



Single Family Financing Considerations

September 27, 2021

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Bond Funded Single Family Executions Are Performing

1

Premium Serials

- ✓ Issuers are structuring serials prior to the call date with premium (5%) coupons and special redemption call lockouts
- ✓ Currently pricing at yields as much as 30 bps lower vs. par serials

2

PAC Bonds

- ✓ Pricing supports sub-1% yields and average lives beyond 5Y
- ✓ PACs with average lives beyond 5Y not seeing spread penalty
- ✓ Cap Re, one of the most prominent PAC buyers historically, not participating given how low yields/spreads are

3

Step Coupon Bonds

- ✓ Diversify the offered term bonds and tap incremental direct retail and professional retail demand
- ✓ Achieve an early optional redemption feature (3-5 years) at no cost
- ✓ Reduce overall financing costs

4

ESG

- ✓ Single family Social Bonds – AMI and DPA disclosure
- ✓ Multifamily Sustainability Bonds and Social Bonds
- ✓ New ESG-dedicated funds (Nuveen, Fidelity, VanEck)

Notes

(1) Sources: Morgan Stanley Housing Group, Bloomberg

Premium Serials – Pricing Comps and Buyer Base

Issuer	CT HFA		MA HFA		IA FA		PA HFA		SC SHFDA	
UW	MS		MS		MS		BofA		Citi	
Pricing Date	Mon 9/13		Wed 9/8		Tue 8/24		Wed 8/18		Wed 8/4	
	5% Coupons		5% Coupons		5% Coupons		5% Coupons		5% Coupons	
Year	Spread	Yield	Spread	Yield	Spread	Yield	Spread	Yield	Spread	Yield
1	4	0.12%	2	0.10%			4	0.10%	5	0.10%
2	8	0.19%	5	0.16%			10	0.18%	15	0.20%
3	12	0.30%	9	0.27%			16	0.30%	20	0.30%
4	16	0.45%	10	0.40%			19	0.45%	36	0.55%
5	16	0.58%	15	0.57%			22	0.61%	31	0.65%
6	23	0.79%	23	0.80%	30	0.79%	34	0.86%	35	0.80%
7	29	0.96%	28	0.96%	34	0.95%	43	1.07%	53	1.10%
8	40	1.18%	66	1.45%	44	1.15%	48	1.22%	69	1.35%
9	73	1.60%	73	1.60%	54	1.35%	56	1.38%	79	1.55%
10	75	1.70%	75	1.70%	82	1.70%	64	1.53%	83	1.65%
11	84	1.85%	84	1.85%	91	1.85%	90	1.85%	88	1.75%
12	89	1.95%	89	1.95%	95	1.95%	93	1.94%		

ESG Premium Serial Buyers

Additional Premium Serial Buyers

- Highlights:**
- ✓ Premium Serial Pricing as much as 30 bps through Par Serial Pricing
 - ✓ Generate Up to ~130% Price
 - ✓ Aggregate transaction yield benefit of ~3 bps

Notes
 (1) Sources: Morgan Stanley Housing Group, Bloomberg

PAC Bonds Performing Well

- Pricing continues to support sub-1% yields and average lives beyond 5 years
 - Bond yield savings of 3 bps for MassHousing (5.5Y AL PAC) and 6 bps for Iowa FA (5.8Y AL PAC)

Recent PAC Pricings

Issuer	MS Senior	Ratings	Par (\$MM)	Pricing Date	Average Life	Coupon	Yield	MMD	Spread	Price
WY CDA		Aa1/AA+/-	17.0	9/14	4.0	3.00%	0.79%	0.29%	50	108.659
CT HFA	✓	Aaa/AAA/--	47.7	9/13	4.7	3.00%	0.88%	0.38%	50	109.609
MN HFA		Aa1/AA+/-	46.4	9/9	5.0	3.00%	0.90%	0.41%	49	110.186
IL HDA		Aaa/--/--	55.1	9/9	5.0	3.00%	0.91%	0.41%	50	110.136
MA HFA	✓	Aa1/AA+/-	30.7	9/8	5.5	3.00%	0.95%	0.47%	48	110.910
NC HFA		Aa1/AA+/-	53.9	8/26	5.0	3.00%	0.91%	0.41%	50	110.149
IA FA	✓	Aaa/AAA/--	36.8	8/24	5.8	3.00%	0.97%	0.49%	48	111.343
TN HDA		Aa1/AA+/-	31.9	8/24	5.0	3.00%	0.85%	0.39%	46	110.465
PA HFA		Aa1/AA+/-	46.9	8/18	4.0	3.00%	0.70%	0.25%	45	109.034
OR HCSD		Aa2/--/--	30.8	8/17	5.0	3.00%	0.86%	0.38%	48	110.412
RI HMFC	✓	Aa1/AA+/-	52.2	8/17	5.0	3.00%	0.87%	0.39%	48	110.350

