Fannie Mae®

Equitable Housing Finance Plan

Advancing greater housing equity

America's housing finance system plays a key role in providing housing for millions and, for many, it serves as a critical means of wealth generation. But it is not working for enough of America's people.

This document, Fannie Mae's Equitable Housing Finance Plan, puts forward a series of actions designed to help change that.

> The goal of this Plan is to advance greater equity in America's housing finance system, its practices, and its outcomes.

It is a goal demanded by our mission, embedded in the spirit of our Charter, and backed by the dedication of our employees. Indeed, our mission to facilitate equitable and sustainable access to homeownership and quality affordable rental housing across America necessarily entails reducing housing's racial inequities.

Some of these inequities are rooted in historical and present-day disparities in access to mortgages. Others, however, result from long-standing socio-economic differences that have been exacerbated in recent years by modest wage growth, rapid growth in rents and home prices, a pandemic, growing divides in wealth accumulation, and the crisis-level shortage of affordable housing supply. In fact, the current lack of homes affordable to low- and moderate-income (LMI) households to purchase or rent is perhaps the most important structural barrier to housing equity in the United States.

Fannie Mae can't build new homes, but we can knock down barriers standing in the way of greater equity in housing. We can do more to help underserved consumers attain and, importantly, sustain homeownership and quality rental housing. We can knock down barriers within mortgage, rental, and ownership processes that unnecessarily challenge consumers, especially those that disproportionally burden Black families. We can continue to enhance renter assistance and homeownership education programs, as well as loan servicing and loss mitigation practices, to ensure more Black families retain their homes after they buy or rent.

We will measure this Plan's success by how many of those barriers we knock down, and by who benefits when they are removed. Across almost every area, the key to lasting success will be strong partnerships with the other key stakeholders of our housing finance system. Alone there is little that any of us can accomplish to advance greater equity in housing — working together, we can accomplish a great deal.

Well before the directive for this Plan, Fannie Mae had launched programs to alleviate discrete but meaningful challenges faced by Black and other underserved households seeking stable, affordable housing. Among these were:

- **A groundbreaking change to Desktop Underwriter®[1] (DU®)**, Fannie Mae's market-leading automated underwriting engine, to consider positive rental payment history for eligible borrowers. We believe this change will increase opportunities for homeownership for the approximately 20% of the U.S. population who have little to no established credit history — even though they may have a history of making on-time rental payments. This is an example of how to safely and soundly serve qualified first-time homebuyers, including people of color, who have historically been excluded from mortgage credit.
- **The expansion of our education and homeowner/renter assistance efforts** through the launch of Know Your Options, Here to Help, and HomeView™.
- **Renewed engagement with housing industry participants to diversify the housing ecosystem**, including the Future Housing Leaders® program.
- **The creation of** RefiNow™ to help address the persistent racial and income disparities in refinance take-up rates for existing homeowners.

> These initiatives are only a start. Under the auspices of this plan, Fannie Mae is prepared to do more. And we will.

I want to thank the many people across our company for all they have done to write this Plan — and, more importantly, for all they will do to execute it, working with our many partners across housing.

David C. Benson
President and Interim CEO
Fannie Mae

1 Desktop Underwriter® (DU®) — the industry-leading underwriting system — helps lenders efficiently complete credit risk assessments to establish a home loan's eligibility for sale and delivery to Fannie Mae with easy-to-use, powerful tools.

DISCLAIMER: Implementation of the activities and objectives in Fannie Mae's Equitable Housing Finance Plan may be subject to change based on factors including, without limitation, FHFA review for compliance with Fannie Mae's statutory charter, specific FHFA approval requirements and safety and soundness standards, FHFA guidance and directives, regulatory requirements, Senior Preferred Stock Purchase Agreement obligations, and adverse market or economic conditions, as applicable.

Table of Contents

Introduction

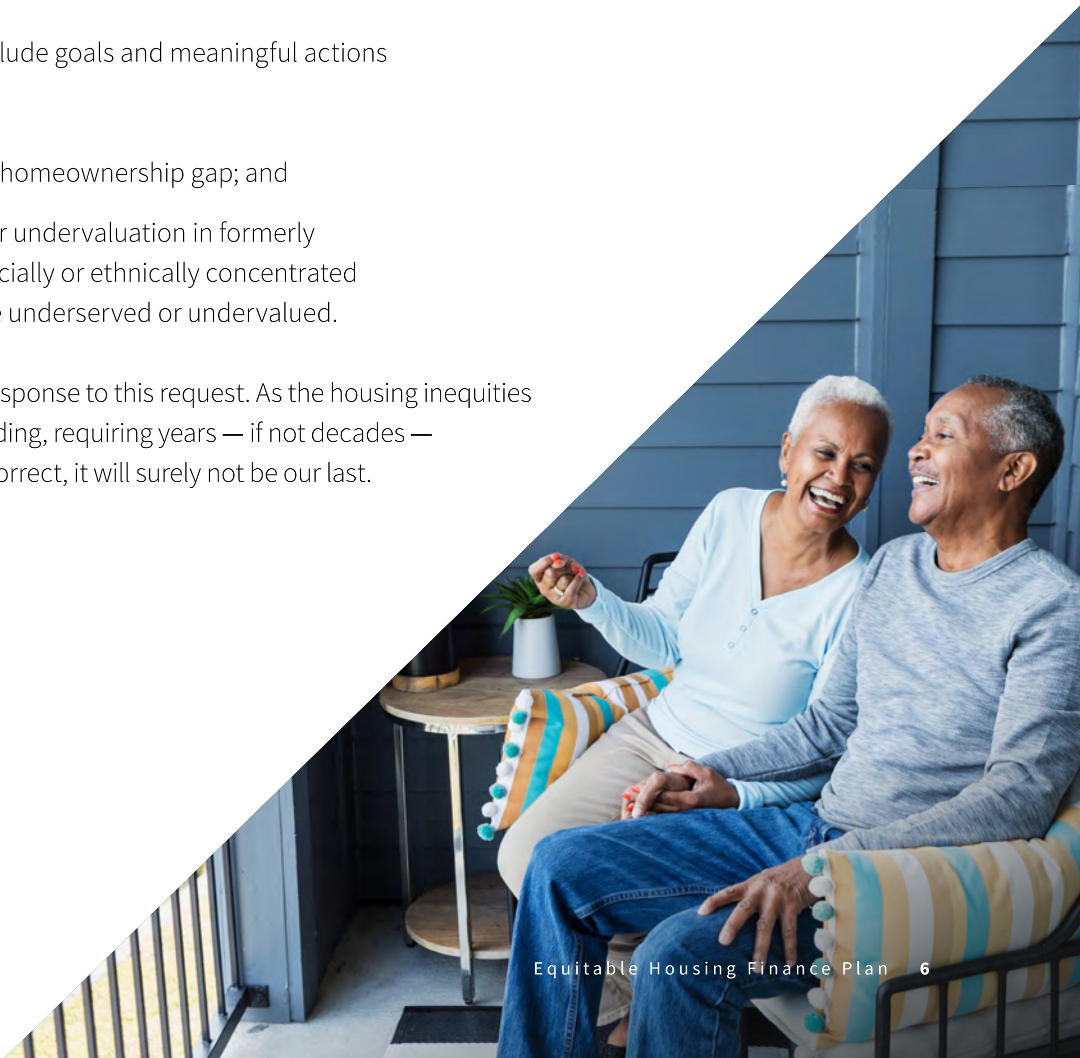
In September 2021, the Federal Housing Finance Agency (FHFA) directed Fannie Mae to prepare a three-year plan to "advance equity in housing finance." This Enterprise Equitable Housing Finance Plan would include:

- An identification and summary of barriers to sustainable housing opportunity either directly related to the Enterprise's actions or barriers in the housing market that can reasonably be influenced by the Enterprise's actions.
- Objectives and specific measurable goals for Charter Act-compliant actions to address these barriers.
- A plan of meaningful actions for the next three-year period to address these barriers.
- A summary of consultations conducted by the Enterprise with underrepresented and affected groups and communities in preparing its plans.

FHFA also asked that Fannie Mae include goals and meaningful actions to address two specific challenges:

- Reducing the racial or ethnic homeownership gap; and
- Reducing underinvestment or undervaluation in formerly redlined areas that remain racially or ethnically concentrated areas of poverty or otherwise underserved or undervalued.

This document serves as our initial response to this request. As the housing inequities in our nation are deep and long-standing, requiring years — if not decades — of sustained attention and effort to correct, it will surely not be our last.



A responsibility rooted in Fannie Mae's history and Charter

Fannie Mae was part of the foundation upon which the modern U.S. middle class was built. The Enterprise arose out of an intense period of policy experimentation during the Great Depression designed to insulate housing from short-term disruptions in the credit and capital markets. The company ultimately became a pillar of the social infrastructure put in place in the early 20th century that expanded opportunities in housing, education, and the broader post-World War II economy.

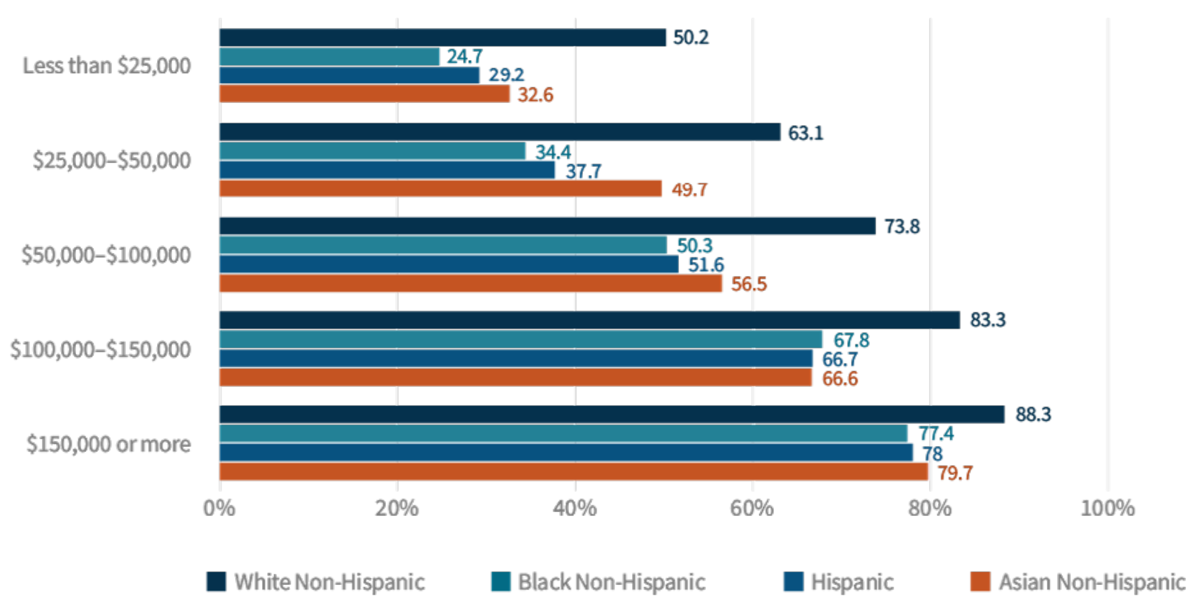
However, the sad truth of this history is that much of that social infrastructure, by design, neglect, or indifference, did not include Black Americans — including parts of the social infrastructure supporting housing.

Even as Fannie Mae was being created, in 1938, the Federal Home Owners' Loan Corp. (HOLC) was publishing maps of major metropolitan areas around the country showing zones, shaded red, deemed high-risk or "hazardous" to mortgage lenders. Thus, redlining, the practice of allocating mortgage credit along racial lines, was adopted, *de jure*, by the federal government.

Though it has been outlawed for more than 50 years, redlining's ill effects endure.

Across our country, communities divided by class and color that suffered from a discriminatory past continue to suffer a persistently diminished present, with housing at the crux of the divide.

Homeownership rate by household income, 2019



Source: Fannie Mae computations from 2019 American Community Survey PUMS data

- The Black homeownership rate is 42%, about 30 points lower than the white homeownership rate. That's about where it was 50 years ago. Black homeownership rates have fallen since 2004.[2]
- The gap between white and Black homeownership equates to about 4.7 million Black households.[3]
- This disparity is a primary driver of the staggering difference in household wealth across racial groups. In 2019, the median white household held $188,200 in wealth, which was 7.8 times that of the typical Black household.[4]

Because of redlining, the regulated and subsidized housing finance system was closed to whole swaths of the Black community. This, combined with numerous other racist or discriminatory practices in housing, employment, and education, contributed to decades of disinvestment. Black people were free to want the American Dream, but largely denied the means to have it. The gap in generational wealth between white and Black populations today is rooted in this discriminatory past.

Ignoring this truth is not defensible, nor is failing to redress it. The job of doing so belongs to Fannie Mae, just as it does to many other stakeholders throughout the housing ecosystem. The urgency and importance of this challenge drives the choices embedded in this Plan, particularly its focus on Black homeowners and renters.

A focus on Black homeowners and renters

> The initial focus of our Plan will be on the needs of Black homeowners and renters. The rationale for this choice is straightforward. To meaningfully address inequities in the housing system caused by past housing practices, we are focusing on Black homeowners and renters, a population where those inequities are particularly profound.

While our solutions will seek to address the effects of discrimination against Black homeowners and renters, they will benefit other underserved populations, as well. As our Equitable Housing Finance Plan matures and evolves, in the next three years and beyond, we will expand our focus to the challenges faced by other populations who have been historically underserved by the housing finance

2 2019 American Community Survey and the 2019 Current Population Survey/Housing Vacancies and Homeownership Survey.
3 2019 American Community Survey.
4 Survey of Consumer Finances 2019.

system, including Latino people and other groups who by virtue of their race, ethnicity, or geographic location are underserved by the housing and mortgage finance system. We will leverage successful solutions from our first three years and create ways to address the unique issues of these groups.

The list of well-documented challenges faced by Black people, particularly those with low incomes, in securing equitable access to affordable, stable housing is long. Just a sampling:

- Black homeownership is the lowest of all racial groups in the United States, and the Black homeownership gap is not improving. According to one recent Urban Institute study, absent intentional measures the gap between white and Black homeownership rates will widen in the next two decades.[5]
- Black families are less likely to have the wealth needed to purchase and sustain homeownership. As noted above, the typical white family has nearly eight times the wealth of the typical Black family and five times the wealth of the typical Latino family.
- Black renters face a higher likelihood of renting where they experience higher cost burdens, fees, and discriminatory renting experiences.
- When Black families apply for a mortgage, their loan applications are denied 29% of the time, versus 17% for white families.[6]
- Black homeowners are more likely to pay higher closing costs[7] and experience biases in the appraisal process that could lead to under-valuation.

Adding to these facts is the poignant gap between Black people who desire homeownership and those who achieve it: Although 87% of the Black renter population would like to own a home (compared with 75% of the white renter population)[8], only 42% of Black families have achieved homeownership.

A central element of our plan is the deployment of Special Purpose Credit Programs (SPCPs) aimed at enabling access to credit and encouraging sustainable homeownership for Black consumers. Additionally, SPCPs will be focused on people residing in formerly redlined and other underserved areas with majority Black populations.

