

December 14, 2022

NAA Legislative & Regulatory Update



Today's Agenda

- I. Welcome & Introductions
- II. Federal Update
 - A. Fannie Mae Presentation
 - B. Final Update on NAA's 2022 Priorities
- III. State & Local Update
 - A. Preview of NAA's State & Local Research on Rent Regulation Laws
- IV. Legal Update
 - A. Forthcoming Antitrust Resources for Members
- V. Closing Remarks & Reminder to take EOY Survey
- VI. Q&A



Federal Update



Special Presentation: Fannie Mae

Fannie Mae Specialty & Green Financing Initiatives



National Apartment Association

December 2022



Expanded Housing Choice (EHC)

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Expanded Housing Choice Training Deck

Expanded Housing Choice (EHC)

EHC Borrower Incentives & Accountability Summary.

- Pricing incentive for new loans in Texas and North Carolina.
- Borrower commits to accepting HCV renters throughout the loan term.
- Ongoing compliance monitoring.

Fannie Mae has a significant book of business in Texas and North Carolina.

- TX & NC represent our largest volume and loan count for states without Source of Income (SOI) protections.
- Initial Timeframe: 12 months. *Launch: April 4, 2022.*

Progress to Date.

- *4 properties in Dallas.*



By the
NUMBERS



2

States selected for
initiative: TX & NC



3

Additional focus on:
Dallas, Austin,
Charlotte



25

Goal: Loans closed
using Expanded
Housing Choice

Expanded Housing Choice: Eligibility

Eligibility Criteria

- **Mortgage Loan or underlying deed restrictions** do not already require acceptance of HCVs as a condition of financing (i.e., LIHTC, SIA).
- **One time test at origination:** a minimum of 20% of the unit rents (across a representative unit mix) at the property are within the applicable HUD Fair Market Rent or Small Area Fair Market Rent.

Borrower Benefit

- **Pricing incentive** to encourage adoption.



Expanded Housing Choice: Requirements & Principles

Additional Requirements

- Borrower must work with the local Public Housing Agency (PHA) and affordablehousing.com to list the property and/or units.
- Ongoing reporting requirements via annual Borrower Certification.
- Borrower submits ongoing rent rolls through the Fannie Mae Rent Roll Digitizer.

Tenant Principles

- All HCV applicants are offered the Fannie Mae Consumer Resource Center contact information.



Photo: The Continental, San Diego, CA

Expanded Housing Choice: Monitoring

Fannie Mae monitoring conducted via Third-Party to ensure voucher acceptance at participating properties*.

- **Fail 1x:** Borrower required to complete Fair Housing training as a remedy.
- **Fail 2x (or refusal to remedy):** Event of default with pricing incentive recapture.



* Note: Each test is comprised of three property contacts, and the passing of two out of three.



Photo: The Broadway, Santa Monica, CA



Sponsor-Initiated Affordability (SIA)

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Create, Preserve & Expand Affordability



SIA Borrower Use Cases

Preservation or creation of a minimum of 20% of units affordable at $\leq 80\%$ of Area Median Income (AMI) with rent not to exceed 30% of household income.

MAH, Social Impact and/or Conventional Product

Designed for MAH, Social Impact, and/or Conventional properties and Borrowers; disclosed as MAH MBS.



Image: Five88, San Francisco, CA

Sponsor-Initiated Affordability (SIA)



Eligibility Overview

- Existing stabilized properties.
- Located in Strong, Nationwide, or Eligible MSA.
- Minimum of **20% of units affordable at $\leq 80\%$ AMI**, as adjusted for family size.
- **Rent does not exceed 30% of adjusted AMI** for unit size.
- Rent and income restrictions must be in place by the Mortgage Loan Origination Date.
- Property must be **compliance with SIA Affordability Agreement within 12 months** of the Mortgage Loan Origination Date.



Photo: 50 Penn, Brooklyn, NY

Sponsor-Initiated Affordability: Product Overview



Benefits

- **Lower interest rates** and **competitive pricing**.
- Supports **socially responsible investing**.
- Potential **DSCR flexibility to 1.20** on a Pre-Review basis for deals with deeper affordability.
- Up to **80% LTV**.
- Mirrors LIHTC Affordability Agreement.
- Certainty of execution.
- Speed in processing and underwriting.

Expanding Affordability Through Sponsor Action

SIA is intended for use to achieve multifamily housing affordability without the necessity of a government subsidy.



Sponsor-Initiated Affordability: Product Overview



Legal and Compliance Framework

- Rent and Income restrictions recorded in the **Sponsor-Initiated Affordability Agreement**.
 - Agreement expires at loan pay-off.
- **Income restricted units must be evenly distributed** throughout all buildings and across all bedroom sizes.
- Restrictions are subject to an **annual third-party compliance review** and certified by the Borrower & Administering Agent.





