Fannie Mae

Fannie Mae 2021
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 2021 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 12 loans that qualify as RED Transactions under other comparable State or local affordable housing programs, which represents approximately 1,824 units, an increase of 33 percent over the Baseline.	In 2021, Fannie Mae purchased 16 loans that qualified as RED transactions, representing approximately 2,013 units.	N/A

SELF-ASSESSMENT RATING OF PROGRESS:

☐ Target met
☒ Target exceeded
☐ Target partially completed
☐ No milestones achieved

IMPACT:

☐ 50 – Very Large Impact
☒ 40
☐ 30 – Meaningful Impact
☐ 20
☐ 10 – Minimal Impact
☐ 0 – No Impact

IMPACT EXPLANATION:

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

In the last decade many communities have placed a renewed focus on promoting residential economic diversity (RED) in high opportunity neighborhoods, along with deconcentrating poverty in neighborhoods of increased need. Of the 16 loans purchased by Fannie Mae, almost 70% were in census-designated High Opportunity Areas (HOAs) versus Areas of Concentrated Poverty (ACPs). The 11 HOA-designated loans were all in metropolitan areas of rising economic inequality, providing much-needed economic diversification and greater opportunities for low-income residents. As a result of these purchases, Multifamily communities in cities such as Houston, San Jose, and San Francisco can continue offering affordable housing to residents earning 50-60% AMI, contributing to stronger neighborhoods.

Two of the financed loans had significant nonprofit involvement:

- The Cesar Chavez Foundation (CCF) was the sponsor for the Vista Del Monte Apartments, a 104-unit affordable property in San Francisco, a city with an extreme affordable housing crisis. CCF was able to use proceeds from this transaction to invest in its Housing & Economic Development Fund, which will continue to build and manage high-quality, service-enhanced affordable housing for working families and seniors across the southwest (California, Arizona, New Mexico, Texas).
- 820 Glenmore Avenue, a 79-unit property in Brooklyn, master leased 70% of units to Providence House, a leading New York City non-profit housing provider. The remaining 30% not leased to Providence House is filled through the City Family Housing Eviction Protection (FHEP) program, which provides supplemental rental assistance to help individuals and families find and keep housing.

Our loan purchases also supported affordability for seniors, with River Run Senior Apartments servicing residents earning 50% of AMI. This 360-unit property in Riverside, CA, is 100% mission-driven, with 38% of units supporting very low-income seniors.

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

Fannie Mae gathered several insights in 2021 that will continue to shape its approach to this objective. Most of our financed RED properties were eligible under High Opportunity Areas (HOAs), in that they were properties that qualified as “Other State/Local” and were in designated high opportunity areas. While we financed many properties in designated Areas of Concentrated Poverty (ACPs), many of these properties had more than 80% of units with rents below the market rate. Therefore, we were unable to verify that they met the DTS definition of mixed income. For this reason, we have chosen to focus our efforts on HOAs as RED-eligible properties for the 2022-2024 plan. We’ll continue to acquire loans in ACPs, but they are unlikely to qualify for RED; though many have residents of mixed incomes, rents charged may be below market.

Regardless of census tract designation, a notable challenge is the inability to forecast deal flow: Fannie Mae Customer Engagement teams do not know if a deal is eligible until it is entered into DUS Gateway®, our deal tracking system. This makes the process somewhat backward-looking and difficult to forecast. We will continue to promote our RED research among affordable housing stakeholders, along with more promotion to our lender network, to highlight the demand for RED financing and how to identify potential deals.

During our 2021 work we recognized that there is a need to finance affordable housing in gentrifying areas, which often falls in between HOAs and ACPs. We would like to explore future opportunities to include affordable rental housing in gentrifying areas as part of our RED efforts. There is a benefit to financing affordable rental buildings in these areas before they become HOAs, but currently there is no way to count these purchases toward RED goals. We look forward to future conversations with FHFA about how to include such neighborhoods in our RED framework.

3. If applicable, why was the Enterprise unable to achieve the Plan target?
N/A