



Expanded Housing Choice (EHC)

Fannie Mae's Pilot
Housing Solution

April 2023

Agenda

EHC Introduction

Housing Choice Voucher Basics

Eligibility, Requirements & Monitoring

Deal Highlights & Use Cases

Public Housing Agency Highlights

Delivery and Asset Management

Questions



Expanded Housing Choice (EHC)

Why is Fannie Mae getting involved?

We identified an **opportunity with HUD's HCV program to positively impact housing access.**

EHC Borrower Incentives & Accountability Summary.

- Pricing incentive for new loans in North Carolina and Texas.
- 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.

- Progress to date: 5 deals as of April 2023.



By the
NUMBERS



2

States selected for
initiative



3

Additional focus on:
Dallas, Austin,
Charlotte



25

Goal: Loans closed
using Expanded
Housing Choice

The HCV Basics



What is the Housing Choice Voucher Program?

HCV is a HUD program that helps provide housing for low-income families, seniors, historically underserved populations, and people with disabilities. HCVs are administered by Public Housing Agencies (PHAs), which pay a set dollar amount toward the rent.



78%
are women-led households

Who are voucher holders?

Vouchers predominately serve people of color: **Black and Hispanic households make up 66% of voucher holders**, but only 40% of the U.S. renter population.



25%
of households include a family member with a disability



Fair Market Rent (FMR)



What is Fair Market Rent (FMR)?

- Fair Market Rents are used to determine payment standard amounts for the Housing Choice Voucher program.
 - Intended to align to market rents
 - FMRs and Area Median Income (AMI) are different
 - Small Area FMRs provide greater rental payment flexibility in targeted areas
- The PHA determines a payment standard that is typically between 90% and 110% of the FMRs.

Voucher Amount Determination:



HUD determines FMRs



Local PHA modifies FMR staying between 90-110%



Renter pays 30% of income

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).
- **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 as adjusted for the PHA payment standard.
- Commit to accepting Housing Choice Voucher holders throughout the loan term.



Photo: Via Verde, Jonathan Rose Companies, Bronx, NY

Expanded Housing Choice: PHA Payment Standard Examples



Charlotte: 2 standards driven by zip code and census tract*

Dallas: hundreds driven by zip code



EFFECTIVE May 1, 2022

BASIC PAYMENT STANDARDS

SRO	0 BEDROOM	1 BEDROOM	2 BEDROOM	3 BEDROOM	4 BEDROOM	5 BEDROOM	6 BEDROOM
\$821	\$1,096	\$1,115	\$1,271	\$1,647	\$2,136	\$2,456	\$2,778

EXCEPTION PAYMENT STANDARDS

SRO	0 BEDROOM	1 BEDROOM	2 BEDROOM	3 BEDROOM	4 BEDROOM	5 BEDROOM	6 BEDROOM
\$971	\$1,295	\$1,318	\$1,502	\$1,946	\$2,525	\$2,903	\$3,283

The Payment Standards for the Exception Areas are for the following zip codes and census tracts in Mecklenburg County:

Zip Code	Exception Census Tracts	Zip Code	Exception Census Tracts
28031	62.03, 62.04, 62.08, 62.09, 64.05, 64.06, 64.07	28213	56.14
28036	64.03, 64.04	28214	60.07
28078	62.1, 62.09, 62.11, 62.12, 62.13, 62.14, 62.15, 63.02, 63.03, 63.04	28215	56.18, 56.21

FY2023 Payment Standards
Housing Choice Voucher Program
Effective January 1, 2023

Zip	0 BR	1 BR	2 BR	3 BR	4 BR	5 BR	6 BR	7 BR	8 BR	9 BR
75001	1914	2013	2376	2992	3905	4491	5077	5662	6248	6834
75002	1804	1903	2244	2827	3685	4238	4791	5343	5896	6449
75005	1385	1459	1722	2169	2829	3254	3678	4102	4527	4951
75006	1430	1507	1782	2244	2926	3365	3804	4243	4682	5121
75007	1474	1551	1826	2299	3003	3453	3904	4354	4805	5255
75009	1881	1980	2332	2937	3828	4402	4976	5551	6125	6699

Austin: one standard

Number of Bedrooms on voucher	EFF.	1-BR.	2-BR.	3-BR.	4-BR.	5-BR.
FMRS and Payment Standards Landlord Pays All Utilities (All Bills Paid)	\$1378	\$1525	\$1789	\$2297	\$2658	\$3056

*in the process of being updated

Expanded Housing Choice: Requirements



Additional Requirements

- Borrower works with the local Public Housing Agency and [affordablehousing.com](https://www.affordablehousing.com) to list the property and/or units.
- Ongoing reporting requirements via annual Borrower Certification to track voucher usage and stats.
- Borrower submits ongoing rent rolls through the Fannie Mae Rent Roll Digitizer.



