We believe that the 20 transactions target balances our need to maintain safety and soundness and support the rural market while considering LIHTC investment opportunities. Goals exceeding what the market can support may lead to overbidding on opportunities that are within our Duty to Serve geographies, reducing our ability to invest appropriately and be impactful elsewhere. Given these factors, we are maintaining our targets for the three-year plan period.

Additionally, the targets reflect our ongoing commitment to rural LIHTC equity which is highly weighted toward rural markets when compared to our overall LIHTC investments. Of the 240 Freddie Mac investments closed since 2018, 112 investments (47%) have been in rural markets. Properties in rural areas make up just 29% of the total number of LIHTC properties overall. With our LIHTC investment cap now set at $1 billion, an investment target of 20 transactions will maintain an overall investment portfolio that is heavily weighted toward rural while avoiding geographic concentration risks that may have safety and soundness implications.

2025	2026	2027
20 transactions	20 transactions	20 transactions

As we continue building our LIHTC equity investments in rural regions, Freddie Mac will maintain ongoing engagements with its network of LIHTC syndicators to identify eligible LIHTC investment opportunities. This requires dedicated staffing and constant work with syndicators to locate, bid on, and invest in these opportunities.

The ability to identify opportunities is also dependent on continual outreach to other market participants, including non-profit organizations, developers, and affordable housing financiers, which can foster relationships that expand awareness of Freddie Mac's LIHTC investments. We will also continue to use these engagements as opportunities to gather more information on market needs and the best paths forward for continued or increased investment.

We will also continue to enhance and expand our outreach strategy in order to better understand the needs of the market and to increase access for developers. This outreach strategy will continue the efforts outlined in our previous Plan and include:

1. Continued outreach to market stakeholders, including non-profit organizations, consortiums, developers, and housing advocates.
2. Continued attendance at conferences, webinars, and other convenings to both enhance our understanding of the market dynamics and allow Freddie Mac to present our offerings to stakeholders in the rural LIHTC equity market.

Anticipated Market Impact

Freddie Mac's investment in LIHTC equity in rural areas provides stability to a market that is otherwise constrained by lack of investment due to reduced competition and investor interest, increased volatility, and a lack of CRA credit.

Our work also provides badly needed support to households in rural communities who gain access to safe, decent, and affordable housing when we invest. Additionally, our investments increase competition in the market, which may influence the price per credit. This can provide more equity to developers, reducing their debt capital needs and even make more projects viable, allowing developments to move forward that would have otherwise stalled.

Anticipated Market Challenges

LIHTC investments in rural areas face a general lack of investment, cost increases, which are more acutely felt at smaller rural projects, and reliance on USDA Rural Development for permanent loan underwriting and closing. Rural investments also face supply and demand imbalance in LIHTC distribution and volatility in LIHTC allocation. Underwriting challenges may also occur, as the investments are typically in smaller markets that may have marketing and lease-up challenges that require additional review and analysis.

Rural areas are also often outside CRA assessment regions. As a result, there is less competition for LIHTC investments in these regions, which leads to lower LIHTC pricing and less effective credits. In large and medium-sized markets, CRA-motivated demand for investment increases the value of credits and lowers the funding gap between project debt and equity. This lack of competition lessens the tax-credit pricing, leading to a larger funding gap that requires additional tax credits, soft debt, or a deferral of a developer fee for the deal to be feasible.

Finally, as noted above, states use Qualified Allocation Plans (QAPs) to allocate LIHTC. The process is very competitive and only a few states provide rural set-asides. The lack of set-asides makes rural areas less competitive relative to urban and suburban areas, making it more difficult for developers in rural regions to obtain some of the limited yearly allocations.

Multifamily

Activity 1:
Support for All Rural Areas: Additional Activity

OBJECTIVE D:
Establish and Implement a Rural Developer Capacity-Building Program

Evaluation Area	Year(s)	Income Targeted	Extra Credit
Outreach	1, 2, 3	VLI, LI, MI	Not applicable

Objective Background and Description

Many rural communities are subject to underinvestment and face challenges in multifamily development, which in turn limits residents' access to quality, affordable housing. The development, preservation, and rehabilitation of multifamily housing in rural areas is heavily dependent on public subsidy, primarily driven by the Low-Income Housing Tax Credit program (LIHTC) and USDA programs like Section 538 and Section 515. These subsidy programs involve complex processes and require certain expertise to navigate. The complexity makes it difficult for local developers to enter the market or expand their role in the market without additional assistance from more experienced developers and technical assistance organizations.

Additionally, emerging developers, who are typically focused on smaller 5–50-unit properties often face barriers to market entry, including the limited availability of training that applies to rural markets generally or their markets specifically.

Recognizing these complexities and barriers to entry, Freddie Mac sought to explore and establish a rural developer capacity-building program as part of our 2022-2024 Duty to Serve Plan. Through a landscape analysis and concentrated outreach, Freddie Mac uncovered some of the challenges associated with rural multifamily development, including the complexity of accessing subsidy, understaffing at developer and organization levels, and financing challenges. In 2024, we partnered with a national rural development capacity builder and technical assistance organization to create a rural developer capacity-building curriculum. Utilizing this curriculum, we will continue to implement rural developer capacity-building education in new markets over the next three years.

Baseline

Freddie Mac's work in rural developer capacity-building began in years 2 and 3 of our previous Duty to Serve Plan. In 2023, we conducted comprehensive market outreach, including a landscape analysis of rural developers, non-profits, and housing organizations as well as outreach meetings with leading rural developer capacity-building programs. We will leverage that research and outreach and explore other capacity-building programs that exist in different markets as we implement a rural developer capacity-building program, which will help local rural developers enter or grow their footprints in the local multifamily housing market. In 2024, Freddie Mac supported the development of a rural developer capacity-building curriculum and began examining how this curriculum might be leveraged in various rural markets.

Actions

The goal of our rural developer capacity-building curriculum is to spur investment in rural communities and empower rural developers to enter or expand their presence in the market. Our curriculum will help developers navigate programmatic complexities, financing obstacles, and other barriers to entry, while connecting new and emerging rural developers to more established partners and technical assistance organizations.

Our actions for each year of this Duty to Serve Plan cycle include conducting a rural capacity development curriculum in one additional market. Because of the level of planning, recruitment, staffing, time, and investment involved in conducting this curriculum, we believe that one new market each year is the appropriate target but may consider additional markets per year as we learn more about the level of effort required for successful engagements and improve our efficiency in the delivery of our curriculum.

Ahead of each year of the Plan, Freddie Mac will work to determine rural markets that will most significantly benefit from a rural capacity development curriculum by assessing market needs and opportunities, including how these trainings might support emerging developers and those focused on the development of small, 5–50-unit multifamily properties. Freddie Mac will also consider which markets face unique climate risk and resilience challenges and how our trainings can incorporate modules that address those considerations. After selecting a market, Freddie Mac will identify a partner organization to complete its training and support revisions to its curriculum based on unique aspects of the market.

Year 1 – 2025

Conduct the rural capacity development curriculum in one rural market.

1. Identify a rural market for the rural developer capacity-building academy with consideration for market needs and opportunities, including those related to 5-50-unit properties and climate risk and resilience challenges.
2. Identify a partner organization to complete training.
3. Revise the curriculum as needed to account for market differences.

Year 2 – 2026

Conduct the rural capacity development curriculum in one rural market.

1. Identify a rural market for the rural developer capacity-building academy with consideration for market needs and opportunities, including those related to 5-50-unit properties and climate risk and resilience challenges.
2. Identify a partner organization to complete the training.
3. Revise the curriculum as needed to account for market differences.
4. Apply learnings from the prior year.

Year 3 – 2027

Conduct the rural capacity development curriculum in two rural markets.

1. Identify rural markets for the rural developer capacity-building academy with consideration for market needs and opportunities, including those related to 5-50-unit properties and climate risk and resilience challenges.
2. Identify partner organization to complete training.
3. Revise the curriculum as needed to account for market differences.
4. Apply learnings from the prior year.

Anticipated Market Impact

Through Freddie Mac's specialized curriculum and resources, we will aim to empower rural developers in identified markets. Rural multifamily developers face a unique set of challenges and opportunities, including financing complexity, knowledge gaps, and limited access to mentors in the space.

We anticipate that our targeted curriculum and partnerships with technical assistance providers will help increase the capacity of rural developers and improve their ability to efficiently and effectively access USDA and LIHTC subsidies and access debt capital from Freddie Mac and other sources. Additionally, our focus on emerging developers and those focused on smaller 5-50-unit properties will aid our efforts to build a more equitable and inclusive multifamily industry and equip new developers with the tools they need to improve multifamily housing stock in their communities.

Anticipated Market Challenges

The rural market faces complexity in navigating the range of subsidy programs that benefit rural housing. Through our conversations with market stakeholders, we learned that there are many outstanding existing technical assistance and training programs, but resources are limited and cannot meet the entirety of the need. Providers of capacity building trainings in rural areas face challenges in identifying appropriate partners to conduct trainings and in finding a sufficient pool of eligible trainees in given geographies.

Multifamily

Activity 1:
Support for All Rural Areas: Additional Activity

OBJECTIVE E:
Enhance Outreach to Financial Institutions and Borrowers that Serve Rural Areas through a Multifamily Emerging Correspondent Program and Emerging Borrower Initiative

Evaluation Area	Year(s)	Income Targeted	Extra Credit
Outreach	1, 2, 3	VLI, LI, MI	Not applicable

Objective Background and Description

In our 2022-2024 Duty to Serve Plan, Freddie Mac Multifamily developed an Emerging Correspondent Program to help extend liquidity to community development financial institutions (CDFIs), minority depository institutions (MDIs) and smaller regional banks or small financial institutions (SFIs). These institutions often have specialty programs and a great level of expertise with programs and financing directed towards the hardest-to-serve areas in their states and communities. Through this work, Freddie Mac has required each of our lenders to establish relationships with at least one emerging correspondent.

Separately, Freddie Mac has developed a diverse and emerging borrower strategy that aims to help close the knowledge, relationship, and financing gaps faced by newer multifamily operators.

For the 2025-2027 Plan, Freddie Mac will leverage the work from our Emerging Correspondent Program and our emerging borrower efforts to enhance liquidity to financial institutions and borrowers that serve rural areas.

To achieve this, we will define "rural correspondents" as a category within our Emerging Correspondent Program, which will allow us to track participants that serve rural areas and assess progress in establishing these relationships over time. Once the rural correspondents are identified as a category in the Emerging Correspondent Program, Freddie Mac will encourage our lenders to establish rural correspondent relationships. Separately, we will work to identify, survey, and conduct focused outreach to financial institutions that serve rural areas through multifamily lending programs. The findings of this outreach will inform improvements to our Emerging Correspondent Program and other efforts to extend multifamily liquidity to rural areas.

Freddie Mac will also work with our lender network to identify emerging multifamily borrowers that serve rural areas and invite their participation in our diverse and emerging borrower initiative. This work will focus on smaller operators that are typically focused on 5–50-unit properties. To complement this effort, Freddie Mac will begin including a discussion of issues facing multifamily operators that develop properties in rural areas in at least one diverse and emerging borrower event annually. These forums are important opportunities for Freddie Mac and other participants to identify and consider potential solutions to market challenges.

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

Baseline

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

Actions

Year 1 – 2025

Emerging Correspondent Program:

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

Emerging Rural Borrower Initiative:

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

Year 2 – 2026

Emerging Correspondent Program:

1. Encourage Freddie Mac lenders to consider relationships with rural correspondents through annual and frequent Emerging Correspondent Program communications, including emails and conference calls.

2. Survey and conduct focused outreach to sample of previously identified financial institutions to understand characteristics of multifamily lending in rural areas and needs of multifamily lenders serving rural areas.
    a. This work will involve sample selection, survey development, fielding a survey and data analysis.

Emerging Rural Borrower Initiative

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

Year 3 – 2027

Emerging Correspondent Program:

1. Encourage Freddie Mac Optigo lenders to consider relationships with rural correspondents through annual Emerging Correspondent Program communications.
    a. This work will involve inclusion of the category in annual Emerging Correspondent Program communications to lenders and continuous follow up communications throughout the year.
2. Consider Emerging Correspondent Program rural correspondent initiative enhancements based on Freddie Mac lender and stakeholder outreach efforts.

Emerging Rural Borrower Initiative:

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

Anticipated Market Impact

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

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

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

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

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

Anticipated Market Challenges

CDFIs, MDIs, and SFIs, including those that serve the rural market, often face lending constraints due to either limited balance sheet size or borrower or geographic concentration challenges.

Additionally, securitization vehicles are effective in enhancing liquidity and distributing risk but are not necessarily the best fit for all institutions, particularly smaller institutions that may not have existing securitization experience or have limited ability to aggregate larger volumes of loans on their balance sheet. Smaller rural institutions and the communities they serve would benefit most from the ability to sell individual loans to Freddie Mac. Typically, it is challenging for small lenders to develop the infrastructure required to sell loans directly to Freddie Mac. Encouraging rural correspondent relationships can help to alleviate that challenge.

Separately, the market lacks a comprehensive assessment of CDFIs, MDIs, and SFIs that serve rural markets, including an assessment of their size, scope, focus areas, and their challenges and needs. Although some efforts have been made to understand how these institutions broadly serve rural areas, specifics related to their engagements in multifamily housing are limited.

Emerging rural borrowers face relationship and knowledge gaps that inhibit their ability to grow and scale. By extending our emerging borrower work to include a specific focus on rural borrowers, we are helping address these gaps.

Multifamily

Activity 1:
Support for All Rural Areas: Additional Activity

OBJECTIVE F:
Enhance Rural Multifamily Liquidity by Guaranteeing Loans from Rural Lenders

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

Objective Background and Description

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

This objective is to extend these executions to rural lenders, including those that provide debt capital for 5–50-unit properties. As noted in the separate objective, a key barrier to leveraging Q-Deals faced by smaller lending institutions, including those that serve rural areas, is that they alone cannot aggregate a sufficient volume of loans to complete a successful Q-Deal execution.

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

Baseline

Freddie Mac completed our first Q-Deal execution in 2014. Freddie Mac is working to develop the ability to complete Q-Deal executions with multiple parties for both seasoned loans and loans originated with the intent to sell to a third-party Q-Deal trust.

Actions

Year 1 – 2025

1. Complete a proof-of-concept multi-lender transaction.[32] This transaction involves development of terms, working with lenders to locate appropriate collateral, structuring and executing the transaction based on the collateral, and substantial credit and legal due diligence to re-underwrite the loans.

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

Year 2 – 2026

1. Publish a term sheet, including applicability for Duty to Serve-qualifying small financial institutions, such as those that provide debt capital for 5–50-unit properties and those that serve rural areas. This process applies what we learned in the proof-of-concept transaction, allowing us to craft a basic structure for the offering. Formally launching the offering involves substantial internal due diligence and approvals.

Year 3 – 2027

1. Conduct targeted outreach to raise awareness of the offering with at least 10 Duty to Serve-qualifying financial institutions, including CDFIs, MDIs, and SFIs that provide debt capital for 5–50-unit properties, and those that serve rural areas.

Anticipated Market Impact

The ability to aggregate both seasoned loans and those originated for the purpose of selling to a third-party Q-Deal trust from multiple lenders can address what has been a major hurdle facing small lenders that seek to enhance their liquidity and distribute risk but lack the ability to do so through in-house securitization platforms. These executions can provide balance sheet relief for smaller institutions and provide participating lenders with a clear exit strategy for new executions by eliminating concerns over aggregating sufficient like-kind collateral.

Through this work, we can support rural lending institutions that are a key source of debt capital for rural affordable housing, including rural 5–50-unit properties and multifamily. The multi-lender Q-Deal executions will allow these institutions to hold or sell guaranteed bonds in lieu of holding balance sheet loans, enhancing liquidity, and allowing for additional lending to what are often underserved markets.

Anticipated Market Challenges

Even with this enhancement, it is possible that loan values themselves will not be sufficient to warrant sale to third-party Q-deal trusts. Typical loan sizes for these executions are in excess of $1 million, which are not common for many rural small-balance properties.

A separate challenge will be lack of awareness of the executions, which will be novel to the market. It will take substantial time and effort to help small financial institutions understand the capabilities and benefits of the execution.

Finally, Freddie Mac must design securitization products that have appeal for investors, and it will be difficult to gauge reception for the offerings prior to proof-of-concept transactions.

Single-Family

ACTIVITY 2:
Support for High-Needs Rural Regions: Regulatory Activity

OBJECTIVE A:
Purchase Single-Family Loans in High-Needs Rural Regions

Evaluation Area	Year(s)	Income Targeted	Extra Credit
Loan Purchase	1, 2, 3	VLI, LI, MI	Yes

Objective Background and Description

Freddie Mac will continue to purchase loans on homes in high-needs rural regions to provide liquidity to this market during the 2025-2027 Duty to Serve Plan cycle. Building on the momentum achieved during previous Plan cycles, we will drive loan purchases through efforts including enhancing our offerings in a safe and sound manner, conducting outreach, and expanding our seller/servicer network.

Baseline

Freddie Mac will focus our high-needs rural loan purchase targets exclusively on purchase-money loans during the 2025-2027 Plan cycle. Unusually low mortgage interest rates in 2020 and into 2022 sparked a refinance boom. The timing coincided with a spike in home purchase demand from Millennials entering prime homebuying ages and the COVID-19 pandemic prompting many individuals to want more or different space. As a result, single-family mortgage originations soared to levels not experienced since the housing boom in the early 2000s.

Interest rates rose rapidly starting in 2022, more than doubling from 3.8% in second quarter 2022 to 7.79% in fourth quarter 2023. They have receded slightly since then but remained near 7% at the end of first quarter 2024. During those years, inflation rose dramatically, and housing supply remained tight, further pushing up home prices. Loan originations and Freddie Mac's loan purchases significantly contracted as a result – most notably, refinance loans.

Macroeconomic conditions have made the refinance business particularly volatile and difficult to predict over the last several years. We expect similar conditions during this Plan cycle. Therefore, we removed refinances from the annual loan volume used to calculate our baseline and used an average of the most recent three years where refinance shares within the market were below 50% of our annual loan purchases.

