Freddie Mac unveils plan to fix affordable housing shortage

The Federal Home Loan Mortgage Corporation, otherwise known as Freddie Mac, announced on Monday a three-pronged plan to buoy affordable housing amidst historically low inventory nationwide.

The government-sponsored entity's three-year "Duty to Serve" plan, spearheaded in May and approved by stakeholders this month, seeks to finance rural and manufactured housing while preserving existing affordable housing for owners and renters, according to a release issued on Monday. In coordination with mortgage originators, nonprofit groups and government agencies, the plan will target low- and moderate-income families.

"For more than 45 years, our innovations have brought liquidity, stability and affordability to the mortgage markets, and Duty to Serve is an important continuation of those efforts," said David Leopold, vice president of targeted affordable sales & investments at Freddie Mac Multifamily, in a prepared statement. "Freddie Mac is uniquely suited to tackle some of America's most persistent housing problems, and we look forward to deepening this work."

Under the plan, Freddie Mac, along with Fannie May, will reenter the Low-Income Housing Tax Credit equity market following a 10-year hiatus, with an initial investment expected to close in January. Launched in 1986, the LIHTC program provides incentives to multifamily property owners and investors to build and maintain quality affordable housing for low- and very low-income households nationwide. The investment will focus on multifamily housing, particularly in underserved rural areas.

The plan also calls for increasing liquidity for developers of multifamily housing who qualify for federal subsidies, including Section 8 vouchers, and preserving affordable units by supporting the Dept. of Agriculture's housing program. It also calls for expanding support for manufactured housing communities, including tenant protections, according to the release.

As for single-family housing, the plan calls for the rehabilitation of aging housing stock through new mortgages designed for renovations, kind of a larger scale, older-school version of what small startup Fundrise is trying with its eFund. It would also increase liquidity for manufactured housing loan originators by purchasing loans titled as real property and personal property.

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The Freddie Mac plan comes as housing inventory falls to historically low levels, with available bottom- and mid-valued homes shrinking by more than 38 percent between 2010 and 2015. The number of apartments deemed affordable for very low-income families, meanwhile, fell by more than 60 percent between 2010 and 2016, according to the release.

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