The homeownership gap

42%

Black households

72%

White households

Key obstacles

Renters carry higher shares of housing cost burdens, creating barriers to savings.

Smaller savings for post-purchase maintenance, natural disasters, or income disruptions.

Lack of money for down payments and closing costs.

Lower credit scores and credit invisbility.

Source: American Community Survey 2019

5 "The Future of Headship and Homeownership" Goodman, Zhu, 2021.
6 "Real Denial Rates" Goodman, Bai, and Li, 2018.
7 "Barriers to Entry: Closing Costs for First-Time and Low-Income Homebuyers," Mota and Palim, 2021.
8 Fannie Mae National Housing Survey, 2nd quarter 2021.

The potential of SPCPs in addressing racial inequities in housing finance

In 1976, Congress expanded the Equal Credit Opportunity Act (ECOA) to prohibit discrimination not only on the basis of sex and marital status, but also age, race, color, religion, national origin and more. Recognizing that prohibiting discrimination was not sufficient to deal with past harms, Congress added a provision to the law that allows lenders to create SPCPs that permit loan products tailored to protected groups that might not otherwise meet the lender's typical standards for eligibility.

Although the legal framework for SPCPs has existed for decades, they are a rarity in the mortgage market. Fannie Mae aims to change that. Our SPCP pilots will seek to address each of three distinct obstacles that keep many Black people from owning a home: mortgage eligibility, down payment, and closing costs.

In September 2021, Fannie Mae initiated a research project with multiple lenders to assess lender interest in SPCPs, as well as potential challenges and obstacles to their implementation and adoption. In addition, we have begun analyzing geographies with a high concentration of Black consumers, overlaying these areas with data about housing supply, affordability, historic redlining, legal settlements and more, all in service of identifying the areas where SPCPs have the best chance of achieving the Plan's objectives. As commenters to the FHFA's Request for Information (RFI) on housing equity noted, limiting the focus to only formerly redlined areas would exclude too many people, such as renters in majority Black areas that were not previously redlined. Similarly, work is being done to identify housing-related, local government programs to address the needs of historically redlined communities that could be supported and leveraged through the application of SPCPs.

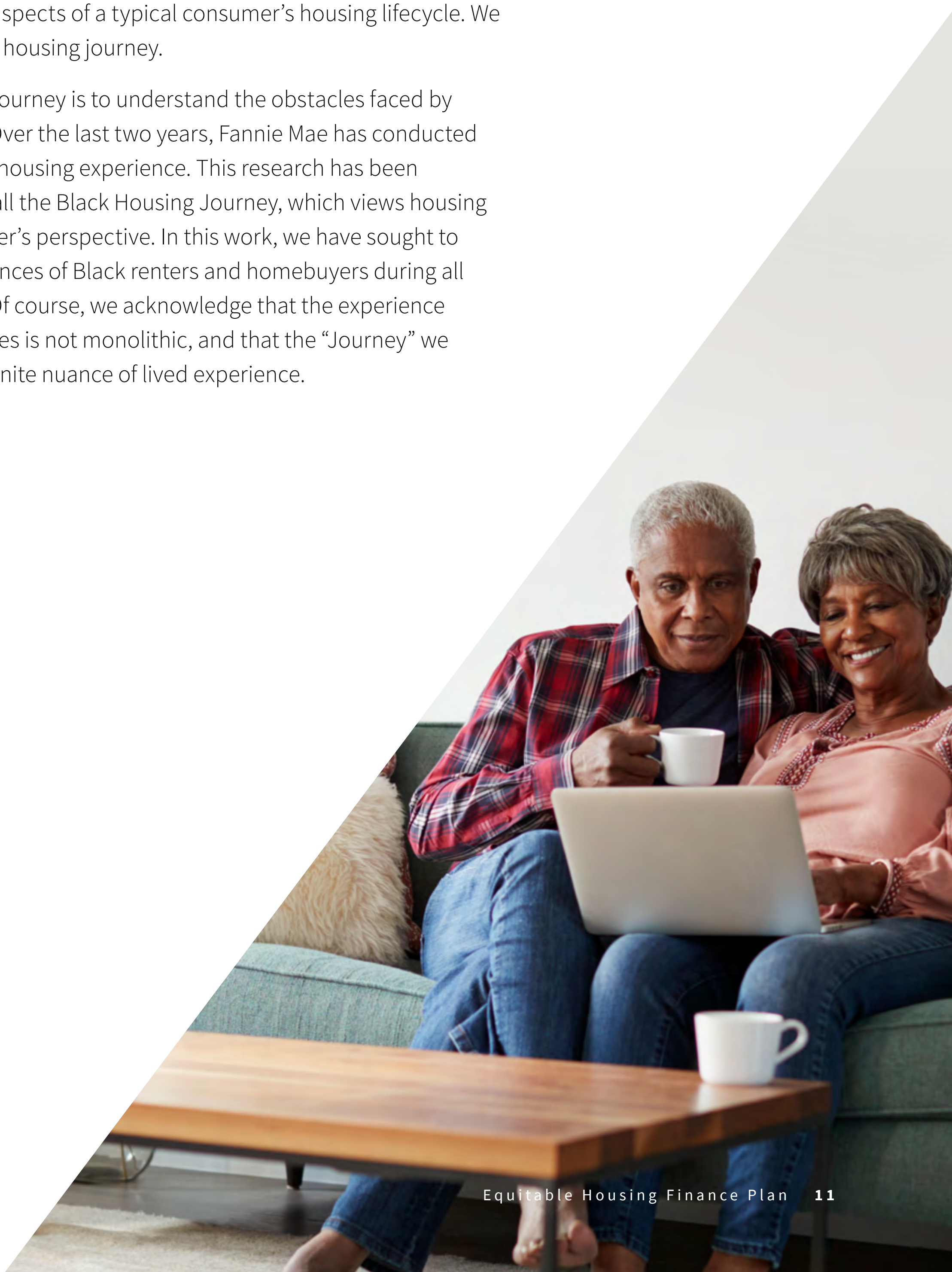
While SPCPs will always be unique to the lender and its community's needs, Fannie Mae's objective is to make our purchase of SPCP loans as routine as any other loans we currently buy. Fannie Mae anticipates that the first year of the Plan will be devoted to defining and launching three to five SPCP pilots with interested lenders. Details on these pilots, and the specific homeownership obstacles they will address, are included in our list of proposed actions below.

Black homeownership is the lowest of all racial groups in the United States, and the Black homeownership gap is not improving. Black families are less likely to have the wealth needed to purchase and sustain homeownership.

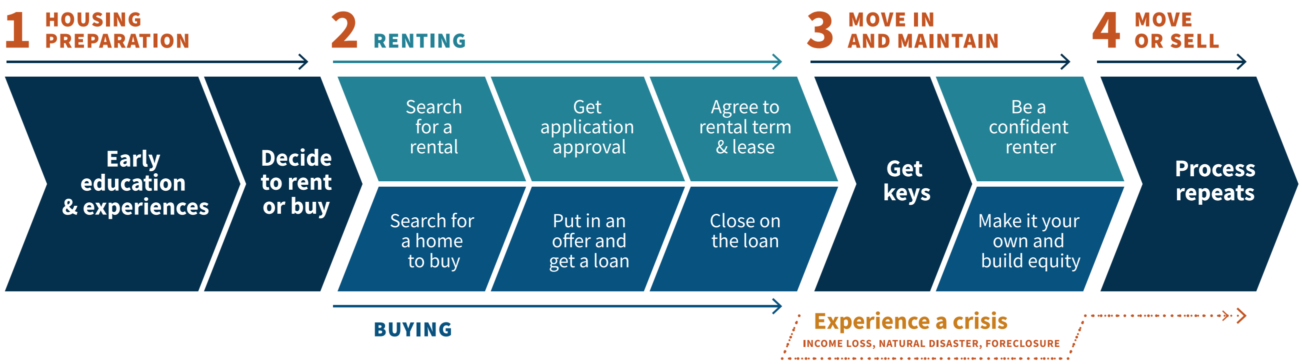
Our Actions: Solutions Rooted in the Black Housing Experience

To refine our focus and prioritize our actions in this Plan, we developed a consumer-centric framework that spans all aspects of a typical consumer's housing lifecycle. We call this framework the consumer housing journey.

Our first use case of this housing journey is to understand the obstacles faced by Black renters and homeowners. Over the last two years, Fannie Mae has conducted extensive research into the Black housing experience. This research has been distilled into a body of work we call the Black Housing Journey, which views housing obstacles from the Black consumer's perspective. In this work, we have sought to chronicle the present-day experiences of Black renters and homebuyers during all phases of their housing journey. Of course, we acknowledge that the experience of Black people in the United States is not monolithic, and that the "Journey" we describe does not capture the infinite nuance of lived experience.



The Housing Journey



Using the Black Housing Journey as our guide, our Equitable Housing Finance Plan actions will focus on three primary areas:

- **Housing Preparation:** Helping Black consumers prepare early for sustainable homeownership and access to quality rental housing through establishing strong financial and credit foundations.
- **Renting or Buying:** Removing unnecessary obstacles Black people face in shopping for, acquiring, renting, or financing the purchase of a home.
- **Moving in and Maintaining**: Improve the services that help sustain homeownership so that homeowners and renters can withstand disruptions or crises and remain stably housed.

For each of these focus areas, we document the specific obstacles, the actions we will take to overcome them, the outcomes we will measure, as well as the potential risks. As this is a three-year plan and our efforts entail a willingness to experiment (and fail) in achieving our desired goals, tactical changes and additions should be expected.

Housing Preparation

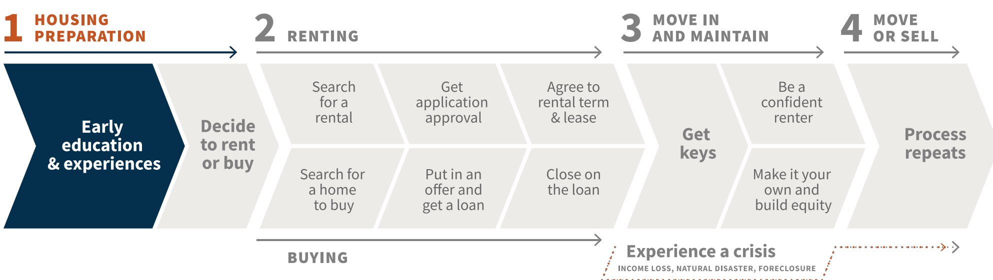
A Brookings Institution study[9] found wealth to be a more important factor than income in explaining the differences in homeownership rates among demographic groups. Homeowners are more likely to have higher incomes, more stable incomes, higher lifetime income expectations, and more savings. Individual wealth is tied to family or generational wealth often rooted in homeownership, and this is where most

9 "Examining the Black-white wealth gap," McIntosh, Moss, Nunn, Shambaugh, February 2020.

white and Black families differ greatly. Indeed, 72% of white families report they could get $3,000 from family or friends, compared with 41% of Black families. Black and Hispanic families are less likely to have received or expect an inheritance.[10]

This wealth disparity creates a cascade of difficulties for Black consumers as they start their housing journey. Fannie Mae's 2021 Multifamily "renter needs" research found 48% of Black renters versus 39% of white renters state the security deposit amount is a very important factor in choosing their rental home. For Black renters, the top reason for renting is to "become financially ready to own"; whereas for white renters, the top reason is "flexibility."[11] 87% of Black renters aspire to own a home one day, which is slightly higher than white renters (75%) and Hispanic renters (80%).[12]

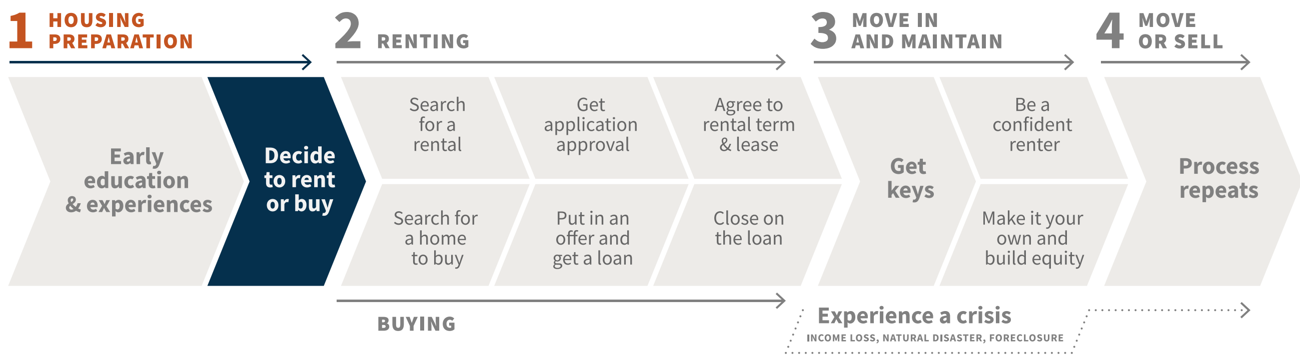
Knowledge gaps in housing preparation are a key factor in the Black housing experience. Fannie Mae's consumer research shows that people of color are more likely to have incorrect or incomplete information about credit building and credit scoring, mortgage qualification, or even how much money they need to make a down payment. Our research shows that Black renters want to understand many aspects of the homebuying process but are most interested in learning about how much home they can afford (58%) and down payment assistance programs (58%).[13]



Early Education and Experiences:

Black Americans are less likely to have parents who own homes, and are less likely to benefit from family wealth or wealth-building knowledge. Fannie Mae believes that expanded access to quality financial wellness education early in life is essential to any effort to address past racial discrimination in housing. In particular, helping students and young adults build strong credit histories, budgeting skills, and savings is vital to increasing the number of prospective homebuyers and sustainable homeownership over the long term. We are presently working with community groups, business partners, and professional associations to develop and implement such initiatives, which we hope will become integral to this Plan in future years.

10 Survey of Consumer Finances 2019.
11 Fannie Mae National Housing Survey, Q4 2019.
12 Fannie Mae National Housing Survey, Q2 2021.
13 Fannie Mae National Housing Survey, Q2 2021.



Obstacle: On-time rental payments are rarely included in credit histories and usually don't contribute to a renter's credit score.

Action 1:

Pilot rental payment reporting across the multifamily industry to help Black renters with no credit score establish a credit history and help those with low credit scores to increase them.