Recent PAC Buyers



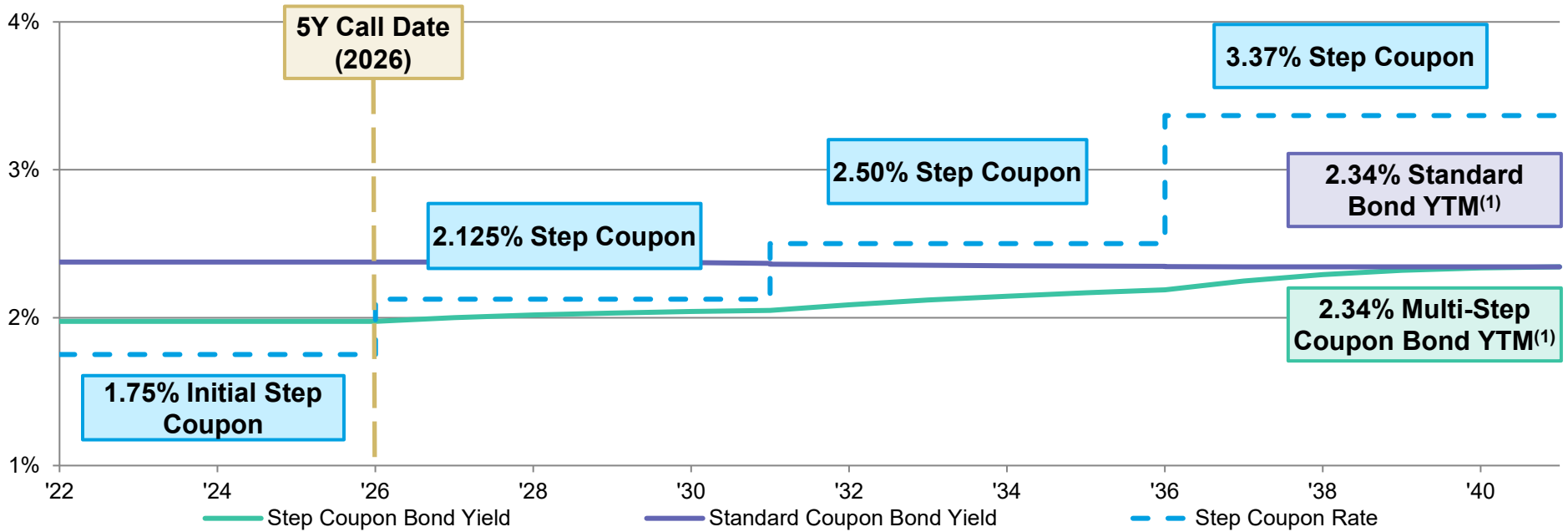
Notes

(1) Sources: Morgan Stanley Housing Group, Bloomberg

Current Market Tax-Exempt Step Coupon Bond Structure

20-Year Step Coupon Bond vs. 20-Year Par Term Bond

Market Conditions as of September 22, 2021



Considerations:

- ✓ Step Coupon YTM = Traditional Term YTM
- ✓ 3Y to 5Y Par Optional Redemption Date
- ✓ Call Lock Out Prior to Call Date
- ✓ Diversify structure and access unique investor base
- ✓ Reduced funding costs if called prior to maturity
- ✓ Comparatively higher takedown recouped in ~3.5 months

Notes

(1) Sources: Morgan Stanley Housing Group

Step Coupon Bond Pricing Results

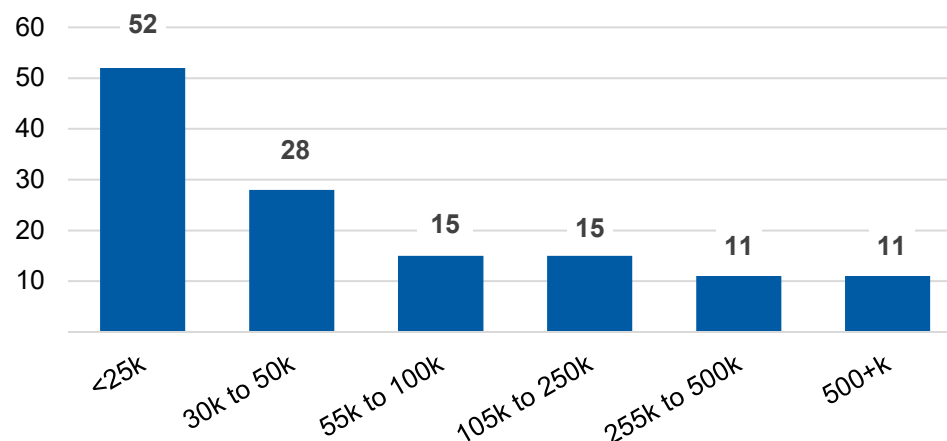
Example: \$22,695,000 NYCHDC 2021 Series G Step Coupon Bond (Priced August 11)

Highlights

- **Marketing Campaign**
 - National FA Conference Call
 - Phone Campaign – 586 FAs
 - Email Campaign – 4,000 FAs
- **Ability to Increase Offered Par Amount Based on Demand**

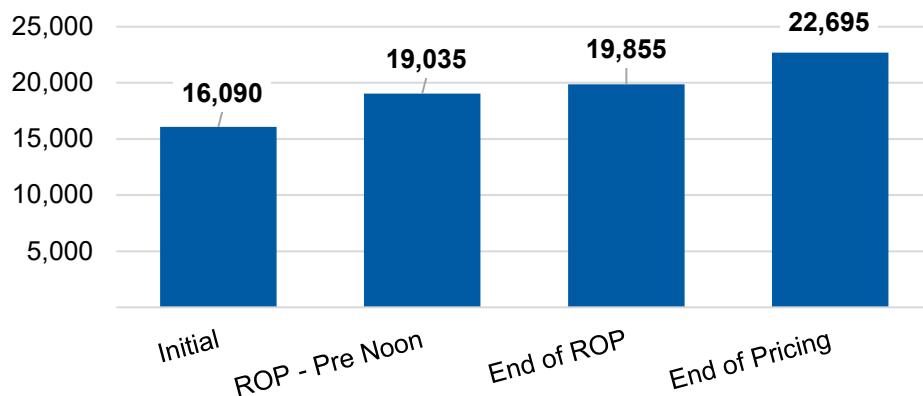
Step Coupon Bonds Leveraged Many Small Orders

Distribution of Orders by Order Size, (# of Orders)



Orders Continued Throughout Pricing

Total Step Coupon Orders by Time Period, (\$M)



Step Coupon Bonds Achieved 8 bps YTM Savings

	Savings vs Term
Savings (to 2026)	0.77%
Savings (to 2031)	0.54%
Savings (to 2036)	0.30%
Savings (to 2041)	0.08%