Freddie Mac's loan purchase targets under this objective include only purchase-money loans on owner-occupied homes in high-needs rural regions. This shift does not diminish Freddie Mac's commitment to purchasing refinance loans on such homes to help make homeownership more affordable and sustainable for very low-, low-, and moderate-income homeowners.

The following table reflects our baseline, developed according to the methodology described.

Year	2018	2019	2023
Income-Qualifying Loan Count	6,097 loans	6,288 loans	7,373 loans
Baseline (An average of the 3 most recent years in which purchase-money loans composed > 50% of purchases in this market was used to establish the baseline)		6,586 loans	

Targets

Our single-family purchase targets for home loans that meet the Duty to Serve income-qualifying definition for very low-, low-, and moderate-income borrowers in high-needs rural regions are set forth in the following table. Loan counts only include purchase-money originations for owner-occupied properties.

2025	2026	2027
7,400 loans	7,500 loans	7,600 loans

Freddie Mac's economists expect positive but cooler economic growth over the next few years. Total new and existing home sales should improve in time, after bottoming at 4.8 million in 2023. One driver of the low sales is a rate lock-in effect incentivizing existing homeowners not to change homes; this will only gradually ease over time. Given poor affordability and a projected cooling of the job market, we expect home price growth to soften but remain positive. Our expectations of purchase-money originations are broadly consistent with the Mortgage Bankers Association's February 2024 forecast of almost $1.7 trillion in 2025 and almost $1.8 trillion in 2026. Taking safety and soundness into account when setting purchase goals, sales volume and home prices support a modest increase in originations over the three-year horizon.

Projected volume does not consider potential market reactions to changes in the interest-rate environment or other market disruption. It also does not factor in the possibility of slower-than-expected adoption of our products or product enhancements. Lenders' business priorities and the complexities of their internal processes affect the rate of adopting new or updated mortgage offerings, even when lenders understand the value of offerings and are anxious to incorporate them into their businesses.

Anticipated Market Impact

We estimate that we will provide lenders more than $4 billion in liquidity over this Plan cycle to finance homes in high-needs rural regions. Our loan purchases will expand access to credit to qualified borrowers and help create affordable homeownership opportunities in high-needs rural regions.

We also expect that, through our continuing and extensive lender engagement, lenders will gain more financing options and more confidence in lending in high-needs rural regions. More lenders also will gain access to the secondary market, with some becoming direct Freddie Mac seller/servicers.

Anticipated Market Challenges

Realizing these benefits will depend on continuing to make progress toward lowering barriers to homeownership and lender participation. For example, high-needs rural regions have a higher concentration of households with thin or no credit profiles than other areas of the nation, making it harder for even creditworthy individuals to qualify for mortgage financing.

In addition, some economic opportunities may not extend to rural areas to the level that they are available elsewhere. As a result, many individuals may not have the financial standing to become homeowners. The lack of homes available for sale and affordable to individuals with very low, low, and moderate incomes also limits mortgage lending in high-needs rural regions.

Also, high-needs rural regions are primarily served by small, community-based lenders; many may not have the capacity to sell directly to Freddie Mac and building relationships with aggregators through which they could deliver their loans takes time.

Single-Family

ACTIVITY 2:
Support for High-Needs Rural Regions: Regulatory Activity

OBJECTIVE B:
Facilitate Rural Developer Capacity-Building to Increase Supply of Single-Family Homes

Evaluation Area	Year(s)	Income Targeted	Extra Credit
Outreach	1, 2, 3	VLI, LI, MI	Yes

Objective Background and Description

The affordable housing gap in high-needs rural regions continues to widen. As in other parts of the United States, rapidly rising home prices and interest rates, low levels of new construction, and the lock-in effect keeping many homeowners in their existing homes prevent many potential rural homebuyers from entering the market. According to a Housing Assistance Council report, the number of rural homes rose by less than 2% between 2010 and 2020, compared to 12% in suburban areas and 9% nationwide. Nearly 40% of homes in rural persistent-poverty counties are considered unaffordable.[33]

At the same time, many aging homes need repairs or renovations or may be inadequate, further diminishing the available housing stock. Almost 80% of single-family homes nationwide were at least 20 years old in 2018; more than half of them were built before 1980. A large proportion of homes in high-needs rural regions fall into the latter category.[34] Access to quality housing is vital to overall people's wellness and children's educational outcomes.[35]

High-needs rural regions have less access to resources for building and revitalizing housing than elsewhere in the country, which further discourages real estate developers from pursuing projects in high-needs rural areas. Community-based intermediary organizations are important sources of support for rural housing development initiatives. Given their financial and staffing constraints, however, they often rely on partnerships with other entities to carry out their missions.[36]

33 Housing Assistance Council, Taking Stock, November 2023 - https://takingstockrural.org/

34 Freddie Mac "Where Is the Aging Housing Stock in the United States?"; Sijie Li, June 1, 2021 - https://sf.freddiemac.com/articles/news/where-is-the-aging-housing-stock-in-the-united-states

35 Partners for Rural Transformation, "Transforming Persistent Poverty in America" - https://fahe.org/wp-content/uploads/Policy-Paper-PRT-FINAL-11-14-19.pdf

36 Housing Assistance Council, Rural Voices, Conference 2018 Edition, December, 4, 2018 - https://ruralhome.org/wp-content/uploads/storage/documents/rural-voices/rv-conference-2018.pdf

During the 2025-2027 Duty to Serve Plan cycle, Freddie Mac will expand our Develop the Developer capacity-building program in collaboration with rural intermediary organizations to help increase the number of qualified real estate developers undertaking development projects in high-needs rural communities.

Baseline

Freddie Mac's Develop the Developer program promotes a community-based approach, engaging area stakeholders across the ecosystem to gain buy-in and help lower barriers to housing development. Freddie Mac's Develop the Developer program promotes reinvestment and development in historically underserved communities. The Develop the Developer Academy is offered through established academies and is integrated within those local educational organizations' programs. Developers who enroll in the Develop the Developer Academy complete an intensive 36-hour curriculum as well as continuing education. Academy graduates receive training in foundational development and financing instruction, technical assistance, and community connectivity. Graduates also gain access to funding sources for developers, including grants, loans, investors, and foundations that encourage economic progress.

As of March 2024, the Develop the Developer program was operating in Milwaukee, Omaha, and Tulsa, with a total of 20 active development projects. None of these localities is in a high-needs rural region.

Actions

Year 1 – 2025

1. Host a series of at least four working group sessions with industry partners to collaborate in identifying high-needs rural localities that could benefit most from additional support for housing development, including with manufactured housing. Assess the development potential of the identified localities. Select at least three localities for Develop the Developer Academies; rank localities in priority for expansion of the Develop the Developer program.
2. Identify and develop relationships with intermediary organizations capable of coordinating the creation of Academies in the selected markets.
3. Hold at least two working group sessions with partner intermediary organizations and rural Academy graduates to assess the curriculum. Determine potential enhancements to increase the curriculum's effectiveness in rural areas. Create or enhance curriculum based on working session feedback.

Year 2 – 2026

1. Incorporate updates to the curriculum developed in Year 1, if any, and launch curriculum as continuing education in existing Develop the Developer Academies.
2. Launch a Develop the Developer Academy in at least one of the priority localities identified in Year 1 in collaboration with the local partner organization, with at least five developers completing the curriculum.

Year 3 – 2027

1. Monitor progress of the rural developers who completed the curriculum in Year 2 and their development projects. Provide the developers with additional technical assistance, if needed.
2. Launch a Develop the Developer Academy in at least two more of the priority localities identified in Year 1 in collaboration with the partner intermediary organization, with at least five developers completing the curriculum.
3. Convene rural Develop the Developer Academy graduates to share best practices and exchange ideas for future program enhancements.

Anticipated Market Impact

The expansion of Freddie Mac's Develop the Developer program will prepare more rural real estate developers to increase the number of quality homes affordable to households in high-needs rural regions with very low, low, and moderate incomes. Working in partnership with key stakeholders and local organizations will help ensure that the program is expanded thoughtfully and through a holistic, community-driven approach. Developers will be equipped to continue to develop in high-needs rural regions going forward. These efforts will lay the foundation to increase homeownership opportunities and liquidity in high-needs rural regions.

The Develop the Developer Academy provides a standardized curriculum that can be adapted to local market needs. Significantly, the Academy helps community members remove barriers to access capital. Graduates become part of a Freddie Mac alliance of developers that provides mentoring, ongoing networking opportunities, and a forum for sharing best practices. The education, resources, and connections gained by developers support their professional development and equip them to take on development projects that could help spur economic opportunities and investment.

Anticipated Market Challenges

High-needs rural enrollment in the Academy may be low, given the lack of developers, development, and investment in these communities.

In addition, securing the resources needed to undertake developments in high-needs rural communities may be difficult and more time consuming than anticipated. Land, construction labor, and materials may not be available or may be cost prohibitive. Investors and other participants needed for successful projects may deem the development efforts too risky. Also, unexpected zoning, permitting, and infrastructure matters may need to be addressed before construction could start in earnest.

Single-Family

ACTIVITY 2:
Support for High-Needs Rural Regions: Regulatory Activity

OBJECTIVE C:
Increase Resources for Resolving Heirs' Property Rights

Evaluation Area	Year(s)	Income Targeted	Extra Credit
Outreach	1, 2, 3	VLI, LI, MI	Yes

Objective Background and Description

Heirs' property rights issues occur when a property is inherited without benefit of a will or other legal documentation of ownership. Reasons include inheriting land without a legal title, distributing property among multiple descendants, or an incomplete formal transfer process, such as unfinished probate proceedings. The issues are compounded if the property passes to additional generations without clear title, resulting in increasingly fractional ownership. Recent research estimated that more than 444,000 properties encompassing a total of more than 9 million acres and with a market value of more than $41 billion have "tangled title."[37] Many of these properties are in the Lower Mississippi Delta, Middle Appalachia, and Colonias.

Without clear title, property owners face various challenges. For example, they cannot benefit from the home's equity to finance repairs or other improvements to maintain or enhance the property; refinancing the mortgage to a lower rate or shorter term also is not an option. This could lead to financial distress, property loss or abandonment, and neighborhood blight.[38] Owners of properties with tangled title also are often denied state and federal disaster funds. For example, after hurricanes Katrina and Rita, about 20,000 owners were denied grants by FEMA and HUD because they lacked clear title.[39]

Navigating the complexities and costs of clearing title and estate planning can be daunting for many heirs. In addition, access to the needed legal and housing counseling services may be limited, especially in rural areas. In colonias, language can be an additional barrier.

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37 "How Much Heirs' Property Is There?", G. Rebecca Dobbs and Cassandra Johnson Gaither - https://srdc.msstate.edu/sites/default/files/2023-06/dobbs_johnson-gaither_pre-print-manuscript-6.5.23.pdf

38 Housing Assistance Council, Taking Stock

39 U.S. Department of Agriculture; "Identifying Potential Heirs Properties in the Southeastern United States"; Scott Pippin, Shana Jones, and Cassandra Johnson Gaither; September 2017 - https://www.srs.fs.usda.gov/pubs/gtr/gtr_srs225.pdf

During the 2025-2027 Duty to Serve Plan cycle, Freddie Mac will work in partnership with non-profit organizations to help expand access to resources that assist in resolving heirs' property rights issues. We also will explore the feasibility of developing product flexibilities that help increase the homeowners' ability to sustain affordable homeownership – or to improve their homes in preparation for resale, if desired.

Baseline

Freddie Mac requires clear title of the property securing any loan that we purchase.

Actions

Year 1 – 2025

1. Increase understanding of heirs' property rights issues.
    a. Explore a collaboration with at least one Federal Home Loan Bank to gain insights into needs and opportunities associated with heirs' rights challenges in rural areas.
    b. Solicit feedback from at least two organizations with experience resolving heirs' rights challenges to determine programs and resources, including homeowner education, which need to be developed to increase assistance for homeowners dealing with these issues.
    c. Engage with at least two title companies that specialize in heirs' property issues to gain their perspectives on the market challenges and needs.
2. In collaboration with the selected organizations, create a strategy for increasing access to education and resources designed to aid in heirs' rights retention and identify several markets within high-needs rural regions where access to these tools could create the largest impact.

Year 2 – 2026

1. Based on Year 1 findings, collaborate with the selected organizations to create homeowner education materials or enhance existing materials, if needed.
2. Select at least two of the identified markets in which to execute the strategy developed in Year 1.
3. In collaboration with organizations in the selected markets, including lenders, non-profit housing intermediaries, and housing counselors, host at least two homeowner education sessions to increase understanding of heirs' property issues and paths to resolution. Topics may include estate planning, legal services, home financing options, homeowners' insurance, home preservation and protection, financial management, and housing counseling.
4. Depending on needs identified during in-market education sessions, connect homeowners with professionals able to assist in resolving their property issues.
5. Conduct a needs assessment to determine the financing challenges faced by homeowners dealing with heirs' rights issues.

Year 3 – 2027

1. Select at least two more of the identified high-needs rural markets in which to execute the strategy developed in Year 1 to provide education and resources designed to aid in heirs' rights retention. Establish a relationship with at least one additional non-profit organization.
2. Collaborate with partner organizations to host at least two additional homeowner education sessions in each target market selected in years 2 and 3.
3. Based on the needs assessment completed in Year 2, review policies and product offerings to address the financing challenges identified. Where possible, develop policy updates to help alleviate identified challenges.

Anticipated Market Impact

With assistance from trusted, experienced intermediaries who can offer guidance in navigating a complex and emotional issue, Freddie Mac will provide homeowners in selected high-needs rural regions with heirs' property issues with education and tools needed to clear title and move forward with plans for their futures. Working with trusted organizations may increase the likelihood of homeowners' willingness to begin the process.

In turn, homeowners who resolve their title issues and are creditworthy will have the opportunity to employ their equity to repair or renovate their homes to improve the integrity, comfort, energy efficiency, and longevity of their homes, thereby also enhancing the properties' value. Clear title also opens the opportunity for these rural homeowners to sell their homes, leading to wealth generation. Home sales could result in new loan originations and increased liquidity in these regions.

Anticipated Market Challenges

Navigating the legal issues associated with resolving heirs' property rights can be difficult, complex, and time consuming. Processes and requirements vary by state. Therefore, there is no singular road map to resolving these issues. Supporting these broad challenges will require collaboration with organizations that specialize in heirs' property rights in each market. Finding professionals with expertise in working through the complexities and unique requirements this space could prove challenging, given limited access to resources in high-needs rural regions.

Even after title is cleared, some heirs choose not to employ the equity in their homes. Distrust of the banking system and fear of the potential to lose the home if they fall behind on mortgage payments are two main reasons.[40]

40 "Heirs' Property, Access to Capital, and the Racial Wealth Gap", 2023 Housing Assistance Council Annual Conference presentation delivered by Cassandra Johnson Gaither, USDA Forest Service

Multifamily

ACTIVITY 2:
Support for High-Needs Rural Regions: Regulatory Activity

OBJECTIVE D:
Engage in LIHTC Equity Investment

Evaluation Area	Year(s)	Income Targeted	Extra Credit
Investment	1, 2, 3	VLI, LI	Yes

Objective Background and Description

The LIHTC program is the primary resource for supporting the creation and redevelopment of affordable housing for low- and very-low-income households. LIHTC provides state and local housing finance agencies and other LIHTC-allocating agencies the equivalent of nearly $9 billion[41] in annual budget authority to issue tax credits for the acquisition, rehabilitation, and construction of low-income affordable housing. The program awards developers tax credits that are generally allocated to investors for capital contributions that offset the costs associated with the development of affordable units and rent restrictions.

Freddie Mac re-entered the LIHTC equity investment space in 2018 and has focused a meaningful portion of its investments in Duty to Serve High-Needs Rural Regions. By maintaining our focus in these regions, we support competition for credits that can increase stability and improve LIHTC pricing. This can improve affordability by advancing housing supply and reducing debt financing needs at individual properties, could lower the portion of rent needed to pay for debt service.

These investments are particularly important to High-Needs Rural Regions as the properties they support are often overlooked by investors. Most of the LIHTC-financed properties located within these areas are outside of banks' Community Reinvestment Act (CRA) assessment regions and do not receive competitive pricing for credits as a result.

As we engage in this important work, we prioritize safety and soundness. We achieve this by accounting for concentration risk and maintaining a diversity of investments at a sufficient scale to ensure a stable business platform.

41 https://www.huduser.gov/portal/datasets/lihtc.html

Baseline

Our baseline transactions for the 2025-2027 Duty to Serve plan is 6 transactions, which is the 5-year average of the transactions we have completed in High-Needs Rural Regions between 2019 and 2023. A 5-year baseline for our LIHTC Equity objectives captures our expectations for the market going forward. It accounts for a range of market environments and the year-over-year volatility that is associated with investment opportunities that can meet our targets.

2019	2020	2021	2022	2023	5-Year Average
4 transactions	5 transactions	7 transactions	9 transactions	7 transactions	6 transactions

Targets

The targets for this plan cycle are based on our experience in High-Needs Rural Regions throughout the past five years. During this time, we have developed a clearer understanding of these geographies, including their opportunities and limitations. Although we will seek to continually increase our work in High-Needs Rural Regions, we are maintaining an investment target of 6 transactions annually for the Plan.

We anticipate years in which we surpass this goal, and years during which completing 6 transactions will be challenging. This is due to the way LIHTC is distributed at the state and local levels. Annual Allocations in high-needs rural areas are both low and inconsistent and not all transactions are viable. Although competition for credits in these regions tends to be low, like all investors we are subject to being outbid.

We believe that our transactions target balances our need to maintain safety and soundness and support high-needs rural regions while considering LIHTC investment opportunities. Goals that would exceed what the market can support may lead to overbidding on opportunities that are within our Duty to Serve geographies, reducing our ability to invest appropriately and be impactful elsewhere. Given these factors, we are maintaining our targets for the three-year plan period.

The targets reflect our ongoing commitment to LIHTC equity investments in high-needs rural regions, which is disproportionate in the context of LIHTC overall. Of the 240 investments Freddie Mac has closed since 2018, 35 investments (15%) have been in high-needs rural regions. LIHTC properties in high-needs rural regions make up just 7% of the total number of LIHTC properties nationwide. With our investment cap now set at $1 billion, an investment target of 6 transactions will maintain an overall investment portfolio that is disproportionately weighted toward high-needs rural regions while avoiding geographic concentration risks that may have safety and soundness implications.