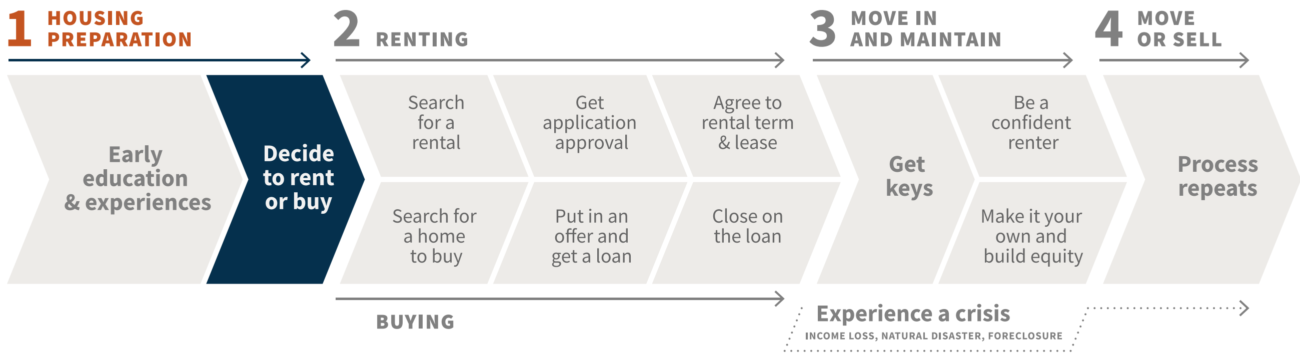
Description: Construct and launch a pilot project to evaluate the viability and effectiveness of having multifamily landlords report rental payment data to credit bureaus. If pilot findings are favorable, develop a Fannie Mae program to accelerate the adoption of rental payment reporting across the multifamily industry.

Targets and Outcomes:

- **2022**
  - **Rental Payment Reporting Adoption Pilot Framework:** Construct a pilot project by Q2 with 1 – 2 vendors and 3 – 5 multifamily landlords targeting a sample group of properties to participate in rental payment credit reporting. Vendors will be evaluated based on payment reporting program design, reach, and impact, among other factors. Landlords will be selected based on affordability characteristics of their portfolios, size, and geography, among other factors.[14]
  - **Targeted Outcomes for Rental Payment Reporting Framework:** Construct pilot to evaluate targeted quantitative outcomes: renter and landlord adoption rates, number of credit scores established, and the magnitude of credit score increases. In addition, we will seek to identify obstacles to renter and landlord adoption of rent reporting and potential solutions to address those obstacles.
  - **Launch Rental Payment Reporting Adoption Pilot:** Launch pilot in the field by Q3.

- **2023 – 2024**
  - **Complete Rental Payment Reporting Adoption Pilot:** Complete pilot by Q1 2023.
  - **Rental Payment Reporting Adoption Pilot Findings Assessment:** Based on these quantitative and qualitative findings we will assess the viability of scaling the program and, if viable, design, implement, and refine the program as needed based on additional quantitative and qualitative learnings during the roll-out.

14 Fannie Mae is engaging with credit rating agency representatives to aid in the development of uniform standards for rental reporting in credit reports.



Obstacle: Black consumers are less likely to have the savings or family wealth to help with a down payment or security deposit.[15]

Action 2:

Pilot options to defray and/or decrease the cost of renter security deposits. Decreasing renter security deposits would help Black renters qualify for quality rental housing and help them increase their savings.

Description: Construct and launch a pilot to evaluate options available to reduce upfront security deposit costs and the effectiveness of those options. If pilot findings are favorable, develop a Fannie Mae program to accelerate the adoption of security deposit alternatives across the multifamily industry.

Targets and Outcomes:

- **2022**
  - **Security Deposits Defrayal Adoption Pilot Framework:** Develop a pilot with 1 – 2 vendors and 3 – 5 multifamily landlords targeting a sample group of properties to participate. Vendors will be evaluated based on design of security deposit alternatives, reach, and impact, among other factors. Landlords will be selected based on affordability characteristics of their portfolios, size, and geography, among other factors.
  - **Targeted Outcomes for Security Deposits Defrayal Pilot Framework:** Construct pilot to evaluate targeted quantitative outcomes: rates of renter and landlord usage of security deposit alternatives and magnitude of renter savings afforded by use of the alternatives, relative to traditional security deposits. In addition, we will identify obstacles to renter and landlord adoption of security deposit alternatives and potential solutions to address those obstacles.
  - **Launch & Complete Security Deposits Defrayal Pilot:** Design pilot program by Q3 and launch pilot in the field by Q4.
- **2023 – 2024**
  - **Security Deposits Defrayal Pilot Findings Assessment:** Complete pilot by Q2 2023. Based on quantitative and qualitative findings, we will assess the viability of scaling the program and, if viable, design and implement the program, and refine as needed based on additional quantitative and qualitative learnings during the roll-out.

15 The Transition to Home Ownership and the Black-White Wealth Gap – Kerwin Kofi Charles and Erik Hurst, The Review of Economics and Statistic, 2002, vol. 84, issue 2, 281-297 https://econpapers.repec.org/article/tprrestat/v_3a84_3ay_3a2002_3ai_3a2_3ap_3a281-297.htm

Renting or Buying

Searching for and acquiring a home can be difficult under the best of circumstances, but Black people are more likely to face a range of challenges unique to them.

> Rental applications are rejected more often for Black people: Fannie Mae's Multifamily Renter Needs Research found that 31% of Black renters have had a rental application turned down, compared with 18% of white renters, while 20% of Black and 24% of Hispanic renters cite difficulty finding information on rental listings, compared with 14% of white renters.

Black home seekers were told about 11.4% fewer rental units and shown 4.2% fewer rental units than white home seekers.[16] 73% of Black and Hispanic renters and 84% of Asian renters pay an application fee, versus 56% of white renters. In urban areas, the differences are smaller, but the disparity remains.[17]

Lack of familiarity with the basics of acquiring a home has disproportionate impacts. According to Fannie Mae's mortgage qualification research, 38% of the general population does not know how much a lender would require for a down payment; 49% of Black consumers do not know how much would be required for a down payment. Many overestimate down payment costs: 42% of potential homebuyers overestimate the required down payment for a mortgage.

The general unfamiliarity with the homebuying requirements may disproportionately impact Black consumers who are already hampered by their efforts to become homeowners by lower average credit scores and available savings.

> Black applicants have higher mortgage denial rates than white applicants.

The median credit score for Black mortgage applicants is lower than those of white applicants (691 compared with 748).[18] Indeed, differences in credit scores and credit attributes are an important contributor to the Black-white homeownership gap. Black people have higher levels of credit "invisibility," meaning they have no credit history on file with a major credit bureau. About 15% of Black people are credit invisible (compared with 9% of white and Asian people) and so are more likely to have an unscored record due to lack of history, which limits their access to financing.[19] Black renters' top obstacle to getting a mortgage is insufficient credit score/credit history (47%), followed by insufficient funds for a down payment and closing costs (35%).

Black people face a range of challenges unique to them:

General unfamiliarity with the homebuying requirements

Lower average credit scores and available savings

49% of Black consumers do not know how much would be required for a down payment

42% of potential homebuyers overestimate the required down payment

16 Housing Discrimination Against Racial and Ethnic Minorities 2012," HUD, 2013.
17 Zillow Group Consumer Housing Trends Report, 2019.
18 2018 Home Mortgage Disclosure Act data.
19 "Data Point: Credit Invisibles," CFPB, 2015.

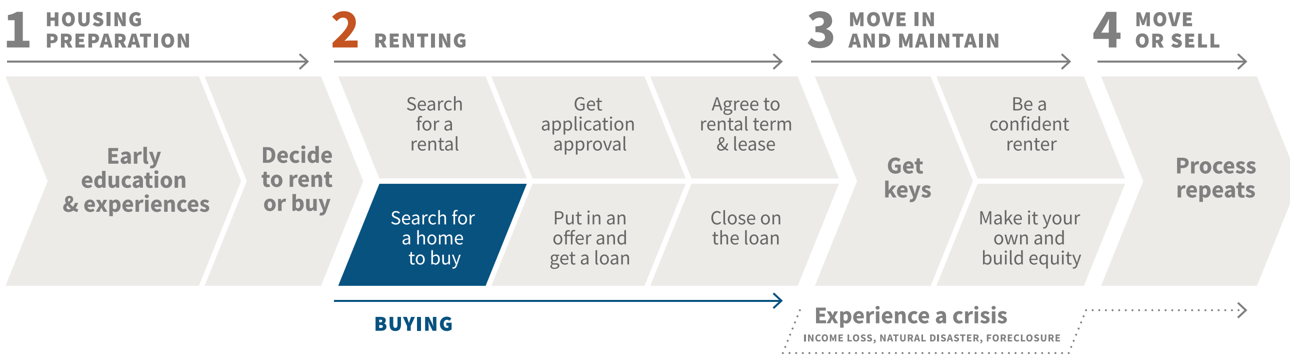
The order is flipped for white and Hispanic renters, where the down payment and closing costs are their biggest obstacle (38% and 39%, respectively), followed by insufficient credit score/credit history (32% and 33%, respectively).[20]

Low-income people of color buying their home for the first time are more likely to pay higher fees relative to a home's purchase price in the homebuying and mortgage process than their white peers. Recently, Fannie Mae conducted a closing cost study of its 2020 home purchase loan acquisitions. That study found that closing costs tend to be regressive, in that low-income first-time homebuyers have median closing costs relative to home purchase price that are 13% higher than the median costs for all homebuyers. The study also found that Black and white Hispanic low-income first-time homebuyers pay higher median closing costs relative to purchase price than their white non-Hispanic or Asian counterparts.[21]

Another potential barrier that has received widespread media attention is the issue of whether homes owned by Black homeowners or those in predominantly Black neighborhoods receive lower valuations during the home appraisal process.

> Fannie Mae is conducting research into this issue leveraging our database of over 54 million residential property appraisals to analyze undervaluation that could indicate bias to help identify root causes and potential solutions.

20 Fannie Mae National Housing Survey responses, Q3 2021.
21 "Barriers to Entry: Closing Costs for First-Time and Low-Income Homebuyers," Mota and Palim, December 2021.



Obstacle: Misperceptions or lack of knowledge about the homebuying and mortgage qualification process discourage some Black renters from pursuing homeownership.[22]

Action 3:

Build and Launch Fannie Mae First-Time Homeownership Education Curriculum[22] that aims to provide consumers with education on the full spectrum of the homebuying process.

Description: Develop and launch Fannie Mae HomeView™, a homeownership education course that aligns with National Industry Standards for Homeownership Education and Counseling. The course content was digitally analyzed according to the Flesh-Kincaid Grade Level and assessed to achieve an average reading level of 8th grade, which aligns with the reading level of the average person in the U.S., according to the Literacy Project. Make enhancements to the Fannie Mae homeownership course to deliver an education product across the mortgage lifecycle.

Targets and Outcomes:

- **2022**
  - **Launch Fannie Mae First-Time Homeownership Education Curriculum:** Go live with HomeView™ in January 2022.
  - **Marketing Outreach to Lenders & Agencies:** In Q1, provide marketing outreach to promote course and showcase benefits to drive adoption/use among lenders and housing counseling agencies in targeted markets that reach majority Black populations.
  - **Marketing Outreach to Consumers:** In Q2/Q3, launch a general marketing campaign to start driving consumer awareness and usage.
  - **Fannie Mae HomeView™ Product Usage & Adoption:** By the end of 2022, we anticipate that 100,000 first-time homebuyers will have completed homeownership education with any provider and for 50,000 consumers to complete the Fannie Mae homeownership education course.

  Launch Fannie Mae HomeView™ in Spanish: By the end of 2022, we plan to introduce a Spanish version of Fannie Mae HomeView™ course.

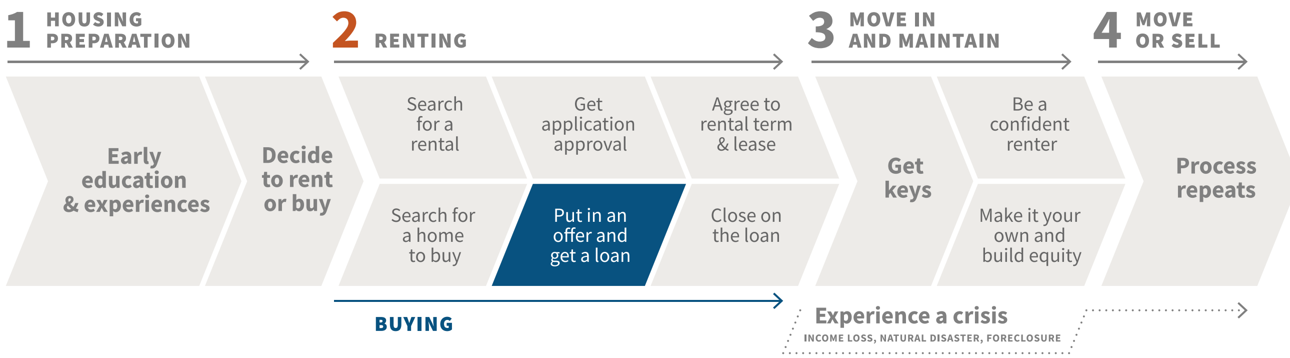
22 2018 Mortgage Qualification Research - https://singlefamily.fanniemae.com/media/21466/display
23 All consumer education modules and training materials will be regularly updated to assure they remain current and actionable for new audiences.

2023

- **Increase Fannie Mae HomeView™ Usage & Adoption:** Refine and continue marketing outreach to increase usage so that 120,000 first-time homebuyers will have completed homeownership education with any provider and for 70,000 consumers to complete the Fannie Mae homeownership education course.
- **Launch Fannie Mae HomeView™ in Additional Language(s):** Continue launch of additional language(s).

2024

- **Increase Fannie Mae HomeView™ Usage & Adoption:** Refine and continue marketing outreach to increase consumer usage so that 140,000 first-time homebuyers will have completed homeownership education with any provider and for 90,000 consumers to complete the Fannie Mae homeownership education course.



Obstacle: Insufficient credit history and a lack of down payment result in higher mortgage denial rates for Black applicants.[24]

Action 4:

Execute SPCP Pilots to help support the expansion of homeownership eligibility and availability of down payment assistance (DPA[25]), while exploring ways to reduce SPCP participation hurdles for lenders.

Description: Execute the following pilots, singularly or in combination:

A. **Expansion of Eligibility:** Create a HomeReady® or similar program specifically for use with our SPCP pilots. This program would extend the benefits of the HomeReady product to borrowers with income levels greater than 80% of area median income in the SPCP areas who are purchasing or refinancing a principal residence.[26] Potential benefits include lower down payment requirements, underwriting flexibilities, such as expanded sources of funds for down payment and closing costs, mortgage insurance (MI) cost reductions through lower-than-standard MI requirements and reduced pricing through lower loan-level price adjustments (LLPAs). These pilots would allow Fannie Mae to test which of these benefits, or combinations of benefits, are the most effective. In addition, we plan to test expanded credit criteria, such as allowing for greater usage of boarder income. We will also encourage SPCP pilot lenders to use positive rental payment data in DU® as part of their loan process in order to help increase credit access for borrowers with thin credit histories.

B. **Down Payment Assistance (DPA):** Allow DPA funds, in some cases at a substantial level, from one or more of a variety of sources. Potential sources include lender-funded; Fannie Mae-funded; nonprofit-funded; Housing Finance Agency- (HFA) or government-funded, or some combination of these.

C. **Local Government Programs:** Identify opportunities for Fannie Mae to work with eligible recipients of funds from local government programs established to address housing discrimination and wealth inequity. Apply the SPCP scenarios described above as appropriate. Listen to stakeholders in communities with these programs to learn what help they most need. Assess opportunities to bring industry stakeholders to the table (e.g., lenders, mortgage insurance companies, etc.) to further help eligible recipients. Document learnings and explore where we can apply to other emerging programs so that these loans can be salable to Fannie Mae.

