

Exhibit F:  
**Annual Investments Narrative Reporting Template**

FREDDIE MAC

RURAL HOUSING

2021

INVESTMENT

**ACTIVITY:**

1- Support for High-Needs Rural Regions: Regulatory Activity

**OBJECTIVE:**

I- Engage in LIHTC Equity Investment

**SUMMARY OF RESULTS:**

				<b>Transactions</b>
<b>Baseline (2018-2019)</b>				5
<b>2021 Target</b>				5
<b>2021 Volume</b>				7
<b>Incomes Targeted</b>	VLI units	LI units	MI units	
	81	354	354	

In 2021, we exceeded our target of 5 LIHTC equity investments in high needs rural regions with \$34.3 million over 7 investments, representing five states.

Out of the seven investments, three properties were in rural Middle Appalachia and three in the Lower Mississippi Delta region. This equates to \$13.2 million in Middle Appalachia allocation, \$13.6 million in Lower Mississippi Delta allocations. We did all of this in a year of market disruption due to COVID-19. After decreasing their activity in 2020 due to the pandemic, banks re-entered the market in 2021. Although their renewed involvement helped stabilize the market, we still faced several headwinds in 2021. The most notable challenges stemmed from delays with government debt, high lumber prices, and General Contractors' difficulty finding contractors/labor. Overall, construction prices remained the greatest hurdle.

**SELF-ASSESSMENT RATING OF PROGRESS:**

*Select the category that best describes your progress on this objective for the year.*

- Objective met
- Objective exceeded
- Objective partially completed:
  - 75-99% (substantial amount)

- 50-74% (limited amount)
- 25-49% (minimal amount)
- 1-24% (less than a minimal amount)
- No milestones achieved

**IMPACT:**

*Provide a self-assessment of the level of impact that actions under the objective have accomplished.*

- 50 – Substantial Impact
- 40
- 30 – Meaningful Impact
- 20
- 10 – Minimal Impact
- 0 – No Impact

**IMPACT EXPLANATION:**

*Answer the following questions.*

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?

There are four primary ways that our investments have had a direct and substantial impact on the rural market: (1) we provided stability to the market; (2) we exceeded market norms by investing a greater share of our investments in these areas relative to both our annual (effective) \$500 million cap<sup>1</sup> and to the national share of allocations to these markets; (3) the investments had a large impact on the specific communities; (4) our relationships with our lenders and syndicators have led to an instrumental cumulative impact over time. These four measures were especially important in 2021 as so many tenants in rural regions were impacted by COVID-19.

We invested a greater percentage of our allowed investment volume in rural markets than the market did overall. Our 7 investments out of 37 investments overall represents a greater share relative to the national market: 19% (7/37) of our investments were in DTS high needs rural regions while the national average has been 6.9%, per our analysis of National Housing Preservation Database (NHPD) data.

Our impact in individual markets as a result of our investments is clear when reviewing particular investments. The two examples below highlight the positive impacts these investments made in the market.

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<sup>1</sup> Freddie Mac's cap was \$500 million in the first half of 2021 and was increased to \$850 million in the second half of 2021. By the end of the first half of the year, nearly all funding allocations are already made with little opportunity to increase volume in the second half of the year. As a result, our cap for 2021 is effectively closer to the first half's \$500 million cap amount.

Prior to the start of this DTS plan cycle, we had no LIHTC investments in rural markets. We recognized investment opportunity results from a relationship-driven business. Growing and maintaining a strong client base is important for syndicators. Often individual transactions can beget more transactions, spreading the impact over time as relationships deepen. Due to our consistent outreach and relationship management, our syndicators now know the markets better, have closer relationships with us and rural developers, and are able to increase investment as a result. Our investments in the LIHTC rural market have steadily increased over the last three years, demonstrating a profound cumulative impact in the market.

<b>Property</b>	Hilltop Apartments	Jamestown Manor
<b>Region</b>	Madison, Florida	Jamestown, TN
<b>Units</b>	72	24
<b>Details</b>	Hilltop Apartments is the occupied-rehab of an existing 72-unit multifamily property located in Madison, Florida. The Property is comprised of 15, one-story residential buildings and one community building that includes a laundry facility and leasing office. The Property was originally constructed in 1980s. All 72 units are supported by a Project-based Section 8 HAP Contract. Four units are set-aside for special needs households targeting homeless, a survivor of domestic violence, a person with a disability, or a youth aging out of foster care. Supportive services will be offered at the property.	Jamestown Manor is in a rural community in the Mid Appalachia region, approximately 130 miles northwest of Nashville and 90 miles northeast of Knoxville. This rehabilitation project includes four, single-story buildings containing 24 one-bedroom units. The project is restricted to seniors 62 years old and over who earn no more than 50% and 60% of area median income (AMI). An annual USDA Rural Development (RD) subsidy will be in place for 23 of the 24 units.

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

With lives and livelihoods disrupted by the pandemic and its economic fallout, the importance of safe, decent affordable housing—and financing to preserve it—was especially apparent as residents nationwide had to spend more time at home, as school children had to take classes from home, and as jobs were lost and incomes reduced.

We have learned that, even with the strongest, most experienced developers, there is a need for government financing/subsidy, which causes delays in the closing process. These markets need government assistance because they may not get outside investment due to smaller deal sizes and less economic vitality, resulting in lower rental income and greater difficulty maintaining the property. The small market size makes it more challenging for the General Contractors to find labor. Labor shortages can delay projects, or even prevent them from moving forward at all.

Transactions can be harder to close for developers in rural markets even after a letter of intent has been signed. This was exacerbated by COVID-19, which affected transactions in myriad ways. As we discovered the potential impacts from COVID-19 on deal closing delays, we proactively increased our rural deal originations so we would increase certainty of exceeding our target at year-end. We were able to mitigate these issues in order to close seven investments in 2021.

3. **Optional:** If applicable, why were all components of this objective not completed?  
Not applicable.

*Attach the data specified for Investments objectives in Section 3 of this document.*