2025	2026	2027
6 transactions	6 transactions	6 transactions

As we continue building our LIHTC equity investments in high-needs rural regions, Freddie Mac will maintain ongoing engagements with its network of LIHTC syndicators to identify eligible LIHTC investment opportunities. This requires dedicated staffing and constant work with syndicators to locate, bid on, and invest in eligible properties.

The ability to identify opportunities is also dependent on continual outreach to other market participants, including non-profit organizations, developers, and affordable housing financers, which can foster relationships that expand awareness of Freddie Mac's LIHTC investments. We will also continue to use these engagements as opportunities to gather more information on market needs and the best paths forward for continued or increased investment.

Anticipated Market Impact

In high-needs rural regions, there is inherent market volatility and a limited investor base. Through our work in these markets, Freddie Mac has become a stabilizing force and reliable source of equity investment.

Our work also provides critically needed support to households in rural communities who gain access to safe, decent, and affordable housing when we invest. Additionally, our investments increase competition in the market, which may influence the price per credit. This can provide more equity to developers, reducing their debt capital needs, and even make more projects viable, allowing developments to move forward that would have otherwise stalled.

Anticipated Market Challenges

LIHTC investments in high-needs rural regions face a general lack of investment, cost increases, which are more acutely felt at smaller rural projects, and reliance on USDA Rural Development for permanent loan underwriting and closing. High-Needs Rural Regions also face supply and demand imbalance in LIHTC distribution and volatility in LIHTC allocation. Underwriting challenges may also occur, as the investments are typically in smaller markets that may have marketing and lease-up challenges that require additional review and analysis.

As noted above, rural areas are often outside CRA assessment regions. As a result, there is less competition for LIHTC investments in these regions, which leads to lower LIHTC pricing and less effective credits. In large and medium-sized markets, CRA-motivated demand for investment increases the value of credits and lowers the funding gap between project debt and equity. In High-Needs Rural Regions, this lack of competition lessens the tax-credit pricing, leading to a larger funding gap that requires additional tax credit, soft debt, or a deferral of a developer fee for the deal to be feasible.

Finally, states use Qualified Allocation Plans (QAPs) to allocate LIHTC. The process is very competitive and only a few states provide rural set asides. The lack of set-asides makes rural areas and, by extension, High-Needs Rural Regions less competitive relative to urban and suburban areas. This makes it more difficult for developers in high-needs rural regions to obtain some of the limited yearly allocations that are in both rural and high needs rural census tracts.

Single-Family

ACTIVITY 3:
Support for High-Needs Rural Populations: Regulatory Activity

OBJECTIVE A:
Purchase Single-Family Loans to Members of Federally Recognized Native Tribes in Tribal Areas

Evaluation Area	Year(s)	Income Targeted	Extra Credit
Loan Purchase	1, 2, 3	VLI, LI, MI	Yes

Objective Background and Description

Many persistent barriers inhibit homeownership in tribal areas. At the most basic level, we learned through our extensive outreach during previous Duty to Serve Plan cycles that most Native households rent their homes and the process is managed by each tribe's housing authority. However, homeownership has been gaining popularity in recent years. Housing inventory overall – for-sale homes in particular – is in short supply and overcrowding is common in tribal areas. A report by the U.S. Department of Housing and Urban Development (HUD) estimated that Indian Country needs a total of around 100,000 new homes to alleviate overcrowding and replace inadequate units.[42] According to another HUD study,[43] eight times as many Native households live in overcrowded homes compared to the national average; 17% of households in tribal had one or more additional people staying with them because they had nowhere else to go.

Other major factors limiting homeownership opportunities for Native people in tribal areas include issues that are more pronounced in rural and underserved markets generally, such as individuals with thin or no credit histories, insufficient housing stock, limited access to lenders, and higher lending costs due to the expansiveness of rural markets. The result is low mortgage origination rates and high denial rates.[44]

During the last Plan cycle, Freddie Mac collaborated with the South Dakota Native Homeownership Coalition (SDNHC), Oweesta Corporation, and other trusted non-profit housing intermediaries that support Native communities to expand their capacity to provide financial management and homebuyer education that prepares more Native households to become and remain homeowners. We also supported Enterprise Community Partners in the creation and delivery of curricula for developing tribal organizations' homeownership programs and for building individuals' financial management skills.

42 https://www.huduser.gov/portal/sites/default/files/pdf/HNAIHousingNeeds.pdf

43 https://www.huduser.gov/portal/pdredge/pdr-edge-research-022117.html

44 The Center for Indian Country Development, Working Paper Series No. 1906, The Higher Price of Mortgage Financing for Native Americans, Donna Feir and Laura Cattaneo, September 2019

Those and other resources are widely available on Freddie Mac's Native American Homeownership Preparedness web page. In addition, we collaborated with all three organizations on a wide range of knowledge-sharing forums, technical assistance programs, and educational opportunities.

Freddie Mac launched our HeritageOne loan product in the fall of 2023. It reflects insights and input from Native organizations and other industry participants, gathered during our extensive outreach efforts over the preceding years. The conventional mortgage offering is designed to meet the housing finance needs of American Indian and Alaska Native households on tribal land, including tribal trust, allotted trust, and fee simple lands. Because of the prevalence of manufactured homes on tribal lands and their relative affordability, HeritageOne may be used to finance manufactured as well as site-built homes. Lenders began to adopt HeritageOne in 2024 through a term of business with Freddie Mac. HeritageOne offers a mortgage financing option in addition to the HUD Section 184 product.

During the 2025-2027 Duty to Serve Plan, we will continue our efforts to provide liquidity that helps create more affordable homeownership opportunities for members of federally recognized tribes in tribal areas. Related activities will include enhancing our offerings in a safe and sound manner, conducting outreach, and expanding lender participation in the tribal lending market. Our commitment to this market extends beyond purchasing HeritageOne loans. Freddie Mac will remain open to purchasing HUD Section 184 loans as well. Although Freddie Mac will focus our loan purchase targets exclusively on purchase-money loans during the 2025-2027 Plan cycle, we also will purchase refinance loans to help make homeownership more affordable and sustainable for very low-, low-, and moderate-income tribal members.

Baseline

Given the late-2023 introduction of HeritageOne into the market, Freddie Mac has yet to purchase HeritageOne loans. We have purchased fewer than 10 HUD Section 184 loans in total since 2018. As a result, our baseline for the 2025-2027 Plan is zero.

Targets

Overall, our economists expect positive but cooler economic growth over the next few years. Total new and existing home sales should improve in time, after bottoming at 4.8 million in 2023. One driver of the low sales is a rate lock-in effect incentivizing existing homeowners not to change homes; this will only gradually ease over time. Given poor affordability and a projected cooling of the job market, we expect home price growth to soften but remain positive. Our expectations of purchase-money originations are broadly consistent with the Mortgage Bankers Association's February 2024 forecast of almost $1.7 trillion in 2025 and almost $1.8 trillion in 2026. Higher sales volume and home prices support originations increasing modestly over the three-year horizon. With housing supply being seriously constrained and most homes being rentals on tribal lands, home sales to members of federally recognized tribes in tribal areas are likely to be extremely low.

With a baseline of zero, we leveraged our 2024 purchase target to determine our 2025-2027 targets, which are set forth in the following table. Loan counts only include purchase-money originations for owner-occupied properties.

Projected volume does not consider potential market reactions to changes in the interest-rate environment or other market disruption. It also does not factor in the possibility of slower-than-expected adoption of our products or product enhancements. Lenders' business priorities and the complexities of their internal processes affect the rate of adopting new or updated mortgage offerings, even when lenders understand the value of offerings and are anxious to incorporate them into their businesses.

2025	2026	2027
20 loans	22 loans	25 loans

Anticipated Market Impact

Freddie Mac's purchases of loans made to Native households in tribal areas will help more American Indians and Alaska Natives realize affordable homeownership Our loan purchases also will provide much-needed liquidity and capital for CDFIs and other lenders financing homes in tribal areas, where conventional mortgage lending historically has been limited or nonexistent. Because of the relatively small size of the tribal housing market, any origination volume will be significant in terms of market impact.

Anticipated Market Challenges

The shortage of homes available for sale in tribal areas limits opportunity to purchase single-family home loans. During a convening, the SDNHC stated, "in many tribal communities in South Dakota, even when a family qualifies for a mortgage, there are no homes to purchase."

Adoption and usage of HeritageOne product may be slow. Through our extensive industry outreach, we have found that few lenders have experience lending in tribal areas and many lenders have made the business decision not to enter the market, given the complexities and relatively small opportunity associated with lending in tribal areas.

In addition, many lenders currently serving Native borrowers are small community banks and CDFIs that would need to sell loans to Freddie Mac indirectly through aggregators; however, they might not meet the capital requirements to become participating correspondent lenders. On the other side of that equation, aggregators often lack an effective channel for small lenders. For CDFIs that want to expand support for their communities by becoming aggregators, the financial resources, time, technology infrastructure, and staffing needed may limit them. Freddie Mac would need to expend significant time and effort to expand our direct and indirect seller network.

HeritageOne provides an option to release servicing to approved Freddie Mac servicing agents. However, very few lenders in this space also service loans. Many Native lenders have stated that they want to service the loans that they originate so that they can maintain a connection with the borrower; however, the time, funding, knowledge, and staffing required to become a servicer may be prohibitive and curb adoption of HeritageOne in the market.

Single-Family

ACTIVITY 3:
Support for High-Needs Rural Populations: Regulatory Activity

OBJECTIVE B:
Develop Product Flexibilities to Facilitate Loan Originations for Members of Federally Recognized Native Tribes in Tribal Areas

Evaluation Area	Year(s)	Income Targeted	Extra Credit
Loan Product	2 and 3	VLI, LI, MI	Yes

Objective Background and Description

Most mortgage loans made to American Indians and Alaska Natives are for homes outside of tribal lands. The difference between the number of loans made to Native borrowers on and outside of tribal lands has grown significantly over time. Loans made to Native borrowers for homes on tribal lands are more than 55% more likely to be higher-priced than other loans, with rates more than 2% higher, on average.[45] During our numerous conversations with industry professionals serving Native communities, they told us that barriers to mortgage lending on tribal lands include but are not limited to the following: complexities of land ownership where the land may be held in a trust by the federal government, interacting with tribal courts and tribes, completing environmental reviews, obtaining title status reports, and difficulties in obtaining appraisals. Freddie Mac considered these factors and others in developing HeritageOne, our conventional mortgage solution tailored to help members of federally recognized American Indian and Alaska Native tribes finance homes in tribal areas.

We worked strategically and collaboratively across the ecosystem to help lower barriers that industry participants told us inhibit mortgage lending in tribal areas, including tribal trust, allotted trust, and fee simple lands. During the first two Duty to Serve Plan cycles, we conducted extensive, continual outreach to industry participants – such as non-profit housing intermediaries, housing finance agencies, tribally designated housing development entities (TDHEs), and community development financial institutions (CDFIs), including Native CDFIs – to gather insights into tribal governance, the unique aspects of Native housing and homeownership, potential borrowers' needs, how to make loan origination processes more efficient, and appraisals.

From that foundation, we designed HeritageOne. Throughout the development process, we continually engaged participants across the ecosystem to help ensure that HeritageOne would meaningfully address some of the main hurdles to affordable access to credit facing Native households in tribal areas.

45 Federal Reserve Bank of Minneapolis, The Center for Indian Country Development, Working Paper Series No. 1906, "The Higher Price of Mortgage Financing for Native Americans", Donna Feir and Laura Cattaneo, September 17, 2019 - https://www.minneapolisfed.org/-/media/assets/papers/cicdwp/2019/cicd-wp-201906.pdf

To maximize potential usage, members of the more than 225 tribes included on HUD's Section 184 Participating Tribes List are eligible to use HeritageOne. In addition, working with the Appraisal Institute and Native housing finance professionals, we also developed an appraisal curriculum to support property valuations for homes in tribal areas.

To educate lending institutions and Native organizations on conventional mortgage lending and to facilitate knowledge sharing and best practices across the ecosystem, we collaborated with the South Dakota Native Homeownership Coalition (SDNHC), Enterprise Community Partners, and Oweesta Corporation. The forums and technical assistance provided led to collaboration, information sharing, and stronger relationships across the ecosystem.

During the 2025-2027 Plan cycle, we will assess HeritageOne's effectiveness and endeavor to enhance the offering to help increase its adoption and usage. We will continue our efforts to expand access to the secondary market by engaging with lenders already active in this market and connecting with others that would be new to it. Continuing our efforts in tribal areas will entail coordination across the ecosystem, including leveraging our existing relationships and strengthening partnerships with lenders of all sizes, governmental agencies and tribal entities, appraisers, trade groups, non-profit housing intermediaries serving Native populations, and other industry stakeholders.

Baseline

Freddie Mac introduced HeritageOne in October 2023 and began outreach to potential lenders as well as executing terms of business (TOBs) with approved lenders in 2024. We conducted extensive outreach and education efforts to promote the offering to industry stakeholders, educate them on its usage and benefits, and encourage lenders to enter into the TOB.

Actions

Year 2 – 2026

1. Work in collaboration with at least two of our existing non-profit partners that offer technical assistance to tribes and the lending community to engage with lenders, tribal leadership, and TDHEs to socialize the product and share best practices.
2. Collect HeritageOne loan data and analyze loan performance.
3. Obtain feedback from lenders using the product.
    a. Survey at least three lenders with the TOB to determine usability in the market.
    b. Hold at least three focus groups with industry partners and housing intermediaries to gather feedback on potential enhancements.
4. Determine at least one potential product enhancement based on findings from the assessments conducted.

Year 3 – 2027

1. Publish at least one policy update to our Single-Family Seller/Servicer Guide based on feedback gathered in Year 2.

2. Update training materials to reflect the Guide change.
3. Promote the product enhancement through various channels. Example activities:
    a. Post product information and resources on Freddie Mac's web site.
    b. Provide learning opportunities to inform housing industry participants of HeritageOne product enhancements, such as webinars and participation in industry events.
    c. Publish articles to Freddie Mac's Single-Family News & Insights web pages and send via e-mail to Lender News subscribers.

Anticipated Market Impact

Our efforts under this objective will lay the foundation to expand conventional mortgage lending and access to affordable credit for Native homebuyers and homeowners in tribal areas.

Our enhancements to HeritageOne will aim to increase lenders' adoption and usage of the product and boost their confidence in lending in tribal areas. Basing the enhancements on feedback from lenders with experience in using HeritageOne and other housing professionals will help strengthen relationships across the ecosystem and facilitate industry buy-in. Also taking loan performance data into consideration will help ensure safety and soundness.

Through our outreach, promotion, and education activities, lenders will gain understanding of HeritageOne's benefits and how to use it efficiently and effectively to support sustainable homeownership opportunities. Our goal will be to increase adoption and usage of HeritageOne, providing lenders and borrowers with a mortgage solution in addition to the HUD Section 184 product. Enabling and encouraging lenders to sell HeritageOne loans to Freddie Mac will help increase the flow of liquidity to this market.

Anticipated Market Challenges

The lack of for-sale homes in tribal areas limits opportunities for mortgage lending and for Freddie Mac to purchase the loans.

Adoption and usage of HeritageOne product may be slow. Through our extensive industry outreach, we have found that few lenders have experience lending in tribal areas and many lenders have made the business decision not to enter the market, given the complexities and relatively small opportunity associated with lending in tribal areas.

In addition, many lenders currently serving Native borrowers are small community banks and CDFIs that would need to sell loans to Freddie Mac indirectly through aggregators; however, they might not meet the capital requirements to become participating correspondent lenders. On the other side of that equation, aggregators often lack an effective channel for small lenders. For CDFIs that want to expand support for their communities by becoming aggregators, the financial resources, time, technology infrastructure, and staffing needed may limit them. Freddie Mac would need to expend significant time and effort to expand our direct and indirect seller network.

Multifamily

ACTIVITY 3:
Support for High-Needs Rural Populations: Regulatory Activity

OBJECTIVE C:
Engage in LIHTC Equity Investment

Evaluation Area	Year(s)	Income Targeted	Extra Credit
Investment	1, 2, 3	VLI, LI, MI	Yes

Objective Background and Description

The LIHTC program is the primary resource for supporting the creation and redevelopment of affordable housing for low- and very-low-income households. LIHTC provides state and local housing finance agencies and other LIHTC-allocating agencies the equivalent of nearly $9 billion[46] in annual budget authority to issue tax credits for the acquisition, rehabilitation, and construction of low-income affordable housing. The program awards developers tax credits that are generally allocated to investors for capital contributions that offset the costs associated with the development of affordable units and rent restrictions.

Freddie Mac re-entered the LIHTC equity investment space in 2018 and has focused a meaningful portion of its investments in support of Duty to Serve high-needs rural populations. By maintaining our focus in support of these populations, through investments in properties that are located within Duty to Serve rural geographies, we support competition for credits that can increase stability and improve LIHTC pricing. This can improve affordability by advancing housing supply and reducing debt financing needs at individual properties and could lower the portion of rent needed to pay for debt service.

These investments are particularly important to high-needs rural populations as the properties they support are often overlooked by investors. Most of the LIHTC-financed properties located within the identified geographies for these populations are outside of banks' Community Reinvestment Act (CRA) assessment regions and do not receive competitive pricing for credits as a result.

As we engage in this important work, we must act in a safe and sound manner. We achieve this by accounting for concentration risk and maintaining a diversity of investments at sufficient scale to ensure a stable business platform.

46 https://www.huduser.gov/portal/datasets/lihtc.html

Baseline

Our baseline transactions for the 2025-2027 Duty to Serve Plan is 2 transactions, which is the 5-year average of the transactions we have completed in support of high-needs rural populations between 2019 and 2023. A 5-year baseline for our LIHTC equity objectives captures our expectations for the market going forward. It accounts for a range of market environments and the year-over-year volatility that is associated with investment opportunities that can meet our targets.