---

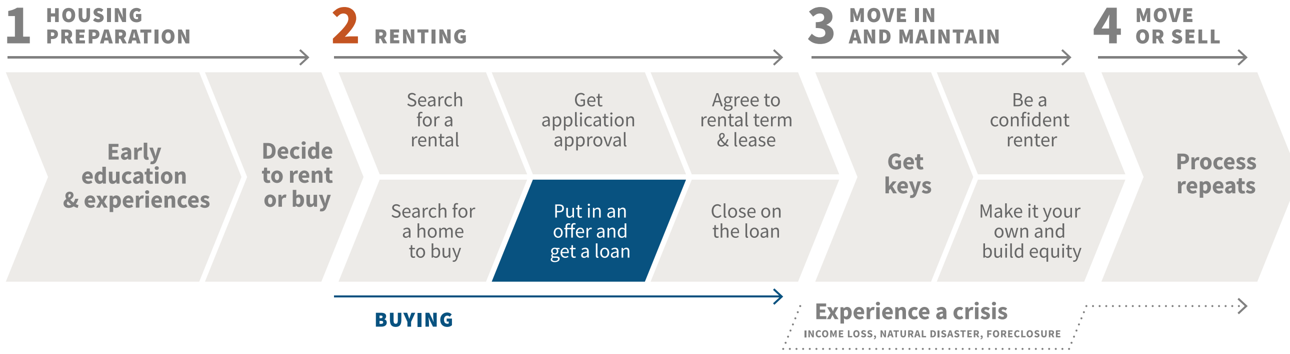
24 Goodman, L., Bai, B., Li, W. (2018). Real Denial Rates: A Better Way to Look at Who Is Receiving Mortgage Credit https://www.urban.org/sites/default/files/publication/98823/real_denial_rates_2.pdf
25 DPAs could come from local, community, or governmental sources.
26 Fannie Mae's HomeReady program is generally limited to borrowers with incomes less than or equal to 80% of Area Median Income.

D. **Reduce Hurdles for SPCP Participation:** Identify barriers to lender participation in SPCPs through a market insights survey and create opportunities for increased participation (e.g., clarification or changes to our *Selling Guide*) so that loans can be salable to Fannie Mae.

Targets and Outcomes:

- **2022**
  - **Target Market Alignment:** Identify and align target markets, lenders, and other industry participants (Q2).
  - **Pilots Launched:** Execute 2 – 3 Pilots to inform 2023 actions (at least one each of down payment assistance and expanded eligibility).

- **2023 – 2024**
  - **Assessment of Pilots & Plans to Scale:** Evaluate success of pilots to determine how/if to scale or replicate.
  - **Freddie Mac & FHFA Standardization Collaboration:** As appropriate, work with FHFA and Freddie Mac to develop standardized government-sponsored enterprise (GSE) program(s).



Obstacle: About 15% of Black consumers are credit invisible.[27]

Action 5:

Expand Eligibility and Access for credit-invisible borrowers through automated underwriting enhancement and positive rental data implementation to support the expansion of eligibility for Black consumers.

Description: Increase access to credit for the 15% of Black consumers who lack credit scores by (a) implementing automated underwriting enhancements and (b) expanding positive rental data in Desktop Underwriter ® (DU®) adoption.

A. **Automated Underwriting Enhancements & Expansion.** Enhance and expand automated underwriting for all borrowers without a credit score. Increase access for credit-invisible borrowers by implementing capabilities to conduct cash-flow underwriting[28] in Fannie Mae's automated underwriting engine, DU. Make it easier for consumers with no credit score to become qualified using alternative sources of credit by implementing automated validation of non-traditional tradelines in DU.

B. **Positive Rental Data Implementation.** Expand adoption and usage of positive rental data in DU by further driving implementation of the technical enhancement among lenders, vendors, and other key constituents to ensure broad availability for borrowers.

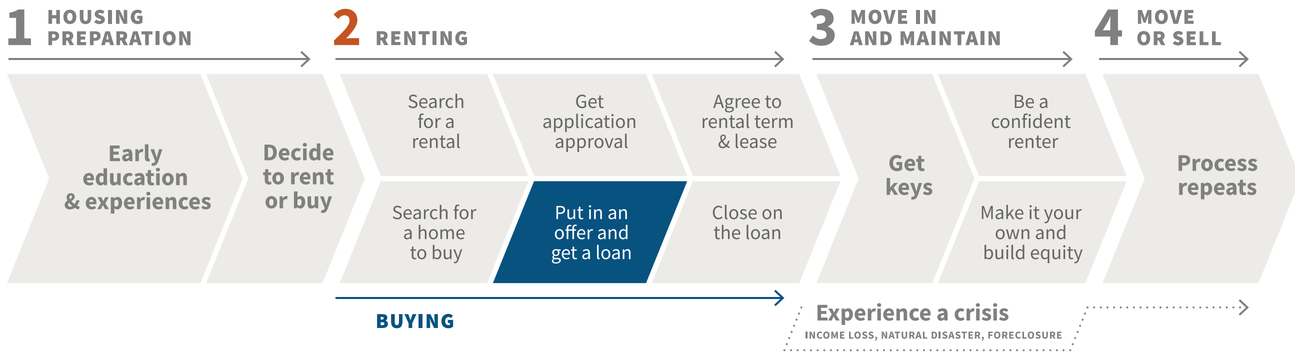
27 **Credit invisible** is defined as consumers without records in nationwide credit reporting agencies according to the Consumer Financial Protection Bureau (CFPB). These customers have no credit information (which is different from customers with credit information but no score) and are often Black, Hispanic, or of low income. These customers face challenges in accessing credit.

28 **Cash-flow underwriting:** Use of summarized data from digital bank statement records covering such items as transaction patterns, balance trends over time, and other observations.3

Targets and Outcomes:

- **2022**
  - **Cash-Flow Underwriting:** Implement cash-flow underwriting into DU by Q4 2022 for borrowers without a credit score.
  - **Automated Validation in DU using Non-traditional Credit Tradelines:** Using bank statement data, implement automated validation in DU of two non-traditional credit tradelines (e.g., Rental pay history, telecom) by Q4 2022.
  - **Positive Rental Payment Reporting Outreach:** Expand adoption of positive rental payment in DU via outreach through (1) direct lender and vendor engagement, (2) paid digital media outreach, (3) webinars, conferences, partner, and affinity marketing, and (4) Fannie Mae Connect™ report dashboard, a central source of information for Fannie Mae lenders, to help lenders identify potential opportunities.
  - **Launch Rental Payment Reporting Consumer Campaign:** Upon lender adoption at a national level, launch a consumer informational marketing campaign in markets that reach a majority Black population to create awareness of the potential ability to qualify for a mortgage with consistent, on-time rent payments and encourage outreach to their local lender.

- **2023 – 2024**
  - **Cash-Flow Model Adoption Plan:** Assess ongoing adoption rates and create a 12-month plan to drive increased adoption and utilization of the cash flow model as necessary.
  - **Cash-Flow Model Performance Assessment:** Program and loan performance monitoring.
  - **Cash-Flow Underwriting Program Assessment:** Evaluate whether the increase of cash-flow underwriting for borrowers in DU yields higher approve eligible rates and/or deliveries to Fannie Mae.



Obstacle: Insufficient credit history and a lack of down payment results in higher mortgage denial rates for Black applicants.

Action 6:

Enhance Eligibility & Underwriting via Rental Reporting to Credit Bureaus to support the expansion of eligibility for Black consumers.

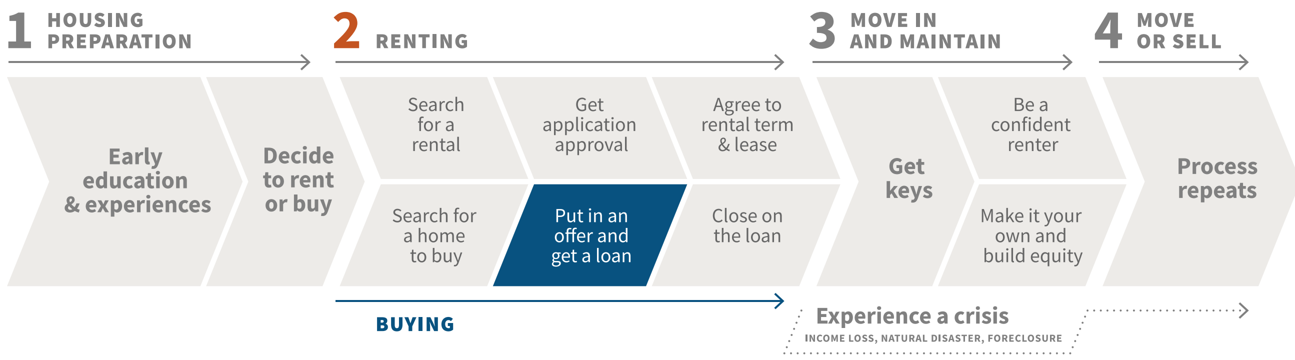
Description: Encourage the reporting of positive rent payments to the Credit Bureaus through ongoing work with groups such as the Consumer Data Industry Association (CDIA), which represents consumer reporting agencies including the nationwide credit bureaus, regional and specialized credit bureaus, background check companies, and others.

Targets and Outcomes:

- **2022**
- **Rental Reporting to Credit Bureaus Outreach & Awareness:** Amplify the Consumer Data Industry Association (CDIA) Rental Empowerment Project, and support their four-pillar approach that includes:

  a. Support the efforts to build an operational framework for rental reporting data standards to be incorporated by credit bureaus.
  b. Partner on education and related training for all industry stakeholders to drive awareness.
  c. Leverage Fannie Mae research team to analyze and evaluate effectiveness and gaps.

- **2023 – 2024**
- **Program Assessment & Refinements.** Monitor progress and refine strategy.
- **Continue Partnership on Rental Empowerment Project:** Continue to support CDIA on the Rental Empowerment Project: education, policy, operations, and research.



Obstacle: Black consumers are more likely to face higher closing costs relative to a home's purchase price, creating barriers to first-time homebuyers and depleting post-purchase savings.

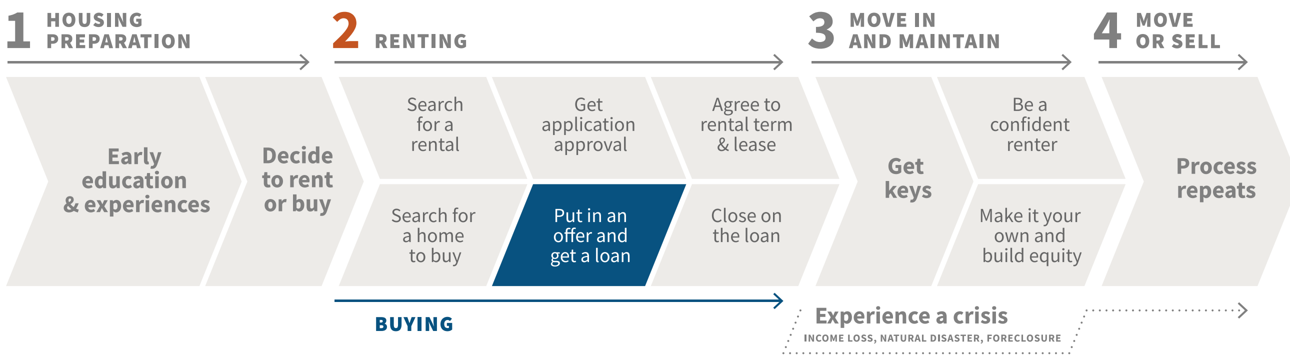
Action 7:

Execute SPCP Pilot to support the reduction of borrower closing costs for Black homebuyers via appraisal products, appraisal reimbursements, and/or title products.

Description: Construct an offering in connection with one or more of our SPCP pilots to test the use of appraisal reimbursements, appraisal products, or title products in certain target geographic markets to reduce borrower closing costs for Black homebuyers.

Targets and Outcomes:

- **2022**
  - **Target Market Alignment:** Identify and align on target markets, lenders, and other industry participants by Q2 2022.
  - **Pilots Launched:** Execute 2 – 3 Pilots to inform 2023 actions.
  - **Assessment of Pilots:** Evaluate effectiveness of pilot in reaching Black homeowners; cost savings in reducing payment; and closing cost barriers for Black homebuyers.
- **2023 – 2024**
  - **Assessment of Pilots & Plans to Scale:** Evaluate success of pilots to determine how/if to scale.
  - **Freddie Mac & FHFA Standardization Collaboration:** If necessary, work with FHFA and Freddie Mac to develop standardized GSE program(s).



Obstacle: Black consumers cite insufficient savings for down payment and closing costs (31%) and insufficient credit (32%) as their top obstacles to getting a mortgage.

Action 8:

Reduce Closing Costs for Black consumers to help support the removal of the barrier of lack of sufficient funds for closing (down payment plus closing costs) faced by Black homeowners and prospective homeowners.

Description: Document borrower closing costs and identify opportunities to alleviate the disproportionate closing cost burden on borrowers of color. Three initiatives are planned for 2022. Actions beyond 2022 will depend on the impact these initiatives have but could include changes to some or all of these initiatives, development of additional initiatives to reduce closing costs, or the decision to not make further investments in reducing closing costs.

Targets and Outcomes:

- **2022**
- **Closing Cost Research, *Selling Guide* Updates, and Title Insurance Pilot are key initiatives planned to assist with the reduction of closing costs for 2022:**

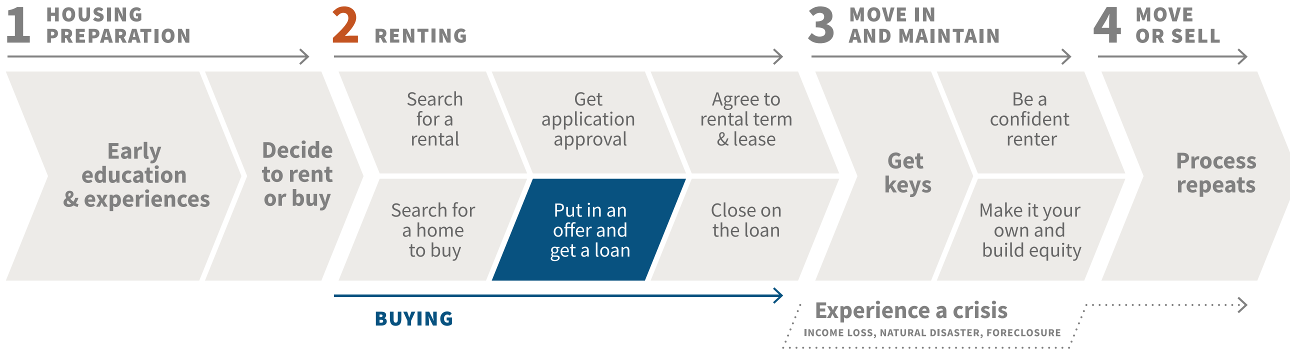
  a. **Closing Cost Research:** Initial closing cost research, which includes analysis of closing costs paid by different racial and ethnic groups, was published in December 2021. Additional research on how closing costs impact people of color and low-income populations will be published in 2022. We believe publishing this research will build awareness of disparities in closing costs across racial and ethnic lines, and that stakeholders will be more compelled to act to remedy these disparities once they are measured and documented. We will evaluate stakeholder interest and success by measuring engagement with the research, as measured quantitatively by views/downloads of the research and qualitatively by industry interest in and discussion of the findings.

b. **Attorney Opinion Letter:** Update the *Selling Guide* to encourage lenders to allow borrowers the option to utilize an attorney opinion letter in lieu of traditional title insurance more often, which may be cheaper than traditional title options. We believe more common use of attorney opinions could lead to savings for some borrowers. We are looking into how we will be able to utilize internal and/or external data to track usage of this option.

c. **Title Insurance Cost Reduction:** Pilot options to reduce title insurance costs to borrowers. Potential options could include coordination of bulk purchase of title insurance, with savings passed to consumers, or a subsidy for qualifying buyers. While the specifics will vary depending on the pilot, we will evaluate success based on the number of borrowers who leverage the pilot benefits and the estimated average savings for each of these borrowers.

