



Fannie Mae 2021
Affordable Housing Preservation
Outreach

ACTIVITY:

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

OBJECTIVE:

4. Outreach and Stakeholder Engagement on the importance of Residential Economic Diversity in community-level, household and individual outcomes (Partner and Innovate).

SUMMARY OF RESULTS:

Following are the 2021 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"/> Conduct outreach activities to identify new potential partners, provide market intelligence, and evaluate opportunities for Fannie Mae to increase volume of RED-eligible loans.	Fannie Mae regularly evaluates opportunities and gathers market intelligence during biweekly lender calls. In addition, the Multifamily Economics and Strategic Research team provides regular market intelligence through the publication of commentary on the multifamily affordable market, highlighting Fannie Mae's efforts in this space and the need for affordable and workforce housing.	N/A
<input checked="" type="checkbox"/> Update and publish RED educational materials to lenders and other key stakeholders.	Fannie Mae continued to cross-promote the landmark Grounded Solutions Network (GSN) inclusionary housing study by releasing an executive summary and distributing it via Multifamily Wire, promoting the full study on our website, and sending links to the study to participants of the "Inclusionary Housing in the United States" webinar.	N/A
<input checked="" type="checkbox"/> Hold panels or roundtable meetings with stakeholders, including State HFAs,	In December 2021, Fannie Mae partnered with GSN to host a webinar on inclusionary housing,	N/A



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<p>developers/borrowers, and lenders to discuss and disseminate Fannie Mae’s RED-related lessons learned.</p>	<p>showcasing the inclusionary housing research done by GSN for Fannie Mae in 2020. A panel of experts provided insight into inclusionary housing policies and practices in California and Massachusetts, and a developer provided insight into how inclusionary housing policy actively impacts the supply of affordable housing units.</p>	
<p><input checked="" type="checkbox"/> Conduct research on approaches to adding affordable units to market rate buildings to better understand opportunities for Fannie Mae to support these programs.</p>	<p>Fannie Mae conducted extensive research on how to add or preserve affordable units in market rate properties, which informed the launch of our Sponsor-Initiated Affordability (SIA) product enhancement in Spring 2021. This product supports both the preservation of affordable units in markets where rents are rising and the creation of affordable units in market-rate properties. For instance, it can be leveraged with new potential sources of capital from technology firms investing in affordable housing in high-opportunity areas where they operate.</p>	<p>N/A</p>
<p><input checked="" type="checkbox"/> Build on product enhancements and programs conducted in 2019 and 2020.</p>	<p>In 2021, Fannie Mae built on the existing MBS Tax-Exempt Bond Collateral (MTEB) in the forward executions by exchanging our MBS for bonds at the conversion of a forward commitment/loan origination (MBS Exchange). This product enhancement has been</p>	<p>N/A</p>



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	successfully used in several affordable transactions in 2021.	
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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:

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 continued to promote the landmark study, Inclusionary Housing in the United States, conducted by Grounded Solutions Network (GSN) in 2020. We hosted a webinar spotlighting the research and featuring a panel of experts from California and Massachusetts, as well as a real estate developer, to discuss Inclusionary Housing policies and practices. This webinar was attended by 115 individuals, and the content will be available through a recording promoted on our website in 2022. This research, and complementary mapping tool, was the first of its kind to map U.S. inclusionary housing. With this tool, a researcher, developer, or affordable housing stakeholder can easily view inclusionary housing policies in a given locality on a granular level. This mapping tool provides a unique and reliable resource and provides access to best practices that can be utilized by municipalities across the nation.

In Spring 2021, Fannie Mae released a new product enhancement designed to add or preserve affordable units in conventional and market-rate properties, called Sponsor-Initiated Affordability (SIA). With this enhancement, sponsors receive a pricing discount for voluntarily adopting rent and income restrictions for at least 20% of units at their properties and via a recorded land use restriction agreement (LURA). This product enhancement generated interest from both conventional and affordable borrowers, and we will continue to monitor and refine the product to meet market needs.

Fannie Mae continued to build on previous product enhancements from 2019 and 2020 by leveraging what we learned from our popular MTEB (MBS as Tax-Exempt Bond Collateral) product. In 2021, we expanded the existing MTEB product in the forward executions by exchanging our MBS for bonds at the conversion of a



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forward commitment/loan origination (MBS Exchange). We have seen several successful transactions due to this product enhancement and anticipate that it will support RED loan purchases in future years where LIHTC deals are eligible.

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

Fannie Mae continued to learn and refine our approach to RED. Sponsor-Initiated Affordability (SIA) is our first product enhancement to specifically focus on expanding the availability of workforce housing units in the market-rate space. The rent and income restrictions were intentionally set at 20% of units at 80% of AMI to address the “missing middle” of rental unit supply for individuals making 80-120% of AMI. We designed an extensive suite of tools to support conventional borrowers, knowing that they are less likely to have familiarity with typical Affordable restrictions. Despite these efforts, and interest in the product from borrowers, product adoption was slow, and the impact was more muted in the first year. In 2021, a total of five loans and 646 units were financed. While the overall goal of creating workforce housing units was enthusiastically supported, the monitoring and compliance portion of the product created challenges for borrowers. We are analyzing ways to find a balance between rigorous compliance and the reasonable expectations of conventional borrowers. Our goal is to make product adjustments, as appropriate, in 2022.

The M.TEB as MBS Exchange product enhancement addressed a market need in the LIHTC space. Volume cap limitations in many states have made it more challenging for LIHTC transactions to be profitable for developers, particularly 4% LIHTC transactions. The swap from taxable bond to Fannie Mae MBS has made this an attractive product to combine tax-exempt debt with taxable debt to maximize proceeds on deals with 4% LIHTC credits. This structure can be used for transactions that are fully taxable but do not have LIHTC. We look forward to seeing additional uses of the product enhancement in 2022.

Our promotion of the GSN inclusionary housing research provided valuable insights into market tolerance and community appetite for inclusionary housing policies. In our inclusionary housing webinar, several audience questions focused on the impact of state and local legislation, impacts presented by the Not In My Backyard (NIMBY) movement, and the need for private sector partners. Specifically, presenter Bernadette Austin, Executive Director of the UC Davis Center for Regional Change, remarked that while the 2017 and 2021 California legislation increasing single-family zoning density helps significantly, there needs to be greater participation by the private sector to help meet the goals of inclusionary housing policies in that state.

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

N/A