



Fannie Mae 2021  
Rural Housing  
Investment

**ACTIVITY:**

E. Additional Activity: Invest in LIHTC properties to facilitate the provision of affordable multifamily housing in rural areas (12 C.F.R. § 1282.35 (d)).

**OBJECTIVE:**

1. Invest in LIHTC properties including housing associated with other Statutory and Regulatory Activities (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]:

<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"/> Make equity investments in 42 LIHTC projects in rural areas.	Fannie Mae made equity investments in 52 LIHTC properties in rural areas, exceeding its target by 24 percent. These investments have supported the creation of 2,839 units affordable to LMI renters.	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



## Fannie Mae 2021 Rural Housing Investment

### **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?**

LIHTC equity is an important source of capital for rural markets, where projects are less likely to attract certain sources of financing, such as debt from financial institutions with CRA obligations. Since reentering the LIHTC equity market in 2018, Fannie Mae has continued to develop and enhance our tools for identifying, executing, and tracking LIHTC investments. Our LIHTC team has worked diligently on meeting our Duty to Serve commitments the past several years. Fannie Mae is committed to maintaining a consistent presence in underserved markets, as a reliable source of capital.

In 2021, Fannie Mae invested in 52 rural LIHTC properties. These projects accounted for the preservation or new construction of 2,839 units affordable to renters with incomes at or below 100 percent AMI. Of these units, 2,836, or 99 percent, were affordable to households' earning 80 percent of the AMI or below; and 31 percent of the units in our Duty to Serve eligible LIHTC Equity transactions were affordable at 50 percent of AMI.

Fannie Mae's 2021 rural LIHTC investments provided capital to properties located in eighteen states and several projects in high-needs rural regions. Specifically, we invested in three properties in the rural Lower Mississippi Delta, five properties in rural Middle Appalachia, and seven properties in rural areas within persistent poverty counties. Finally, our investments helped capitalize fourteen properties in the U.S. Department of Agriculture's Rural Development Housing and Community Facilities Programs Office (USDA RD) Section 515 program, ensuring long-term affordability.

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

We were thoughtful about the geographic investment distributions and analyzed the profile of our LIHTC equity investments from 2018, 2019, 2020, and 2021 and found that we met our Rural Duty to Serve goals in spite of limitations on investing in the rural LIHTC market, discussed below.

Specifically, we observed that since the restart of investment activity in 2018, about 39 percent of the properties in Fannie Mae's new equity book of business were in rural areas. This is disproportionately high compared to the HUD LIHTC Database, which showed only 27 percent of LIHTC funds awarded in rural census tracts. Further, according to NCHSA, the share of LIHTC units allocated to rural areas has steadily decreased by more than half since 2015 through 2020, the last year data is available. It is plausible these trends will continue, due to population shifts and Qualified Action Plans (QAPs) that value density and other characteristics that are less common in rural areas.

Ultimately, Fannie Mae exceeded its investment targets in 2021 by maintaining a steady focus on rural LIHTC investment opportunities. However, we learned that trends in rural LIHTC allocations, which are outside of our control, may make meeting these targets challenging in future years.

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

N/A