Notes

(1) Sources: Morgan Stanley Housing Group

Step Coupon Impact on Single Family Bond Issuance

Opportunity to Reduce Financing Costs and Increase Optionality

Summary of Structures

Term	Structure	Tax-Exempt Rates as of 9/22/2021	(A) Plain Vanilla	(B) Replaces 20-year Term with Step Coupon Bond	(C) Accelerated Step Coupon Redemption
2021 - 2033	Par Serials	0.10% - 1.95%	\$27,715,000	\$27,715,000	\$27,715,000
2034 - 2036	Term	2.00%	9,000,000	9,000,000	9,000,000
2037 - 2041	Term	2.30%	16,290,000	--	--
2037 - 2041	Step Coupon Bonds	Steps	--	16,290,000	16,290,000
2042 - 2046	Term	2.45%	13,730,000	13,730,000	13,730,000
2046 - 2051	5Y PAC (100% PSA)	0.92%	32,635,000	32,635,000	32,635,000
Total Par			\$100,000,000	\$100,000,000	\$100,000,000

Yield Run Bond Yield Benefit

Bond Yield (100% FHA)	1.89%	1.87%	1.86%
Bond Yield Benefit	--	2 bps	3 bps

Yield Benefit Increases In Event of Faster Prepayment Speeds

Bond Yield (300% PSA)	1.68%	1.62%	1.61%
Bond Yield Benefit	--	6 bps	8 bps

Yield Benefit Similar For HFAs that Cross Call

Bond Yield (100% FHA)(10 Year Calls Only)	1.91%	1.90%	1.90%
Bond Yield Benefit	--	1 bps	1 bps

