Freddie Mac: LIHTC Program Provides Critical Affordable Housing in Rural Areas of Middle Appalachia and Indian Areas

October 23, 2018

First Two White Papers in Eight Part "Duty to Serve" Series Illustrate Importance of Company's Re-entry into Tax Credit Market

MCLEAN, Va., Oct. 23, 2018 (GLOBE NEWSWIRE) -- Freddie Mac (OTCQB: FMCC) today released two white papers detailing the important role that the Low-Income Housing Tax Credit (LIHTC) program plays in rural Middle Appalachia and Indian Areas. The research shows that the LIHTC program supports a relatively high percentage of multifamily rental housing due to the limited viability of market-rate rental housing and a market need for lower income housing. The white papers, along with other research in both the single-family and multifamily markets, are a part of Freddie Mac's three-year Duty to Serve plan to increase rental and homeownership opportunities in historically underserved markets throughout the nation. These two papers are the first of eight papers the Multifamily line of business will release over the coming weeks.

"The challenges of providing affordable housing in Middle Appalachia and Indian Areas are widespread and persistent," said Steve Guggenmos, vice president of Multifamily Research & Modeling. "These areas experience above-average levels of poverty, substandard housing, inadequate infrastructure and a host of other issues. Our Duty to Serve effort exists to help address these problems so that more residents of these areas have access to safe and affordable housing. The research released today reveals that our effort to re-engage the LIHTC equity market is vital to our mission."

LIHTC in Rural Middle Appalachia

In the first paper, Freddie Mac analyzed the LIHTC market in rural Middle Appalachia on a geographically granular level using multiple data sources, market research and insights from industry experts. The white paper found that the 5.4 million residents of rural Middle Appalachia skew older and have incomes 40 percent lower than the national average. The regional rates of rental housing (26.7 percent), and multifamily rental housing as a percentage of all rentals (16.7 percent), are lower than the nationwide averages (36.4 and 42.6 percent, respectively), but a relatively high percentage of multifamily renters live in LIHTC supported housing.

The paper also found that a combination of high construction costs, low renter income, and low area median income often make subsidization the only feasible way to provide affordable housing. Although LIHTC is the most popular housing subsidy program, developments commonly rely on multiple subsidies, including Section 8, HOME, the Section 515 and 538 Rental Housing Service programs (RHS 515 and RHS 538), and state housing authority initiatives.

LIHTC in Indian Areas

In the second paper, Freddie Mac analyzed requirements of various housing assistance programs that target Indian Areas, including Duty to Serve, to explore the role that the LIHTC program plays in providing affordable multifamily rental housing for tribal members.

The paper found that the poverty rate and unemployment rate is more than double the national average, and household incomes are 31 percent lower than the national average.

The multifamily housing stock that does exist typically requires housing subsidies, namely the LIHTC program, to be viable. However, low population density, subpar or incomplete infrastructure, and insufficient state set-asides and incentives for LIHTC projects continue to impede LIHTC development. Most LIHTC properties that serve tribal members in Indian Areas are not conventional apartment complexes. Single-family and duplex rentals, although more expensive on a per-unit basis, are more common due to capital constraints.

Freddie Mac Multifamily is the nation's multifamily housing finance leader. Historically, nearly 90 percent of the eligible rental homes we fund are affordable to families with low to moderate incomes. Freddie Mac's Duty to Serve plan aims to expand affordability and address America's most persistent housing problems.

Freddie Mac makes home possible for millions of families and individuals by providing mortgage capital to lenders. Since our creation by Congress in 1970, we've made housing more accessible and affordable for homebuyers and renters in communities nationwide. We are building a better housing finance system for homebuyers, renters, lenders, investors and taxpayers. Learn more at FreddieMac.com, Twitter @FreddieMac and Freddie Mac's blog FreddieMac.com/blog.

MEDIA CONTACT: Mike Morosi
(703) 918-5851
Michael_Morosi@FreddieMac.com