NACCED Conference

Economic and Housing Outlook
Affordable Programs and Partnership Opportunities

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Community Lending
Fannie Mae

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Housing Starts and Existing Home Sales Pull Back Less Than Expected

Inventories of existing homes remained very tight in January, though strength in the labor market and persistently low interest rates should help keep demand robust.
Inventory of Existing Homes Continues to Decline while Inventory of New Homes Has Returned to Pre-Crisis Levels

Inventory for Sale of New and Existing Homes

Ratio of SF Existing to New Available Home Sales (Avg):
- 2000-2006: 6 Homes
- 2009–Present: 9 Homes

Source: Census Bureau, National Association of REALTORS®
West Coast Home Prices Most Deviated from Income

Regional Home Prices Range from 1.8 to 10.3 Times Annual Incomes

Top 15 Metros Affordability Concern

<table>
<thead>
<tr>
<th>City, State</th>
<th>Median Price / Median Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>San Jose, CA</td>
<td>10.3</td>
</tr>
<tr>
<td>Santa Cruz, CA</td>
<td>10.2</td>
</tr>
<tr>
<td>Santa Barbara, CA</td>
<td>10.1</td>
</tr>
<tr>
<td>Los Angeles, CA</td>
<td>9.7</td>
</tr>
<tr>
<td>Honolulu, HI</td>
<td>9.5</td>
</tr>
<tr>
<td>Kahului, HI</td>
<td>9.2</td>
</tr>
<tr>
<td>San Francisco, CA</td>
<td>9.1</td>
</tr>
<tr>
<td>Salinas, CA</td>
<td>8.5</td>
</tr>
<tr>
<td>San Luis, CA</td>
<td>8.4</td>
</tr>
<tr>
<td>San Diego, CA</td>
<td>8.0</td>
</tr>
<tr>
<td>Santa Rosa, CA</td>
<td>8.0</td>
</tr>
<tr>
<td>Oxnard, CA</td>
<td>7.8</td>
</tr>
<tr>
<td>Napa, CA</td>
<td>7.7</td>
</tr>
<tr>
<td>Chico, CA</td>
<td>7.2</td>
</tr>
<tr>
<td>Bellingham, WA</td>
<td>7.2</td>
</tr>
</tbody>
</table>

Source: Census Bureau, National Association of REALTORS®, ESR Analysis
Renters’ Barriers to Buying a Home
Renters Also Cite Student Debt, Finding New Employment for Both Spouses, and Adult Relatives Living at Home

Renters’ Additional Barriers to Mobility compared to Demographics
Showing the share who agree with each statement/self-report each demographic characteristic

- If we were to move to a different city or town, both my spouse and I would have to find new employment
- I’d like to buy a home, but I have too much student debt
- I’m delaying moving to a new home because I have adult family members living with me
- I’m living with roommates (or family) because I cannot afford to live on my own

Asterisks (*) denote a % is significantly higher between those who would find it easy to move and those who would find it difficult to move at the 95% confidence level

Source: Fannie Mae National Housing Survey
Relative Impediments Delaying Move-Up Buyers

Most Important Include Renovations, Joint Employment Considerations, Affordability and Rate Lock-In

Bars to Mobility
Showing the share who agree

<table>
<thead>
<tr>
<th></th>
<th>All Other Mortgage Holders (N=2121)</th>
<th>Delayed Move-Up Buyers (N=285)</th>
</tr>
</thead>
<tbody>
<tr>
<td>I have renovated or will renovate my home in the near future instead of moving to a new home</td>
<td>38%</td>
<td>35%</td>
</tr>
<tr>
<td>If we were to move to a different city or town, both my spouse and I would have to find new employment</td>
<td>23%</td>
<td>29%*</td>
</tr>
<tr>
<td>I'd like to move to a nicer home or neighborhood, but I can't afford to</td>
<td>20%</td>
<td>29%*</td>
</tr>
<tr>
<td>I'm reluctant to move because the interest rate on my current mortgage is lower than what I could get today</td>
<td>19%</td>
<td>28%*</td>
</tr>
<tr>
<td>I don't have enough equity to sell my home and buy a more suitable one</td>
<td>22%</td>
<td>24%</td>
</tr>
</tbody>
</table>

Delayed move up buyers are defined as age 30-44, owners with a mortgage, living in their first home, and have lived there at least 5 years

Q: Please tell me how strongly you agree or disagree with each of the following statements.

Asterisks (*) denote a % is significantly higher between delayed move-up buyers and all other mortgage holders at the 95% confidence level.