2019	2020	2021	2022	2023	5-Year Average
0 transactions	2 transactions	2 transactions	4 transactions	4 transactions	2 transactions

Targets

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

We anticipate years in which we surpass this goal, and years during which completing three transactions will be challenging. This is due to the way LIHTC is distributed at the state and local levels. Annual Allocations that are both rural and support high-needs populations are both low and inconsistent and not all transactions are viable. Although competition for credits in these regions tends to be low, like all investors we are subject to being outbid.

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

Despite the small number of available transactions in the high-needs rural population space, our targets are set to represent an impactful share of annual transactions. We believe that our transactions target balances our need to maintain safety and soundness and support high-needs rural populations while considering LIHTC investment opportunities. Goals that would exceed what the market can support may lead to overbidding on opportunities that are within our Duty to Serve geographies, reducing our ability to invest appropriately and be impactful elsewhere. Given these factors, we are maintaining our targets for the three-year plan period.

2025	2026	2027
3 transactions	3 transactions	3 transactions

As we continue building our LIHTC equity investments in support of high-needs rural populations, Freddie Mac will maintain ongoing engagements with its network of LIHTC syndicators to identify eligible LIHTC investment opportunities. This requires dedicated staffing and constant work with syndicators to locate, bid on, and invest in these opportunities.

The ability to identify opportunities is also dependent on continual outreach to other market participants, including non-profit organizations, developers, and affordable housing financers, which can foster relationships that expand awareness of Freddie Mac's LIHTC investments. We will also continue to use these engagements as opportunities to gather more information on market needs and the best paths forward for continued or increased investment.

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

Anticipated Market Impact

Investments benefiting high-needs rural populations face inherent market volatility and a limited investor base. Through our work in these markets, Freddie Mac has become a stabilizing force and reliable source of equity investment. Our presence in the market is helping provide a higher degree of confidence to developers as they consider opportunities that benefit high-needs rural populations.

Our work also provides critically needed support to households in rural communities who gain access to safe, decent, and affordable housing when we invest. Additionally, our investments increase competition in the market, which may influence the price per credit. This can provide more equity to developers, reducing their debt capital needs and even make more projects viable, allowing developments to move forward that would have otherwise stalled.

Anticipated Market Challenges

The primary market challenge associated with investment in high-needs rural populations is the limitations arising from the size of the market itself. Each year, there are very few potential transactions to invest in that both serve high-needs rural populations and that qualify as Duty to Serve-designated rural markets. Additionally, the closing process and timeline for transactions in these areas is less predictable which reduces the likelihood that deals close within a calendar year, making target predictions more difficult.

Additionally, high-needs rural populations transactions face the same challenges that other properties in rural areas face, as discussed in previous sections but also reiterated here. LIHTC investments benefiting high-needs rural populations face a general lack of investment, cost increases, which are more acutely felt at smaller rural projects, and reliance on USDA Rural Development for permanent loan underwriting and closing. High-needs rural populations investments also face supply and demand imbalance in LIHTC distribution and volatility in LIHTC allocation. Underwriting challenges may also occur, as the investments are typically in smaller markets that may have marketing and lease-up challenges that require additional review and analysis.

Rural areas are also often outside CRA assessment regions. As a result, there is less competition for LIHTC investments in these regions, which leads to lower LIHTC pricing and less effective credits. In large and medium-sized markets, CRA-motivated demand for investment increases the value of credits and lowers the funding gap between project debt and equity. For high-needs rural populations transactions, this lack of competition lessens the tax-credit pricing, leading to a larger funding gap that requires additional tax credit, soft debt, or a deferral of a developer fee for the deal to be feasible.

Finally, as noted above, states use QAPs to allocate LIHTC. The process is very competitive and only a few states provide rural set asides or set asides benefiting high-needs rural populations. The lack of set-asides makes rural areas less competitive relative to urban and suburban areas, making it more difficult for developers in high-needs rural populations to obtain some of the limited yearly allocations.

Single-Family

ACTIVITY 4:
Financing by Small Financial Institutions of Rural Housing: Regulatory Activity

OBJECTIVE A:
Purchase Loans from Small Financial Institutions Serving Rural Areas

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

Objective Background and Description
Freddie Mac will continue to provide liquidity to small financial institutions (SFIs) with assets of less than $304 million. We plan to engage more deeply with SFIs that are already approved Freddie Mac seller/servicers to increase the purchase of rural housing loans. We also intend to expand our outreach and support to increase the number of SFIs approved as direct Freddie Mac seller/servicers or that sell to us through an aggregator. Our approach is intended to increase the financing options for these institutions and our purchase volume.

Baseline
In setting Freddie Mac's baseline and targets for the 2025-2027 Plan cycle, we reviewed the volume of purchase-money and refinance loans purchased since 2018 from SFIs serving rural areas. We also assessed market conditions during those years to the present.

Unusually low mortgage interest rates in 2020 and into 2022 sparked a refinance boom. The timing coincided with a spike in home purchase demand from Millennials entering prime homebuying ages and the COVID-19 pandemic prompting many individuals to want more or different space. As a result, single-family mortgage originations soared to levels not experienced since the housing boom in the early 2000s.

Interest rates rose rapidly starting in 2022, more than doubling from 3.8% in second quarter 2022 to 7.79% in fourth quarter 2023. They have receded slightly since then but remained near 7% at the end of first quarter 2024. Also, during this time frame, inflation rose dramatically, and housing supply and production remained tight, further pushing up home prices. Loan originations and Freddie Mac's loan purchases significantly contracted as a result – most notably, refinance loans.

Macroeconomic conditions have made the refinance business particularly volatile and difficult to predict over the last several years. We expect similar conditions during this Plan cycle. Therefore, in developing our baseline for this Plan cycle, we included only purchase-money loans in the annual loan volume used in our calculation and used an average of the most recent three years where refinance shares within the market were below 50% of our annual loan purchases.

The following table reflects our baseline, developed according to the methodology described.

Year	2018	2019	2023
Income-Qualifying Loan Count	2,391 loans	2,524 loans	1,937 loans
Baseline (An average of the 3 most recent years in which purchase-money loans composed > 50% of purchases in this market was used to establish the baseline)		2,284 loans	

Targets

Our purchase targets for single-family loans from SFIs serving rural areas over the Plan cycle are set forth in the following table. We intend to use various tactics to meet our targets. These may include leveraging various execution options where feasible, conducting outreach, and offering technical training to raise lenders' confidence in lending to very low-, low-, and moderate-income homebuyers.

Our economists expect positive but cooler economic growth over the next few years. Total new and existing home sales should improve in time, after bottoming at 4.8 million in 2023. One driver of the low sales is a rate lock-in effect incentivizing existing homeowners not to change homes; this will only gradually ease over time. Given poor affordability and a projected cooling of the job market, we expect home price growth to soften but remain positive. Our expectations of purchase-money originations are broadly consistent with the Mortgage Bankers Association's February 2024 forecast of almost $1.7 trillion in 2025 and almost $1.8 trillion in 2026. Sales volume and home prices support originations increasing modestly over the three-year horizon.

Projected volume does not consider potential market reactions to changes in the interest-rate environment or other market disruption. It also does not factor in the possibility of slower-than-expected adoption of our products or product enhancements. Lenders' business priorities and the complexities of their internal processes affect the rate of adopting new or updated mortgage offerings, even when lenders understand the value of offerings and are anxious to incorporate them into their businesses.

2025	2026	2027
2,300 loans	2,350 loans	2,400 loan

Anticipated Market Impact

We estimate that we will provide more than $1 billion in liquidity over the Plan cycle to small financial institutions that serve rural areas. Deliberately increasing our engagement with small financial institutions to provide liquidity will notably improve access to credit in rural markets because we have heard from lenders that they are limited in resources, available products, and outreach capacity.

Through our outreach efforts, more lenders also will become able to sell their loans into the secondary market either directly or indirectly, with some lenders becoming direct Freddie Mac seller/servicers.

Anticipated Market Challenges

We anticipate that achieving this objective will be very challenging for many reasons, including lenders' competing internal priorities, potential operational complexities, differing financing options, distinct financial products offered, and the large number of geographic areas served.

The lack of homes available for sale and affordable to individuals with very low-, low-, and moderate-incomes also limits mortgage lending in rural regions.

In addition, many lenders hold loans in portfolio so that they can extend credit to borrowers who fall outside of the Enterprises' credit box, according to lenders we interviewed.

Furthermore, Freddie Mac anticipates that mergers and acquisitions will cause a percentage of the eligible lender population each year to no longer exist as small financial institutions as defined by the Duty to Serve regulation; this will shrink the pool of Duty to Serve-eligible loans in this market. 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.

Single-Family

ACTIVITY 5:
Support for Certified Community Development Financial Institutions Serving the Rural Housing Market: Additional Activity

OBJECTIVE A:
Design Product Flexibilities to Facilitate Origination of Conventional Mortgages from Community Development Financial Institutions

Evaluation Area	Year(s)	Income Targeted	Extra Credit
Loan Product	1, 2, 3	VLI, LI, MI	Yes

Objective Background and Description

Community development financial institutions (CDFIs) that serve rural areas facilitate investment and provide affordable financing for a wide range of needs in some of the nation's most economically distressed areas. To support affordable home financing, CDFIs often allow terms that do not meet conventional mortgage standards. CDFI staff we interviewed told us that they would like to sell more of the loans they originate into the secondary mortgage market but typically hold them in portfolio because the loans often do not meet Enterprise requirements. The population that CDFIs serve often earn very low or low incomes, have thin or no credit histories, and have low capacity to set aside savings.

During the previous Duty to Serve Plan cycles, Freddie Mac formed partnerships with CDFIs that enabled them to become direct or indirect sellers to us, opening their access to the secondary mortgage market. Through these relationships, we increased their capacity to deliver localized financial and homebuyer education to help prepare more people for responsible homeownership in high-needs rural regions, including Native American tribal areas.

We also updated our policies based on industry feedback to help meet the specialized needs of CDFIs and their borrowers. We offered the new flexibilities to CDFIs through a term of business (TOB), to help ensure safety and soundness as we expand our presence in this part of the market.

During the 2025-2027 Plan cycle, we will obtain industry feedback on our offerings to identify and, if appropriate, introduce improvements intended to make it easier for CDFIs to originate loans that can be sold to Freddie Mac. Through this iterative approach, we will strategically expand the flexibilities to increase our support for CDFIs in rural areas. We also will continue to expand the network of CDFIs that are eligible to deliver loans under the TOB. In addition, we will explore additional opportunities to support CDFIs, including through partnerships with Federal Home Loan Banks (FHLBs).

Developing and implementing product enhancements, taking into account consistent safety and soundness practices, takes substantial time and resources. The complexities of lenders' internal processes affect the adoption rate, even when lenders understand the value of offerings and want to incorporate them into their businesses. The rate of adoption depends on lender priorities as well as the need for resources, systems updates, new internal policies, and training.

Baseline

Freddie Mac updated our affordable lending policies in 2024 to provide flexibilities supportive of CDFIs in originating loans that are eligible for sale to the secondary mortgage market. The flexibilities were offered through a proprietary TOB to a small number of CDFIs to assess their effectiveness.

Actions

Year 1 – 2025

1. Conduct outreach through direct engagement and, as appropriate, industry learning events to promote the product flexibilities for CDFIs and related TOB introduced in 2024. Obtain commitment from at least two CDFIs that can support direct selling relationships with Freddie Mac to enter into the TOB.
2. Provide technical assistance to support CDFIs that enter into the TOB introduced in 2024.
3. Gather feedback from CDFIs that have delivered loans to us under the TOB.
4. Engage at least one FHLB to gain insight into their CDFI programs and potential synergies. Establish a relationship with at least one FHLB to develop a strategy to work collaboratively to support CDFIs.

Year 2 - 2026

1. Obtain commitments from at least two CDFIs that can support a direct selling relationship with Freddie Mac to enter into the TOB.
2. Provide technical assistance to support CDFIs that enter the TOB in Year 2.
3. Execute the strategy for collaborating with at least one FHLB developed in Year 1, if applicable.
4. Analyze data from loans delivered by CDFIs under the TOB to assess loan characteristics and performance as well as feedback gathered in Year 1. Determine potential policy updates that could help increase the likelihood that CDFIs will deliver loans to Freddie Mac. Explore the feasibility of creating a CDFI product or expanding the TOB, based on our analysis.

Year 3 – 2027

1. Based on the path selected in Year 2, either publish at least one update to our Single-Family Seller/Servicer Guide to support CDFIs or expand the TOB introduced in 2024.
2. Promote either the expanded TOB or the Guide update to industry participants to raise awareness and encourage adoption. Efforts may include, for example, industry conferences and learning events, webinars/tutorials, targeted e-mail, social media posts, marketing collateral, updated web site content, Freddie Mac-supported housing forums, articles or blog posts, and Freddie Mac Single-Family Lender News features.

Anticipated Market Impact

Through our efforts under this objective, Freddie Mac will help boost CDFIs' ability to provide affordable lending and access to credit for the purchase or refinance of homes in rural areas. By promoting the product flexibilities offered through the TOB, deepening relationships with CDFIs, and providing technical assistance, we will encourage adoption of the offering and help CDFIs use it efficiently and effectively. Working collaboratively with at least one FHLB, if appropriate, will contribute to the expansion of and support for our mutual efforts in this space.

The feedback that we gather from CDFIs on their experience with the flexibilities and the insights that we gain from assessing loan data will contribute to continued refinement of our policies. We anticipate that the updates will enable CDFIs to originate and deliver more loans that meet our requirements, which will help increase liquidity to high-needs rural regions.

In addition, expanding the number of CDFIs with the TOB will create channels into the secondary mortgage market for a more diverse set of lenders and could increase access to credit for more rural households. Because the flow of liquidity to these areas currently is low, our loan purchases will make a meaningful difference.

Anticipated Market Challenges

Developing specialized flexibilities for CDFIs will be challenging because a targeted approach must also be scalable across communities. Economic conditions in rural markets could further shrink the pool of households ready to benefit from a conventional home mortgage. Among the challenges are higher-than-average unemployment rates, underemployment, lower-paying jobs, and a general lack of resources. About 11% of rural counties have poverty rates of 25% or more.[47]

Some lenders may experience difficulties in building direct and indirect selling relationships with Freddie Mac. For example, a CDFI might ask a larger lender to serve as the aggregator but not meet the capital requirements to become a participating correspondent lender. On the other side of that equation, aggregators often lack an effective channel for small lenders. For CDFIs that want to expand support for their communities by becoming aggregators, the financial resources, time, technology infrastructure, and staffing needed may limit them.

CDFIs' internal processes will affect the rate of adopting new or updated offerings, even when the organizations understand the value of offerings and are anxious to incorporate them into their businesses. The speed to market depends on priorities as well as resources, systems updates, new internal policies, and training. The process can take a year or more.

47 Housing Assistance Council, Taking Stock, https://takingstockrural.org/

Multifamily

Activity 6:
Small Multifamily Rental Properties in Rural Areas: Regulatory Activity

Objective Background and Description

Small multifamily rental properties are an important segment of the rural rental market. Freddie Mac will support small rural properties through our LIHTC Equity Investments (Activity 1, Objective C; Activity 2, Objective D, Activity 3, Objective C), our Rural Developer Capacity Building work (Activity 1, Objective F) and our multi-lender securitization product and outreach efforts (Activity 1, Objective D).

Affordable Housing Preservation

Affordable Housing Preservation

Strategic Priorities 2025-2027

Overview

With the demand for affordable housing continuing to grow and outpace supply, the need to find ways to create and support the long-term preservation of affordable housing is clear. Nearly one-third of all U.S. households were cost burdened in 2021, defined as paying more than 30% of their incomes for housing,[48] and housing affordability has declined since then. Less housing is available for rent and sale now than at any time in the last 30 years.[49] In addition, renovations or other improvements are needed on many properties to keep them viable and/or to help increase energy efficiency and resiliency, given the age of much of the housing stock, housing's contribution to greenhouse gas emissions, and the impacts of climate change.

Single-Family

In the single-family market, there is a great need to preserve and increase the availability of affordable homes and to support access to affordable financing for them. Rapidly rising interest rates and home prices, inflation, and the severe lack of homes for sale prevent many very low-, low-, and moderate-income households from becoming homeowners. The National Association of REALTORS® November 2023 Housing Affordability Index was the lowest since July 1985.

- Mortgage interest rates tripled from May 2020 to October 2023 and remained around 7% in March 2024, according to Freddie Mac's Primary Mortgage Market Survey®.
- At the end of September 2023, about 1% of existing homes were for sale. Total home sales were at their lowest since 2011, and the lock-in effect has pushed sales of existing homes to their lowest level since 1995.[50]
- The number of entry-level homes represent less than 10% of all newly constructed homes, compared to about 35% in the 1970s.[51]
- Entry-level home prices have risen 62% faster than higher-end home prices since 2000, largely driven by Millennials reaching homebuying age.[52]

48 Joint Center for Housing Studies of Harvard University, The State of the Nation's Housing 2023 - https://www.jchs.harvard.edu/sites/default/files/reports/files/Harvard_JCHS_The_State_of_the_Nations_Housing_2023.pdf

49 Urban Institute, Overcoming the Nation's Daunting Housing Supply Shortage, https://www.urban.org/sites/default/files/publication/103940/overcoming-the-nations-daunting-housing-supply-shortage.pdf

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

51 Alleviating Supply Constraints in the Housing Market; Council of Economic Advisors; Jared Bernstein, Jeffery Zhang, Ryan Cummings, and Matthew Maury; September 1, 2021 - https://www.whitehouse.gov/cea/written-materials/2021/09/01/alleviating-supply-constraints-in-the-housing-market/

52 Entry-level home prices are for homes that sell at 75% of the median or below. High-end home prices sell at 125% of the median or higher. Data through November 2023. Source: CoreLogic. Freddie Mac Quarterly Economic & Housing Market Outlook, February 2024 - https://capitalmarkets.freddiemac.com/crt/docs/pdfs/feb-quarterly-economic-housin-market-outlook.pdf

In addition, around 80% of U.S. homes were built before 2000, with more than half built before 1980.[53] Many do or will require renovations and/or repairs to better enable them to meet buyers' or owners' needs and to extend their viability. Renovation projects, though, can be relatively costly, especially given rising construction materials and labor costs. Meanwhile, economic conditions put financial pressure on an increasing number of homeowners. In 2021, 19 million homeowners were cost burdened.[54]

Interest in sustainability continues to grow with households seeking energy-efficient homes that reduce usage of natural resources and utility costs, state governments setting energy-efficiency requirements for homes, and lenders considering ways to participate. According to the findings of a 2023 Freddie Mac consumer survey, more than half of respondents stated that their homes' environmental footprint was important to them; that number rose to 60% for Millennials responding, with 60% also stating that they were actively taking steps to reduce their impact and their utility costs. In addition, the federal government is considering requiring adherence to stricter International Energy Conservation Code standards.[55]

During the two previous Duty to Serve Plan cycles, Freddie Mac helped advance affordable single-family housing preservation through our efforts to increase support for home energy and water efficiency that results in utility cost savings and to expand shared equity homeownership, with a focus on homes in community land trusts (CLTs) and income-based resale-restricted properties. Our presence in these markets has helped set industry standards, increase financing opportunities, and promote industry growth.