2023 – 2024

- **Program Assessment:** Actions for these years will depend on lessons learned in the pilot. Potential actions include developing additional initiatives aimed at reducing other closing costs, expansion of or modifications to initiatives launched in 2022, or a decision to deprioritize various aspects of this work.



Obstacle: Lack of readily available consumer information to evaluate the reasonableness of closing costs.

Action 9:

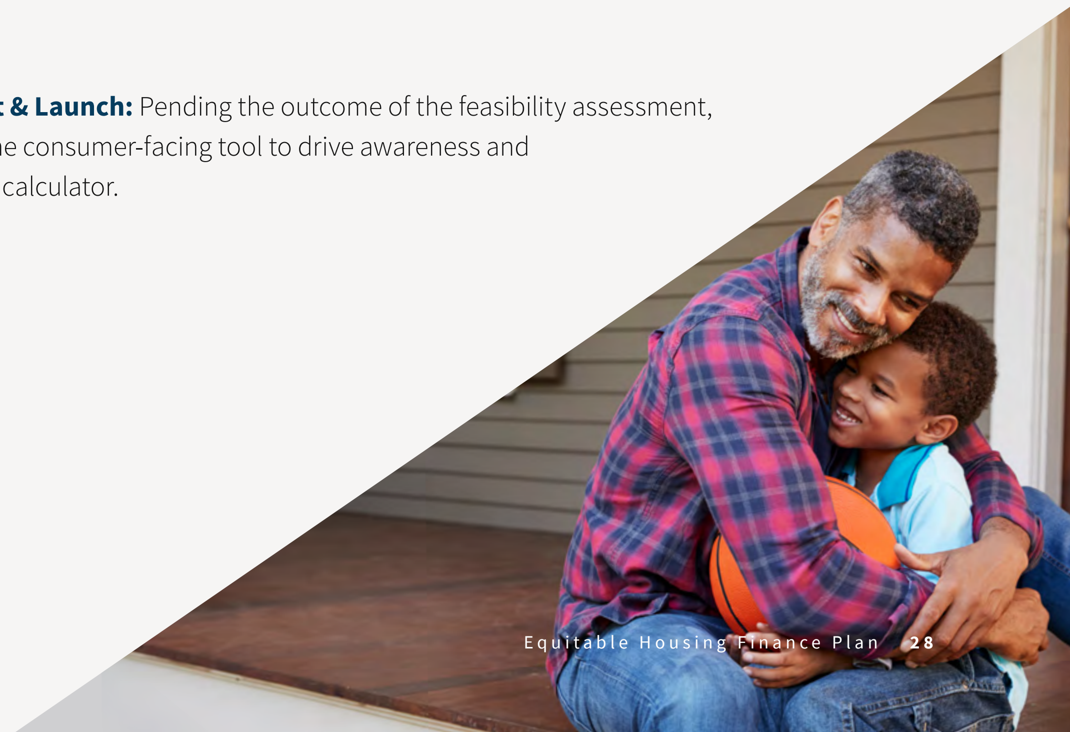
Launch Closing Cost Calculator Tool

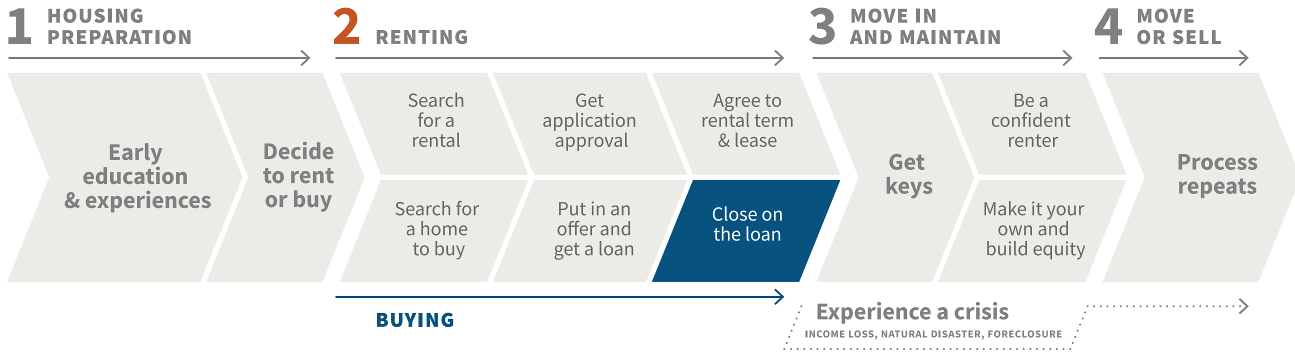
Description: Create a consumer-facing closing cost calculator using Fannie Mae's aggregated closing cost data from loan acquisitions for consumers to look up average closing costs specific to their general geographical location (e.g., by ZIP code). This tool will bring greater transparency to closing costs and provide empirical data that can help consumers more effectively negotiate those costs.

Targets and Outcomes:

- **2022**
  - **Tool Feasibility Assessment:** Assess the feasibility of developing the closing cost calculator and supporting educational resources. Pending the outcome of the feasibility assessment, we will develop the consumer-facing tool and supporting educational resources. These items may help consumers better understand the components of closing costs and use the tool to compare their closing costs with benchmarks.

- **2023 – 2024**
  - **Tool Feasibility Assessment & Launch:** Pending the outcome of the feasibility assessment, we will launch and promote the consumer-facing tool to drive awareness and utilization of the closing costs calculator.





Obstacle: Potential for racial bias in the appraisal process may lead to valuation discrepancies for Black homeowners or homes in predominantly Black neighborhoods.

Action 10:

Valuation Modernization aims to support an equitable appraisal process for Black households and communities of color.

Description: Fannie Mae believes there is a way to modernize how homes are appraised by leveraging data analysis, quality control (QC), monitoring trends, industry engagements, and technology. Fannie Mae's 2022 Appraisal Bias Work Plan incorporates all of these elements in order to reduce the potential for appraisal bias.

Targets and Outcomes:

- **2022**
- **Data Analysis, Quality Control (QC), Monitoring Trends, Industry Engagements, and Technology are key initiatives of the 2022 Appraisal Bias Work Plan:**

  a. **Data Analysis:** Leverage our database of roughly 54 million appraisals to analyze undervaluation that could indicate bias. These data will be used to analyze any disparities in the frequency and severity of undervaluation relative to borrower race and neighborhood demographics. **Target Outcome:** The results of these data will inform the research that will be published via an external industry memo followed by a research paper that will be shared with industry stakeholders in Q1 – Q2 2022.

  b. **Quality Control (QC)/Monitoring:** Enhance our quality control requirements for lender appraisal reviews and increase ongoing appraisal quality monitoring. Appraisal Quality Monitoring includes random and targeted quality control reviews of appraisals on acquired loans. Leverage our established Appraiser Quality Monitoring process to identify individual appraisers whose appraisal reports may indicate bias through a pattern of inconsistencies, inaccuracies, or data anomalies. Communicate with appraisers identified to provide an opportunity to improve their work and follow up with other actions as needed. **Target Outcome:** Implement a new awareness flag data point that will activate when internal data indicate a possible undervaluation, triggering a targeted quality control review by Q2 2022.

c. **Monitor Trends:** Continue to evaluate trends across appraisals for problematic words and phrases that may indicate bias. Continue to broadly reinforce messaging that it is unacceptable to use demographic data in determining property value.

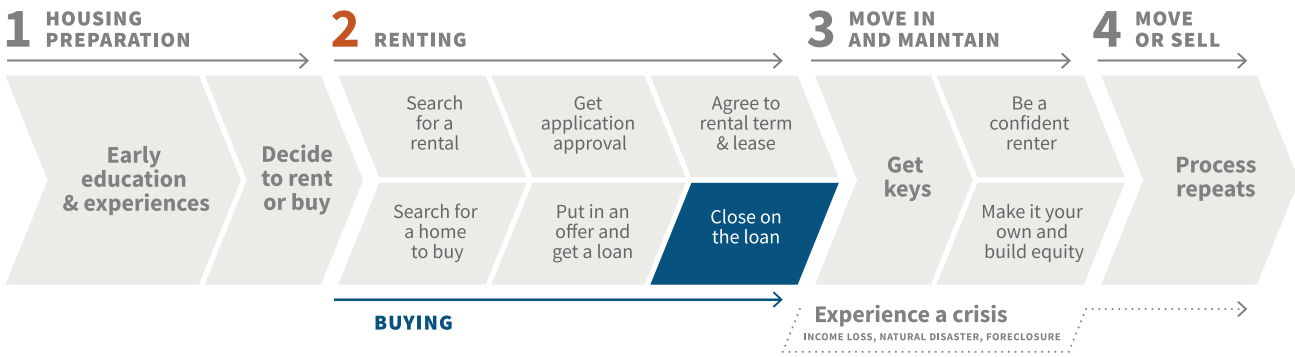
d. **Industry Engagement:** Convene lender representatives in appraisal management roles to share information about appraisal bias challenges and potential solutions. **Targeted Outcome:** Continue to raise awareness of research paper results, new products, and technology enhancements across a minimum of 12 industry forums throughout 2022.

e. **Technology:** Leverage data and technology to implement a range of valuation options to lower costs and reduce the potential for bias in the appraisal process. Modify the Fannie Mae *Selling Guide* to allow for desktop as an appraisal option, based on successful implementation of this option during the COVID-19 pandemic. Increase use of hybrid appraisals, where the property inspection is done by an independent third party. Both options reduce costs to the borrower and reduce potential risk of bias by creating greater separation between the appraiser and borrower. **Targeted Outcome:** Enhance Collateral Underwriter® (CU®)[29] with a new undervaluation flag to be launched into production in Q2 2022.

2023 – 2024

- **Product Launch:** Launch inspection-based appraisal waiver.
- **Product Assessment:** Evaluate impact of this program on reducing closing costs and potential racial bias in the appraisal process.
- **Product Refinement:** Refine to incorporate learnings from launch and rollout and develop permanent solution.
- **Product Updates:** Launch new Uniform Appraisal Dataset (UAD) specifications that will help appraisals be more data centric versus subjective.

29 Collateral Underwriter® (CU®) is a web-based application provided at no charge to help lenders manage collateral risk as part of their underwriting and quality control processes. The application uses appraisal data and advanced analytics to help identify and research appraisals with overvaluation, appraisal quality, or property eligibility/policy compliance risks.



Obstacle (see also action 10): Potential for racial bias in the appraisal process may lead to valuation discrepancies for Black homeowners or homes in predominantly Black neighborhoods.

Action 11:

Expand Appraiser Diversity Initiative (ADI) to attract new entrants to the residential appraisal field, overcome barriers to entry (such as education, training, and experience requirements), and foster diversity, which we believe will help to reduce appraisal bias against Black homebuyers, homeowners, and communities over the long term.

Description: The Appraiser Diversity Initiative (ADI) is a Fannie Mae-led initiative to create greater diversity within the housing appraisal industry. Through ADI, we seek to grow the number of Black appraisers. We do this by building awareness of the appraisal field as a potential career path for candidates from historically underrepresented groups and providing scholarships for selected individuals to participate in courses offered by the Appraisal Institute. These courses are designed to prepare candidates to begin working as an appraiser trainee and meet the educational requirements to attain a trainee license through their local state board. In addition to the coursework, the ADI helps connect program participants to industry participants who have opportunities available for appraiser trainee positions. The ADI diversifies the candidate pipeline for the housing appraisal industry.

Targets and Outcomes:

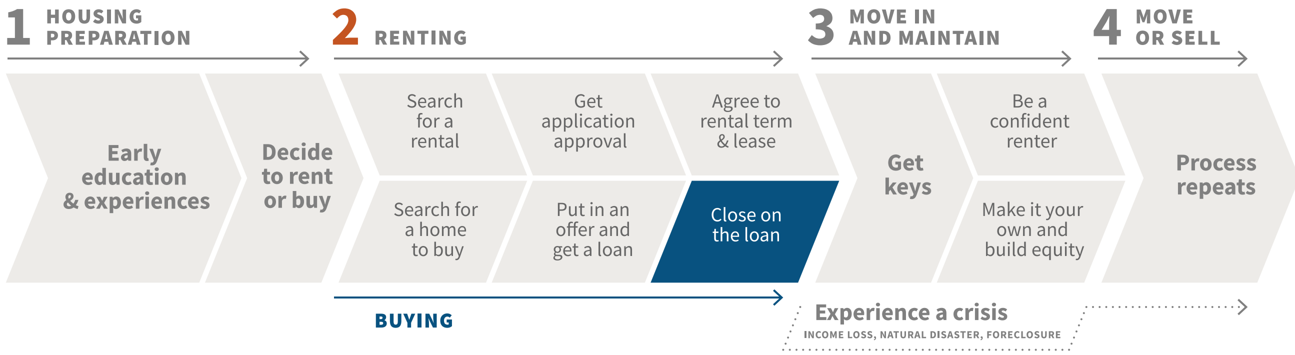
- **2022**
  - **Appraiser Trade Profession Scholarships:** Provide 200 scholarships to the Appraisal Institute to support people of color in the appraiser trade profession.
  - **Appraiser Diversity Program Recruiting Outreach:** Host at least seven outreach events/programs to raise ADI awareness among people of color.
  - **Sponsorships Acquisition:** Secure a minimum of five new sponsors from industry stakeholders (i.e., Lenders, Appraisal Firms, Appraiser Management Companies).
  - **Higher Education Outreach:** Develop and test two higher education outreach programs, including one at an Historically Black College or University (HBCU), per quarter.

2023

- **Appraiser Trade Profession Scholarships:** Provide 200 new scholarships to support people of color in the appraiser trade profession.
- **Appraiser Diversity Program Recruiting Outreach:** Host 7+ outreach events/programs to recruit diverse individuals to the ADI.
- **Sponsorships Acquisition:** Secure an additional 3+ new sponsors from industry stakeholders (i.e., Lenders, Appraisal Firms, Appraiser Management Companies).
- **Higher Education Outreach:** Refine approach and hold 1 Historically Black College and University (HBCU) and college outreach opportunity per quarter.