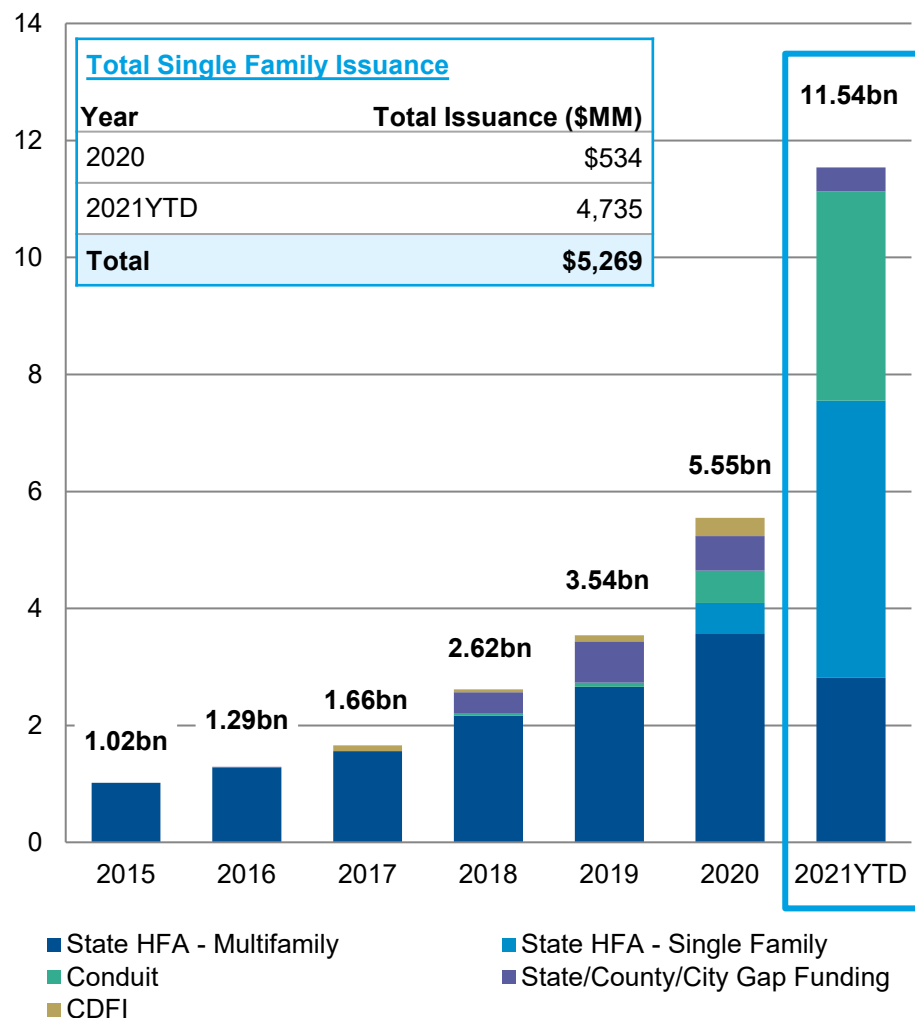
Notes

(1) Sources: Morgan Stanley Housing Group, Bloomberg

Affordable Housing ESG Issuance Up 466% YoY

ESG Housing Issuance Year and Issuer Type

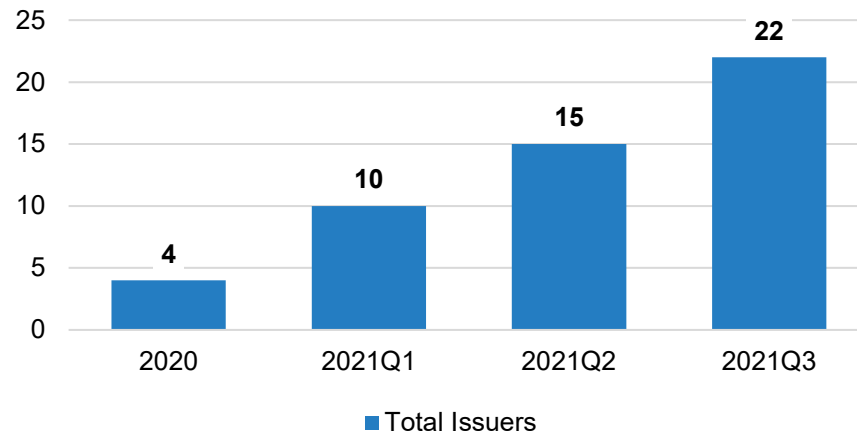
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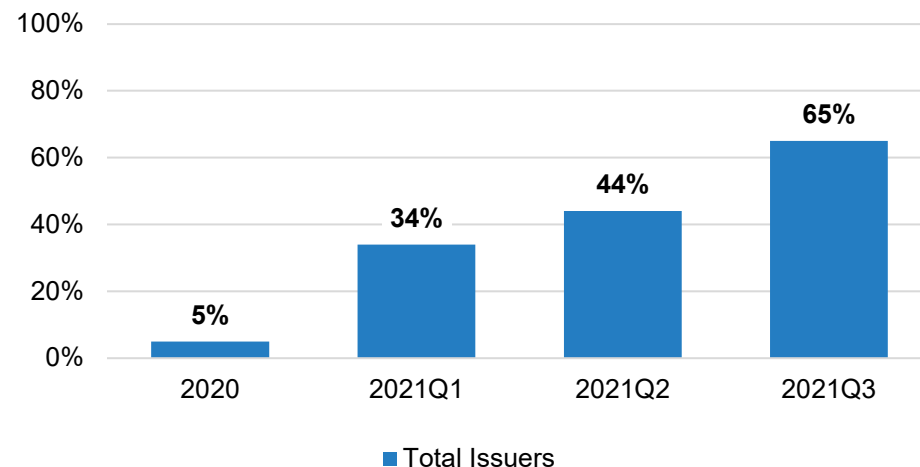
Notes
 (1) Sources: Morgan Stanley Housing Group, Bloomberg

Issuers Who Have Issued Single Family ESG Bonds

(#)



Percentage of Single Family ESG Designation Issuance



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Fannie Mae Single-Family Financing for HFAs

Lynn R. Alley | September 27, 2021 | NCSHA Annual Conference

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Fannie Mae – Our Mission & ESG

How our Mission connects with ESG

Mission

Our mission is to make affordable housing a reality for millions in the United States, by fulfilling our Charter purpose of providing ***stability, liquidity and affordability*** in the housing market.

Environmental, Social and Governance (ESG)

Our ESG strategy builds on this strong foundation and our commitment to responsible and sustainable products, services, and operations.

Why is ESG important for Fannie Mae?

- Investors are increasingly incorporating ESG factors into their assessment of potential investments as an indicator of long-term risk and value.
- We have a strong heritage of mission-driven work. The ESG framework is a globally-recognized approach through which we can measure and communicate outcomes in a way that investors and the broader market can evaluate.
- As one of the largest issuers of mortgage-backed securities in the U.S., active engagement in ESG demonstrates effective management and an awareness of evolving investor expectations.



What is an HFA Preferred Mortgage?

HFA Preferred is Fannie Mae's affordable lending product available exclusively to eligible Housing Finance Agencies (HFAs) to serve low- to moderate-income borrowers.

Based on research

- A “demographic sea change” affecting the housing market is defined by the rise of the Millennials, increased diversity, and a growing elderly population.

Targeted and goal-oriented

- HFA Preferred may help lenders meet their Community Reinvestment Act goals.

Supports sustainable homeownership

- Cancellable mortgage insurance (restrictions apply) and buyer education that positions borrowers for long-term success.

HFA Preferred is a great option for:

- Borrowers below or above 80% AMI
- Buyers who need flexibility with down payment and income qualification or who need down payment assistance
- Borrowers who meet income eligibility as established by the HFA



HFA Preferred - Execution Offerings

- Available for both MBS and Whole Loan execution. For MBS delivery, we have an MRB option as well.
- For Whole Loan execution, we offer loan balance versions of HFA Preferred, which pass through the market pay-up on these products to HFAs delivering on a whole loan basis.
- For HFA Preferred Higher Income, we continue to offer a version with “all-in pricing,” for HFAs or master servicers that cannot operationalize risk based LLPAs.

NEW:

- Fannie Mae, in conjunction with Freddie Mac, enhanced its MBS disclosures to provide Special Eligibility Program information at the loan and pool level.
- September 7, 2021 - Available in the monthly disclosures. The enumerations for the Special Eligibility Program attributes include F – HFA Preferred™ / HFA Advantage®



HFA Preferred benefits

Affordable. Flexible. Sustainable.

- **Low down payment** with up to 97%/ 105% CLTV financing for home purchases
- Borrower is **not required** to be a first-time home buyer
- **Flexible sources of funds** with no minimum contribution requirement from borrower's own funds (1-unit properties)
- **HFAs are Community Seconds providers and set their borrower income limits**
- **Premium pricing allowed** to fund Community Seconds
- **No loan-level price adjustment (LLPA)** for loans $\leq 80\%$ AMI
- **Rental and boarder income** may be considered for qualifying
- **Reduced private mortgage insurance (PMI)** requirements for loans $\leq 80\%$ AMI
- **Cancellable private mortgage insurance (PMI)** may be removed per *Servicing Guide* policy
- **Manufactured Housing** up to 95% LTV/105% CLTV*
- **Homeownership Education** requirements to be determined by the HFA

* LTV up to 97% LTV/105% CLTV when using MH Advantage

Fannie Mae - Social Bonds



- Issued Multifamily social bonds
- Published our Sustainable Bond Framework, which outlines our aspirations for a Single-Family Social Bond



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NCSHA 50th Annual Conference