Source: Fannie Mae National Housing Survey
Multifamily Business
Multifamily Trends

High-level market trends

- Rental demand stable – seeing positive rent growth
- MF starts remain ahead
- Q3 2019 – top 5 metros for multifamily sales (Dallas, Los Angeles, Atlanta, Phoenix, and Houston)
- >350,000 units are expected to complete in 2020
Fannie Mae supports multifamily financing in all 50 states
Fannie Mae MultiFamily Acquisitions by Asset Class

<table>
<thead>
<tr>
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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufactured Housing</td>
<td>$1.0</td>
<td>$1.1</td>
<td>$0.5</td>
<td>$0.5</td>
<td>$0.9</td>
<td>$1.0</td>
<td>$0.8</td>
<td>$3.0</td>
<td>$1.9</td>
<td>$2.9</td>
<td>$2.5</td>
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<tr>
<td>Seniors Housing</td>
<td>2.1</td>
<td>1.0</td>
<td>0.6</td>
<td>1.6</td>
<td>3.2</td>
<td>4.2</td>
<td>5.2</td>
<td>5.8</td>
<td>6.0</td>
<td>5.5</td>
<td>2.3</td>
<td>3.1</td>
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<tr>
<td>Student Housing</td>
<td>0.4</td>
<td>0.6</td>
<td>0.2</td>
<td>0.5</td>
<td>0.8</td>
<td>1.5</td>
<td>2.5</td>
<td>3.8</td>
<td>2.7</td>
<td>2.7</td>
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<tr>
<td>Conventional &amp; Coop</td>
<td>31.5</td>
<td>17.2</td>
<td>15.5</td>
<td>22.0</td>
<td>30.9</td>
<td>26.1</td>
<td>37.3</td>
<td>48.2</td>
<td>54.8</td>
<td>57.4</td>
<td>61.9</td>
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</tbody>
</table>

Total Multifamily Acquisitions: $35, $20, $17, $24, $34, $29, $42, $55, $66, $65, $70

Additional Loan Sectors Included in Total Acquisitions

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<tbody>
<tr>
<td>Multifamily Affordable</td>
<td>$1.1</td>
<td>$0.8</td>
<td>$2.3</td>
<td>$3.8</td>
<td>$2.3</td>
<td>$2.6</td>
<td>$3.0</td>
<td>$4.3</td>
<td>$5.4</td>
<td>$6.0</td>
<td>$7.2</td>
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<tr>
<td>Small Balance Loans</td>
<td>3.8</td>
<td>3.8</td>
<td>4.4</td>
<td>5.5</td>
<td>4.4</td>
<td>2.9</td>
<td>2.9</td>
<td>3.1</td>
<td>3.4</td>
<td>3.0</td>
<td>4.1</td>
<td></td>
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<tr>
<td>5-50 Units</td>
<td>1.4</td>
<td>1.4</td>
<td>1.5</td>
<td>1.9</td>
<td>1.5</td>
<td>0.8</td>
<td>1.0</td>
<td>1.3</td>
<td>1.7</td>
<td>1.7</td>
<td>2.6</td>
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<tr>
<td>Supplemental</td>
<td>0.3</td>
<td>0.2</td>
<td>0.3</td>
<td>0.6</td>
<td>0.7</td>
<td>0.9</td>
<td>1.4</td>
<td>1.5</td>
<td>1.8</td>
<td>1.3</td>
<td>1.2</td>
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<tr>
<td>Green</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>0.06</td>
<td>0.06</td>
<td>0.02</td>
<td>0.2</td>
<td>3.6</td>
<td>27.8</td>
<td>20.1</td>
<td>22.8</td>
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<tr>
<td>Structured</td>
<td>3.4</td>
<td>0.8</td>
<td>2.0</td>
<td>1.8</td>
<td>1.9</td>
<td>1.5</td>
<td>3.5</td>
<td>4.5</td>
<td>10.3</td>
<td>9.5</td>
<td>8.6</td>
<td></td>
</tr>
</tbody>
</table>

Notes:
1 Excludes $1 billion and $391 million from the Treasury HFA New Issue Bond program for 2010 and 2009, respectively, and a transaction backed by a pool of single-family rental properties in 2017 totaling $945 million.
2 Financing for rent-restricted properties and properties receiving other federal and state subsidies. Excludes Treasury HFA New Issue Bond Program.
3 Loans up to $6 million.
4 Combined population of Small balance and 5-50 units was $4.8B in 2019, $4.3B in 2018, $4.0B in 2017, and $4.4B in 2016.
5 Loans that are second, third, or fourth liens on a property.
Fannie Mae’s ability to serve a variety of income segments is a key component of serving across the multifamily market.

The substantial majority of multifamily units financed by Fannie Mae continue to be affordable to families at or below 120% of the area median income.