Multifamily Positive Rent Payment Pilot

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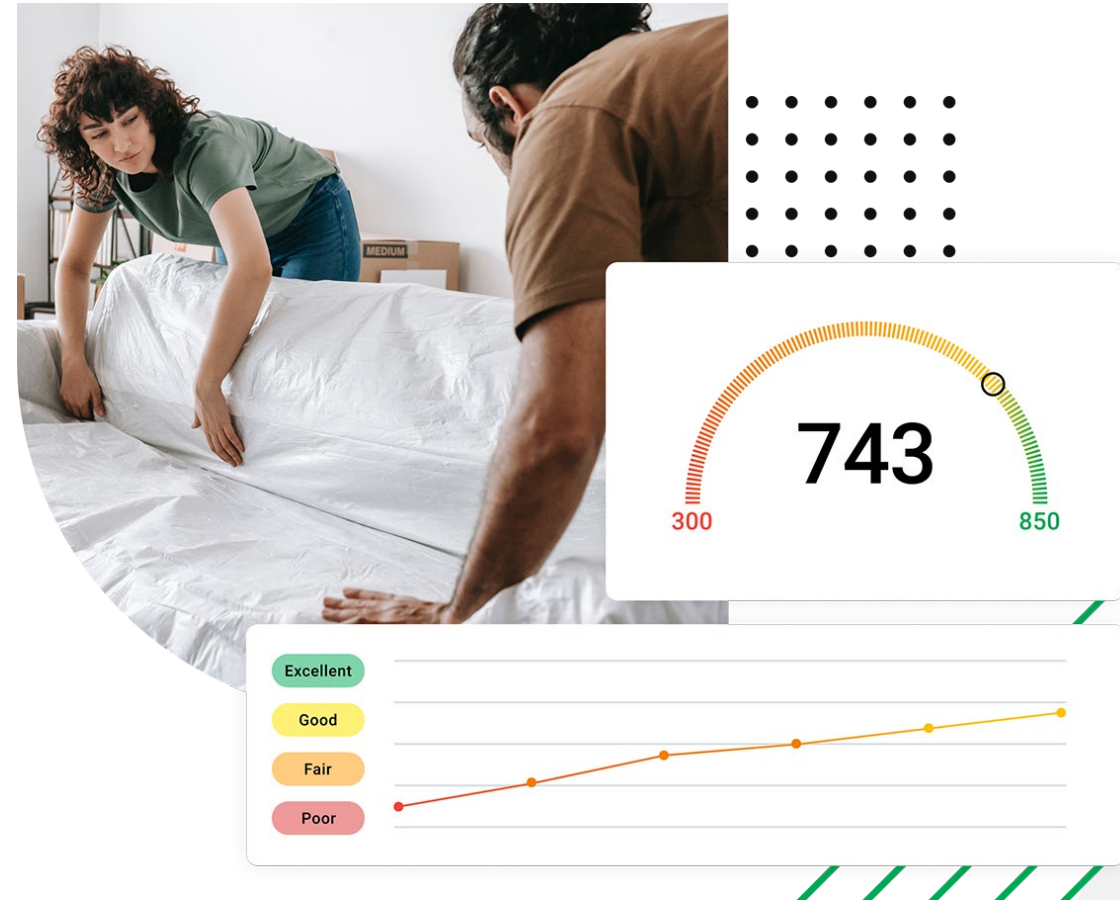
Positive Rent Payment

- **What is the pilot?**

- Fannie Mae is collaborating with three Vendors (Jetty, Esusu, Rent Dynamics) to provide rent payment reporting services
- MF Borrowers are able to choose between those three Vendors and Fannie Mae will cover the cost of adoption for one-year of services at properties in their Fannie Mae portfolio

- **What is positive rent payment reporting?**

- Positive rent payment reporting is the submission of a renter's on-time monthly rent payment to the credit bureaus for inclusion in the calculation of their credit score (and to be included on their credit files). By backing positive-only reporting, the negative impact to a renter is very limited.