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September 2021



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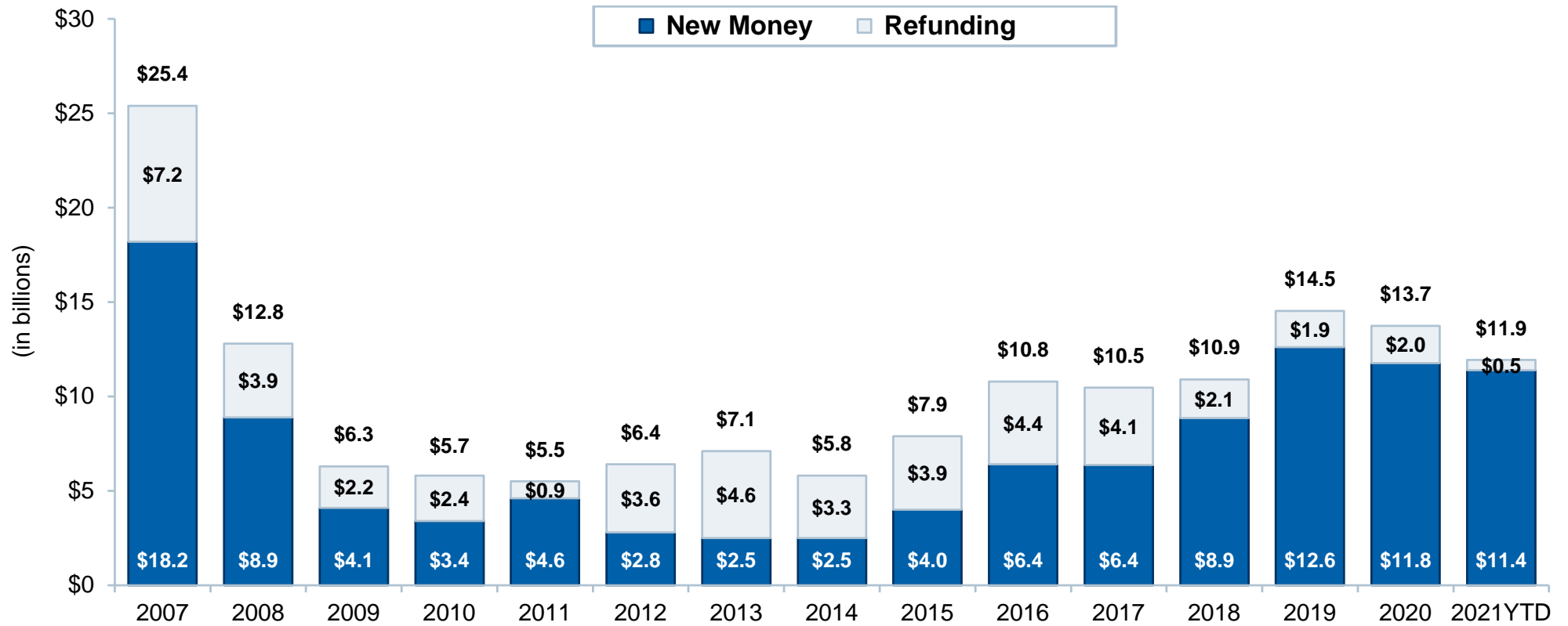
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Volume of Single Family Housing Bonds Issued - Historical



Source: Refinitiv SDC, as of September 15, 2021; New Money figures exclude mixed use financings

Social Bonds in Single Family Housing

- ✓ There are now more HFAs designing their bonds as Social (than not)
- ✓ YTD 2021, there have been 17 self-certified, 5 2nd party certified and 15 non-social single family state HFA bonds
- ✓ An issuer can either self-certify or have a second party verification firm provide an opinion
- ✓ Second Party certification may expand investor base by including social institutional investors who would only purchase bonds with a second party certification
- ✓ There has been recent inquiry by SEC on ESG Fund designation (investment funds, not issuers)

Social Bond Certification in Single Family YTD 2021			
#	Self	2 nd Party	None
1	Connecticut HFA	Colorado HFA	California Dept. of VA
2	Florida HFC	Minnesota HFA	Maryland CDA
3	Iowa FA	Tennessee HDA	Missouri HFC
4	Illinois HDA	Texas Dept. HCA	Montana BOH
5	Indiana HCDA	Wisconsin HEDA	Nevada HD
6	Louisiana FC		New Hampshire HFA
7	Maine St HA		North Carolina HFA
8	Massachusetts HFA		North Dakota HFA
9	Michigan St HDA		New Mexico HFA
10	Mississippi FC		Oregon HCSD
11	Nebraska IFA		South Carolina St. HFDA
12	New Jersey HMFA		South Dakota HDA
13	St. of New York MA		Utah HC
14	Ohio HFA		Washington St. HFC
15	Pennsylvania HFA		Wyoming CDA
16	Rhode Island Hsg		
17	West Virginia HDF		

Benefits to Homeownership

Benefits of Homeownership

- Homeowners have 44 times net worth of renters* (\$231K vs. \$5.2K)
- Societal Benefits (not cause/effect but correlation) – even adjusting for income and education**
 - ✓ Increased charitable giving
 - ✓ Civic participation locally and nationally (including voting)
 - ✓ Greater attachment to neighborhood
 - ✓ Children of homeowners do better by almost all measure (breaking the cycle of poverty)
 - Lower teen pregnancy
 - Higher test scores/high school graduation/college matriculation rates
 - Lower teen delinquencies (including incarceration)
 - Better health

