FACT SHEET: NEW MULTIFAMILY CAPS FOR FANNIE MAE AND FREDDIE MAC

HIGHLIGHTS AND BENEFITS OF NEW MULTIFAMILY CAPS

- FHFA is revising the structure of the caps applicable to the multifamily loan purchases of Fannie Mae and Freddie Mac (the Enterprises).
- The new caps eliminate loopholes, provide ample support for the market without crowding out private capital, and significantly increase affordable housing support over previous levels. The Enterprises multifamily business should play a more countercyclical role in the market.
- The new caps will be $100 billion for each Enterprise, a combined total of $200 billion in support to the multifamily market, for the five-quarter period Q4 2019 – Q4 2020.
- The new caps apply to all multifamily business. There will be no exclusions.
- To ensure a strong focus on affordable housing and traditionally underserved markets, FHFA directs that at least 37.5% of the Enterprises' multifamily business be mission-driven, affordable housing.
- Loans that finance energy and water efficiency improvements will be considered conventional business, unless they meet other mission-driven affordability requirements (see revised Appendix A).
- To maintain market stability, FHFA also expects the Enterprises to manage their business to remain in the market throughout the entire five-quarter period.

BACKGROUND

- In 2014, FHFA set a cap on the Enterprises' conventional (market-rate) multifamily business.
- The purpose of the cap is to support liquidity in the multifamily market, especially in affordable housing and traditionally underserved segments, without crowding out private capital.
- To encourage Enterprise financing in affordable housing and underserved market segments, in 2014, FHFA also excluded several categories of business from the cap.
- In 2016, loans that finance certain energy and water efficiency improvements ("green loans") were added to the list of multifamily business categories excluded from the caps.

THE OLD CAPS WERE NOT WORKING AS INTENDED

- In recent years, the multifamily market has grown, and the Enterprise share of multifamily loan originations expanded considerably. This has put the Enterprises in a pro-cyclical role in the multifamily market. Enterprise share of new multifamily originations increased from approximately 36% in 2015 to 49% in 2017 and, based on preliminary estimates, 42% in 2018.
- Between 2015 and 2017, the overall multifamily market grew roughly 14%, and Enterprise multifamily loan purchases grew roughly 54% – 41% more growth than the overall market.
- The recent growth in Enterprise multifamily market share is largely attributable to the exclusion of green loans from the caps starting in 2016.
- By 2017, and continuing in 2018, approximately 50% of Enterprise production was excluded from the cap altogether, largely driven by the addition of green loans as an excluded category.
- The increase in Enterprise share of multifamily loan purchases since 2015 compounded the longer-term growth of the Enterprises in the multifamily market under conservatorship. Enterprise share of multifamily debt outstanding increased from approximately 25% at year end 2007 to approximately 40% by year end 2018.

