Fannie Mae

Fannie Mae 2020
Affordable Housing Preservation
Loan Purchase

ACTIVITY:

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

OBJECTIVE:

2. Establish a RED initiative to increase loan purchases relating to the Statutory Activity for other comparable State or local affordable housing programs (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:

Objective's components detailed in the Plan	*Corresponding actions taken*	*Explanation of any deviations from the Plan (if applicable)*
☒ Purchase eight loans that qualify as RED Transactions under other comparable State or local affordable housing programs, representing approximately 30 percent of the total of loans to be purchased in 2020 in connection with Objective #1.	•In 2020, Fannie Mae purchased 10 loans that qualify as Residential Economic Diversity (RED) Transactions under other comparable state or local affordable housing programs, an increase of 25 percent over the 8 state or local RED-Eligible loan target.	•N/A

SELF-ASSESSMENT RATING OF PROGRESS:

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

PARTIAL CREDIT JUSTIFICATION:

N/A

IMPACT:

☐ 50 – Substantial Impact
☒ 40 – Between Meaningful and Substantial Impact
☐ 30 – Meaningful Impact
☐ 20 – Between Minimal and Meaningful Impact

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☐ 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?
Fannie Mae acquired 10 RED-eligible loans that were part of state or local affordable housing programs. Research continues to show that low-income children whose families move to better neighborhoods experience higher college attendance, increased health benefits, larger earning gains as adults, and other indicators of upward economic mobility compared to children who remain in high-poverty communities. While we have seen that economic diversity is by no means a panacea to ending housing inequality, states and localities can make economic diversity-focused housing programs a meaningful part of local housing goals based on equity and anti-racist policies.

RED-eligible state or local projects involve a high degree of creativity and innovation, and the affordability mechanisms and incentives can take many forms. Take, for example, the Park Hacienda project. In exchange for approval to build a vast 540-unit apartment complex, the city of Pleasanton, California, required the owner to include regulatory agreements restricting 25 percent of the units to tenants earning 80 percent of the AMI. This action enabled 135 affordable housing units to be maintained in an extremely high-cost and high-opportunity market in the Bay Area. Fannie Mae provided acquisition financing for this property in 2020 using our Green Rewards product, enabling further stability of the affordable units through reduced operating expenses.

2. What did the Enterprise learn from its work about the nature of underserved market needs and how to address them?
While Fannie Mae exceeded our loan purchase target for this Objective, and state and local affordable housing acquisitions increased significantly overall for 2020, the percentage of RED-eligible state and local acquisitions did not increase by the same margin.

Additionally, our research with the Grounded Solutions Network (GSN) resulted in the cataloging of over 1,500 state or local affordable housing programs. However, many of the programs that target affordable housing in very high-opportunity and high-cost areas require or incentivize affordability restrictions in only a sliver of the overall units, generally 10 or 15 percent. While these affordable units make sense in individual property contexts, and certainly improve the housing situation of those low- and moderate-income tenants that benefit from them, they are not counted in Fannie Mae's state or local RED-eligible loans due to the low percentage of affordable units. In future years, Fannie Mae might consider additional ways of tracking and potentially incentivizing these housing properties that do not meet the 20 percent of affordable units' threshold, but that nevertheless provide important affordable supply in high opportunity areas.

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