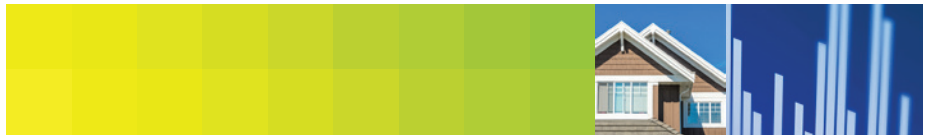

APRIL 2017

Freddie Mac Makes San Francisco More Affordable

Freddie Mac's mission is to provide liquidity, stability and affordability to the U.S. housing market. The affordability component of our mission is challenging in a metro as expensive as San Francisco. Nonetheless, Freddie Mac's Single-Family and Multifamily divisions have found ways to meet that challenge.

Single-Family supports an innovative San Francisco program

San Francisco understands how important it is to the life of a city to retain residents who span the full socioeconomic spectrum. The City of San Francisco administers the Citywide Inclusionary Affordable Housing Program. Part of this program requires large developers to sell or rent a certain percentage of units in new developments at a below-market-rate (BMR) price to low- and moderate-income families. The city subsidizes most of the difference between the market value and the BMR mortgage by issuing a second lien that is repaid when the house is resold.[1] Resale is restricted to buyers who also qualify for the BMR program.

Freddie Mac's Single-Family Division has worked with an approved set of lenders to be able to purchase these BMR first liens under Freddie Mac's Affordable Seconds® guidelines. Freddie Mac's participation provides the financing needed to maintain and expand this critical program.

Multifamily targets specific neighborhoods of need

At the risk of oversimplifying, the single family mortgage industry employs the methods of mass production—automated valuations, standardized underwriting criteria, and the like—in order to originate and service millions of single family mortgages. In contrast, the multifamily industry takes more of an artisanal approach. Each property, each borrower, each deal is unique. While the names of the millions of single-family borrowers are tucked away in massive databases, Freddie Mac's Multifamily team knows the large borrowers and lenders personally, and meets with them frequently. Moreover, the team maintains close relationships with the municipal, state, and federal agencies that oversee aspects of the multifamily business.

Accordingly, the Multifamily Division's approach to the affordability challenge in San Francisco targets specific neighborhoods and specific buildings in those neighborhoods. Here are two notable examples.

1 Foreclosure or foreclosure alternative or breach of the program terms also triggers repayment of the BMR second lien.

Preserving a pocket of hope

Woodland Park—a 51 acre, 189-building community in East Palo Alto—is walking distance to the second most expensive ZIP code in the U.S. Woodland Park also is home to lower-income tenants who work maintenance and service jobs at some of the world's largest and best-known tech companies. To make ends meet, some tenants hold two or three jobs, so living close to the workplace is a necessity.

Many of the properties in Woodland Park are older and in need of renovation. To sustain these affordable residences in the heart of one of the most unaffordable areas in the San Francisco metro, Freddie Mac's Multifamily team developed an innovative revolving credit facility that provides the borrower the flexibility to renovate and preserve these much-needed residences.

Providing the keystone for a complex structure

In San Francisco, Freddie Mac's Multifamily team provided the essential ingredient—long-term financing—for an initiative to convert public housing into renovated and affordable privately-owned rentals. This initiative made it possible to keep 1,400 apartments in 15 buildings affordable to seniors and low-income families.

The complexity of this initiative drew on the ability of Freddie Mac Multifamily to collaborate with multiple partners—seven development partners, HUD's Rental Assistance Demonstration (RAD) program, and key governing bodies in the City of San Francisco government. Without Freddie Mac's commitment to provide a long-term financing component, it is unlikely this initiative would have succeeded.

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