For shared equity homeownership, during the previous Plan cycles, we introduced mortgage offerings for financing homes in CLT and income-based resale-restricted properties, and we continually work to improve them based on industry feedback. To help promote standardization in this largely fragmented market, we worked with the Florida Housing Coalition to develop the Florida CLT Training and Certification program, which offers best practices and resources to help CLTs become established and grow. To encourage additional standardization, we created model legal documents in collaboration with shared equity market participants. In addition, the survey conducted with Grounded Solutions Network and the resulting CLT Directory helped size the shared equity market and increase transparency into programs across the country. Freddie Mac's CLT Database, which builds on the directory, helps lenders connect with and help grow shared equity programs in their lending areas. Earlier research with Grounded Solutions Network provided insight into the effectiveness of the shared equity homeownership model. To facilitate appraisals of shared equity homes, we collaborated with the Appraisal Institute to create a CLT appraisal curriculum.

We introduced and enhanced our GreenCHOICE Mortgage® to finance home energy- and water-efficiency improvements. To help drive standardization, we selected data points related to energy-efficient home features to be included in the Uniform Appraisal Dataset (UAD) under the Uniform Mortgage Data Program and implemented a related dataset in our lender-facing systems. To further raise the visibility of green

53 Freddie Mac, "Where Is the Aging Housing Stock in the United States?", Sijie Li, June 1, 2021 - https://sf.freddiemac.com/articles/news/where-is-the-aging-housing-stock-in-the-united-states

54 Joint Center for Housing Studies at Harvard University, The State of the Nation's Housing 2023

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

mortgages and increase market liquidity, we developed a Green Bond framework and have issued Green mortgage-backed securities (MBS) since 2021; the framework was expanded in 2022 to include newly constructed homes with Home Energy Rating System (HERS®) scores of 60 or less. In addition, the research that we conducted in 2019 offered insight into the connection between home energy efficiency with loan performance and home values.

Multifamily

In multifamily, rent growth has on average outpaced income growth since the Great Financial Crisis and the availability of rent- or income-restricted units has remained limited. Although the market saw an uptick in the delivery of new units as rents rose and borrowing costs fell following the pandemic, new starts have again fallen due to economic uncertainty and the higher interest rate environment.

Even though the number of multifamily units has increased and rent growth has slowed, multifamily residents across the country are facing near record-high levels of cost burdening. The Harvard Joint Center for Housing Studies reports that rising housing costs coupled with pandemic-related income loss have left 21.6 million households, or nearly half of all renters, cost-burdened.[56] Cost burdening is experienced across the income spectrum but concentrated in very low- and low-income households, with 63% to 86% of the lowest income households experiencing cost-burdening.[57]

In this challenging environment, Freddie Mac's Duty to Serve affordable housing preservation (AHP) efforts are helping provide liquidity and support safe and sound lending standards for rent- and income-restricted housing that benefits from a range of public subsidies. The debt capital we provide is critical to addressing AHP challenges and needs.

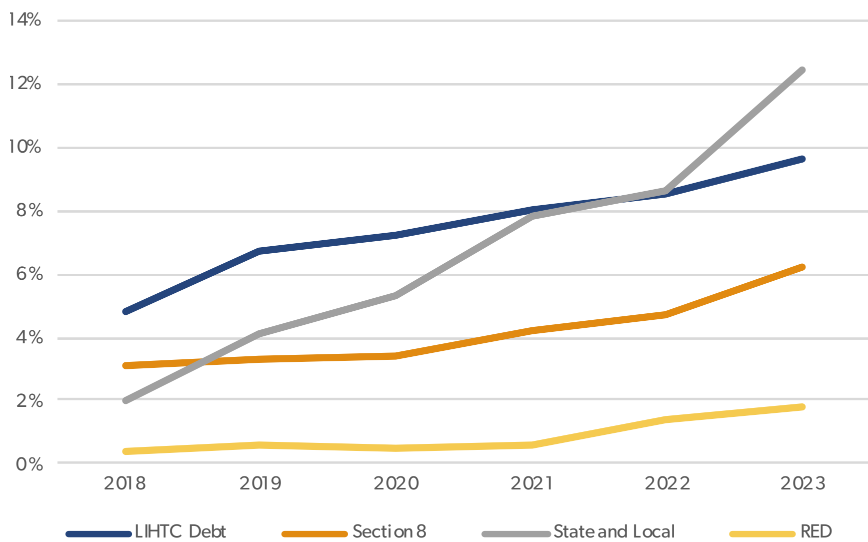
In the 2025-2027 Duty to Serve Plan, Freddie Mac will continue to advance affordable housing preservation through purchase objectives with targets for LIHTC debt, Section 8, and Residential Economic Diversity (RED) properties, as well as properties that benefit from state and local subsidy programs. Beyond that, we will further expand our efforts to address affordability loss caused by use of the Qualified Contract provision for LIHTC properties. Finally, we will develop new securitization products that can support the needs of smaller financial institutions, including those that finance 5-50-unit properties and rural properties.

To ensure we are appropriately supporting this market, Freddie Mac has examined how our loan purchases changed over time and the market context for those changes. Throughout a dynamic market environment since 2018, we have seen a general increase in the percentage of units Freddie Mac finances that are eligible for credit under our Duty to Serve objectives. For example, the percentage of units Freddie Mac finances that meet our LIHTC debt purchase objective has doubled since the start of our Duty to Serve efforts, from 5% of overall units financed to 10% of overall units financed. For our Section 8 objective, we see a similar trend with an increase from 3% to 6% of units financed.

56 JCHS, The State of the Nation's Housing 2023

57 Ibid

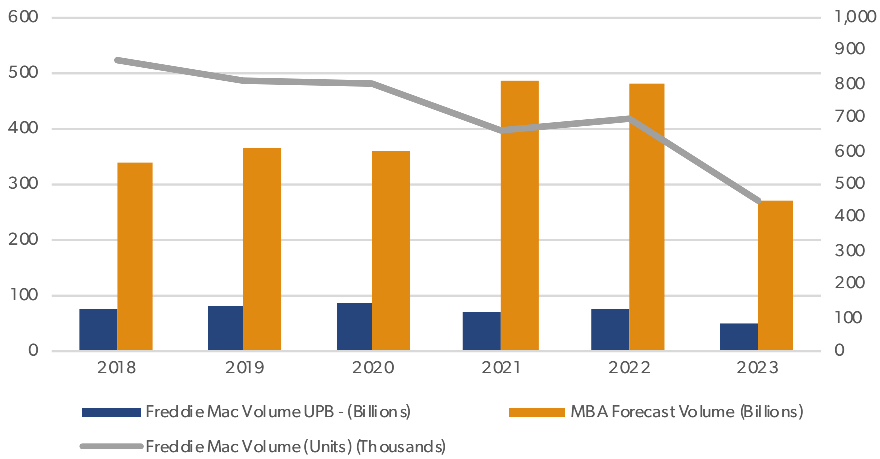
AHP Purchases as Percent of Total Unit Volume



Taking a broader view, Freddie Mac has observed a range of market conditions since the inception of Duty to Serve. From 2018 to 2021, the overall multifamily originations market grew substantially, from $339 billion to $487 billion according to the Mortgage Bankers Association.[58] Since the market peak, however, originations have fallen by 41%. Similarly, Freddie Mac's loan purchase volume increased, and then fell, and is now also 41% down from its peak. As a result of rising property values and the reduction in total market originations, the number of units financed annually by Freddie Mac has generally fallen. In 2023, unit volume was just over half of what it was in 2018.

58 https://www.mba.org/docs/default-source/research-and-forecasts/cmf-originations-index/4q23cmforiginationssurvey.pdf?sfvrsn=29bc3fa0_1

Multifamily Market Dynamics 2018-2023



As of 2023, we observed a 25% reduction in loan purchase volume by UPB and units when compared to average performance from 2021 to 2023. To account for this substantial shift in market dynamics, we are including a 25% reduction to our 3-year averages when calculating baselines for our objectives. This revision allows us to set reasonable targets that help maintain appropriate levels of liquidity to the AHP market. These unit targets allow us to maintain the prominence of AHP lending in the context of our overall loan purchase volume. The approach also allows us to meet the liquidity needs of the AHP market while maintaining safety and soundness and laying a foundation for future opportunities to address AHP market challenges.

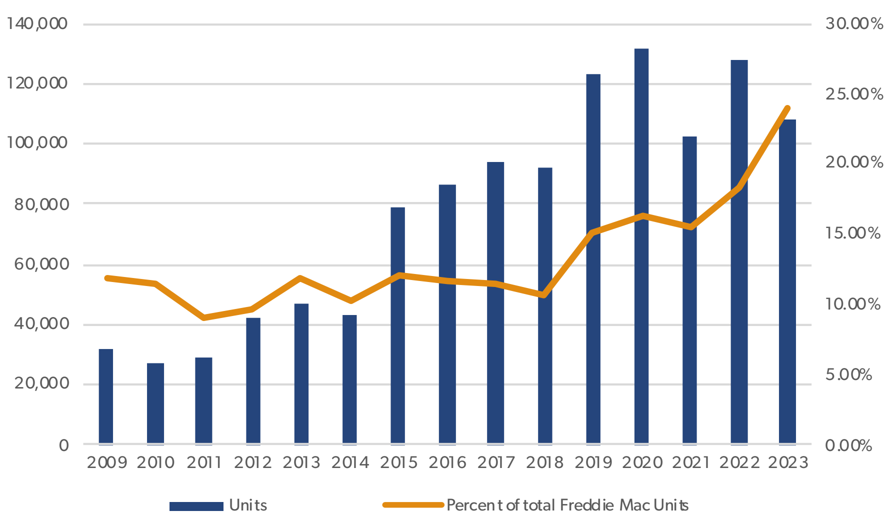
Supporting Affordable Housing Preservation – 2018-2023

Freddie Mac remains committed to affordable housing preservation and continues to consistently increase our support in the space. Our loan and product offerings in the multifamily and single-family markets help provide liquidity to support more affordable homes. Our thought leadership provides insights that increase understanding of market needs and opportunities as well as data that can factor into solutions.

- Purchased more than 500 loans on shared equity homes since launching offerings in 2019. The vast majority of loans helped very low- and low-income households become homeowners.
- Enhanced our shared equity offerings based on industry feedback to make originating and servicing loans faster and easier and to expand eligible property types.
- Promoted industry standardization to help enable market growth.
  - Established the Florida CLT Training and Certification Program with the Florida Housing Coalition.
  - Developed a national model deed-restricted covenant and security instrument for shared equity program stewards in collaboration with Grounded Solutions Network.
- Conducted a survey and created a CLT directory with Grounded Solutions Network to help size the shared equity market. Collaborated with Grounded Solutions Network on research to gain insight into the effectiveness of shared equity programs in increasing affordable homeownership.
- Expanded the CLT directory to create a CLT database with more detailed information to help lenders identify opportunities to finance shared equity homes in their lending areas.
- Developed and delivered a curriculum on appraising homes in CLTs, in collaboration with the Appraisal Institute.
- Introduced and enhanced GreenCHOICE Mortgage for financing a wide range of home energy- and/or water-efficiency improvements that lead to utility cost savings; proceeds also may be used to pay off existing debt on previous energy-efficiency improvements, such as solar panel installation.
- Established the Single-Family Green Bond in 2021; issued a total of more than $2 billion in bonds backed by more than 6,400 energy-efficiency mortgages in 2021 and 2022.
- Increased standardization by incorporating energy-efficiency data points into our lender-facing systems and championing the addition of energy-efficiency requirements to the Uniform Appraisal Dataset.
- Published original research on how home energy efficiency affects mortgage loan performance and home values.
- Maintained focus on affordability with 70% of total multifamily units financed via Freddie Mac loan purchases affordable to households at 80% area median income (AMI) and 94% affordable to households at 120% AMI.
- Provided $58 billion in liquidity to support the creation and preservation of affordable housing through Duty to Serve Plan objectives.

- Supported more than 300,000 LIHTC units, 165,000 Section 8 units, 260,000 units that benefit from state and local programs, and 33,000 units that advance our Residential Economic Diversity objective.
- Conducted important research and outreach in the multifamily market, including an exploration of LIHTC properties at-risk of losing their affordability.
- Continued to grow our focus on Target Affordable Housing, increasing substantially since 2018:

Freddie Mac Targeted Affordable Housing



Affordable Housing Preservation Challenges and Needs

Through our efforts to support affordable housing preservation, including our outreach to market stakeholders, we have identified several challenges that are broadly shared across the market.

Dynamic and elevated interest rate environment: Elevated interest rates have reduced lending for single-family and multifamily properties. The interest rate environment exacerbates a single-family housing market already challenged with high home prices and a severe shortage of affordable homes. The higher mortgage interest rates have pushed homeownership beyond reach for many potential homebuyers. According to the National Association of Realtors Quarterly Housing Affordability Index, home affordability is at its lowest in almost 40 years.[59] The multifamily market environment has fluctuated greatly since the inception of our Duty to Serve work. Dynamic capital markets and Treasury rates, changes in labor and construction costs, and inflation have contributed to market uncertainty. A lack of predictability can hamper efforts to develop and maintain affordable housing.

Constrained supply: The lack of construction of single-family homes – in particular homes of 1,400 square feet or less – negatively impacts affordability and availability. Exacerbating the situation is the "lock-in effect," which prevents owners of existing homes who have comparatively low mortgage interest rates from moving. Rapidly rising home prices, interest rates, and construction-related costs all contributed to shrinking the supply of homes for sale. While recent years have seen a large increase in multifamily starts, many of these projects are concentrated in Class A properties, meaning that supply remains constrained in rent-restricted and naturally occurring affordable housing. Additionally, land use and zoning policies in many municipalities make increasing the supply of multifamily housing difficult.

Aging housing stock: Potentially worsening the housing supply shortage is the aging of housing stock, which could remove some existing properties out of the inventory. The median single-family home in 2021 was 43 years old.[60] In rural areas, homes on average are even older. Many of the homes require improvements to enhance livability, resiliency, and energy efficiency. A substantial component multifamily housing stock is older vintage and, therefore, presents elevated operational expenses and a need for continual capital investment. Rising interest rates and other growing costs make these investments in single-family and multifamily properties, more challenging. This is especially true for affordable housing where the goal is to maintain both affordability to low-income residents and property quality.

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

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59 https://www.nar.realtor/research-and-statistics/housing-statistics/housing-affordability-index

60 Joint Center for Housing Studies of Harvard University, The State of the Nation's Housing 2023 - https://www.jchs.harvard.edu/sites/default/files/reports/files/Harvard_JCHS_The_State_of_the_Nations_Housing_2023.pdf

Natural disaster resiliency and other climate risks: Multifamily housing that is concentrated in coastal cities is increasingly vulnerable to damage from sea level rise and flooding. In addition, affordable housing residents face a disproportionate likelihood of displacement during evacuations related to climate related hazards. A separate issue is the aging nature of affordable housing stock, which can be uniquely challenged by climate risks. The rising cost of property and casualty insurance is another concern, as is transition risk related to emerging decarbonization laws.

Support for shared equity homeownership: To help bring affordable homeownership in reach of very low-, low-, and moderate-income earners, especially in high-cost areas, some state and local governments, housing finance agencies, and other organizations offer shared equity homeownership programs. The programs sell homes in their inventories to income-eligible households at below-market rates and either preserve the affordability upon resale through deed restrictions or provide subsidies structured as secondary financing to homebuyers. The lack of industry standardization has resulted in a fragmented market and inhibited market growth. It has also discouraged lender participation and lenders' ability to sell loans into the secondary market. In addition, an increasing number of localities and non-profit organizations are recognizing the importance and benefits of shared equity homeownership. However, setting up shared equity programs tends to be a complex and lengthy process. More technical assistance is needed to facilitate growth.

Affordable rental housing preservation: Increased materials and construction costs, high interest rates, elevated insurance costs, and very tight margins on new projects all contribute to limiting affordable rental housing supply. These costs lead to increases in rents that often cannot be supported by very low-, low-, and moderate-income households. As a result, newly constructed properties that are affordable to low-income residents rely on government subsidy and existing naturally occurring affordable housing sees continued rent growth. The result is a substantial market gap, where the 11 million extremely low-income renters who earn 30% of area median income or less have only 3.7 million affordable rental units available to them.[61]

Subsidized affordable rental housing constraints: Federal programs, primarily LIHTC and Section 8, provide critical support in creating and preserving subsidized affordable housing. There is, however, an imbalance in the need for this type of housing and what the programs can support. In the LIHTC program, project financing gaps driven by elevated costs and reduced LIHTC equity pricing lead to a need for additional credits or soft debt. Additionally, as projects leave the LIHTC program, either through expiration of the extended use period or exits through the Qualified Contract provision, some affordable units are lost each year.

61 https://nlihc.org/sites/default/files/gap/Gap-Report_2023.pdf

Affordable Housing Preservation Strategic Priorities at a Glance

Over the next three years, Freddie Mac will provide steady liquidity to help meet the needs of the objectives we set out and expand our support for the affordable housing preservation market in the following ways:

To support single-family affordable housing preservation:

- For home energy and water efficiency:
  - Purchase loans to support home energy and water efficiencies that lead to utility cost savings, thereby increasing home affordability.
  - Develop tools to offer insights into opportunities to lower the cost of making home energy- and/or water-efficiency improvements.
- For shared equity homeownership:
  - Purchase loans on shared equity homes.
  - Engage industry participants to identify opportunities to continue evolving our shared equity product offerings and facilitate loan originations.
  - Facilitate capacity building to assist non-profit organizations and localities in standing up shared equity homeownership programs according to best practices, thereby increasing industry standardization and helping to expand access to affordable homeownership, especially in high-cost areas.

