



Fannie Mae 2020
Affordable Housing Preservation
Loan Purchase

ACTIVITY:

F. Regulatory Activity: Financing of small multifamily rental properties (12 C.F.R. § 1282.34 (d) (1)).

OBJECTIVE:

1. Adopt an effective approach to purchase small multifamily loans from financial entities with \$10 billion or less in assets and purchase loans (Test and Learn, Partner and Innovate, Do What We Do Best).

SUMMARY OF RESULTS:

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

<i>Objective's components detailed in the Plan</i>	<i>Corresponding actions taken</i>	<i>Explanation of any deviations from the Plan (if applicable)</i>
<input checked="" type="checkbox"/> Purchase six small multifamily loans from Community Development Financial Institutions (CDFIs) with ?\$10B in assets, representing a 125 percent increase over the amended Baseline.	•Fannie Mae purchased six loans on small multifamily properties from CDFIs, representing a 100 percent increase over the Baseline.	•N/A
<input checked="" type="checkbox"/> Evaluate our small multifamily loan production strategy, both directly and through correspondent networks, with entities eligible under this objective, to identify potential opportunities for greater scale.	•Fannie Mae evaluated our small loan offerings and strategy and identified potential opportunities for greater scale.	•N/A

SELF-ASSESSMENT RATING OF PROGRESS:

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



Fannie Mae 2020
Affordable Housing Preservation
Loan Purchase

PARTIAL CREDIT JUSTIFICATION:

N/A

IMPACT:

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

IMPACT EXPLANATION:

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

Year over year, Fannie Mae has continued to increase our loan purchases under this Objective. The six loans in 2020 accounted for a 100 percent increase over the Baseline, meeting the target we set. The production served multiple geographies – urban, suburban, and rural – in the Northeast, Midwest, South, and West.

CDFIs, depositories, and credit unions do not have access to the same capital markets and liquidity sources as do mortgage banks. However, such institutions are a valuable and consistent source of financing for affordable rental housing because of their connections to the communities they serve. The vast majority of the 129 units Fannie Mae financed in 2020 are affordable at 80 percent of AMI.

Access to secondary market capital is difficult to achieve for community-focused lending institutions because they are typically smaller and work with less experienced deal sponsors. In addition, the small size of properties they finance does not present scalable opportunities for secondary-market players. The average property size that Fannie Mae financed in 2020 was 21 units. The median deal amount was under \$1.5 million. These are typical attributes for small community lending institutions but are challenging transactions to finance in the secondary market.

To accomplish this production, Fannie Mae worked closely with the CDFIs in our lender network. We selected these institutions because of their small loan expertise, their track record of quality business with Fannie Mae, and their reputation for affordable housing in a variety of communities. While Fannie Mae’s lender network includes additional qualifying small financial institutions, focusing on our CDFI partners was the best allocation of resources to deliver optimal impact. We engaged with CDFI partners throughout 2020 to share our goals under this Objective and to work towards operational improvements that could make DTS-eligible loan acquisitions more streamlined and reliable at a greater scale. Fannie Mae offered competitive financing on eligible business to provide as much liquidity as possible.

Fannie Mae collaborated internally to identify potential strategies for developing a more scalable pipeline of business in the future. We will evaluate bringing in additional lenders, utilizing correspondent networks, implementing product enhancements, and facilitating bulk loan purchases to provide even greater liquidity.



Fannie Mae 2020
Affordable Housing Preservation
Loan Purchase

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

Throughout 2020, COVID-19 had a disparate impact on smaller developers and deal sponsors. The transactions closed under this Objective in 2020 relied upon smaller sponsors. Despite the economic uncertainty posed by the pandemic, Fannie Mae's deal teams were able to work closely with our CDFI lenders to exceed the goal in this market.

As a large financial institution with a safety and soundness mandate and charter compliance requirements, Fannie Mae is not inherently suited to do business with smaller lending institutions efficiently and at scale. However, our systems, processes, and people are capable and flexible enough to work together with our lending partners toward operational improvements allowing us to finance more properties and serve this underserved market.

Partnerships are critical when it comes to small multifamily properties. Finding mutually beneficial relationships and efficiencies across partners are the keys to generating opportunities for liquidity at scale. For instance, aggregation of a portfolio of small properties that all conform to the same underwriting parameters can be financed in the secondary market more efficiently than a group of separate standalone properties.