Positive Rent Payment

- **Why?**
 - Less than 15% of renters have their rent reported even though it's most likely their largest monthly expense
 - Roughly 15% of U.S. consumers have little to no established credit history
 - Communities of color are disproportionately impacted by subprime credit scores (41% of Black consumers vs. 16% of White consumers have a subprime credit score)
- **What are the benefits?**
 - For Renters (due to an increased credit score):
 - Lower cost of financing for a wide range of financial activities
 - Increased access to homeownership and housing in higher opportunity neighborhoods
 - For MF Borrowers:
 - Attracts residents (2/3 of renters would prefer a unit with rent reporting over one without)
 - Increase in on-time rent collections (Esusu cites a 25% increase in on-time rent payments)
 - Reduction in renter delinquency (Jetty cites a 36% reduction in delinquencies)
 - All combined can result in a higher Net Operating Income for the property





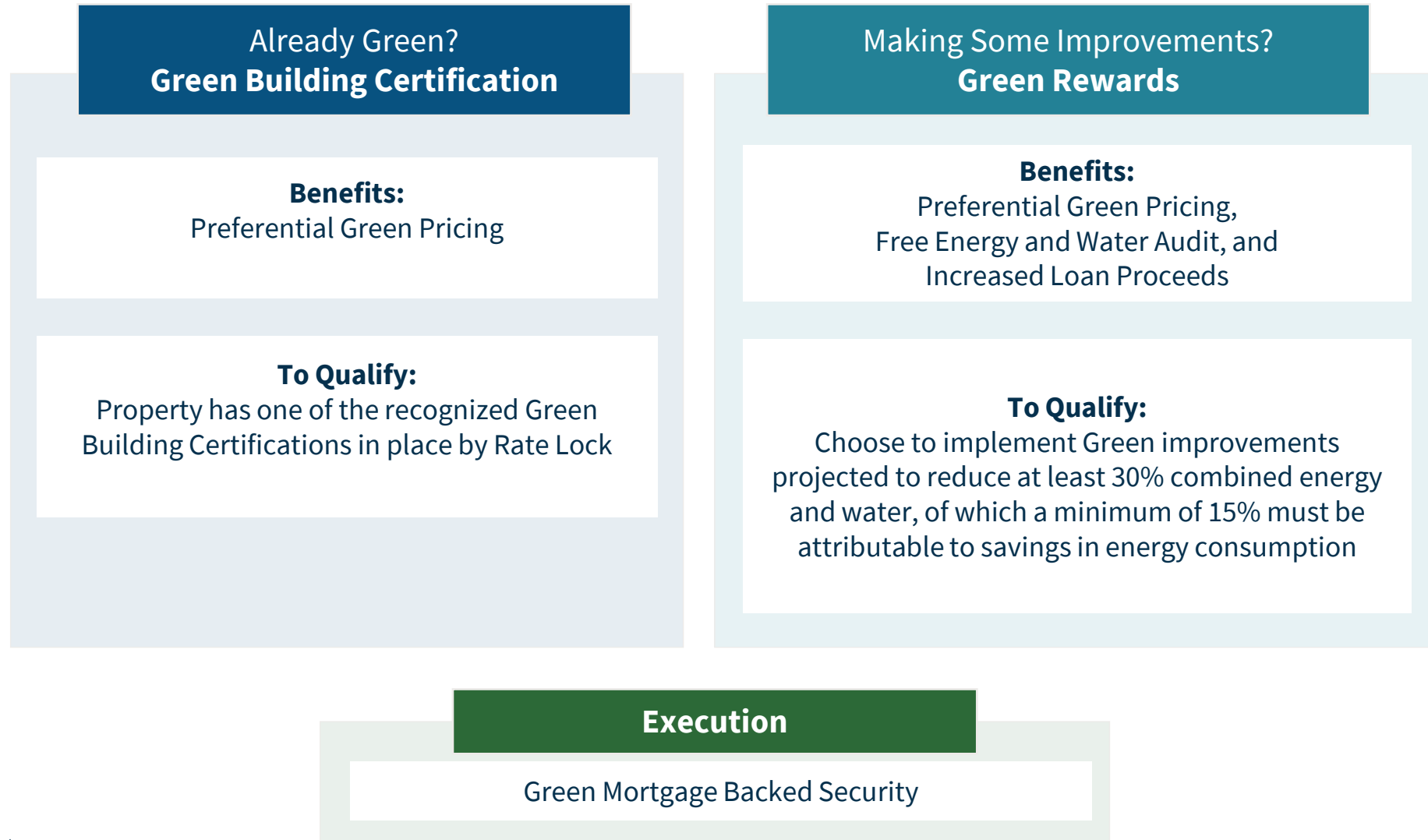
Green Loan Products



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Two Paths to Green Financing



Green Building Certification (GBC) Requirements and Benefits

Properties that have already invested in going green.

- **Preferential Green pricing reduces the interest rate of most loans.**
- **Towards Zero Certifications receive top pricing benefit.**
- Certification must be finalized and delivered by Rate Lock.
- Certifications available for new construction, major renovations, and existing properties.
- On a Pre-Review only basis, will extend preferential pricing benefit to MAH forward commitments.