Source: Fannie Mae, based on Housing Goals methodology

Note: Housing Goals numbers are subject to final determination by FHFA
The top 10 MSAs represented nearly 39% of full year 2019 multifamily acquisitions. Fannie Mae’s average multifamily loan size nationwide is approximately $12M.
Affordable Housing: State and Local Programs

Due to rising land prices, state and local governments are offering free or discounted government owned land in exchange for new affordable supply.

Public Land Example:

Los Angeles launched a program to identify and make available surplus public land for affordable housing development. The city selected developers for 32 city-owned sites that are expected to result in an estimated 1,700 affordable units, including 800 units for chronically homeless individuals.

Note: Prices are per buildable unit, based on a trailing 12-month average
Source: Real Capital Analytics
Affordable Housing: State and Local Programs

…to encourage developers to include new affordable units in market rate developments.

Number of Funds by Multifamily Activity

New Construction
Acquisition
Preservation for multifamily
Match for other public Funds
Predevelopment activities
Various energy efficiency
Transit-Oriented Development
Tenant rental assistance
Community land trusts/banking
Emergency rental assistance
Project based rental assistance

Source: The 2016 Housing Trust Fund Survey Report, Center for Community Change; excludes non-multifamily programs
Multifamily Green Financing

Our Mission & Impact

- Suite of Green Mortgage loan products
- Innovative financing solutions that incorporated energy and water efficiency
- Providing environmentally sustainable and resilient housing
Overview of the Duty to Serve
What is the Duty to Serve Rule?

- A regulation issued in December 2016 by the Federal Housing Finance Agency
- Driven by the Housing and Economic Recovery Act (HERA) of 2008, which guides our activities at Fannie Mae every day
- It requires Fannie Mae and Freddie Mac to improve access to mortgage financing for those of modest means in three housing markets posing persistent challenges:
  - Manufactured housing
  - Affordable housing preservation
  - Rural housing
Why is Duty to Serve important?

• Helps homeowners and communities
  o Targets families of modest means
  o Focuses on underserved market segments
  o Sets the stage for broader economic benefits

• Creates growth opportunities for the industry
  o Explores unrealized market opportunities
  o Encourages innovation to address market challenges and reduce costs

• Aligns with Fannie Mae’s mission
  o Builds on what we do best—tackling tough housing challenges
  o Promotes access to safe, sustainable, and affordable housing options
  o Manages risk to protect lenders, homeowners, and taxpayers
Advancing Manufactured Housing

**Single-Family Housing**

- **MH Advantage® mortgage**
  - Offering the benefits of conventional mortgage financing for manufactured homes that are similar to site-built homes

**Multifamily Housing**

- **Multifamily loan purchases**
  - Purchasing loans secured by Government, non-profit, and resident-owned Manufactured Housing Communities

**Conventional loan purchases**

- Increasing our secondary market purchases of conventional single-family mortgage loans secured by manufactured housing

**Protections for lessees**

- Evaluating opportunities for multifamily financing of Manufactured Housing Communities with protections in place for homeowners who lease their lots

**Conventional loan purchases**

- Testing the nature and performance of the personal property loans that are essential to most manufactured home buyers

**Resident-Owned Community models**

- Offering manufactured housing communities more control over monthly lot costs, security against evictions, and an enhanced sense of neighborhood pride
Preserving Affordable Housing

- Shared Equity – Inclusionary Zoning; Community Land Trusts/Deed Restrictions
- Energy Efficiency
- Distressed Properties
- Rural and High Needs Rural
- Small Financial Institutions
Finding innovative ways to responsibly increase access to credit, stimulate more housing supply, and reduce the overall cost of buying, owning, or renting a home.
McCarthy is responsible for Fannie Mae’s business with state and local Housing Finance Agencies (HFA), Community Development Financial Intermediaries (CDFI), and nonprofit developers.

He leads the development and implementation of the overall strategy for Community Lending, supports business development for the company’s Customer Delivery Teams (CDT), and Community Lending lender partners, oversees staff development, manages the Community Lending organization, and represents Community Lending in interactions within Fannie Mae and external parties.

Previously, McCarthy was Fannie Mae’s Vice President – REO Alternative Dispositions. In that role, he was responsible for managing credit losses and developing strategic marketing plans for foreclosed properties via alternative/non-traditional channels – including auctions, pool sales, rental programs, and working with public entities and Neighborhood Stabilization Program fund recipients.

Before joining Fannie Mae in 2007, McCarthy was Director of Multifamily Lending for Great Lakes Financial Group as well as working for Ernst & Young LLP supervising financial services audits.

McCarthy has a Bachelor of Science in Business Administration from Ohio University and a master’s in accountancy from the University of Notre Dame’s Mendoza College of Business.

Patrick McCarthy, Vice President of Community Lending