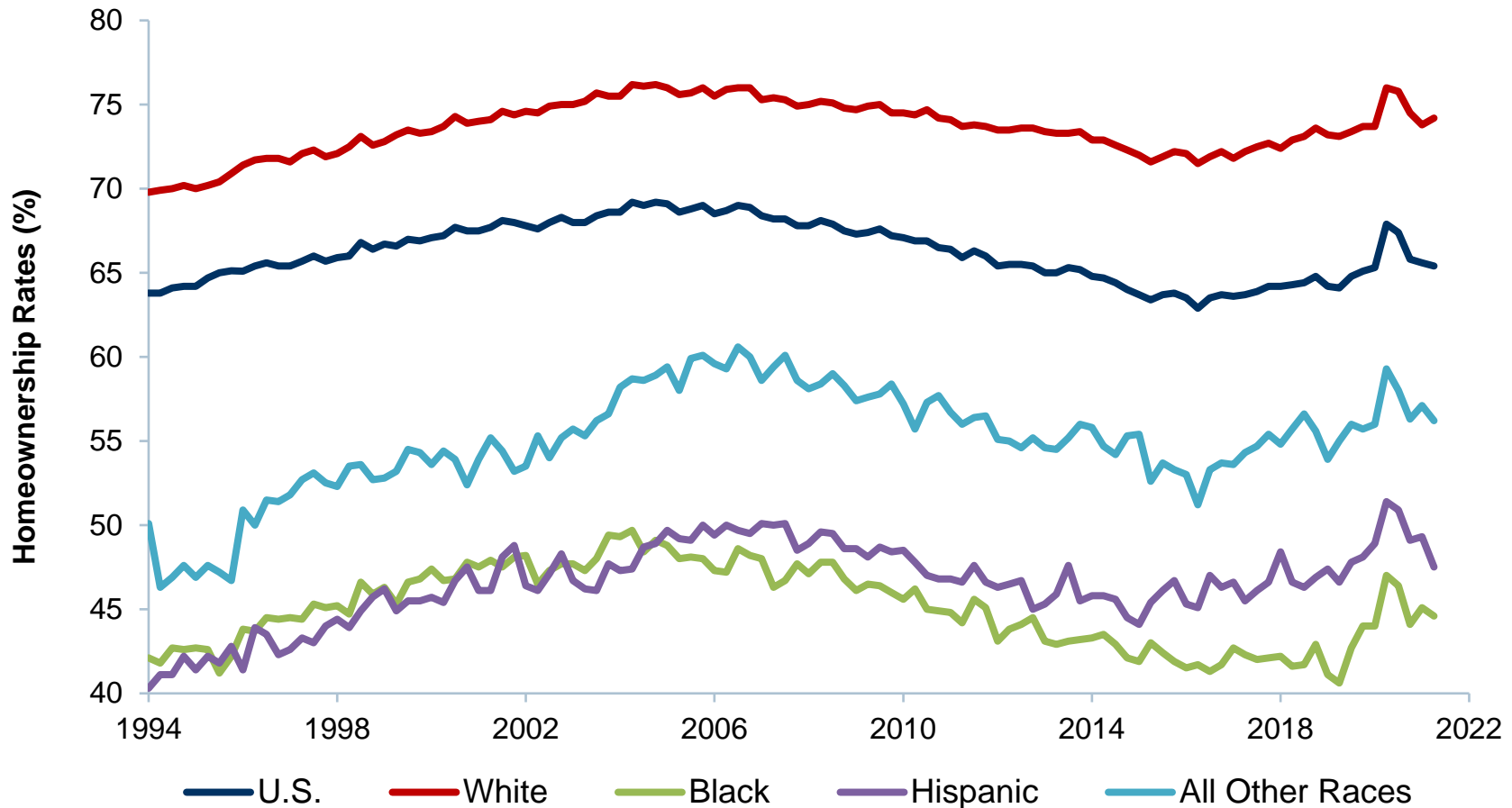
Jay-Z and Will Smith Invest \$165 Million in a Tech Startup That Helps Low-Income Americans Become Homeowners



Jay-Z's Roc Nation and Will Smith's Dreamers VC would be investing into a startup called Landis Technologies for their rent to own homeownership program.

- *Fortune Magazine*
- *Bloomberg*
- *Bankrate.com*
- *Yahoo Finance*
- *Atlanta Black Star*

Homeownership Rates by Race



Homeownership Rates by Race		
	1994Q1	2021Q2
U.S.	63.8%	65.4%
White	69.8%	74.2%
Black	42.1%	44.6%
Hispanic	40.3%	47.5%
All Other Races	50.1%	56.2%

Source: U.S. Census Bureau

Challenges for HFAs

- IRS Income Limits are based on 2 categories:
 - (1) one or two or (2) three or more
 - Immigrant families/people of color often live in multigenerational homes that are larger

- Gentrification of Urban Areas (historically)
 - Purchase price limits often test the conventional view of “affordability”
 - Certain affordable products are capped at conforming loan limits
 - For TBA – capital market penalty for super-conforming/jumbo loans

- MRB Purchase Price is adjusted once a year (2020)
 - Between income increases, inflation and housing appreciation, we’re playing catch up

HFAs are making a concerted effort to reach underserved communities:

- Outreach to National Association of Minority MBA, NAHREP, NAREB, AREAAs
- Marketing in Spanish language radio stations
- Outreach to African-American churches
- Outreach to Asian banks/communities
- HUD 184 Loans to Native Americans
- Kosher and Sharia compliant mortgages
- Additional First Time Homebuyer training
- Additional Downpayment Assistance Programs



National Council of
State Housing Agencies

PHFA – Single Family Financing Discussion

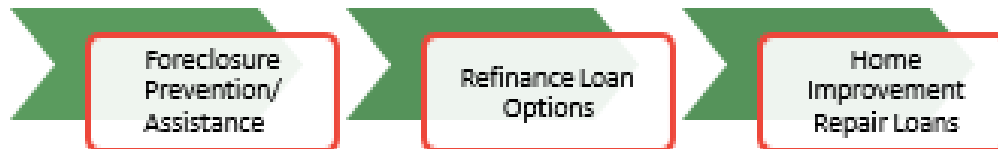


PHFA Single Family Programs and Services

PHFA Provides Homebuyers the Following Pathway to Homeownership



PHFA Provides Homeowners the Following Tools to Sustainable Homeownership



Homebuyer/Homeowner Counseling

- PHFA administers several programs for homeowner and homebuyer counseling
- 100 local counseling agencies serving consumers in all 67 counties of the Commonwealth
- Counseling agencies receive training and are certified by the Agency to provide consumer education and support in foreclosure mitigation, loan restructuring and delinquency remediation assistance, as well as debt counseling, financial education and household finance and budgeting