2024

- **Appraiser Trade Profession Scholarships:** Provide 200 new scholarships to support people of color in the appraiser trade profession.
- **Appraiser Diversity Program Recruiting Outreach:** Host 7+ outreach events/programs to recruit diverse individuals to the ADI.
- **Sponsorships Acquisition:** Secure an additional 3+ new sponsors from industry stakeholders (i.e., Lenders, Appraisal Firms, Appraiser Management Companies).
- **Higher Education Outreach:** Refine approach and hold 1 Historically Black College and University (HBCU) outreach opportunity per quarter.



Obstacle: Industry professionals throughout the mortgage and housing systems do not reflect the racial makeup of the U.S. population.[30]

Action 12:

Expand Future Housing Leaders® (FHL) to increase the representation of Black people in the housing industry to improve access to economic opportunities while creating an industry that better reflects the diversity of the nation.

Description: Future Housing Leaders® is a free, Fannie Mae-led recruiting service that helps companies create a more diverse workforce. Through intentional sourcing and recruiting, Future Housing Leaders® provides companies in the housing industry with a pipeline of diverse talent to introduce them to careers in housing. By partnering with Future Housing Leaders®, housing industry employers have access to a talent network that can help companies fulfill their commitments to forging a more diverse and inclusive workforce.

Targets and Outcomes:

- **2022**
  - **New Partners:** Onboard 20 new external partners from housing industry companies who agree to leverage FHL diverse recruiting services or participants in the FHL summer program.
  - **Placed Interns:** 150 interns paired with external partners across the housing industry.
- **2023**
  - **New Partners:** Onboard 20 additional new external partners from housing industry companies who agree to leverage FHL diverse recruiting services or participants in the FHL summer program.
  - **Placed Interns:** 225 interns paired with external partners across the housing industry.
- **2024**
  - **New Partners:** Onboard 20 additional new external partners from housing industry companies who agree to leverage FHL diverse recruiting services or participants in the FHL summer program.
  - **Placed Interns:** 250 interns paired with external partners across the housing industry.

30 https://www.zippia.com/real-estate-agent-jobs/demographics/

Moving in & Maintaining

Progress in closing the homeownership gap cannot occur without focusing on resources and support to create ongoing housing stability for Black homeowners.

Black homeowners more often cite post-purchase maintenance as a challenge to sustainable homeownership. After buying a home, 46% of Black homeowners cite cost-effective home repairs as what would be most helpful to them as ongoing information or education. Access to a mortgage counselor would be the second most helpful item (40%), with refinancing options (36%) and household budgeting (35%) tied as third most helpful.[31]

Fannie Mae consumer research found that 59% of homeowners do not know how to maintain their homes to avoid future repairs, and 65% do not make time to perform maintenance tasks. Black homeowners report higher rates of repair needs (39.6%) relative to the general population (35.8%). Black homeowners tend to have limited emergency savings: white homeowners have $12,000 in median liquid assets, compared with $4,000 for Black homeowners.[32] Having a source of ready cash is a key factor in preventing mortgage default in response to income shocks from things such as unexpected home repairs.[33]

Black homeowners do not realize home value appreciation at the same rate as white homeowners. Financial gains from homeownership were substantial for homeowners who bought and maintained homeownership from 1999 to 2009, though less so for lower-income households and households of color. This was likely a contributing factor in the decrease in median net worth for Black homeowners in the early 2000s, regardless of purchase timing.[34]

Black homeowners may have higher relative tax burdens. Recent research shows that property taxes are regressive, with lower-valued homes and neighborhoods assessed at higher values relative to their sales prices and local public services. Appeals behavior and outcomes also differ across race, collectively leading to higher tax burdens for Black homeowners and neighborhoods.[35]

People of color are disparately exposed to and impacted by flood risk. These areas of vulnerability occur mostly in rural areas and in southern states, especially where there is a higher concentration of manufactured homes.[36] Furthermore, a recent analysis by the First Street Foundation showed that people of color were more likely to be in an area "unmapped" for flood risk, even though these areas had higher flood risk relative to the state average.[37] In areas that are unmapped, flood insurance is not a requirement and not often a consideration for new or existing residents of that area.

Most helpful resources and support for Black homeowners post-purchase:

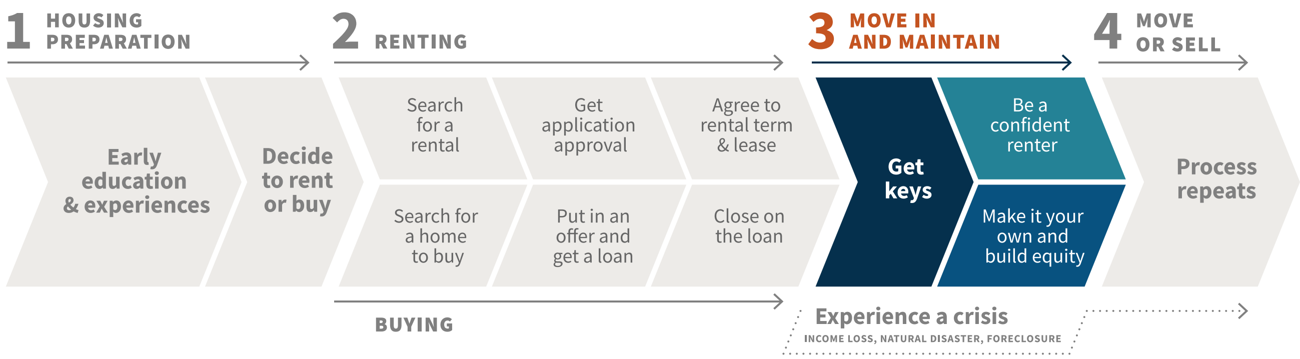
Cost-effective home repairs information

Access to a mortgage counselor

Refinancing options

Household budgeting

31 Fannie Mae National Housing Survey, Q2 2021.
32 Survey of Consumer Finances 2019.
33 "Trading Equity for Liquidity: Bank Data on the Relationship Between Liquidity and Mortgage Default," JPMorgan Chase & Co. Institute, 2019.
34 "Is Timing Everything? Race, Homeownership and Net Worth in the Tumultuous 2000s," Newman, Holupka, 2015.
35 "The Assessment Gap: Racial Inequalities in Property Taxation," Avenancio-Leon, Howard, 2021.
36 "Flood Exposure and Social Vulnerability in the United States," Tate, Rahman, Emrich, et al, 2021
37 "FIrst National Flood Risk Assessment," First Street Foundation, 2020.



Obstacle: After buying a home, Black households, on average, have more limited emergency savings to cushion against unexpected expenses or temporary disruptions to income.[38]

Action 13:

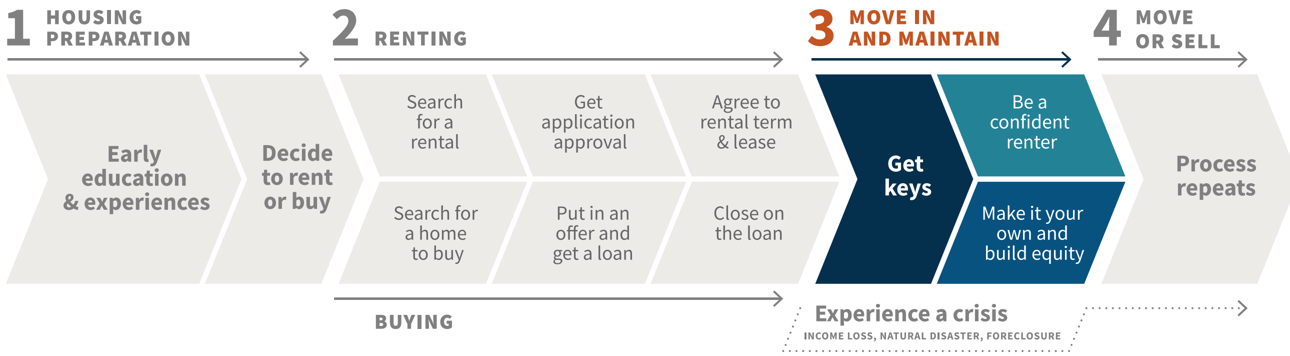
Test adding ongoing education and counseling support to one or more SPCP pilots to strengthen borrower housing stability over time.

Description: Construct a SPCP pilot program in target geographic markets that combines a mortgage with Fannie Mae new homebuyer education and post-purchase counseling. Test the effectiveness of adding homebuyer education and post-purchase counseling onto our SPCP pilots.

Targets and Outcomes:

- **2022**
  - **Target Market Alignment:** Identify and align eligible markets, lenders, and partners for pre- and post-loan counseling.
  - **Pilots Launched:** Execute 1 – 2 pilots and evaluate adoption/usage of services by intended population and loan performance.
- **2023 – 2024**
  - **Assessment of Pilots & Plans to Scale:** Monitor performance of pilots to determine how and whether or not to scale.
  - **Freddie Mac & FHFA Standardization Collaboration:** If necessary, work with FHFA and Freddie Mac to develop standardized GSE program(s).

38 "The Homeownership Experience of Low-Income and Minority Families" Abt Associates 2006



Obstacle (see also action 13): After buying a home, Black household, on average, have more limited emergency savings to cushion against unexpected expenses or temporary disruptions to income.

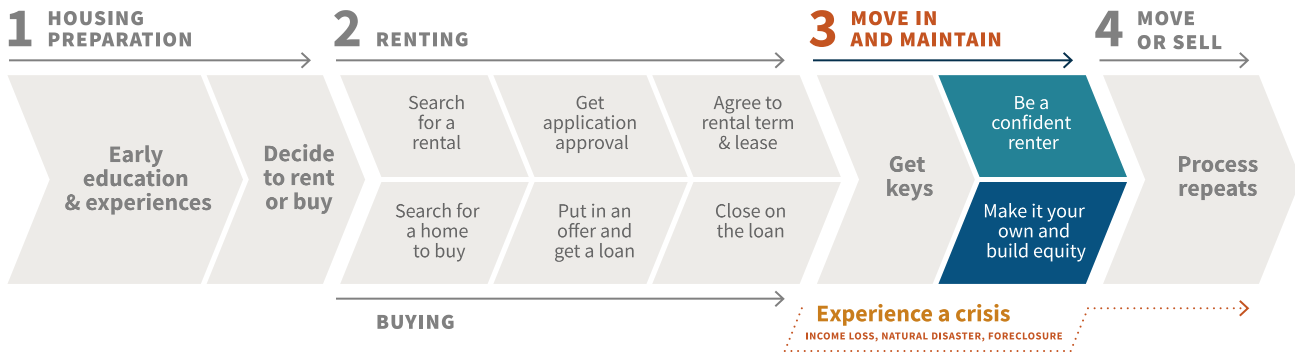
Action 14:

Test add-on features to one or more SPCP pilots aimed at strengthening ongoing borrower stability by helping borrowers deal with unexpected expenses and repairs, or temporary disruptions to income.

Description: Explore and test additional features that we can add on to our proposed SPCP pilots to support ongoing homeownership stability — for example, mortgage reserve accounts, home warranty products, or flood insurance.

Targets and Outcomes:

- **2022**
  - **Target Market Alignment:** Identify and align on eligible markets, lenders, and partners.
  - **Pilots Launched:** Execute 1 – 2 pilots and evaluate: adoption/usage of services by intended population, loan performance, and other relevant factors.
- **2023 – 2024**
  - **Assessment of Pilots & Plans to Scale:** Evaluate success of pilots to determine how/if to scale.
  - **Freddie Mac & FHFA Standardization Collaboration:** If necessary, work with FHFA and Freddie Mac to develop standardized GSE program(s).



Obstacle: A significant number of Black renters report struggling with unexpected/late fees during the lease,[39] and Black borrowers tend to have more limited emergency savings to withstand income shocks or other disruptions.[40]

Action 15:

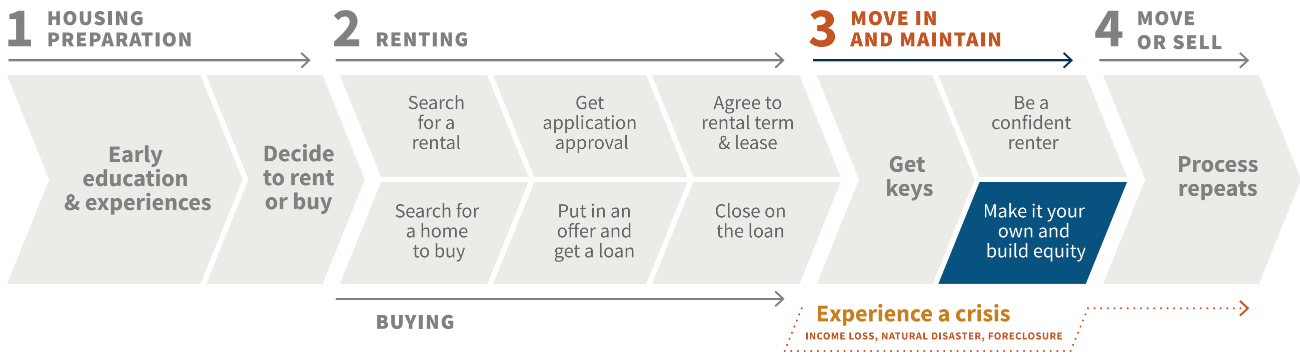
Expand counseling services for borrowers and renters facing hardship.

Description: Execute vendor relationships with four U.S. Department of Housing and Urban Development-certified housing counseling agencies by March 2022 to deliver housing counseling services to eligible borrowers and renters in need of default/foreclosure/tenant eviction prevention, disaster recovery, and/or post-modification counseling services.

Targets and Outcomes:

- **2022**
  - **Branded Consumer Content:** Create a unified brand for Fannie Mae counseling initiatives to make it easier for consumers to access the assistance they need.
  - **Consumer Counseling:** Provide free counseling to 10,000 consumers experiencing distress.
  - **Launch Consumer Awareness Campaign:** Launch an outreach campaign by June 2022 to reach Black consumers and drive awareness of available counseling services.
  - **Process Tracking Implementation:** Implement process/tracking to determine if campaigns are reaching Black homeowners and renters.
  - **Servicer Outreach:** Engage with 15 servicers about post-modification and/or disaster response services and implement referral process with two of these servicers.
- **2023**
  - **Implement Servicer Disaster Response Referral Process:** Engage with 10 servicers about post-modification and/or disaster response services and implement referral process with two of these servicers.
- **2024**
  - **Expand Servicer Disaster Response Referral Process:** Engage with five servicers about post modification and/or disaster response services and implement referral process with one of these servicers.
  - **Targeted Audience Tracking Reporting:** Tracking to assess if services are reaching Black homeowners and producing desired outcomes.
  - **Additional Targeted Consumer Outreach:** Continue to promote counseling offerings to Black consumers.

39 Fannie Mae Multifamily Renter Needs Research, August 2021.
40 Survey of Consumer Finances 2019.



Obstacle: Black homeowners tend to have more limited emergency savings to withstand income shocks or other disruptions.

Action 16:

Provide ongoing oversight of Servicer Forbearance/ Loss Mitigation efforts.

