



Fannie Mae 2021
Affordable Housing Preservation
Loan Purchase

ACTIVITY:

A. Statutory Activity: Section 8. The project-based and tenant-based rental assistance housing programs under Section 8 of the U.S. Housing Act of 1937, 42 U.S.C. § 1437f.

OBJECTIVE:

1. Purchase loans secured by properties served by the Section 8 program (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]:

<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"/> Provide a steady source of capital and liquidity through the purchase of 153 loans, which represents approximately 18,972 units, that finance Section 8 properties, a seven percent increase over the baseline.	Fannie Mae purchased 222 Section 8 loans supporting 26,603 units in 2021, representing a 45% increase over baseline.	N/A
<input checked="" type="checkbox"/> Review the latest market research data related to expiring Section 8 subsidies and the financing needs of lenders and borrowers, to identify potential opportunities to increase loan purchases.	Fannie Mae determined, after thorough market research, that there is no correlation between expiring Section 8 contracts and financing opportunities in any given year. Section 8 funding has remained static.	N/A
<input checked="" type="checkbox"/> Meet with Fannie Mae lenders to discuss how Fannie Mae can best meet industry needs related to Section 8 properties.	Fannie Mae's Multifamily Affordable Housing (MAH) customer engagement teams met with and regularly discussed Section 8 with lenders throughout the year. Demand for discussing Section 8 was particularly high in the first two quarters of 2021 when interest rates declined, and other traditional sources of liquidity were either oversubscribed or had not	N/A



Fannie Mae 2021
Affordable Housing Preservation
Loan Purchase

	yet returned to the market after pulling back during COVID-19.	
<input checked="" type="checkbox"/> Track and monitor Section 8 loan acquisition pipeline and loan characteristics to ensure targets are met while maintaining safety and soundness concerns of the enterprise.	We regularly track and monitor Section 8 loan acquisitions for soundness and safety.	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?

Fannie Mae made a substantial impact in the Section 8 market in 2021, allowing us to finance over 25,000 units for low-income individuals and families. Market conditions, along with pandemic-related factors, allowed Fannie Mae to provide greater leverage and more competitive financing terms and meet our commitment to preserving affordable housing. Our activity in the preservation space has had a notable impact in providing financing for older properties; the average year built for Section 8 Fannie Mae financing this year was 1973.

While we regularly court Section 8 business and price it competitively to acquire loans, a “perfect storm” of conditions supported another remarkable year providing financing to Section 8 properties. Investors remained engaged with Section 8 in 2021 as the pandemic continued to drive interest in this housing type as a source of steady tenancy and guaranteed income. This interest was coupled with record low-interest rates in 2021. Rate movement accelerated the pandemic-related drive towards Section 8 investment. Finally, some competitors were not as active in this space for the first two quarters of 2021 for a variety of reasons, allowing us to provide



Fannie Mae 2021
Affordable Housing Preservation
Loan Purchase

even greater support to more of the market. The efficiencies and restructuring the Multifamily Affordable Housing (MAH) team undertook in 2020 enabled us to quickly react to this surge in demand in a safe, sound, and effective way.

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

While we are pleased to have exceeded our target, market conditions in 2021 presented a unique opportunity that may not be replicated in future years. Variables such as static funding levels for Section 8 and the inability to forecast financing opportunities for Section 8 properties may have an adverse impact on our future Section 8 activity. Indeed, as the number of Section 8 contracts will not grow without additional legislation, we expect loan volumes will not grow in 2022.

Additionally, future financing opportunities in this space are difficult to forecast due to the nature of Section 8 contracts. These contract terms do not match with financing terms, and Section 8 contracts can renew without a financing event. While our activities in the LIHTC space can provide some insight, as some Section 8 contracts are on LIHTC properties that have regular financing opportunities, only a quarter of properties with Section 8 contracts also have LIHTC assistance.

From a business perspective, we continue to refine our approach to the Section 8 market as a mission priority. In 2021, we continued to find the right balance regarding housing assistant payments overhang, where project-based Section 8 contract rents exceed the appraiser's concluded market rents. This overhang is a challenge for our credit guidelines, and standard loan exit tests. We continue to work collaboratively with our internal business partners and lenders to strike the right balance.

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

N/A