



Fannie Mae 2021  
Affordable Housing Preservation  
Loan Product

**ACTIVITY:**

M. Improve future access to rental housing among Section 8 voucher holders in areas of opportunity by identifying incentives and educational resources to improve landlord participation in the housing choice voucher program.

**OBJECTIVE:**

7. Establish an initiative which aims at improving future access to rental housing through outreach, research, and product development efforts (Partner and Innovate, Analyze, Test and Learn).

**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"/> Improve future access to rental housing among Section 8 voucher holders in areas of opportunity by identifying incentives and educational resources to improve landlord participation in the housing choice voucher program.	HCV initiative is expected to launch in late Q1/early Q2 2022.	N/A
<input checked="" type="checkbox"/> Design an incentive program that would encourage landlord participation in the HCV program and assess risks and potential market size associated with the program.	Fannie Mae conceptualized and designed a targeted initiative in two key markets with a pricing incentive that would encourage landlord participation in the HCV program, assessing risks and potential market size as variables in program development. Initial markets are North Carolina and Texas.	N/A
<input checked="" type="checkbox"/> Solicit feedback from at least 15 academics and MF industry participants with special focus on vouchers to test the program design, including at least three MF	Fannie Mae reached out to three lenders, 11 Multifamily industry participants, and four borrowers to test program design and feasibility and conducted additional research with eight borrowers during the	N/A



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borrowers who own properties in high opportunity areas.	early development phase of the work.	
<input checked="" type="checkbox"/> Create marketing materials to communicate with lenders and borrowers about the program.	Fannie Mae created extensive marketing materials to communicate the HCV program to lenders and borrowers.	N/A
<input checked="" type="checkbox"/> Create educational materials including public housing authority best practices for voucher administration that have streamlined HCV program participation for property owners.	Fannie Mae created robust HCV training for lenders and borrowers along with a Lender and Borrower toolkit and FAQs that include best practices.	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:**

**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?**

According to the Poverty and Race Research Action Council (PRAAC), there is widespread discrimination against individuals and families seeking to use their portable Housing Choice Voucher (HCV) for affordable housing. Thirty percent of voucher holders are unable to find a unit and eventually return the voucher, while approximately 50% of those who do secure a unit end up living in areas of concentrated poverty. While 13 states and 90 local governments have passed Source of Income (SOI) laws that ban discrimination against HCV holders, these laws lack robust enforcement mechanisms and are not in place nationwide.



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Fannie Mae initiated a product development process to increase the number of affordable units for HCV holders and positively impact residential economic diversity by encouraging properties in high opportunity areas to accept HCVs. Fannie Mae's work in 2021 lays the foundation for an increase in units accepting HCVs by way of an opt-in initiative launch in 2022 in both Texas and North Carolina. The initiative makes acceptance of HCVs a condition of Fannie Mae preferred financing if a borrower chooses to participate. This was of particular interest to Multifamily industry stakeholders such as the Urban Institute and the Poverty and Race Research Action Council (PRRAC). To their and our knowledge, this approach has not been tried before in markets without source of income (SOI) protections for renters.

The states that we are focused on, Texas and North Carolina, present unique opportunities, with a particular focus on the Dallas, Austin, and Charlotte markets.

- Because Texas cities are prevented from enacting source of income protections for Housing Choice Voucher holders, renters continue to face many challenges. For example, a 2020 report from the Inclusive Communities Project revealed that only 7% of Dallas County landlords accepted Housing Choice Vouchers – down from 12% in 2017.
- Inlivan, the Charlotte public housing authority, has also noted a decrease in landlord participation in the HCV program and continued difficulties faced by voucher renters in finding high-quality housing.

Fannie Mae's marketing, training, and educational materials will evolve as the program evolves. Our plan is to highlight borrower stories, deals, and best practices, and provide robust toolkits to drive market adoption. We are hopeful that this unique pilot will lay the foundation for increased utilization of HCVs, which in turn improves the lives of low-income families in some of the most restrictive markets in the country.

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

Fannie Mae learned many landlords resist accepting vouchers due to the actual and perceived costs associated with participating in the HCV program. By providing a pricing incentive, some of these costs will be offset, and we believe a pricing incentive can increase voucher acceptance at Fannie Mae-financed properties in both Texas and North Carolina. We look forward to taking lessons learned from these markets and applying them to nationwide adoption with FHFA's approval.

Additionally, we learned that any program Fannie Mae rolls out would not be meaningful without proper enforcement mechanisms. So, Fannie Mae will engage a third party to conduct Fair Housing Testing at properties that participate in the HCV pilot. Tenants are often afraid to report discriminatory practices by landlords out of fear of losing their voucher, and many jurisdictions are under-resourced to provide effective enforcement mechanisms. This is why our Fair Housing Testing program will include an educational component for property management staff. Our strategy was designed to recapture any pricing benefit should a property not comply with the HCV program parameters.

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

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FHFA approval was granted in January 2022. Fannie Mae expects to launch the HCV initiative late in the first quarter or early second quarter of 2022.