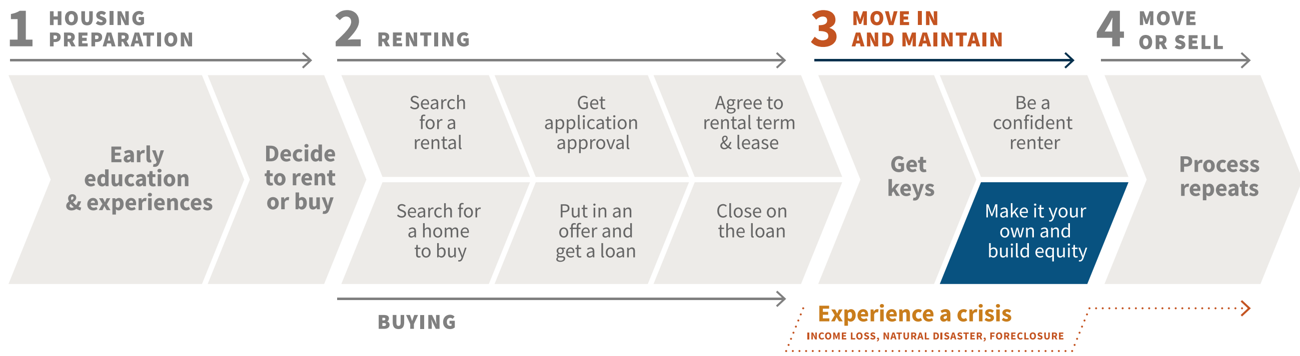
Description: By identifying disparities in forbearance and loss mitigation outcomes, Fannie Mae can apply a data-driven approach to reduce foreclosure rates among Black homeowners. Through Fannie Mae's direct partnerships with sellers and servicers, we can increase trust among Black borrowers with their loan servicer providing additional support.

Targets and Outcomes:

- **2022**
  - **Monthly Portfolio Monitoring Reviews:** On a monthly basis, Fannie Mae will conduct portfolio monitoring reviews to identify disparities in forbearance and loss mitigation outcomes.
  - **Pilot Launches:** By the end of Q2 2022, we will launch 1 – 2 pilots with a select set of servicers who are identified as outliers based on our research and analysis. The pilots will allow us to build upon our internal research and validate drivers of disparities and identify potential solutions. Ongoing monitoring of pilot participants will allow us to assess proposed solutions for material improvement in performance, and feasibility to scale the pilot to additional servicers in 2023. Potential pilot features may include:

    a. Leveraging performance data to partner with lenders to support borrower outreach and education events.
    b. Co-branding borrower education materials with HFA lenders and HFA servicers.
    c. Supporting 500 virtual counseling sessions that offer loss mitigation services as well as other financial relief services.

- **2023 – 2024**
  - **Monthly Portfolio Monitoring Reviews:** Continue to conduct monthly portfolio monitoring reviews, evaluate research findings, and pilot participants to modify pilot as necessary.
  - **Pilot Assessment & Refinement:** Based upon learnings from 2022, determine whether to expand pilot to an additional 1 – 2 HFAs and / or additional servicers.



Obstacle: Black homeowners are disproportionately exposed to flood risk.[41]

Action 17:

Provide climate analytics to empower communities with data,[42] enabling them to make a stronger case for change and resources.

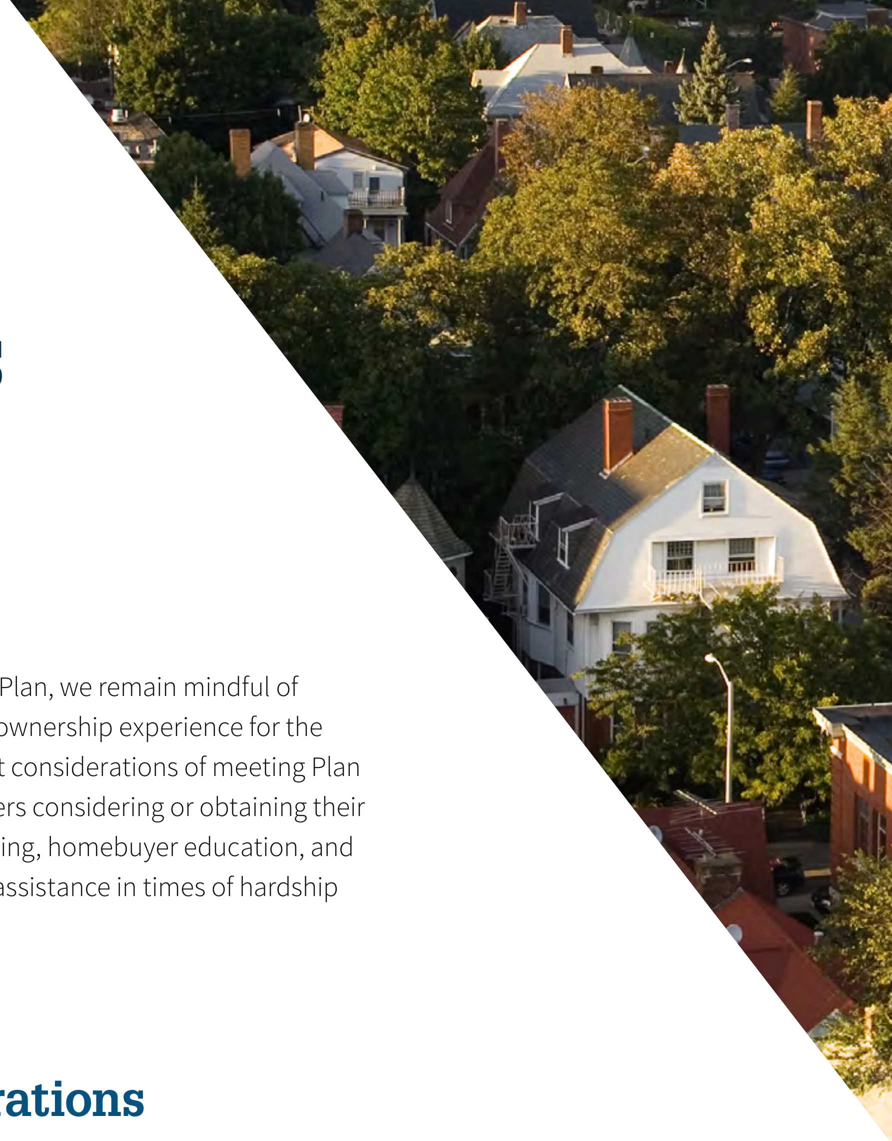
Description: Providing climate analytics is designed to help communities prepare for the increasing risk of climate change. The expectation is that the analytics will inform an approach to mitigate the risks to that community. These analytics will use predictive modeling to assess the risk of climate-related events (e.g., flooding, wildfire, drought, hail) to a given community.[43]

Targets and Outcomes:

- **2022**
  - **Launch Climate Analytics Pilot:** Identify two or three markets for climate analysis. Criteria used to select markets will include likelihood of climate change impacting the market, size of the Black population in the community (both in absolute numbers and percentage of the community), and presence of governmental or community organizations with whom to partner. In addition to providing analytics through a partner organization, Fannie Mae will help advise on approaches to address long-term climate risks. While we aim for this work to lead to planning and/or funding activity, our 2022 goals are to establish partnerships, provide analytics, and provide consultation.
- **2023**
  - **Climate Analytics Pilot Assessment & Possible Pilot Expansion:** We will continue working with the 2022 markets, continuing to provide analytics through a partner organization and advising on climate change mitigation strategies. We may elect to cease working in markets where we do not believe the work is likely to lead to material changes in community planning or funding to mitigate the impact of climate change. In addition to continuing to support these markets, we plan to add an additional 2 – 4 communities and document the lessons learned through this work in 2022.
- **2024**
  - **Climate Analytics Pilot Assessment & Possible Broader Roll-out:** If we believe this work is gaining traction and driving changes in planning or funding for mitigating the impact of climate change, we will evaluate the feasibility of sharing data on climate analytics more broadly. If possible, we would like to do a broader rollout of climate analytics for LMI and communities of color.

41 "Flood Exposure and social vulnerability in the United States," Tate, Rahman, Emrich, et al. January 2021.
42 Key risks for this initiative include the availability of data or accurate models on the long-term prognosis for localized climates, dependence on a partner to provide accurate analytics, and dependence on governments or community organizations to fund and execute solutions to mitigate the impact of climate change.
43 While the measures each community takes to mitigate climate risk will depend on a variety of factors (e.g., funding, available resources), we seek to empower communities with data to enable them to make a stronger case for change and resources. Access to analytics can help disadvantaged communities develop action plans that may help them compete for state or federal grants targeted towards climate resiliency.

Fannie Mae Considerations and Potential Constraints



As we work to achieve the objectives set forth in this Plan, we remain mindful of the underlying goal of delivering a sustainable homeownership experience for the intended beneficiaries. This means we will not permit considerations of meeting Plan targets to eclipse the best interests of Black consumers considering or obtaining their homes. This is why our emphasis on financial well-being, homebuyer education, and programs to promote ongoing housing stability and assistance in times of hardship are such a critical component of this Plan.

Data & Research Considerations

Mechanism for assessing the impacts of the proposed actions. The 30-percentage point gap between Black Americans who own homes compared to non-Hispanic white Americans translates to approximately 4.7 million Black households. Our housing journey framework applies a data-driven approach to identifying the major obstacles facing Black renters and homeowners. However, we have more work to do to understand how the total gap of 4.7 million households breaks down against each of the key obstacles in the housing journey. In order to begin to quantify the potential impact of our actions, we need to dig further into the data to evaluate how many Black households are impacted by each of the key obstacles.

Q1 2022 Economic & Strategic Research: Conduct research and analysis to better inform a mechanism for assessing the impacts of the proposed actions. We will assess the top housing obstacles across the Black housing journey and produce an estimated range of the number of Black households that are impacted by each housing obstacle.

This type of information can help us to quantify the magnitude of each of the obstacles relative to the overall 4.7 million gap, and better understand the amount of capacity that is available to address the range of Black households that are impacted by the obstacle. As we produce this research, Fannie Mae will also seek to partner with others in the industry to obtain additional data sources.

We have more work to do to understand how the total gap of 4.7 million Black households breaks down against each of the key obstacles in the housing journey.

Q3 2022 Economic & Strategic Research: Using the housing journey framework, conduct research and analysis to understand the unique obstacles facing Latino renters and homeowners in order to provide a basis for expanding the focus of future Equitable Housing Plans.

2023 and 2024 Target: The 2022 research will (1) establish a mechanism for assessing the impacts of the proposed actions, and (2) layout planning for proposed actions for the Latino housing journey obstacles.

Emphasis on Black consumers' financial well-being, homebuyer education, and programs to promote ongoing housing stability and assistance in times of hardship are a critical component of this Plan.

Outreach Considerations

Creation and Maintenance of Free Educational Content & Resources. The innovations and actions described in this Plan will require Fannie Mae to conduct extensive outreach to raise awareness of proposed innovations prior to and after market rollout. Fannie Mae will develop educational content and resources that are continuously updated and 'evergreen' for new audiences. These resources will be housed on our consumer-specific channels (website/app) and distributed to our lender/servicer partners to share with their customers.

Consumer Outreach in 2022: Fannie Mae will identify specific consumer audience segments, create the appropriate content and channel strategy, and execute marketing campaigns to reach at least 15 million diverse renters and homeowners by end of year and drive at least 400,000 visitors to Fannie Mae's consumer website. We will also develop lender digital content packages two times a year and distribute through email and internal account teams; launch interactive web pages illustrating the barriers and gaps along the Black Housing Journey; and support industry marketing outreach to lenders and mortgage professionals to drive 25,000 visitors to the interactive web pages.

Fannie Mae will produce pieces of content quarterly on Fannie Mae's channels (website/app) that focus on different stages and pain points within the housing journey:

- 3 – 5 on pre-purchase (e.g., building/fixing credit score, down payment assistance programs, closing costs).
- 2 – 4 on post-purchase (e.g., home maintenance importance, flood risk).
- 2 – 4 on renters (e.g., renters rights, credit score, application fees).

Consumer Outreach in 2023 through 2024: Fannie Mae will analyze 2022 consumer education outreach results and refresh campaign efforts with new content based on audience priorities to maintain or exceed 2022 reach and visitors to consumer website. We will update interactive webpages to include new data and insights, and create updated pieces of content quarterly that focus on different stages and pain points in the housing journey. We anticipate content pieces will include:

- 2 – 4 on pre-purchase (e.g., building/fixing credit score, down payment assistance programs, closing costs).
- 2 – 4 on post-purchase (e.g., home maintenance importance, flood risk).
- 1 – 2 on renters (e.g., renters rights, credit score, application fees).

Continuing to market outreach and create additional content quarterly based upon 2023 results and analysis of content impact and needs.

Implementation Considerations

Appropriateness of pilot activities. The innovations and actions described in this Plan will require Fannie Mae to conduct extensive research and pilots. Pilots involve limited scope testing of hypotheses to compare expected results to actual results and thereby inform decisions regarding market rollout. As pilots are developed, we consider many factors including alignment to our Key Business Decision[44] (KBD) requirements, legal and regulatory requirements, success measures, timelines, and the appropriate market participants to partner. At the end of a pilot's lifecycle, we determine whether to stop, continue the pilot to test additional variables, or to deploy the innovation to the market. Piloting a proposed innovation helps to ensure that the expansion of affordable, sustainable, and healthy housing options for consumers follows a safe and sound structure.

Therefore, when Fannie Mae proposes a pilot in the plan, prior to its launch, the documentation for each pilot will articulate:

- A clear problem statement identifying a current policy or practice that is adversely affecting prospective or existing borrowers, and the proposed tactics to eliminate or mitigate that problem.
- Specific limits applicable to the pilot, including its duration, loan volume (as applicable), and/or participating lenders or other parties; and
- Evaluation standards, including metrics to assess the pilot's degree of success.

44 A KBD is a decision that may expose Fannie Mae to significant, new, or unusual risk - including strategic, reputational, market, funding and liquidity, operational, credit, or compliance risk.

Seller/Servicer adoption and implementation considerations. Successful lender implementation and adoption are dependent upon engaging with and gathering input from a diverse set of Sellers and Servicers (i.e., depositories, mortgage banks, credit unions, servicers) and their industry partners (i.e., loan origination systems, point of sale systems, servicing/loss mitigation platforms) to test and learn prior to rollout.

- Fannie Mae currently leverages our network of lenders, counseling agencies, Housing Finance Agencies, education providers, and housing finance industry technology partners to complete research, pilots, and/or staged rollouts of proposed policy, product, and/or service changes. Implementation risks include the inability and/or unwillingness of Seller/Servicers to participate in pilots.
- Prior to rollout, each new product, capability, policy, or service undergoes an internal market-readiness assessment from cross-functional stakeholders (i.e., legal, marketing, operations, digital alliances, customer support) that review and confirm releases are market-ready from a customer, industry partner, and enterprise perspective.

By piloting a proposed innovation or action described in this plan, we ensure that the expansion of affordable, sustainable, and healthy housing options for consumers follows a safe and sound structure.

Mortgage Insurer support considerations. Successful implementation of new charter-compliant initiatives will depend on the participation of approved mortgage insurer partners that already insure nearly all of our high loan-to-value loans in order to meet our charter requirement.

