Freddie Mac Multifamily Set to Expand Affordable Housing Supply Initiative

October 7, 2022

New Annual Forward Commitments Allowance Will Help Drive Creation of New Affordable and Workforce Housing Units

MCLEAN, Va., Oct. 07, 2022 (GLOBE NEWSWIRE) -- To help address the national rental housing shortage and affordability crisis, Freddie Mac (OTCQB: FMCC) Multifamily today announced it is ramping up financing that supports newly constructed or substantially rehabilitated multifamily housing. The company will leverage new flexibilities granted by FHFA that allow for more use of forward commitments, which are agreements to purchase loans at a later date with certain financing terms locked in today. The agreements provide greater certainty to construction lenders and housing developers by limiting risks they face when executing complex multifamily deals in volatile markets. Freddie Mac proposed greater use of forward commitments in its Equitable Housing Finance Plan.

"One of the most complicated factors in determining how, where and when to build or rehabilitate a multifamily property is market uncertainty, and that's particularly true right now," said Steve Johnson, vice president of Production & Sales at Freddie Mac Multifamily. "Our forward commitment program can take some of those concerns off the table, allowing construction lenders, developers, nonprofits, municipalities and others working to support affordable housing to get the math right and move forward. This move will help us add or preserve thousands of affordable multifamily housing units every year."

FHFA previously subjected forward commitments to Freddie Mac's annual production cap ($78 billion for 2022) but will now exempt a certain amount ($3 billion for 2022) of forward commitments from the cap. Separately, FHFA is lifting its $500 million cap on forward commitments for properties that do not benefit from a Low-Income Housing Tax Credit (non-LIHTC forwards). The company's non-LIHTC forward business will instead be subject to the annual exemption on forwards, along with LIHTC forwards.

Overall, the changes grant Freddie Mac additional space and flexibility to execute forwards for affordable and workforce housing. Freddie Mac has long used forwards to finance some of the nation's most complex but important affordable housing developments:

Historic Investment in Tulsa
In 2017, Freddie Mac provided a $13.7 million in 9% LIHTC forward commitment to River West in Tulsa, Oklahoma. The property now provides 222 housing units across a community of walk-up buildings and townhouses. More than three-quarters of these units are restricted to 50-60% area median income (AMI). The 21 unrestricted units will have asking rents in line with 60% AMI rent levels. LIHTC units will benefit from project-based Section 8 vouchers that limit rents to 30% of a tenant's annual income. There will be six phases of housing development. Freddie Mac has invested $40 million of LIHTC equity in the first four phases through its syndicator RBC Community Investments LLC. Read more.

Hope for the Homeless in the City of Angels
In 2021, Freddie Mac provided a $50 million in Tax-Exempt Loan forward commitments to finance Hope on Avalon, as well as two sister projects, Hope on Broadway and Hope on Hyde Park. When completed, the properties will provide permanent supportive housing and transitional units, with three on-site managers, for 294 formerly homeless residents. The properties will be in South/Central Los Angeles, about 11 miles south of the central business district. Read more.

In June, Freddie Mac announced its first Equitable Housing Finance Plan designed to promote equity and increase sustainable homeownership and rental opportunities. The Plan is an important component of Freddie Mac's expansive, mission-driven work to responsibly provide liquidity, stability and affordability in all communities and across all market cycles. The Multifamily provisions of the plan include efforts to expand access to capital for diverse multifamily developers that benefits traditionally underserved owners and operators; measures to preserve and encourage the construction of multifamily affordable housing; and an expansion of existing initiatives to incentivize reduced rents and standardize tenant protections. More information about the plan is available at Freddie Mac's website.

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 and taxpayers. Learn more at FreddieMac.com, Twitter @FreddieMac and Freddie Mac's blog FreddieMac.com/blog.

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