35+ Eligible Certifications

A current list of the eligible certifications and requirements can be found in [Form 4250](#).



Green Rewards Requirements and Benefits

Properties making energy and water saving improvements at refinance, acquisition or supplemental financing.

- Financial benefits:
 - Preferential Green pricing reduces the interest rate of most loans
 - Fannie Mae reimburses 100% of the cost of High Performance Building (HPB) Report.
 - **Up to 5% additional loan proceeds, subject to normal LTV constraints.**
- No minimum property age or improvement budget.
- Cost of improvements escrowed at 125%; must be completed within 12 months.



2022 Eligibility

30% energy + water savings combined, including a minimum energy savings of at least 15%.

Borrower Guides

New resources highlight the benefits and tips for success for Green Mortgage Loans:

- Green Rewards Mortgage Loan Guide
- Green Building Certification Mortgage Loan Guide



2022 Federal Priorities

NAA's 2022 Federal Priorities

- Prospects for End of Year Movement
 - *Yes In My Backyard (YIMBY) Act* (S.1614/H.R.3198)
 - *Choice In Affordable Housing Act* (S.1820/H.R. 6880)
 - *Respect State Housing Laws Act* (HR 9026) Rep. Barry Loudermilk (R-GA)
- Where can I learn more?
 - [NAA Federal Legislative Tracker](#)

Keeping Up with NAA's Federal Advocacy

- Read Greg's monthly column.
- Prefer video content? Watch the Minute Advocate (also monthly).
- Catch up on the latest in housing politics with NAA's Apartment Advocate newsletter.



State & Local Update



Priority Issues

Rent Control

- California Rent Regulation Research
- Rent Stabilization vs. Rent Control in California
 - Municipal Rent Control Ordinances
- Eviction Protection: “At-Fault” and “No-Fault”
- Passed ballot measures this election
 - Pasadena, CA
 - Richmond, CA
 - Santa Monica, CA
- Where can I learn more?
 - [NAA | Rent Control Ballot Question Halted in Orange County, Florida](#)
 - [NAA | Rent Control Walked Back in St. Paul](#)
 - [NAA State Tracker](#)
 - [NAA Rent Control Tracker – Policy Makers’ Social Media](#)

Legal

NAA's Legal Affairs Team



Ayiesha Beverly
General Counsel
abeverly@naahq.org



Brittany Wood
Staff Attorney
bwood@naahq.org



Mark Russell
Staff Attorney
mrussel@naahq.org



Lauren Shelton
Paralegal
lshelton@naahq.org

NAA's Government Affairs Team



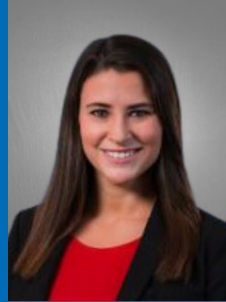
Greg Brown
SVP, Government
Affairs
gbrown@naahq.org



Nicole Upano
AVP, Housing Policy &
Regulatory Affairs
nupano@naahq.org



Jim Wilson
AVP, Political Affairs &
Stakeholder
Engagement
jwilson@naahq.org



Jodie Applewhite
Director, Federal
Legislative Affairs
japplewhite@naahq.org



April Capone
Director, Ext. Affairs
& Affiliate Engagement
acapone@naahq.org



Jason Lynn
Director, Federal
Legislative
Affairs
jlynn@naahq.org



Maria Spencer
Director, Federal
Legislative Affairs
mspencer@naahq.org



Austin O'Boyle
Senior Manager,
Grassroots Advocacy
& Stakeholder
Engagement
aoboyle@naahq.org



Ben Harrold
Manager, Public Policy
bharrold@naahq.org



Rod Kassir
Manager, NAAPAC
Fundraising &
Development
rkassir@naahq.org



Bob Siegel
Legislative Analyst
bsiegel@naahq.org



Eddie Vazquez
Legislative Analyst
(TEMP)
evazquez@naahq.org



Joe Vesic
Coordinator,
Political Affairs
jvesic@naahq.org

Thank you!

- Register in advance for the NAA Advocacy and Legal Webinar series in 2023!
 - ***Note rebranding of Leg/Reg***
- Save the Date for the NAA Government Affairs Roundtable & Legal Symposium
 - Aug 1 to Aug 4 at the Omni Chicago
 - Hotel Rate: \$219 + taxes
 - Registration Fee: \$499
- Missed part of the discussion? Catch the Leg/Reg Webinar recording in the Apartment Advocate.
- Share with a colleague or an industry friend.