PHFA Offers Loan Programs that Serve Multiple Needs and Population Groups

Home Purchase Programs

Keystone Home Loan Program

- For 1st time homebuyers, except for Target Areas or veterans
- Receives all SFMRB proceeds

HFA Preferred™

- For 1st time & non 1st time homebuyers
- Homebuyer education required
- For purchase/refinance

Keystone Government Loan Program

- For 1st time & non 1st time homebuyers
- No income or purchase limits
- Loans insured by FHA or guaranteed by RD or VA

Refinance Options

HFA Preferred™

- 1st time homebuyer not required
- Homebuyer education required
- For purchase/refinance

FHA/VA Refinance

- FHA Streamline Refinance product
- VA Interest Rate Reduction Refinancing Loan available for VA guaranteed loans

Pennsylvania Housing Insurance Fund (PHIF)

- Structured as a risk retention program
- Alternative to private mortgage insurance on MRB loans
- Provides for 97% conventional financing
 - Up to 100% financing with down payment assistance loans
- Viewed as G.O. rating by rating agencies (smaller haircut)
- Additional revenue source
- Great underlying credit quality
 - 740 FICO

In 2021, PHFA launched 2 new Purchase Assistance Programs:

- **The Keystone Forgivable in Ten Years Loan (K-FIT)**
- **PHFA Grant**

Both programs are used to assist homebuyers with their downpayment and closing costs

Purchase Assistance Programs:

Keystone Forgivable in Ten Years Loan (K-FIT)

- 2nd loan for downpayment and/or closing cost assistance
- Receive 5% of lesser of purchase price or appraised value
- Forgiven 10% per year over 10 year term @ 0% interest

Keystone Advantage Assistance Loan

- 2nd loan for downpayment and closing costs assistance
- Up to the lesser of 4% of purchase price or market value or \$6,000
- Amortized over 10 years @ 0% interest

Homestead Downpayment and Closing Cost Assist.

- Up to \$10,000 in the form of a no-interest, 2nd loan
- Forgiven at 20% per year over five years
- HUD requirements apply

PHFA Grant

- Provides grant assistance of \$500 for downpayment and closing costs
- Does not require repayment

Programs for Persons with Disabilities

- Funds available for accessibility modification
- May be eligible for downpayment assistance options

Employer Assisted Housing (EAH) Initiative

- Homebuyers who work for a participating EAH Employer can receive a Keystone Advantage Assistance Loan of up to \$8,000