To support multifamily affordable housing preservation:

- Provide liquidity to help make home affordable for more households nationwide, including through loan purchases for properties that benefit from:
  - LIHTC
  - Section 8
  - State and local subsidy programs
- Provide liquidity to support properties that support Residential Economic Diversity (RED) in high opportunity areas.
- Examine opportunities to further address affordability loss caused by use of the Qualified Contract process for LIHTC properties.
- Develop new securitization products that can support the needs of smaller financial institutions, including those that finance 5–50-unit properties and rural properties.

Single-Family

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

OBJECTIVE A:
Purchase Single-Family Loans on Energy-Efficiency First-Lien Properties

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

Objective Background and Description

Freddie Mac recognizes the importance of increasing home energy and water efficiency to lower homeownership costs over the long term as well as to use resources more responsibly and reduce environmental impacts. We first set a loan purchase target for loans on energy-efficient homes in the final year of the last Duty to Serve Plan cycle. These loans included our GreenCHOICE Mortgages®, which finance home energy- and/or water-efficiency improvements, and loans on newly constructed homes with RESNET Home Energy Rating System (HERS®) scores of 60 or less. We remain committed to supporting this market. During the 2025-2027 Duty to Serve Plan cycle, we will drive loan purchases through efforts including conducting outreach, developing tools to help housing professionals and potential borrowers better understand the benefits of increasing home energy and water efficiency, and expanding lender participation in the home energy-efficiency finance market.

Baseline

Freddie Mac introduced a purchase target for loans on energy-efficient homes in Year 3 of the previous Plan cycle with a baseline of zero. When we set that target, we did not have a means to identify mortgages that meet the requirements of the Duty to Serve final rule, which requires that qualifying mortgages secure properties for which improvements will reduce energy and/or water consumption by at least 15% and utility savings generated over the improvement's expected life will exceed the cost of installation. The work completed in the last Plan cycle to establish our Green Bond framework and to implement an industry-standard energy-efficiency dataset in the Uniform Appraisal Dataset and in our lender-facing loan origination systems gave us the necessary means.

Furthermore, our experience with GreenCHOICE has shown that the vast majority of those loans were made as part of home refinance transactions. With mortgage interest rates rising rapidly starting in 2022, loan originations and Freddie Mac's GreenCHOICE loan purchases significantly contracted as a result. Macroeconomic conditions have made the refinance business particularly volatile and difficult to predict over the last several years. We expect similar conditions during this Plan cycle. Therefore, we removed refinances from the loan volume used to calculate our baseline. Our baseline of 250 loans builds upon the goals set in the previous plan along with expected growth from 2025-2027 for purchase-money loans in this market.

Targets

Our Single-Family purchase target for the 2025-2027 Plan is set forth in the following table.

2025	2026	2027
300 loans	315 loans	330 loans

Freddie Mac's economists expect positive but cooler economic growth over the next few years. Total new and existing home sales should improve in time, after bottoming at 4.8 million in 2023. One driver of the low sales is a rate lock-in effect incentivizing existing homeowners not to change homes; this will only gradually ease over time. Given poor affordability and a projected cooling of the job market, we expect home price growth to soften but remain positive. Our expectations of purchase-money originations are broadly consistent with the Mortgage Bankers Association's February 2024 forecast of almost $1.7 trillion in 2025 and almost $1.8 trillion in 2026. Taking safety and soundness into account when setting purchase goals, sales volume and home prices support a modest increase in originations over the three-year horizon.

Projected volume does not consider potential market reactions to changes in the interest-rate environment or other market disruption. It also does not factor in the possibility of slower-than-expected adoption of our products or product enhancements. Lenders' business priorities and the complexities of their internal processes affect the rate of adopting new or updated mortgage offerings, even when lenders understand the value of offerings and are anxious to incorporate them into their businesses.

Anticipated Market Impact

Freddie Mac's purchase of energy-efficiency loans may help more households increase the affordability, comfort, and resale values of their homes by increasing liquidity in this space.

Our continuing industry outreach and Green MBS issuances will increase the visibility of energy-efficiency financing options and their benefits. This could lead to greater lender adoption and usage of these offerings, which, in turn, could increase the flow of liquidity to this market.

Moreover, the increased standardization and access to data implemented during the last Plan cycle may motivate more lenders to offer energy-efficiency mortgage products, more homebuyers and homeowners to finance energy-efficiency improvements with mortgages, and more opportunity for Freddie Mac to purchase the loans and increase market liquidity.

Anticipated Market Challenges

Although Freddie Mac has made progress in advancing industry standardization and data capture practices, broad awareness about the benefits of energy-efficient homes and accurate valuation of energy-efficient features is lacking and significantly limits the growth of this market. In addition, the relative lack of data on utility cost savings, other homeowner benefits, and loan performance discourages lenders, homebuyers, and homeowners from pursuing green mortgages. It will be critical for Freddie Mac to continue to educate lenders, appraisers, and homeowners about the true costs and benefits associated with green mortgages and energy-efficient upgrades to spur growth in this market.

In addition, market participants told us that consumers and real estate professionals lack appropriate awareness about financing solutions available to pay for energy-efficiency improvements. Most improvements are financed with cash or unsecured debt. Competing with unsecured financing will be a challenging undertaking and require Freddie Mac to spend a significant level of effort in marketing and sourcing our offerings.

Single-Family

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

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

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

Objective Background and Description

According to the U.S. Department of Energy, the average consumer spends $2,000 annually on energy usage, with 10 to 20% of usage possibly being due to drafts, outdated heating and cooling systems, and air leaks.[62] A 2023 Freddie Mac consumer survey found that 84% of homeowners noticed increases in the cost of their home utilities over the past year. Updating major home systems, including heating, cooling, windows, and appliances could result in a 20 to 50% energy-cost savings associated with those systems; homeowners also may qualify for tax credits when the improvements are made.[63]

With the passage of the Inflation Reduction Act (IRA) in 2022, $783 billion was pledged to promote domestic clean energy production. In addition, HUD has proposed adopting International Energy Conservation Code (IECC) 2021 and American Society of Heating, Refrigerating, and Air-Conditioning Engineers (ASHRAE) 90.1-2019 as the minimum energy-efficiency standards. As a result, the housing industry increased their focus on new housing stock that supports energy efficiency as well as retrofits of existing homes to help decrease carbon emissions throughout the country. According to a study published by Rocky Mountain Institute, single-family homes contribute to 58% of U.S. building emissions.[64]

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

62 U.S. Department of Energy, Why Energy Efficiency Upgrades - https://www.energy.gov/energysaver/why-energy-efficiency-upgrades#:~:text=Of%20the%20%242%2C000%20the%20average,in%20your%20home%20or%20business

63 Ibid

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

To understand and make decisions about how to increase their homes' energy efficiency, homeowners need access to information about the benefits of energy-efficient improvements, which improvements might be most cost-effective for them, and solutions for financing those improvements, including both the available options as well as lowering the cost of improvements. But relevant information is challenging to obtain and assess. Sponsors of benefits – such as financing and tax incentives – vary from state, local, and federal governments and from utility companies across electricity, natural gas, and water. In addition, each program may have unique criteria and expiration dates, and programs are likely to be altered and augmented as a result of the IRA. Also, lenders often do not have a depth of knowledge about green financing products and/or available consumer subsidies, which leads them to suggest other types of financing for improvements.

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

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

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

Baseline

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

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

Actions

Year 1 - 2025

1. Conduct at least four information sessions on GreenCHOICE Mortgage to educate lenders and real estate professionals on product benefits and to encourage adoption and usage.
2. Develop borrower education materials focused on identifying current utility costs along with the potential annual savings associated with certain energy-efficiency improvements based on the home's characteristics.
3. Create and execute a marketing campaign to promote the benefits of home energy- and water-efficiency improvements to lenders, real estate professionals, homebuyers, and homeowners. Channels may include, for example, industry conferences or learning events, webinars, tutorials, web content, Single-Family Lender News features, updated collateral, consumer-facing blog posts, and social media posts.
4. Determine the feasibility of expanding the purpose and content of DPA One to include information on available government tax credits and other incentives for implementing home energy- and/or water-efficiency improvements.

Year 2 - 2026

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

Anticipated Market Impact

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

By offering these expanded education opportunities, Freddie Mac will help prepare homeowners to better understand their energy usage and expenses, opportunities to reduce them, and the benefits of implementing home energy- and/or water-efficiency improvements.

- Being able to use the tools on their own instead of incurring the expense of an energy audit could encourage homeowners to take the assessment.
- Gaining the insights revealed through the assessment could increase likelihood that homeowners will finance improvement projects.
- Increasing a home's energy- and/or water-efficiency could lead to cost savings, which helps lower the cost of homeownership. Improved energy efficiency also can help make homes more comfortable.

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

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

Anticipated Market Challenges

In many underserved areas, many homes are older and in need of repairs or other renovations. However, homeowners in these areas often lack the financing and or knowledge that would make energy-efficient renovations possible. Reaching borrowers with this information will require collaboration with local trusted partners.

Also, personal funds and unsecured debt remain the most widely used financing options in this market. Freddie Mac must continue to invest significant time, effort, and resources in educating industry professionals and the public on the opportunities and benefits associated with mortgage financing for energy- and/or water-efficiency improvements.

Given that Freddie Mac operates in the secondary mortgage market, we have limited influence with homeowners. In large part, we must rely on lenders to inform homeowners of our solutions that can help them make informed decisions around energy- and/or water-efficiency improvements and encourage their use. Even if homeowners learn of the solutions, they may choose not to take advantage of them.

The costs of energy-efficiency improvements often are not supported by an appraisal. Loan-to-value limitations can make some energy-efficiency improvements difficult to finance through first-lien mortgages.

Single-Family

ACTIVITY 2:
Support for Shared Equity Programs for Affordable Housing Preservation: Regulatory Activity

OBJECTIVE A:
Purchase Single-Family Shared Equity Loans

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

Objective Background and Description

The shared equity market is very small, but it is growing. The shared equity homeownership model is an effective means of providing sustainable homeownership and wealth-building opportunities to people with very low-, low-, and moderate incomes, especially in high-cost areas. A 2019 study by Grounded Solutions Network[65] revealed that 95% of shared equity homes are affordable to lower-income households, 43% of shared equity homes were owned by minority households, and about 60% of shared equity homeowners used the equity they had earned on resale to buy market-rate homes. According to a 2023 Grounded Solutions survey of shared equity programs, including community land trusts (CLTs),[66] the number of shared equity housing organizations had increased 30% since 2011.

Freddie Mac supports two types of shared equity homeownership: community land trusts (CLTs) and income-based resale-restricted properties. Our work over the last two Duty to Serve Plan cycles have helped expand support for this housing model. We introduced CLT and income-based resale-restricted mortgage offerings and continually seeking ways to improve them based on lender and market feedback. Also, our collaboration with shared equity market participants to increase standardization led to the creation and adoption of industry model documents. These efforts, along with the outreach and education we have conducted, have made it easier than ever for lenders to support shared equity homeownership.

In addition, the survey conducted with Grounded Solutions and the resulting Directory of Non-profits with Shared Equity Homeownership Programs helped increase the visibility of shared equity homeownership programs to lenders across the country. Freddie Mac's CLT Database, which builds on the directory, helps lenders connect with, and help grow, shared equity programs in their lending areas.

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65 Tracking Growth and Evaluating Performance of Shared Equity Homeownership Programs During Housing Market Fluctuations; Ruoniu Wang, Claire Cahen, Arthur Acolin, and Rebecca J. Walter; April 2019; https://www.lincolninst.edu/publications/working-papers/tracking-growth-evaluating-performance-shared-equity-homeownership

66 The 2022 Census of Community Land Trusts and Shared Equity Entities in the United States; Ruoniu Wang, Celia Wandio, Amanda Bennett, Jason Spicer, Sophia Corugedo, and Emily Thaden; June 2023 - https://groundedsolutions.org/community-land-trust-census/

During this Plan cycle, Freddie Mac will continue our extensive outreach efforts to encourage lenders to expand their support for shared equity homeownership and to sell shared equity loans to us.

Baseline

Freddie Mac first established a shared equity loan purchase target in 2021. The following table reflects Freddie Mac's single-family shared equity loan purchases, including both purchase and refinance transactions. Historically, the shared equity market is a purchase market with few refinance transactions. Only 2% of shared equity homeowners refinanced their homes in 2021,[67] the year with the lowest average interest rates since the Freddie Mac's Primary Mortgage Market Survey® began in 1971.[68] Shared equity homeowners are less likely to refinance than other homeowners because some shared equity programs require the program steward's permission and preauthorization to refinance.

With shared equity refinance volume remaining relatively constant year over year, we calculated our baselines using a three-year historical average of our Duty to Serve-qualifying purchase and refinance loan transactions.

Year	2021	2022	2023
Income-Qualifying Loan Count	126 loans	135 loans	154 loans
Baseline (established using a 3-year average)		138 loans	

Targets

Shared equity homeownership primarily serves very low- and low-income households. Rising interest rates and home prices keep many potential homebuyers out of the market. Interest rates rose rapidly starting in 2022, more than doubling from 3.8% in second quarter 2022 to 7.79% in fourth quarter 2023. They have receded slightly since then but remained near 7% at the end of first quarter 2024. During those years, inflation rose dramatically, and housing supply remained tight, further pushing up home prices.

Some lenders told us about pre-qualifying individuals for mortgages on shared equity homes only to have the purchases fall through because the buyers no longer had the resources to proceed. In addition, fewer individuals with lower incomes may be able to qualify for shared equity loans. Moderate-income individuals who do qualify for such loans may have incomes exceeding Duty to Serve parameters. In such cases, those loans will not count toward our Duty to Serve loan purchase targets.

67 The 2022 Census of Community Land Trusts and Shared Equity Entities in the United States - https://www.lincolninst.edu/publications/working-papers/2022-census-community-land-trusts-shared-equity-entities-in-united

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

Also, although we doubled lender participation and have more engagement, in many cases the lender's geographical footprint for financing does not map to where properties are – or are expected to become – available. Existing shared equity homes tend to come on the market for resale at a slower pace than market-rate homes. Under current conditions, many shared equity homeowners may stay in their homes even longer than average. They might not be able to afford to move to market-rate homes, further reducing the number of shared equity homes available for sale.

Our single-family purchase targets for this Plan cycle are set forth in the following table. We will continue our efforts to increase operational efficiency, industry standardization, and lender adoption and use of our offerings to help more income-eligible households achieve sustainable homeownership. By purchasing shared equity loans, we will provide liquidity to help the market grow.

Given the shared equity homeownership market's small size, lenders' business priorities, dynamic market conditions, and the complexity of lending on resale-restricted properties, we expect modest growth in loan count. Besides promoting our offering to regulated entities as a way to help meet their Community Reinvestment Act (CRA) obligations, we promote it to non-regulated entities, such as credit unions and independent mortgage banks, as a niche product providing incremental business opportunities and bolstering their standing in their communities.

Projected purchase volume does not take into account potential market reactions to the interest-rate volatility or other market disruption. It also does not account for lenders' rate of adopting new or updated mortgage offerings.

2025	2026	2027
155 loans	160 loans	165 loans

Anticipated Market Impact

We estimate that we will provide $98 million in liquidity over the Plan cycle to finance homes purchased through shared equity programs. As a result, more income-eligible households will realize affordable homeownership and wealth-building opportunities. Research[69] that we supported in the last Plan cycle and our own experience show that supporting the shared equity model helps to increase homeownership opportunities for first-time, minority, and low- and moderate-income homebuyers.

Our engagement with lenders already active in this market and efforts to bring others into it as well as continued enhancement of our offerings may expand participation in the shared equity market as well as adoption and usage of our offerings. Ultimately, these efforts may lead to market growth.

69 Tracking Growth and Evaluating Performance of Shared Equity Homeownership Programs During Housing Market Fluctuations - https://www.lincolninst.edu/publications/working-papers/tracking-growth-evaluating-performance-shared-equity-homeownership

Because of the relatively small size of the market, any increase in origination volume for loans secured by homes in shared equity homeownership programs will be significant in terms of market impact and will encourage lending in the market.

Anticipated Market Challenges

The shared equity market remains very small. According to the 2023 Grounded Solutions Network survey, shared equity programs have an estimated total of 15,606 for-sale homes in inventory. Lenders may be discouraged from participating because of the small business opportunity, lack of industry standardization, and a traditional lack of transparency into individual shared equity programs and their inventories. In addition, constraints around funding, resources, and capabilities may slow shared equity programs' efforts to become established and/or to expand their housing supplies.

The number of potential mortgage transactions in a given year is unpredictable, with relatively few homes becoming available for sale each year. The 2019 Grounded Solutions research showed that shared equity homeowners stay in their homes longer than traditional homeownership models. Rising interest rates and home prices in recent years have led many shared equity homeowners to stay in their homes even longer than usual. Moreover, fewer shared equity homeowners in general refinance their homes because of program restrictions; the interest rate environment has made refinancing less attractive to those homeowners who have the option. Most shared equity transactions each year are from shared equity program growth, not from resale or refinance transactions.

Single-Family

ACTIVITY 2:
Support for Shared Equity Programs for Affordable Housing Preservation: Regulatory Activity

OBJECTIVE B:
Provide Technical Assistance to Establish Community Land Trusts and Facilitate Origination of Shared Equity Mortgages

Evaluation Area	Year(s)	Income Targeted	Extra Credit
Outreach	1, 2, 3	VLI, LI, MI	Not applicable

Objective Background and Description

The shared equity model provides a path to attainable, sustainable homeownership for many people who otherwise would be unable to reach that goal, especially in high-cost areas. However, several factors constrain shared equity's advancement. For example, shared equity programs often have unique structures, documentation for originating loans under their programs, and definitions of success; the lack of standardization presents operational challenges to lenders. In addition, the potential loan origination volume from shared equity programs is small, which further affects lender participation. Yet lender participation is vital for shared equity programs to scale.

