



Fannie Mae and Freddie Mac Look to Strengthen Commitments to Multifamily Affordable Housing - by Evan Blau and Beth Budnick

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Fannie Mae and Freddie Mac have long been mission-oriented agencies aimed to combat the national affordable housing crisis while also providing liquidity to the market. Last month, Fannie Mae and Freddie Mac's regulator, Federal Housing Finance Agency ("FHFA"), solicited public comment on proposed rule changes to Fannie Mae and Freddie Mac's multifamily benchmark housing goals for 2023 and 2024. As part of the proposed rule changes, FHFA is seeking to change

the 2023 and 2024 benchmarks for affordable multifamily loan volume to a percentage-based approach as opposed to the previously utilized unit count approach in 2022.

In addition to providing the yearly total loan volume of multifamily loans that Fannie Mae and Freddie Mac are allowed to purchase, FHFA also provides them with benchmark affordable housing goals. These housing goals for 2022 mandated specific unit counts for Low-Income (80% of area median income), Very-Low Income (50% of area median income) and Low-Income Small Multifamily (80% area median income, specifically for buildings containing between 5 and 50 units). This prior one-year benchmark based on total units was mainly utilized by FHFA in response to market uncertainty resulting from the pandemic and potential disruptions in the market in 2022. The proposed changes would allow for a percentage-based approach to each of Fannie Mae and Freddie Mac total mortgage volume as it relates to the benchmark goals for Low-Income (61% of total volume), Very Low-Income (12% of total volume) and Low-Income Small Multifamily (2% of total volume). It should be noted that FHFA is not proposing any changes to the underlying criteria which would determine with units qualify within these classes.

While this percentage shift may seem on the surface somewhat benign, it showcases FHFA, Fannie Mae and Freddie Mac's commitments to affordable housing. Under the prior approach based on unit count, once the number of units was satisfied, there could be no further obligation to continually finance income restricted projects. While we do not think this was the intent behind using unit count as the benchmark, the percentage approach will require Fannie Mae and Freddie Mac to continually consider their commitments throughout the entire year in relation to their overall yearly loan volume. In other words, Fannie Mae and Freddie Mac must remain focused on affordable housing finance throughout the entire year, not just until initial target numbers are achieved. These sentiments were echoed by FHFA Director Sandra Thompson in her release of the proposed rule changes in commenting, "Today's proposed rule would ensure that each Enterprise's focus remains on affordable segments of the multifamily market and reaffirms FHFA's commitments to its statutory duty to promote affordability nationwide".

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