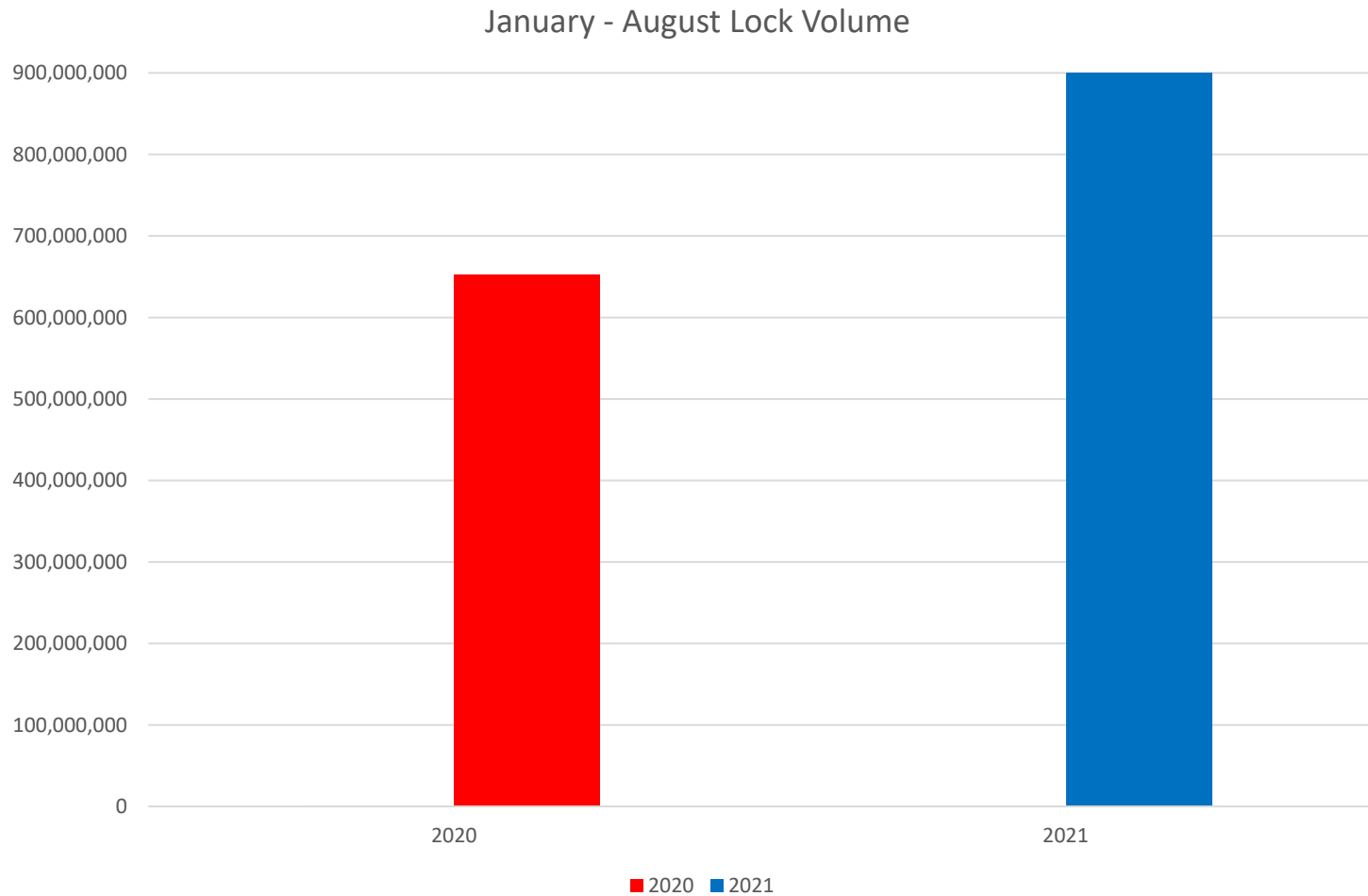
Mortgage Tax Credit Certificate

- Provides homebuyers a tax credit claim @ 20%-50% of mortgage interest

K-FIT

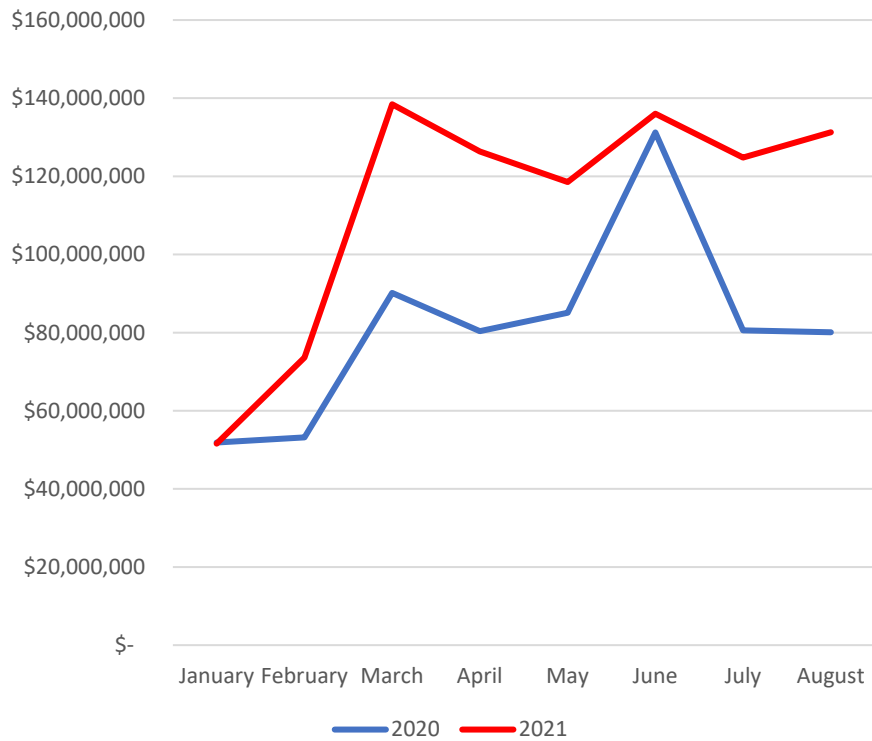
- 0% rate forgivable over 10yrs
- Bond funded
- Average DPA provided = \$9,355
- Average loan amount = \$185,545
 - Non-K-Fit MRB avg. loan amount = \$167,233
- Over \$500MM in locks in 6 months since rollout

Volume Summary

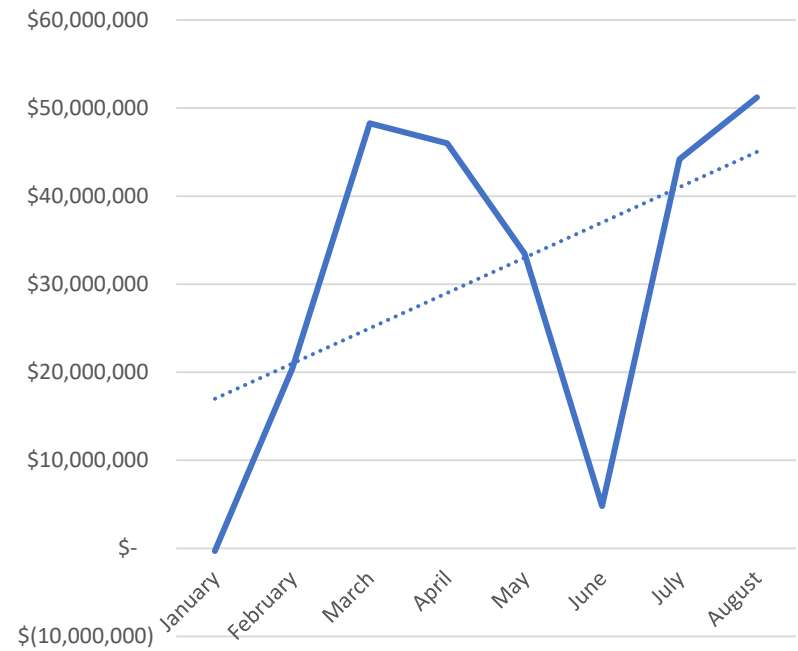


Volume Summary

Monthly Lock Volume



YoY Change 2021 to 2020



MRB Executions Utilized

- Fixed rate
- Premium lockout serials
- PAC bond
- Social bond designation
- Pricing par bonds in 01's
- Slight premiums & discounts

Upcoming Taxable Product

- For loans not allowable under tax exempt rules
- DPA option
- Refinance option
- Issued under existing parity indenture
- Structuring of bonds
- 200% of State AMI

Audience Q&A