Furthermore, as more localities learn about the benefits of shared equity homeownership and opt to establish their own programs, they may find that they are insufficiently equipped to undertake the effort in a way that furthers industry standards, support, and growth. Market research and Freddie Mac's experience have shown standing up a shared equity program involves navigating many complexities. Among them are establishing a leadership structure, staff hiring and training, identifying and securing funding, developing a property-acquisition strategy, and establishing procedures and program documentation, including legal documents. According to Grounded Solutions Network's 2023 report, it takes an average of about two years to establish a shared equity program, acquire properties, and sell the first shared equity home.[70]

Freddie Mac made progress toward lowering those barriers in previous Duty to Serve Plan cycles. Working collaboratively with industry participants, we introduced and enhanced solutions for financing shared equity homes in CLTs and with income-based resale-restrictions to help increase affordable lending and access to credit as well as help ensure that loans originated could be sold into the secondary mortgage market, thereby increasing liquidity. We also promoted standardized legal documents, program best practices, and operational efficiencies to help expand lender participation in the market.

70 The 2022 Census of Community Land Trusts and Shared Equity Entities in the United States; Ruoniu Wang, Celia Wandio, Amanda Bennett, Jason Spicer, Sophia Corugedo, and Emily Thaden; June 2023 - https://groundedsolutions.org/community-land-trust-census/

In addition, the previously mentioned research that we supported, in collaboration with Grounded Solutions and the Lincoln Institute of Land Policy, helped fill gaps in information about shared equity programs, loan performance, and the people who buy and own homes within shared equity programs, including CLTs. The findings helped in understanding shared equity homeownership, its importance to communities nationwide, and the business opportunities that it offers lenders. Building on the findings, Freddie Mac created a database of CLTs to help lenders identify programs in their lending footprints with homes that might need mortgage financing.

Also, the CLT Training and Certification Program that we developed in collaboration with the Florida Housing Coalition provided education, best practices, and resources to equip newly forming and established CLTs in setting up operations and processes that further industry standardization and comply with Freddie Mac requirements; Florida has one of the highest concentrations of CLTs in the country. For CLTs that become certified through the program, Freddie Mac offers a streamlined process for originating loans on homes in their inventories. In addition, the technical assistance that we provided to the City of Milwaukee helped enable it to establish a CLT that operates according to shared equity program best practices and standards and employs a property-acquisition strategy that leverages properties owned by Milwaukee's Department of City Development. Today, the Milwaukee CLT brings homeownership within reach for income-eligible households.

During the 2025-2027 Plan cycle, Freddie Mac will continue our efforts to promote the shared equity market's success by collaborating across the ecosystem to help accelerate the creation of additional CLTs and evolve our shared equity financing solutions.

Freddie Mac will gather input from program stewards to better understand strengths and barriers to standing up new shared equity programs and collaborate with an industry-leading organization to provide technical assistance and related resources to help navigate and facilitate the processes associated with establishing programs. However, we will create our own technical assistance program if we cannot engage an organization with the required capacity. We will conduct an assessment to select localities to receive technical assistance in creating their CLTs.

Freddie Mac also will engage the industry in identifying opportunities to continue evolving our mortgage offerings in ways that could expand their adoption and usage as well as encourage more lenders to participate in the market.

Baseline

Freddie Mac acted as a catalyst in developing CLT programs. As an example, in Omaha, we helped educate interested stakeholders on the shared equity homeownership model and provided a wide range of technical assistance to help the Omaha Municipal Land Bank strengthen its position for achieving its stated goal of prioritizing wealth building for people already living in the area. In Milwaukee, we provided significant technical assistance to support the Milwaukee Community Land Trust in establishing its nascent shared equity program in accordance with best practices and to develop a property-acquisition strategy that leverages properties owned by Milwaukee's Department of City Development.

Freddie Mac supports the financing of shared equity homes through our CLT Mortgage and flexibilities in our Single-Family Seller/Servicer Guide for underwriting mortgages on income-based deed-restricted properties.

Actions

Year 1 – 2025

1. In collaboration with existing CLT coalitions/networks, host a series of at least three working group sessions with shared equity program providers and lenders to evaluate existing conventional mortgage offerings and identify product terms and flexibilities needed to increase originations for shared equity homeownership.
2. In collaboration with existing CLT coalitions/networks, conduct three working group sessions with established shared equity providers in regions where shared equity programs are concentrated to gather feedback on the challenges, best practices, and useful resources in creating a shared equity program.
3. Assess potential localities to receive technical assistance that helps stewards accelerate program formation and promote industry standardization.

Year 2 – 2026

1. Publish at least one policy update to our Single-Family Seller/Servicer Guide based on input gathered during Year 1 of this Plan. Promote the update(s) through efforts that may include, for example, conferences and learning events, webinars, tutorials, e-mail to targeted audiences, web content, articles, and Lender News features.
2. Based on the input gathered in Year 1, identify and engage an organization with experience in standing up CLTs that could collaborate with Freddie Mac to provide technical assistance to shared equity programs. Analyze the organization's capacity; develop and implement a capacity-building plan if needed. If no organization is identified, begin to develop a Freddie Mac program to provide the technical assistance.
3. Identify at least two localities where non-profit organizations have strong support to stand up shared equity programs but need technical assistance in organizing in accordance with industry standards and best practices. Analyze barriers to success and collaborate with existing shared equity programs as well as local stakeholders to determine ways to overcome barriers.

Year 3 – 2027

1. Based on barriers to success identified in Year 2, provide technical assistance to two localities to facilitate setting up or completing the process of establishing shared equity homeownership programs.
2. Deliver technical assistance to establish the framework for programs in the selected markets. Examples of technical assistance that may be provided include designing a CLT's organizational and board structures, training the board and staff, coaching and mentoring, developing property-acquisition plans, developing strategic partnerships, financial planning, and designing marketing and communications and membership structures.

Anticipated Market Impact

Freddie Mac's efforts around enhancing our shared equity financing solutions based on industry input will help increase effectiveness of our mortgage offerings and strengthen relationships with shared equity organizations, program stewards, and practitioners. Our outreach activities will raise lenders' awareness of the enhancement and encourage them to adopt and use our shared equity financing options. As lenders increase their participation in the market, more people will achieve sustainable homeownership, and Freddie Mac will increase market liquidity through shared equity loan purchases.

Providing technical assistance to non-profits and localities will accelerate the creation of CLT programs that increase long-term affordable homeownership opportunities for income-eligible households. Freddie Mac's involvement also will help ensure that the new CLTs are structured to increase industry standardization, including the use of industry-recognized model legal instruments. With a growing number of CLTs and broader standardization, lenders will have more confidence in participating in the shared equity market, financing homes in the CLTs' inventories, and selling the loans into the secondary mortgage market. This, in turn, will increase the flow of liquidity to the shared equity market.

Anticipated Market Challenges

While the shared equity market is growing and is important to increasing affordable housing opportunities, it is very small and still largely fragmented. Many lenders choose not to participate, deciding that the investment required – in terms of infrastructure, time, origination costs – outweighs the business benefits.

As existing shared equity programs continue to grow and new programs are launched, program stewards may introduce unique concepts. These individualized features may further the industry's fragmentation and lack of standardization, which impedes secondary market support and industry growth.

Establishing a new CLT is a difficult and complicated process; each program addresses particular needs, audiences, and stakeholders. A locality may pursue establishing a program without understanding the intricacies and resources required to develop, fund, launch, and maintain a shared equity program to help ensure long-term success. Without proper preparation and insight, the locality may expend more time, effort, and resources than expected and risks developing a program that does not effectively support the locality and may not incorporate industry best practices.

Technical assistance providers may not have the capacity or the secondary market experience to help develop a CLT according to best practices and secondary market guidelines. If we cannot engage an appropriate partner organization, Freddie Mac will be required to invest the time, effort, and resources to create and deliver our own program.

Multifamily

ACTIVITY 3:
Low-Income Housing Tax Credits (Debt): Statutory Activity

OBJECTIVE A:
Provide Liquidity and Stability through LIHTC Loan Purchases

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

Objective Background and Description

The LIHTC program is the primary resource for supporting the creation and redevelopment of affordable housing for middle, low-, and very-low-income households. LIHTC provides state and local housing finance agencies and other LIHTC-allocating agencies the equivalent of nearly $9 billion in annual budget authority to issue tax credits for the acquisition, rehabilitation, and construction of affordable housing. The program awards developers tax credits that offset the costs associated with the development of affordable units with rent restrictions.

Through our LIHTC loan purchases, Freddie Mac continues to play a vital role in providing liquidity, stability, and affordability in the LIHTC debt market. Our suite of product offerings and our commitment to Target Affordable Housing (TAH) has allowed us to remain a market leader as we maintain our strong share of the LIHTC market. We have doubled the percentage of units we finance annually that meet our LIHTC Debt target since 2018.

Baseline

Our baseline for LIHTC loan purchases is 38,599 units.

The baseline was calculated by taking Freddie Mac's average LIHTC Debt Loan purchase volume and adjusting it by a market condition factor. First, Freddie Mac calculated a simple average of its LIHTC Debt loan purchase volume by units from 2021 to 2023. Second, we adjusted the average based on market trends factor in the three-year baseline period. To determine the appropriate market trend adjustment factor, we looked at the following:

- Freddie Mac's total origination volume for 2021 to 2023 averaged $64 billion per year. In the final year of that period (2023), our volume was 25% down from the average at $48 billion.
- Freddie Mac's unit volume which also fell by approximately 25% in 2023 when compared to the three-year average.
- Finally, we examined MBA data for the overall multifamily originations market, finding a 35% decline in 2023 when compared against the baseline-period average.

To account for this substantial shift in market conditions, which limits our market opportunity, we adjusted our baseline down by the 25% figure. This baseline sets the appropriate context for Freddie Mac's 2025-2027 targets.

Our baseline calculations include loans purchased through our seller and servicer network through TAH negotiated transactions on individual mortgages.

	2021	2022	2023	3-Year Average	3-Year Adjusted Average
Total Units	52,390 units	58,880 units	43,127 units	51,466 units	38,599 units

Targets

Through our suite of offerings, innovations, and lender relationships, we have built a platform that can deliver consistent liquidity to the LIHTC Debt market. Our LIHTC Debt unit volume as a percentage of overall units financed by Freddie Mac has increased substantially since the inception of Duty to Serve. In 2018, 5% of the total units Freddie Mac Multifamily financed met our LIHTC Debt Duty to Serve target. That figure doubled by 2023, when 10% of units financed met the goal.

Although the percentage of units that meet our LIHTC Debt target increased from 8 to 10% between 2022 and 2023, the total number of LIHTC Debt units financed fell by 15,753. This is due to a substantially smaller total originations market which was driven by market factors outside Freddie Mac's control.

Given a reduced market opportunity, the number of units we finance cannot continue to grow while maintaining safe and sound lending practices. Our goal is to provide appropriate liquidity and be a stabilizing force in the market. Targets that are misaligned to market realities may pose safety and soundness risks for the market. Our 2025-2027 Duty to Serve plan targets reflect this goal while also bearing in mind that, based on our experience in the market, we believe we have already reached a significant level of market saturation.

The targets increase annually by 2.5% which will allow us to maintain our continual focus supporting LIHTC properties in need of debt financing, continue support of LIHTC as a share of overall business, and maintain our commitment to market safety and soundness.

2025	2026	2027
39,500 units	40,500 units	41,500 units

Anticipated Market Impact

Through 2025-2027, Freddie Mac will seek to maintain its leadership in the LIHTC debt market as we leverage our comprehensive suite of Targeted Affordable Housing programs and our platform to make consistent and meaningful investment.

Our work translates to four areas of market impact. First, it supports efficient executions with reasonable credit terms. Second, the ready availability of debt capital drives increased equity investment in LIHTC properties from both affordable housing developers and institutional investors, leading to both the preservation and creation of affordable housing units. Third, our presence in the market provides stability through consistent purchases and credit standards. Finally, Freddie Mac's focus on safety and soundness in the lending process allows for successful capital markets executions that attract private capital. Our securitizations allow us to improve liquidity to the market with attractive terms for borrowers and appropriately distribute Freddie Mac's risk, further insulating taxpayers.

Anticipated Market Challenges

Freddie Mac's experience in the LIHTC Debt space is substantial and mature which has allowed us to overcome many of the typical challenges liquidity providers might encounter in this space, including regulatory complexity, originations market fluctuations, and capital markets volatility. Even so, these challenges persist.

In the next three years, the LIHTC Debt market faces several potential headwinds. Continued interest rate volatility and changes in the macroeconomic environment can affect overall demand for loans.

Beyond that, competition for LIHTC credits and limited access to private activity bonds in some states limit the power of the program to create the maximum number of needed affordable housing units. Additionally, many LIHTC properties are approaching the end of their compliance or extended use periods, which put units and properties at risk of losing their affordability requirements. Properties reaching the end of their compliance periods require adequate refinancings or re-syndication to maintain their affordability.

Multifamily

ACTIVITY 3:
Low-Income Housing Tax Credits (Debt): Statutory Activity

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

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

Objective Background and Description

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

LIHTC provides a production subsidy to developers who restrict rents at a certain level for at least a 30-year period, which is comprised of a 15-year tax compliance period and a 15-year extended use period. Many states and jurisdictions require longer periods of rent restricted affordability. Under the Qualified Contract (QC) provision of the tax code, a LIHTC operator may approach the housing finance agency after year 14 of operation to request a qualified contract. The state HFA then must seek a qualified buyer at a purchase price stipulated by Section 42 of the tax code. If no qualified buyer is found within a year, the property owner is released from the affordability requirement and may either sell the property without deed restrictions or increase rents to market rate after a three-year period.[71] Although 39 state housing finance agencies now require and 9 states incentivize LIHTC applicants to waive their QC rights, housing advocates and others have raised concerns about use of the QC provision as a means to remove a property from the LIHTC program during the extended use period.[72] [73]

In 2025, Freddie Mac will further examine what opportunities we might have for appropriately limiting use of the QC provision in the context of loans purchased by Freddie Mac. This will include outreach to various LIHTC developers and syndicators, Freddie Mac lenders, affordable housing borrowers, and advocates, particularly in states that do not require or incentivize QC waivers as part of their QAP process. From this research, we will have a framework to better understand the impact of the QC provision on our portfolio

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71 https://www.ncsha.org/wp-content/uploads/Qualified-Contract-Background.pdf

72 https://nationalhousingtrust.org/news/protecting-long-term-affordability-closing-qualified-contract-loophole

73 https://www.lisc.org/our-stories/story/affordable-housing-loss-grows-as-qualified-contracts-sap-thousands-of-housing-credit-units/

and the market more broadly and a pathway to how to best ensure long-term affordability is preserved across LIHTC properties. This outreach and research will consider the impact of QC waivers on the overall safety and soundness of the market.

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

Baseline

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

Actions

Year 1 – 2025

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

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

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

Anticipated Market Impact

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

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

Anticipated Market Challenges

The intricacies and size of the LIHTC program, disparate and incomplete data, and the inherent unpredictability of predicting future markets will complicate the research and evaluation process. Understanding and predicting the exact impact of the QC provisions requires an impact analysis and some assumptions and predictions about future markets.

Multifamily

ACTIVITY 4:
Section 8: Statutory Activity

OBJECTIVE A:
Provide Liquidity and Stability through Section 8 Loan Purchases

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

Objective Background and Description

The Section 8 program is one of the most important tools for providing low- and very-low-income income tenants access to safe, decent, and affordable housing. Project-based and tenant-based Section 8 vouchers support more than 1.4 million[74] dedicated rent-restricted affordable units within multifamily properties.

Freddie Mac believes it is critical to continue providing liquidity, stability, and affordability to the Section 8 market. We doubled the percentage of units we finance that meet our Section 8 targets between 2018 and 2023, and we will continue working to maximize our impact in this market, while maintaining safe and sound lending practices through our 2025-2027 Plan activities.

Baseline

Our baseline for Section 8 loan purchases is 21,939 units.

The baseline was calculated by taking Freddie Mac's average Section 8 purchase volume and adjusting it by a market condition factor. First, Freddie Mac calculated a simple average of its Section 8 loan purchase volume by units from 2021 to 2023. Second, we adjusted the average based on market trends factor in the three-year baseline period. To determine the appropriate market trend adjustment factor, we looked at the following:

- Freddie Mac's total origination volume for 2021 to 2023 averaged $64 billion per year. In the final year of that period (2023), our volume was 25% down from the average at $48 billion.
- Freddie Mac's unit volume which also fell by approximately 25% in 2023 when compared to the three-year average.
- Finally, we examined MBA data for the overall multifamily originations market, finding a 35% decline in 2023 when compared against the three-year average.

74 https://preservationdatabase.org/wp-content/uploads/2021/10/NHPD_2021Report.pdf

To account for this substantial shift in market conditions, which limits market opportunity, we adjusted our baseline down by the 25% figure. This baseline allows us to set the appropriate market context for Freddie Mac's 2025-2027 targets.

Our baseline calculations include loans purchased through our seller and servicer network through TAH negotiated transactions on individual mortgages.

	2021	2022	2023	3-Year Average	3-Year Adjusted Average
Total Units	27,279 units	32,629 units	27,849 units	29,252 units	21,939 units

Targets

Through our suite of offerings, Freddie Mac has provided consistent support to the Section 8 debt market, and we will continue to maintain our leadership in this space. Our Section 8-unit volume as a percentage of overall units financed by Freddie Mac has increased substantially since the inception of Duty to Serve. In 2018, 3% of the Section 8 units we financed met our Section 8 Duty to Serve target. That figure doubled by 2023, when 6% of units financed met the target.

Although the percentage of units that meet our Section 8 goal increased between 2022 and 2023, the total number of Section 8 units financed fell by 4,780. This is due to a substantially smaller total originations market which was driven by macroeconomic factors outside Freddie Mac's control.

Given a reduced market opportunity, the growth in the number of units we finance cannot continue to grow while maintaining safe and sound lending practices. Our goal is to provide adequate liquidity and be a stabilizing force in the market. Targets that are misaligned to market realities may pose safety and soundness risks for the market. Our 2025-2027 Duty to Serve Plan targets reflect this market position, bearing in mind that based on our experience in the market we believe we have already reached a significant level of market saturation.