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 1st round***: Borrower required to complete Fair Housing training as a remedy.
- **Fail 2nd round:** (or refusal to remedy): Event of default with pricing incentive recapture.
 - *Each round is comprised of three property tests.*
 - **A pass is considered 2 out of 3. Fair housing training will also be required in this scenario. Training is not required when 3 out of tests are 3 passed.*



Photo: The Broadway, Santa Monica, CA

Monitoring Deep Dive



Pass Scenario.

- **Round 1: Pass 2 of 3:** Staff required to complete Fair Housing training.
 - Staff take Fair Housing Training. Note: Borrower refusal to complete training is an event of default.
 - Property goes back in the testing pool and process starts again at Test 1 at a future date.

Round 1 (scenario 1): Pass 3 out of 3, staff training not required, back in the testing pool and process starts again at Test 1 at a future date.

Round 1 Fail Scenario with Round 2 Paths.

- **Round 1: Pass 1 of 3 or 0 of 3:** Staff required to complete Fair Housing training and this is considered a failure of the round.
 - Staff take Fair Housing training. Note: Borrower refusal to complete training is an event of default.
 - Property is retested via Round 2.
- **Round 2 (scenario 1):** Pass 2 of 3. Staff take Fair Housing training and the property goes back in the testing pool and process starts again at Test 1 at a future date. Note: Borrower refusal to complete training is an event of default.
- **Round 2 (scenario 2):** Pass 3 of 3: back in the testing pool, staff training not required, and process starts again at Test 1 at a future date.
- **Round 2 (scenario 3):** Pass 0 of 3 or 1 of 3: triggers event of default. In this scenario, the tester was told that vouchers aren't accepted anywhere from 4-6 out of 6 times.



DEAL INTEL

Deal Intel: Use Cases



Scenarios Where EHC Can be a “Fit”

- **Housing provider is familiar with the respective Public Housing Agency (PHA).** Some awareness of the PHA and/or the HCV program can be an advantage to getting up and running on HCV and EHC.
- **Housing provider does business in a state where voucher acceptance is required,** and they are eyeing expansion to markets like NC & TX. This segment of the market knows how to manage HCV requirements at their properties.
- **Housing provider is price and/or return driven.** EHC has been used to present borrowers with additional financing options in this market.
- **Housing provider found the combination of the EHC pricing benefit and local non-profit benefits compelling.** This will be less common, but there are markets that have active non-profits that provide support (financial and otherwise) to both housing providers and renters.

PHA Highlights: Charlotte



INLIVIAN

- Rental increases ranging from 2%-10%
- HCV payment standards that are targeted by zip codes/census tracts to reflect the market and encourage landlord participation **and range as high as 150% of Fair Market Rent**
- Timely payment deposit (weekly)
- Easy to navigate website and robust landlord portal with a designated Housing Provider contact
- **In 2020, INLIVIAN launched a Housing Provider Incentive Program which includes:**
 - \$250 Sign-on bonus for new apartments participating in the HCV program
 - \$250 Sign-on bonus for new Housing Providers participating in the HCV program
 - \$1,000 Risk/Damage Mitigation Fund
 - 14-day Continuity Bonus: paid to housing providers during vacancy prep between move-ins

PHA Highlights: Dallas



DHA

- Manage more than 5,000 landlord relationships and serve 16,000+ HCV renters
- Proactively partners with landlords and provide a Landlord Services Team
- Competitive rents set at **110% of Fair Market Rent** – done by zip code to reflect the market
- Use AI and data to drive results and meet the needs of landlords and renters
 - **Bob.ai app to streamline and manage the HCV process**
 - Electronically complete or upload required documents and e-sign – available for both landlord and HCV renter
 - Uber-like capability to schedule and optimize the housing inspection process
 - List units and connect with renters
 - Connect via chat with the Landlord services team

PHA Highlights: Austin



HACA

- Serves 6,000 families
- Payment standards at **110% of HUD FMR** starting at \$1,378* for a studio
- Designated Landlord Outreach Specialist
- Easy to navigate informational website and landlord portal
- **Family Self-Sufficiency Program (FSS)** that provides skill and job training, credit building and other supportive services over a 5-year period with the goal of helping residents achieve self-sufficiency

Expanded Housing Choice: Tools to Support Lenders & Borrowers



[Find all these resources and more on the EHC website](#)

- [EHC Eligibility Flowchart](#) – determine if a property is eligible
- [Competitive Advantage sheet](#) – great for EHC pitches & a quick reference guide
- [HCV Infographic](#) – everything you need to know about HCVs in 1 page
- [Lender Best Practices](#) – how to make the best use of the EHC tools and other HCV resources
- [Borrower Best Practices](#) – helps navigate & optimize the HCV program
- [Benefits of HCV Adoption for Borrowers](#) – learn about financial, ESG, and community benefits
- [FAQs](#) – covers both EHC and HCV
- [Lender Job Aid](#) – deliver EHC loans correctly
- EHC Training – the latest EHC training is available on demand
- There's more... including links to key HUD resources as well as the Austin, Dallas, and Charlotte HCV payment standards!