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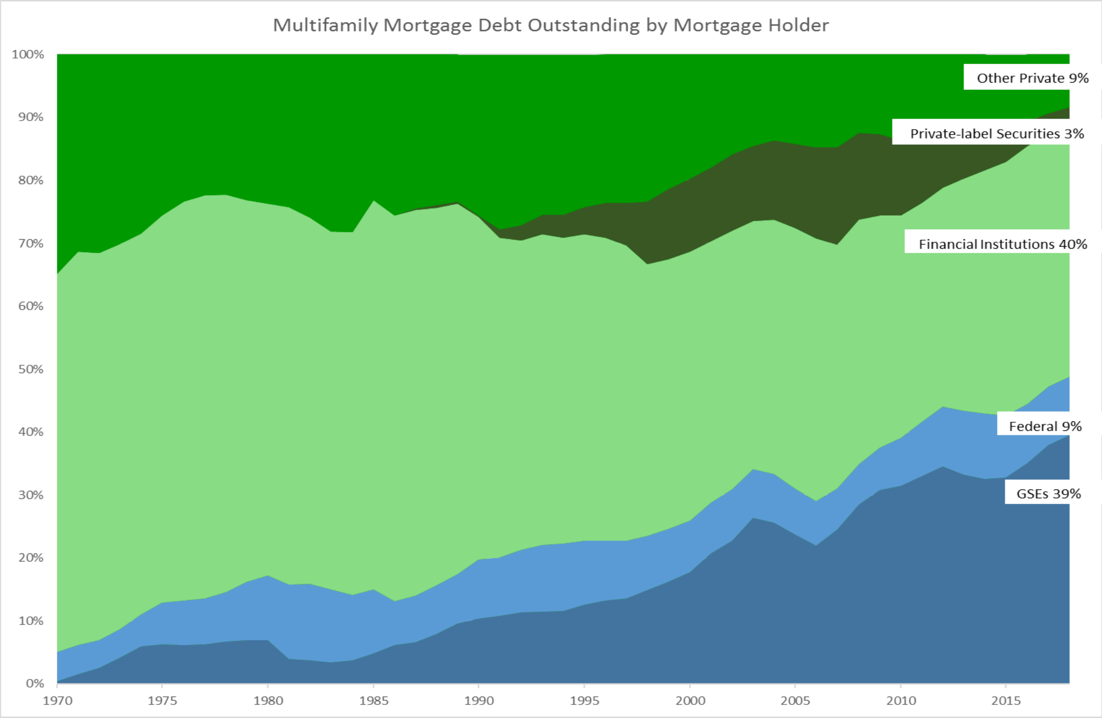
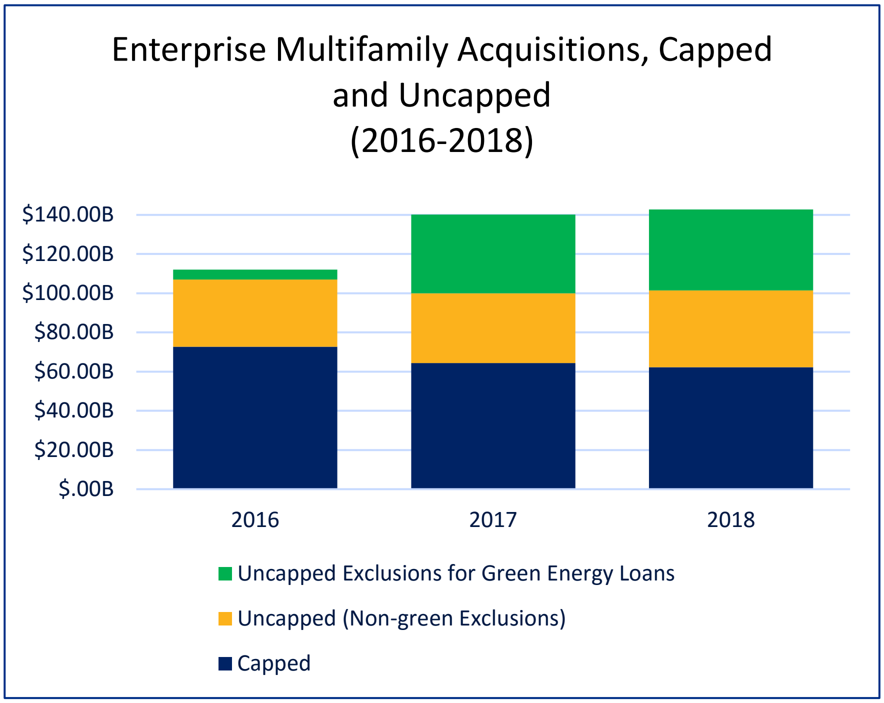


Note: "Other Private" includes mortgage debt owned by mortgage companies, REITs, credit unions, individuals, and other entities. "Financial Institutions" includes mortgage debt owned by depository institutions and insurance companies. "Federal" includes mortgage debt owned by Ginnie Mae, the Federal Home Loan Banks, and other federal instrumentalities. Mortgage debt owned by a PLS trust is included in "Private-label securities." (Source: Federal Reserve, Mortgage Debt Outstanding)



Note: This reflects loans that qualify in more than one category, and therefore the total numbers are greater than actual Enterprise multifamily loan purchase totals in each category and overall. (Source: FHFA Conservatorship Scorecard Progress Reports, 2016-2018)

(Revisions to the 2019 FHFA Conservatorship Scorecard)

1. *Market share target and quarterly review of market size*

   On September 13th, 2019 FHFA established a $100 billion cap on the multifamily purchase volume of each Enterprise, for a total of $200 billion and applicable for the period of Q4 2019 through Q4 2020 (5 quarters). Within this cap, certain loans in affordable and underserved market segments are considered mission-driven ("mission-driven"). FHFA requires a minimum of 37.5% of Enterprise multifamily loan purchases be mission-driven in accordance with the definitions herein. FHFA anticipates the current cap levels to be appropriate given current market forecasts, however, FHFA will routinely review its estimates of market size.

   The following sections explain how FHFA will treat mission-driven loans.