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

N/A



Fannie Mae
Affordable Housing Preservation
First Quarter Report: January 1 - March 31, 2020
Loan Purchase

ACTIVITY:

F. Regulatory Activity: Financing of small multifamily rental properties (12 C.F.R. § 1282.34 (d) (1)).

OBJECTIVE:

1. Adopt an effective approach to purchase small multifamily loans from financial entities with \$10 billion or less in assets and purchase loans (Test and Learn, Partner and Innovate, Do What We Do Best).

SUMMARY OF RESULTS:

During the 2019 Plan Year, FHFA approved Fannie Mae's infeasibility request for this Objective after providing clarification that mortgage banks were not eligible counterparties. The timing of the final eligibility determination did not provide enough time to develop a viable alternative last year, but the DTS team has been working with our small loan team to develop potential strategies to execute this year. Fannie Mae plans to submit a modification to correct the historic baseline and target using the updated small financial institution counterparty list. As of the end of Q1, we have acquired one loan.

Following are the 2020 Actions under this Objective:

- Purchase 321 small multifamily loans from Institutions ?\$10B, representing a seven percent increase over the Baseline.
- Plan for the 2021 - 2023 Duty to Serve Plan.

SELF-ASSESSMENT RATING OF PROGRESS:

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

ADDITIONAL INFORMATION (IF APPLICABLE):

Fannie Mae plans to submit a modification.



Fannie Mae
Affordable Housing Preservation
Second Quarter Report: April 1 - June 30, 2020
Loan Purchase

ACTIVITY:

F. Regulatory Activity: Financing of small multifamily rental properties (12 C.F.R. § 1282.34 (d) (1)).

OBJECTIVE:

1. Adopt an effective approach to purchase small multifamily loans from financial entities with \$10 billion or less in assets and purchase loans (Test and Learn, Partner and Innovate, Do What We Do Best).

SUMMARY OF RESULTS:

During the 2019 Plan Year, FHFA approved Fannie Mae's infeasibility request for this Objective. The timing of the final eligibility determination did not afford enough time to develop a viable alternative last year; however, we have identified a strategy for increased eligible loan purchase volume in 2020. We are finalizing a plan that we believe will lead to meaningful growth in loan production from a CDFI and small loan lender that Fannie Mae added to our network in late 2018. Fannie Mae plans to submit a modification to correct the historic baseline using the updated small financial institution counterparty list and amend the 2020 target as a result of our revised strategy. As of the end of Q2, we have acquired four loans.

Following are the 2020 Actions under this Objective:

Purchase 321 small multifamily loans from Institutions \leq \$10B, representing a seven percent increase over the Baseline.

Plan for the 2021 - 2023 Duty to Serve Plan.

SELF-ASSESSMENT RATING OF PROGRESS:

On-target to meet or exceed the objective

Progress delayed and/or partial completion of the objective expected

Unlikely to achieve any milestones of the objective

ADDITIONAL INFORMATION (IF APPLICABLE):

Fannie Mae plans to submit a modification, to correct the historic baseline, this year.



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

ACTIVITY:

F. Regulatory Activity: Financing of small multifamily rental properties (12 C.F.R. § 1282.34 (d) (1)).

OBJECTIVE:

1. Adopt an effective approach to purchase small multifamily loans from financial entities with \$10 billion or less in assets and purchase loans (Test and Learn, Partner and Innovate, Do What We Do Best).

SUMMARY OF RESULTS:

During the 2019 Plan Year, FHFA approved Fannie Mae's infeasibility request for this Objective due to the timing of the final eligibility determination. We have identified and begun executing a strategy for increased eligible loan purchase volume in 2020.

During Q3 we acquired two additional loans towards our year-end target and increased engagement with the CDFI lender to begin exploring opportunities to drive more small loan business. Fannie Mae submitted a modification correcting the historic baseline and amending the 2020 target accordingly.

Following are the 2020 Actions under this Objective:

- Purchase 321 small multifamily loans from Institutions ?\$10B, representing a seven percent increase over the Baseline.
- Plan for the 2021 - 2023 Duty to Serve Plan.

SELF-ASSESSMENT RATING OF PROGRESS:

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

ADDITIONAL INFORMATION (IF APPLICABLE):

Fannie Mae submitted a modification, to correct the historic baseline and amend the 2020 target, this year.