Expanded Housing Choice: Delivery Overview



Job Aid & FAQs are available

- DUS[®] Gateway: Leverage the EHC Product Tag
 - Submit a minimum of two Loan Options. One EHC option and one without EHC.
 - The pricing differential is captured via the 6020.PIR
- Additional Disclosure: Required on Form 4097.FIXED and 4097.ARM and in C&D
- C&D & MSFMS: SFC 793 Expanded Housing Choice
- Multifamily Rent Roll Template: Identify any units paying with a voucher and the subsidy amount
- Loan Documents
 - Modification to Multifamily Loan and Security Agreement (Expanded Housing Choice) (Form 6273), and
 - Payment Guaranty (Pricing Incentive Recapture) (Form 6020.PIR)

Expanded Housing Choice: Post Delivery and Asset Management



Job Aid & FAQs are available

- Yearly Borrower Certification is required
 - Loan Agreement Certification (Expanded Housing Choice) (Form 6620)
- Provide ongoing Rent Rolls through the Rent Roll Digitizer™
- Remediate any findings from Fannie Mae's Fair Housing Testing
- Leverage the Enterprise Community Partners and Fannie Mae toolkits to make the most of the EHC Program



QUESTIONS?

APPENDIX



Benefits of the HCV & EHC Programs



HCV Landlord Benefits

- **Mixed income housing strengthens communities.**
- **Guaranteed income.** Vouchers provide a steady stream of guaranteed rent payments.
- **Competitive rent payments.** HUD Fair Market Rents are often competitive with the FMR the landlord could receive without vouchers.
- **Lower turnover and vacancy.** HCVs can help reduce line items like marketing and unit turnover costs.
- A strengthened **Environmental, Social, and Governance (ESG) reputation.** Accepting vouchers can be a key part of a business equity strategy.

EHC Borrower Benefit

- **Pricing incentive** to encourage adoption. Proactively quoting deals with a focus on high opportunity areas.

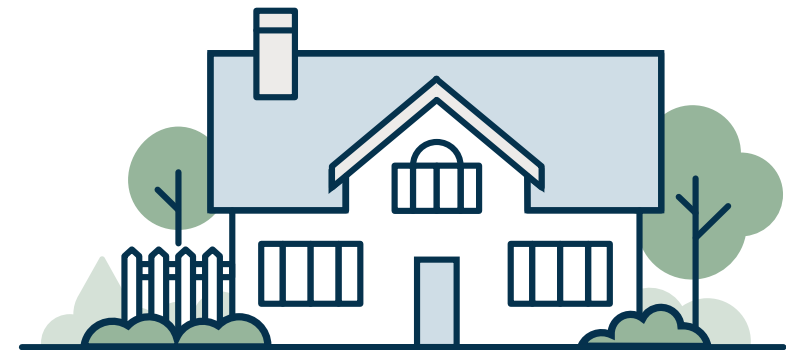


FAQs



“Landlord can’t charge HCV participants the same rent as their non-HCV renter.”

FALSE - Landlords can charge the full rent no matter who the renter is. The housing authority must determine that the proposed rent is reasonable and is not higher than units in that area with similar amenities.

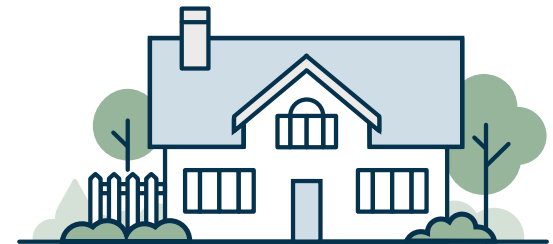




FAQs

“HCV voucher renters are problem renters.”

FALSE - Actually, HCV renters are typically longer-term renter, living in a unit for 7-8 years on average. There are no documented statistics showing that HCV renters are any more likely to damage units or not pay rent than are non-HCV renters. Landlords use their own screening criteria and should screen HCV renters as they would screen any other renter to avoid problem renters.





FAQs



“It is almost impossible to evict an HCV renter when they violate the lease.”

FALSE - HCV renters are bound by the terms of their rental agreements and are subject to eviction as is any non-HCV renter. If an HCV renter is evicted, then their voucher status is in jeopardy.