2. *Loans on targeted affordable housing properties*

   Targeted affordable housing loans are loans to properties encumbered by a regulatory agreement or a recorded use restriction under which all or a portion of the units are restricted for occupancy by tenants with limited incomes and which restrict the rents that can be charged for those units. FHFA will classify as mission-driven a proportionate amount of the loan for properties in the targeted affordable category, depending on the percentage of units that are restricted by a regulatory agreement or recorded use restriction. FHFA will classify as mission-driven 50 percent of the loan amount if the percentage of restricted units is less than 50 percent of the total units in a project, and 100 percent of the loan amount if the percentage of restricted units is equal to or more than 50 percent.

   The following are examples of loans on targeted affordable housing properties that FHFA will classify as mission-driven:

- Loans on properties subsidized by the Low Income Housing Tax Credit program, which limits tenant incomes at 60 percent of area median income (AMI) or below;
- Loans on properties developed under state or local inclusionary zoning, real estate tax abatement, loan or similar programs, where the property owner has agreed to: a) restrict a portion of the units for occupancy by tenants with limited incomes in accordance with the requirements of the state or local program and restrict the rents that can be charged for

those units at rents affordable to those tenants; and b) enforce these restrictions through a regulatory agreement or recorded use restriction;

- Loans on properties covered by a Section 8 Housing Assistance Payment contract where the contract limits tenant incomes to 80 percent of AMI or below. FHFA will not consider a unit that is occupied by a Section 8 certificate or voucher holder as a targeted affordable housing unit unless there is also a contract, a regulatory agreement, or a recorded use restriction; and
- Loans on properties where a Public Housing Authority (PHA), or a non-profit development affiliate of a PHA, is the borrower, and where the regulatory agreement or recorded use restriction restricts all or a portion of the units for occupancy by tenants with limited incomes and/or restricts the rents that can be charged for those units.

3. *Loans on other affordable units*

FHFA will classify as mission-driven units whose rents are affordable to tenants at various income thresholds but that are not subject to a regulatory agreement or recorded use restriction. FHFA will count as mission-driven, the pro rata portion of the loan amount based on the percentage of units with affordable, unsubsidized/market rents, as described below.

a. *Loans on affordable units in standard markets*

Standard markets are those that are not located in rural areas or in designated cost-burdened, very cost-burdened, or extremely cost-burdened renter markets. For properties located in these markets, the income threshold for affordability is 60 percent of AMI or below.

b. *Loans on affordable units in cost-burdened, very cost-burdened, or extremely cost-burdened renter markets*

In cost-burdened renter markets as designated by FHFA, the income threshold for affordability is 80 percent of AMI or below. In very cost-burdened renter markets as designated by FHFA, the income threshold for affordability is 100 percent of AMI or below. In extremely cost-burdened renter markets as designated by FHFA, the income threshold for affordability is 120 percent of AMI or below.

4. *Loans on properties located in rural areas*

Rural areas are those areas designated as such in the Duty to Serve rule. FHFA will classify as mission-driven, the pro rata portion of the loan amount based on the percentage of units affordable at 80 percent of AMI or below. Very cost-burdened and extremely-cost burdened renter market adjustments are not available.

5. *Loans on small multifamily properties*

Small multifamily properties are properties that have 5 to 50 units. FHFA will classify as mission-driven, the pro rata portion of the loan amount based on the percentage of units affordable at 80 percent of AMI or below in standard and cost-burdened renter markets, 100 percent of AMI or below in very cost-burdened renter markets, and 120 percent of AMI or below in extremely cost-burdened renter markets.

6. *Manufactured housing rental community blanket loans*

Loans to manufactured housing rental communities are blanket loans secured by the land and the rental pads. FHFA will classify as mission-driven, the full loan amount of a manufactured housing rental community blanket loan.

7. *Loans on seniors housing assisted living properties*

For loans on seniors housing assisted living properties, FHFA will classify as mission-driven, the pro rata portion of the loan amount based on the percentage of units affordable at 80 percent of AMI or below. Very cost-burdened and extremely cost-burdened renter market adjustments are not available.

8. *Other Scorecard requirements*

For purposes of reporting on loan and commitment activity under the 2019/2020 caps, the Enterprises must: a) use the definitions for determining unit affordability of seniors housing assisted living units, coop units, and shared living arrangements, including student housing, that are included in the housing goals regulation at 12 CFR 1282.1; b) use affordability data as of the loan acquisition date; c) report monthly to FHFA on their acquisition and commitment volumes using a reporting format defined by FHFA; and d) report quarterly on their acquisition volumes under the caps including detail on mission-driven loan purchases using a reporting format to be determined by FHFA.