



Innovation Context & Duty to Serve

2018 Targeted Affordable Housing Seller Workshop

June 7, 2018



What Drives Our Innovation?

- Our Community Mission
 - » To provide liquidity, stability, and affordability to underserved markets across the country
 - As measured against
 - Affordable Housing Goals
 - Duty to Serve—New for 2018
 - Needs and opportunities in the market



What Drives Our Innovation?

- Our Goal in TAH
 - » To be recognized as the preeminent national capital provider for affordable housing
 - The Most Innovative
 - The Most Comprehensive
 - The Most Respected



What is Duty to Serve?

- The Duty to Serve (DTS) regulation, published in 2016, requires us to serve 3 historically underserved markets—Affordable Housing Preservation, Manufactured Housing, and Rural Housing
- We must create and operate under 3-year plans subject to non-objection from FHFA
- We have developed our first plan over the course of 2017
- Our first plan is now in effect as of January 1, 2018 and runs through 2020



<http://www.freddiemac.com/about/duty-to-serve/>

- Some of the activities under the plan are Single Family but the majority are Multifamily
- We only get DTS credit for activities explicitly identified in our plan, but we will continue to innovate and commit capital beyond the requirements of DTS
- We will report to FHFA quarterly (data), with summary reports due semi-annually and annually. We will be rated annually



Duty to Serve Eligible Activities



Multifamily Activities

Single-Family Activities

Affordable Housing Preservation (Pick 7)

- Nine Affordable Housing Preservation statutory programs, including LIHTC Debt, Section 8, USDA Section 515, and six other programs
- HUD’s Choice Neighborhood Initiative
- HUD’s Rental Assistance Demonstration Program
- Energy or water efficiency improvements
- Small multifamily rental properties financed by small lenders

- Affordable homeownership preservation (shared equity) financing
- Energy or water efficiency improvements
- Financing of purchase or rehabilitation of certain distressed properties

Manufactured Housing (Pick 4)

- Manufactured Housing Communities (MHCs):
 - Resident-owned communities (ROCs)
 - Tenant protections

- Manufactured housing titled as:
 - Real property
 - Personal property (chattel)

Rural Housing (Pick 4)

- High-needs rural populations (Native Americans and Agricultural workers)
- High-needs rural areas
- Small multifamily rental properties in rural areas

- High-needs rural populations (Native Americans and Agricultural workers)
- High-needs rural areas
- Financing by small financial institutions

Multifamily Duty to Serve Planned Activities



	Purchase/Invest	Products	Research
Affordable Housing Preservation	<ul style="list-style-type: none"> LIHTC Debt Section 8 RAD 5-50's from Small Financial Institutions Affordable Housing in High Opportunity Areas USDA 515 (2020) 	<ul style="list-style-type: none"> Mezzanine financing for LIHTC and Section 8 preservation TAH Express for LIHTC and Section 8 preservation New USDA 515 preservation offering leveraging 4% tax credits Securitization and guaranty offerings for 5-50's from small financial institutions 	<ul style="list-style-type: none"> Substantial research efforts on Residential Economic Diversity (RED) RED mapping tool Green Advantage® Impact
Manufactured Housing	<ul style="list-style-type: none"> Purchase loans on ROCs (2020) 	<ul style="list-style-type: none"> New specialized pilot offering to support resident-owned communities (ROCs) Pilot offering to support adoption of DTS tenant protections 	<ul style="list-style-type: none"> Research partnership to survey and size the ROC market 50-state research effort to identify market and barriers for DTS tenant protections
Rural Housing	<ul style="list-style-type: none"> LIHTC in Rural Markets LIHTC in High-Needs Areas LIHTC for High-Needs Populations (Native Americans and Agri. workers) 	<ul style="list-style-type: none"> LIHTC Equity Investment USDA 515 and 538 Rural SFR Rural Mapping Service 	<ul style="list-style-type: none"> LIHTC Serving High-Needs Areas LIHTC Serving High-Needs Populations Rural SFRs

Duty to Serve Purchase Targets 2018-2020



Market	Activity	2018	2019	2020
AHP	LIHTC Debt	150 properties or 20,500 units	160 properties or 21,500 units	175 properties or 23,000 units
	Section 8	110 properties or 16,750 units	120 properties or 17,250 units	135 properties or 18,000 units
	HUD RAD	10 properties or 750 units	15 properties or 2,000 units	5 properties or 500 units
	USDA Section 515	N/A	N/A	2 Transactions
	Small MF Rental	1 Pool (\$100 MM)	2 Pools (\$200 MM)	3 Pools (\$300MM)
	Residential Economic Diversity	25 properties or 2,600 units	27 properties or 2,700 units	29 properties or 2,800 units
Rural	High-needs rural regions with section 515 subsidies	N/A	N/A	1
	High-needs rural regions LIHTC Investment	2	3	4
	High-needs rural populations LIHTC Investment	N/A	2	3
	Small MF rental properties in rural areas with USDA section 538 subsidies	N/A	N/A	2
	Single-Family Rental	N/A	N/A	5
	LIHTC Equity investments in all rural areas	6	9	12
MHC	MHCs owned by a government entity, nonprofit, or residents	N/A	N/A	2 loans or \$5 MM