The targets increase annually by 2.5% which will allow us to maintain our continual focus supporting Section 8 properties in need of debt financing, continue support for Section 8 as a share of overall business, and maintain our commitment to market safety and soundness.

2025	2026	2027
22,500 units	23,000 units	24,000 units

Anticipated Market Impact

Through 2025-2027, Freddie Mac will seek to maintain its leadership in providing debt capital that benefits properties with Section 8 units.

This translates to four areas of market impact. First, it supports efficient executions with reasonable credit terms for Section 8 properties. Second, the ready availability of debt capital makes properties with Section 8 units more attractive to investors, helping support their preservation. Third, our presence in the market provides stability through consistent purchases and credit standards. Finally, Freddie Mac's focus on safety and soundness in the lending process allows for successful capital markets executions that attract private capital. Our securitizations allow us to improve liquidity to the market with attractive terms for borrowers and appropriately distribute Freddie Mac's risk, further insulating taxpayers.

Anticipated Market Challenges

Freddie Mac's experience in supporting lending for properties with Section 8 units is substantial and mature. Our experience has allowed us to overcome many of the typical challenges liquidity providers might encounter in this space, including regulatory complexity, originations market fluctuations, and capital markets volatility. Even so, these challenges persist. Section 8 is often combined with LIHTC to maximize the benefits of each program and improve project feasibility and affordability, and therefore fluctuations in the LIHTC market often indicate fluctuations in the Section 8 market as well.

Despite the importance of the program, limitations in Congressional funding, the hesitance by some building owners to use the program, and administrative hurdles limit the number of Section 8 units needed to meet market demand. Because of these limitations, Freddie Mac is faced with a fixed but relatively stable supply of Section 8 units in any given year, which impacts our ability to continually increase purchases in this market especially in a market that is substantially reduced in size. Despite limitations, Freddie Mac will continue to play a vital role in ensuring that these affordable units still reach the market.

Multifamily

ACTIVITY 5:
Support Residential Economic Diversity: Additional Activity

OBJECTIVE A:
Purchase Loans on Properties that Support Residential Economic Diversity

Evaluation Area	Year(s)	Income Targeted	Extra Credit
Loan Purchase	1, 2, 3	VLI, LI, MI	Yes

Objective Background and Description

Freddie Mac is committed to supporting affordable, safe, and decent multifamily housing and promoting economic diversity in high-opportunity areas and areas of concentrated poverty. The Duty to Serve evaluation guidance defines Residential Economic Diversity (RED) as affordable housing in a high-opportunity area or mixed-income housing in an area of concentrated poverty. High opportunity areas include HUD-designated Difficult Development Areas with specified poverty rate caps or areas designated in state or local Qualified Allocation Plans (QAPs). Areas of concentrated poverty include HUD-designated Qualified Census Tracts (QCT), which have 25% or higher poverty rates or where 50% of households are at or below 60% area median income (AMI), or Racially or Ethnically Concentrated Area of Poverty (R/ECAP).[75] Promoting economic diversity through affordable housing in high opportunity areas and mixed-income housing in areas of concentrated poverty is consistent with Freddie Mac's charter to provide liquidity and stability to the market and our mission to promote sustainable communities and social and economic development.

Freddie Mac's financing for affordable housing and support of RED allow us to create and preserve affordable housing while promoting diverse, vibrant, and healthy communities and economic and social mobility. Our commitment to properties that meet our objective target has continually grown since 2018, and our 2025-2027 objective builds on this work.

75 https://www.fhfa.gov/PolicyProgramsResearch/Programs/Documents/Evaluation-Guidance-2022-6.pdf

Baseline

Our baseline in loan purchases that support RED is 5,337 units.

The baseline was calculated by taking Freddie Mac's average RED Loan purchase volume and adjusting it by a market condition factor. First, Freddie Mac calculated a simple average of its RED loan purchase volume by units from 2021 to 2023. Second, we adjusted the average based on market trends factor in the three-year baseline period. To determine the appropriate market trend adjustment factor, we looked at the following:

- Freddie Mac's total origination volume for 2021 to 2023 averaged $64 billion per year. In the final year of that period (2023), our volume was 25% down from the average at $48 billion.
- Freddie Mac's unit volume which also fell by approximately 25% in 2023 when compared to the three-year average.
- Finally, we examined MBA data for the overall multifamily originations market, finding a 35% decline in 2023 when compared against the baseline-period average.

To account for this substantial shift in market conditions, which limits our market opportunity, we adjusted our baseline down by the 25% figure. This baseline sets the appropriate context for Freddie Mac's 2025-2027 targets.

Our baseline calculations include loans purchased through our seller and servicer network, through TAH negotiated transactions on individual mortgages.

	2021	2022	2023	3-Year Average	3-Year Adjusted Average
Total Units	4,142 units	9,340 units	7,867 units	7,116 units	5,337 units

Targets

Freddie Mac continues to regularly and meaningfully purchase loans that finance properties in income-restricted affordable housing programs through our work in high-opportunity areas and areas of concentrated poverty. This work has more than doubled since 2018 when we financed just 3,647 units.

Although the percentage of units that meet our RED target doubled from 2022 and 2023, the total number of RED units financed fell by 1,473. This is due to a substantially smaller total originations market which was driven by macroeconomic factors outside Freddie Mac's control.

Given a reduced market opportunity, the number of units we finance cannot continue to grow while maintaining safe and sound lending practices. Our goal is to provide appropriate liquidity and be a stabilizing force in the market. Targets that are misaligned to market realities may pose safety and soundness risks for the market. Our 2025-2027 Duty to Serve plan targets reflect this market position, bearing in mind that based on our experience in the market we believe we have already reached a significant level of market saturation.

Beyond constraints on the overall market, affordable multifamily housing in high-opportunity areas and mixed-income housing in areas of concentrated poverty is further constrained by geographic and development opportunities, zoning and land use policy limitations, and high land costs in high-opportunity areas. Given that we have already reached a high level of loan purchases in the RED market and the limited and unpredictable number of borrowers seeking financing in these areas, Freddie Mac's will likely not be able to demonstrate continuous increased growth in our RED objective.

The targets increase annually by 2.5% which will allow us to maintain our continual focus supporting RED properties in need of debt financing, continue support of RED properties as a share of overall business, and maintain our commitment to market safety and soundness.

2025	2026	2027
5,500 units	5,600 units	5,800 unit

Anticipated Market Impact

Through 2025-2027, Freddie Mac will seek to maintain its support of properties that advance RED. Our financing benefits the market in four primary ways. First, our efficient executions with reasonable credit terms provide stability and ensure the ready availability of debt capital. Second, consistent liquidity in this space can help drive investor and developer attention properties that advance RED, supporting the creation and preservation of affordable housing units that advance economic mobility and opportunity. Third, Freddie Mac's financing for affordable housing in these areas can support state and local policy efforts to further RED. Finally, Freddie Mac's focus on safety and soundness in the lending process allows for successful capital markets executions that attract private capital. Our securitizations allow us to improve liquidity to the market with attractive terms for borrowers and appropriately distribute Freddie Mac's risk, further insulating taxpayers.

Anticipated Market Challenges

Affordable housing units high-opportunity areas and mixed-income units in areas of concentrated poverty are often constrained because of high housing demand, high land and development costs, zoning and land use policies that limit multifamily development, limited available subsidy, and other challenges. These constraints have a particular impact on rent-restricted affordable units. Development challenges in high-opportunity areas and areas of concentrated poverty can limit the number of available loans in the market, which impacts Freddie Mac's RED purchasing goals. We remain, however, committed to uncovering opportunities for the creation and preservation of affordable housing that promote RED in these areas.

Multifamily

ACTIVITY 6:
Comparable State and Local Affordable Housing Programs: Statutory Activity

OBJECTIVE A:
Purchase Loans with State and Local Programs

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

Objective Background and Description

The creation and preservation of rent-restricted, middle, low-, and very-low-income affordable multifamily housing often depends on complex layers of property-level and tenant-level subsidy, supply dynamics, and governmental policies and programs. Federal programs like LIHTC and Section 8 are often the most visible paths to ensuring that affordable housing units are created and preserved, but programs offered by states and localities are also often available to meet affordability and production goals and to support local populations.

State and local affordable housing programs generally fall into two categories: production-based and tenant-based programs. On the production side, programs generally achieve affordability goals by either incentivizing or requiring rent-restricted units or by developing additional funding streams for the creation and preservation of housing. The production-level programs often utilize tools like housing trust funds, taxes, bonds, fees, and other financing structures to incentivize the creation of affordable units. Often state and local programs require or incentivize additional affordable units as part of a wider effort to increase the housing supply, as is the case with density bonus programs. On the tenant side, state and local programs provide direct rental assistance, renter tax credits, or subsidized housing but often focus on special populations, like people experiencing or at-risk of experiencing homelessness, veterans, seniors, and people with disabilities.

Freddie Mac routinely invests in properties with these state and local programs, often, but not always, in conjunction with our LIHTC and Section 8 business. Leveraging these programs allows our borrowers to increase our impact on the creation and preservation of rent-restricted affordable housing. The percentage of units Freddie Mac finances annually that meet our state and local target increased substantially through our initiative from 8% of units in 2021 to 12% of units by 2023.

Baseline

Our baseline for State and Local Affordable Housing Program loan purchases is 41,685 units. The baseline was calculated by taking Freddie Mac's average State and Local Loan purchase volume and adjusting it by a market condition factor. First, Freddie Mac calculated a simple average of its State and Local loan purchase volume by units from 2021 to 2023. Second, we adjusted the average based on market trends factor in the three-year baseline period. To determine the appropriate market trend adjustment factor, we looked at the following:

- Freddie Mac's total origination volume for 2021 to 2023 averaged $64 billion per year. In the final year of that period (2023), our volume was 25% down from the average at $48 billion.
- Freddie Mac's unit volume which also fell by approximately 25% in 2023 when compared to the three-year average.
- Finally, we examined MBA data for the overall multifamily originations market, finding a 35% decline in 2023 when compared against the baseline-period average.

To account for this substantial shift in market conditions, which limits our market opportunity, we adjusted our baseline down by the 25% figure. This baseline sets the appropriate context for Freddie Mac's 2025-2027 targets.

Our baseline calculations include loans purchased through our seller and servicer network through TAH negotiated transactions on individual mortgages.

	2021	2022	2023	3-Year Average	3-Year Adjusted Average
Total Units	51,174 units	59,816 units	55,750 units	55,580 units	41,685 units

Targets

Freddie Mac continues to regularly and meaningfully purchase loans for properties that rely on state and local programs. State and local programs are essential to meeting local housing needs and to closing gaps in the supply of affordable housing.

Although the percentage of units that meet our state and local target increased from 9% to 12% between 2022 and 2023, the total number of state and local units financed fell by 4,239. This is due to a substantially smaller total originations market which was driven by macroeconomic factors outside Freddie Mac's control.

Given a reduced market opportunity, the number of units we finance cannot continue to grow while maintaining safe and sound lending practices. Our goal is to provide appropriate liquidity and be a stabilizing force in the market. Targets that are misaligned to market realities may pose safety and soundness risks for the market. Our 2025-2027 Duty to Serve plan targets reflect this market position, bearing in mind that based on our experience in the market we believe we have already reached a significant level of market saturation.

A separate factor that can limit and cause variations in market opportunity is that state and local programs are funded and developed in conjunction within the multitude of other programs that states and localities support, therefore variation in program capital and availability occurs each year as policy and fiscal priorities shift. These changes can impact our annual volume in the space and require continued monitoring.

The targets increase annually by 2.5% which will allow us to maintain our continual focus supporting State and Local properties in need of debt financing, continue support of State and Local units as a share of overall business, and maintain our commitment to market safety and soundness.

2025	2026	2027
43,000 units	44,000 units	45,000 units

Anticipated Market Impact

Through 2025-2027, Freddie Mac will seek to maintain its leadership in purchasing loans for properties that benefit from state and local housing programs, including tax credits, bonds, production bonuses, and other subsidies. This translates to four areas of market impact. First, it supports efficient executions with reasonable credit terms. Second, the ready availability of our debt capital supports state and local government efforts to build a comprehensive capital stack for affordable housing development and preservation. Third, the consistent availability of Freddie Mac capital can drive increased investor attention to properties that benefit from state and local subsidies. Finally, Freddie Mac's focus on safety and soundness in the lending process allows for successful capital markets executions that attract private capital. Our securitizations allow us to improve liquidity to the market with attractive terms for borrowers and appropriately distribute Freddie Mac's risk, further insulating taxpayers.

State and local programs are critical to closing investment gaps for affordable housing in areas that have limited access to federal subsidy and tax credits or where federal subsidy is insufficient due to the high cost of housing. Freddie Mac's support of this market helps to ensure that these programs continue to bring affordable housing to areas that may otherwise face a shortage.

Anticipated Market Challenges

Freddie Mac's growing experience with state and local affordable housing programs has allowed us to overcome many of the typical challenges liquidity providers might encounter in this space, including regulatory complexity, originations market fluctuations, and capital markets volatility. Even so, these challenges persist.

State and local governments and agencies are responsible for achieving a wide range of policy goals and maintaining daily operations, but their budgets and priorities shift based on local population needs. As a result, the availability of funding allocated to state and local housing programs is subject to change.

In the next three years, we anticipate a risk of continued interest rate volatility and changes in the macroeconomic environment that can affect overall demand for loans. Freddie Mac will continue our support of these programs and work to meet our purchase targets as state and local markets allow.

Multifamily

ACTIVITY 7:
Financing of Small Multifamily Rental Properties: Regulatory Activity

OBJECTIVE A:
Enhance Multifamily Liquidity by Aggregating and Guaranteeing Loans from Multiple Lenders

Evaluation Area	Year(s)	Income Targeted	Extra Credit
Loan Product	1, 2, 3	VLI, LI, MI	Yes

Objective Background and Description

Freddie Mac Multifamily has pioneered several securitization programs designed to extend liquidity to Duty to Serve qualifying small financial institutions as well as other lenders, such as those that provide debt capital for 5–50-unit properties.

One successful execution has been Freddie Mac's Q-Deal structure, which allows Freddie Mac to securitize and guarantee senior bonds issued by a third-party trust which are backed by loans sold to the trust by a third-party lender. Freddie Mac is then able to sell the guaranteed bonds into the capital markets thereby enhancing the lender's balance sheet liquidity and ability to make additional loans. Freddie Mac uses the Q-Deal structure to support affordable housing throughout the United States. The executions are a component of Freddie Mac's strategy to provide liquidity to the market while preserving safety and soundness by distributing risk.

Through our efforts to extend liquidity to CDFIs, MDIs and SFIs, including those that provide debt capital for 5–50-unit properties, and those that serve rural areas, Freddie Mac has discovered a potential opportunity to enhance the Q-Deal execution. A key barrier to leveraging Q-Deals faced by these smaller institutions is that often they alone cannot aggregate a sufficient volume of loans to complete a successful execution. The economics of a Q-Deal only work when transactions exceed $150 million.

To address this problem, Freddie Mac will further develop its securitization platform, allowing multiple financial institutions to sell their loans to the same third-party trust, allowing sufficient aggregation to complete a securitization execution. Freddie Mac is building this capability for seasoned loans that are already on a lender's balance sheet and will work toward further enhancements that allow lenders to originate for the purpose of selling loans through a multi-lender Q-Deal. This enhancement will require a substantial level of effort as it would require pre-approved loan documents, rolling term sheets, and consistent, programmatic issuance.

Beyond that, each transaction will require working with lenders to locate appropriate collateral and structuring and executing the transaction based on the collateral. Finally, to maintain safety and soundness, substantial credit and legal due diligence to re-underwrite loans is required.

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

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

Baseline

Freddie Mac completed its first Q-Deal execution in 2014. Freddie Mac is working to develop the ability to complete Q-Deal executions with multiple parties for both seasoned loans and loans originated with the intent to sell to a third-party Q-Deal trust.

Actions

Year 1 – 2025

1. Complete a proof-of-concept multi-lender transaction.[76] This involves development of terms, working with lenders to locate appropriate collateral, structuring and executing the transaction based on the collateral, and substantial credit and legal due diligence to re-underwrite the loans.

Year 2 – 2026

1. Publish term sheet, including applicability for Duty to Serve qualifying small financial institutions, such as those that provide debt capital for 5–50-unit properties and those that serve rural areas. This process applies what we learned in the proof-of-concept transaction, allowing us to craft a basic structure for the offering. Formally launching the offering involves substantial internal due diligence and approvals.

Year 3 – 2027

1. Conduct targeted outreach to raise awareness of the offering with at least 10 Duty to Serve qualifying financial institutions including CDFIs, MDIs and SFIs that provide debt capital for 5–50-unit properties, and those that serve rural areas.

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

Anticipated Market Impact

The ability to aggregate both seasoned loans and those originated for the purpose of selling to a third-party Q-Deal trust from multiple lenders can address what has been a major hurdle facing small lenders that seek to enhance their liquidity and distribute risk but lack the ability to do so through in-house securitization platforms. These executions can provide balance sheet relief for smaller institutions and provide participating lenders with a clear exit strategy for new executions by eliminating concerns over aggregating sufficient like-kind collateral.

Through this work, we can support lending institutions that are a key source of debt capital for affordable housing, including 5–50-unit properties and multifamily properties in rural areas. The multi-lender Q-Deal execution will allow these institutions to hold or sell guaranteed bonds in lieu of holding balance sheet loans, enhancing liquidity and allowing for additional lending to what are often underserved markets.

Anticipated Market Challenges

Even with this enhancement, it is possible that loan values themselves will not be sufficient to warrant sale to third-party trusts. Typical loan sizes for these executions are in excess of $1 million, which are not common for many small-balance properties or those in rural areas.

A separate market challenge will be lack of awareness of the executions, which will be novel to the market. It will take substantial time and effort to help small institutions understand the capabilities and benefits of the execution.

Finally, Freddie Mac must design securitization products that have appeal for investors, and it will be difficult to gauge reception for the offerings prior to proof-of-concept transactions

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