- Approved mortgage insurers have demonstrated their partnership with us in testing and standardizing innovative guidelines for lenders to underwrite, originate and service loans, based upon a relationship built on transparency of data and ideas. However, implementation risk for a number of items in this plan includes the inability and/or unwillingness of mortgage insurers to participate in new pilots.

Appendix

Find corresponding and supporting documents in this section:

A. Summary of consultations

Fannie Mae consultations for this Plan are summarized below. These consultations were with nonprofit organizations, community groups, consumers, governmental agencies, lenders, and other participants in the housing finance industry. We note that the consultations listed below were held over the course of the past two years, both before and after issuance of the directive that spurred the development of this Plan. Outreach that occurred prior to issuance of this directive was conducted in support of our mission and our Environmental, Social, and Governance (ESG) enterprise strategy.

Initiated in 2019, our ESG strategy builds on our mission to provide liquidity, affordability, and stability to the U.S. residential mortgage market and to promote equitable access to mortgage credit. This included the creation of the Community Responsibility and Sustainability Committee of our Board of Directors in 2019. In addition to overseeing our ESG strategy, this Committee's charter also includes leadership of our development of industry solutions to increase access to housing for people of color, address systemic bias in housing, and promote sustainable homeownership for people of color. As part of our Board-level focus on advancing racial equity across the housing finance system, we have conducted ongoing outreach to generate conversations, listen to ideas, and understand obstacles to fair and equitable housing in the U.S. All consultations listed, whether they occurred before or after the directive being issued, helped inform actions proposed in this Plan. We will continue to consult relevant stakeholders over the course of the Plan's three-year period.

Nonprofit organizations/community groups

Organization	Date of consultation
Center for Responsible Lending	Q2 2021
Fannie Mae Affordable Housing Advisory Council	Q2, Q4 2021
Florida Housing Coalition Launch Center for Racial Equity	Q1, Q3 2021
HomeFree	Q3 2020
Housing Partnership Network	Q1 2021
Junior Achievement	Q1 2021
LISC: Local Initiatives Support Corporation	Q3 2020
Minnesota Homeownership Center — Housing Equity	Q3 2020
Prosperity Now	Q2 2021

Outreach to the Black community was a frequent topic of conversation with nonprofit organizations and community groups. There was much discussion about ensuring the Black community is aware of and has access to products and assistance programs that could benefit the community. Conversations with housing-focused organizations had greater emphasis on counseling and educational efforts for both potential future homeowners and current homeowners. There was also discussion about the importance of collective action and bringing multiple stakeholders together to improve racial equity in housing. These groups also discussed the importance of homeownership in building intergenerational wealth and the importance of growing Black homeownership as a strategy to grow wealth in the Black community.

Many of the ideas in this plan and other actions we are taking with an indirect benefit to racial equity were vetted with the Fannie Mae Affordable Housing Advisory Council in Q4 2021. Specifically, the group provided positive feedback on the ideas of monitoring forbearance outcomes with a lens of racial equity, incorporating rental payment data in underwriting, combating appraisal bias, reducing closing costs, and improving access to down payment assistance.

The Fannie Mae Affordable Housing Advisory Council includes representatives from seven national community organizations.

Consumers

In late 2020, we surveyed more than 650 Black consumers who were eligible or close to being eligible for DU approval, and conducted 26 in-depth interviews, to better understand the barriers to homeownership faced by the Black community. This was foundational to shaping our understanding of the Black housing journey. As the actions detailed in this Plan are designed to address these obstacles, this input from the Black community undergirds each action outlined in this Plan.

In Q3 of 2021 Fannie Mae conducted a quantitative research study of 2,550 renters, including 714 Black renters, to develop a deeper understanding of the renter's experience, pain points, and needs throughout their renter journey, particularly that of low-moderate-income and historically marginalized groups. In addition, we conducted 10 qualitative in-depth interviews among low-to-moderate income/disadvantaged renters (including eight Black/Hispanic renters), resulting in synthesized insights from both phases of the research. The renter journey encompasses four phases: moving in, during the lease term (including in crisis), lease renewal, and move out. The intended audience was a cross section of the renter population with a focus on low and moderate AMI, as well as race.

In Q4 2021, we engaged with 30 prospective first-time homebuyers on multiple occasions to solicit feedback about the content and user experience of HomeView™, our homeownership education course. These consumers participated in an online research panel, providing their reactions and feedback. 50% of the consumers engaged were from underserved communities, and most of them had annual household income under $60,000.

Governmental agencies

Organization	Date of consultation
Colorado Housing	Q3 2020
Illinois Housing Development Authority	Q3 2020
Massachusetts Housing Finance Agency	Q4 2020, Q3 2021
NY Mortgage Coalition	Q3 2020
NY SONYMA	Q3 2020
Ohio Housing Industry Partners	Q3 2020
Virginia Housing Development Authority	Q1 2021
West Virginia Housing Development Fund	Q2 2021

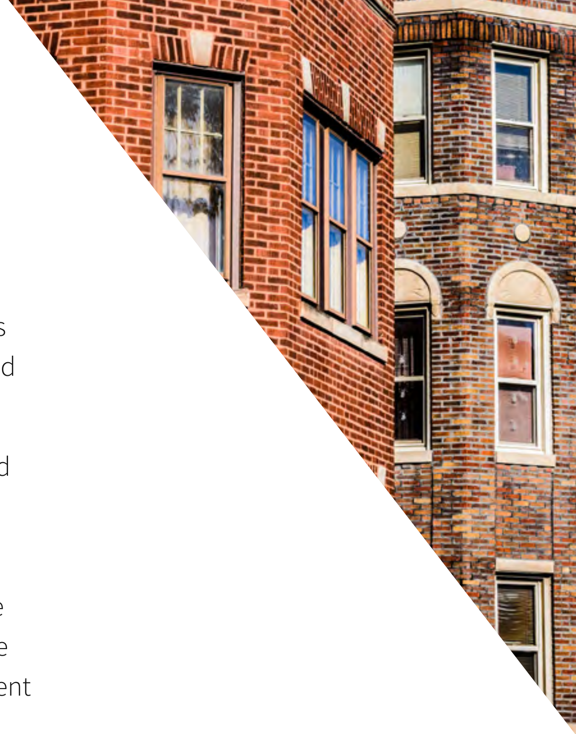
The most discussed topic during consultations with governmental agencies was the importance of outreach to the Black community, including information-sharing, disseminating information on assistance programs (especially down payment assistance programs), and support for programs to grow diversity in the housing industry. There were many pilot programs and initiatives discussed, which varied in intent, scale, and target geography.

Lenders

Consultations specific to special purpose credit programs

In September 2021, Fannie Mae invited 10 lenders to participate in a research engagement to understand whether they are pursuing Special Purpose Credit Programs (SPCPs) to support their racial equity strategies, and if so, how are they leveraging them in their mortgage businesses. Six lenders participated in these discussions. These lenders spanned national / international depositories, regional depositories, and non-depositories.

Each of these interviews included Fannie Mae's Business Account Management teams, Racial Equity, Fair Lending, and Legal departments. Interviewees from lenders included senior leadership from Product Strategy, Fair Housing, Compliance, Affordable Lending, and Diversity, Equity, and Inclusion.



All six lenders were eager to support borrowers in underserved communities; however, each lender cited legal concerns related to regulatory discrepancies regarding oversight of SPCPs. Only two of the six lenders had implemented SPCPs at the time of the interview. Each lender cited SPCPs as a high priority for 2022 and welcomed the opportunity to partner with Fannie Mae.

Outside of the discussions specific to SPCPs, conversations with eight lenders and participation in two multi-lender coalitions informed development of this Plan.

Calls with lenders often included discussion of their plans to create place-based efforts to increase homeownership, which often had the end goal of making more loans to Black borrowers in targeted geographies. Strategies discussed to achieve this goal included educational and outreach efforts to both prospective and current homeowners and developing mortgage products and programs, such as down payment assistance to better serve the Black community. Lenders also expressed interest in diversifying their workforces and contributing to diversity within the housing industry more broadly through Fannie Mae-led initiatives like Future Housing Leaders and the Appraiser Diversity Initiative, as well as through lender-specific goals and programs.

In addition to the consultations above, Fannie Mae asked lenders to provide information about their ESG and racial equity efforts and practices. As part of its annual survey of Single-Family lenders, Fannie Mae solicited ideas on how it could more effectively contribute to racial equity in housing. These questions comprised the most significant free-response section of the survey and were answered by nearly 2,000 employees of Single-Family lenders and contributed to our selection of the actions included in this plan.

Other industry participants

Organization	Date of consultation
Consumer Data Industry Association	Q1 2021 (x2)
Credit Karma	Q4 2020 (x2)
Equifax	Q1 2021, Q2 2021
ESUSU	Q2 2021
Experian	Q1 2021, Q2 2021
Fair Isaac	Q2 2021
Finastra	Q3 2020
TransUnion	Q1 2021, Q2 2021 (x2)
VantageScore	Q2 2021

These organizations are working to leverage their competencies in analytics and development of customer-facing tools. The above focus on providing data to decision-makers, creating solutions to empower the Black community, and propagating change through the housing finance industry. A specific topic frequented in these conversations was reporting rental payment data to credit bureaus and inclusion of such data on credit reports.

These organizations also expressed interest in diversifying their workforces and contributing to workforce diversity in the financial services industry.

Additional relevant consultations

Organization	Date of consultation
FinRegLab	Q3 2021
National Consumer Law Center	Q2 2021
National Council of State Housing Agencies	Q3 2020
National Housing Conference	Q3 2021
PERC	Q2 2021
Urban Institute	Q2, Q3 2021

These discussions did not have an explicit focus on racial equity but did contribute to our development of the solutions proposed in this plan. These conversations often included discussion of strategies for more effectively serving low-income borrowers, particularly leveraging rental payments, utilities, and other data in underwriting.

B. Governance & strategy execution

Fannie Mae is currently working to develop internal governance and procedures around the tracking and progress of our Plan execution. The governance and strategy execution will serve to provide a unified, centrally administered approach to Plan management within Fannie Mae and will closely follow existing processes in place for tracking status against enterprise-level goals and initiatives. Our process includes regular status reporting to senior management on the completion of deliverables as set forth in the Plan, with evidence to support our progress to-date. It also includes the identification of risks or other issues that may endanger our ability to fully execute against the deliverable(s) within the established timeframe. Activities deemed to be off-track are escalated as necessary and will identify the root cause and a plan of action.

Implementation of actions described in the Plan will remain subject to prior notice to FHFA, and where appropriate prior approval by FHFA, through existing governance requirements.

Modifications to the Plan based on market conditions, additional opportunities, or other factors will follow established internal governance processes to assess and recommend changes and remain subject to prior review and approval by FHFA.

In addition to our internal plan governance and commensurate with the FHFA Directive, Fannie Mae and FHFA will continue recurring meetings, monitor progress data, and review the success measurements throughout the timeframe of the Plan.

C. Request for information (RFI): summary of responses and plan alignment

FHFA and the Enterprises received input and information relevant to the development of this Plan through a formal Request for Information issued by FHFA on September 7, 2021. Interested parties were able to submit a written response to the RFI through most of the months of September and October 2021 and were able to attend a “listening session” to provide comments verbally on September 28, 2021. In total, 53 organizations responded to the RFI and provided ideas for consideration. Most of these responses came from lenders, trade associations, think tanks, nonprofit organizations, and housing counselors.

Most of the RFI responses included ideas in one or more of three key areas:

1. **Credit and collateral policy/affordable housing programs:** discussions of the need for the Enterprises to contribute to an equitable housing finance system by making credit decisioning more equitable, making the appraisal process more equitable, and creating loan products or programs designed to reduce costs for historically underserved populations.
2. **Partnership and transparency:** comments urging the Enterprises to consult with and incorporate the perspectives of people representing communities of color and organizations serving those populations, better leverage and/or allow other stakeholders to access their data, or support organizations helping people of color with housing (e.g., housing counselors).
3. **Affordable housing supply (single-family and multifamily):** comments suggesting the Enterprises focus on growing the supply of affordable single-family and multifamily housing for purchase and rental.

Themes emerged within each of these three areas. Those noted as primary themes were mentioned often, while secondary themes were mentioned several times, but with less regularity than the primary themes. Each of the themes is detailed below. After the description of each theme is discussion of the extent to which we believe this Plan addresses the theme.[45]

Credit and collateral policy/affordable housing programs

Primary themes

Mortgage loan programs for communities of color: Suggestions to ensure the Enterprises have mortgage products and/or programs tailored to the specific needs of people of color. The most commonly discussed group was the Black community.

The Plan addresses these suggestions. As noted in the Introduction to the Plan, the initial focus of our Plan will be on the needs of Black homeowners and renters. Each action in the Plan was included to address specific obstacles faced by Black renters and borrowers in their housing journey. In particular, the SPCP pilots included in the Plan contain actions that will have a specific and exclusive focus on removing barriers to homeownership faced by the Black population. While our solutions will seek to address the effects of discrimination against Black homeowners and renters, they will benefit other underserved populations, as well. As our Equitable Housing Finance Plan matures and evolves, in the next three years and beyond, we will expand our focus to the challenges faced by other groups who have been historically underserved by the housing finance system.

Modernize Automated Underwriting Systems (AUS) / Credit Decisioning Models: These comments asked the Enterprises to make credit decisioning (both within their companies and throughout the industry) more inclusive. Most of these comments suggested deemphasizing FICO scores in favor of incorporating data not traditionally on credit reports (e.g., cash flow from bank statements, rental payment history).

The Plan addresses these suggestions and includes actions aimed at making credit decisioning more inclusive by improving outcomes for consumers who lack a credit score or have limited traditional credit history. This includes several actions to incorporate positive rental payment history in our underwriting processes. The Plan also includes actions to implement cash-flow underwriting and more automated credit decisioning for borrowers with no credit score. We will also grow the frequency with which our multifamily borrowers report rental payments to credit bureaus, which will enable other creditors to incorporate such data in their credit decisioning.

45 Most comments not captured in one of the three areas above were out-of-scope for Fannie Mae's development of this plan. Some of these comments, such as those suggesting amendments to the Preferred Stock Purchase Agreement (PSPA) and those noting the impact of zoning regulations on housing supply, are out of Fannie Mae's control. Others, such as discussions of the importance of language access / translation of information and housing equity for specific non-Black racial and ethnic groups, will be considered in future years as our focus broadens beyond the Black community.

Enterprise upfront fees (LLPAs, delivery fees): Respondents expressed concern that risk-based pricing disproportionately impacts people of color. Suggestions for remedying this concern included eliminating LLPAs altogether and ensuring the Enterprises regularly review pricing to ensure it accurately represents risk and is as low as possible.

This Plan partially addresses these suggestions through the implementation of Special Purpose Credit Program pilots, which may reduce or cap LLPAs as one of the levers to reduce obstacles for prospective Black homeowners. The Plan addresses broader cost barriers through actions aimed at alleviating the disproportionate closing cost burden on historically underserved borrowers. Broad pricing changes are outside the scope of this Plan.

Down payment assistance (DPA): Comments suggested the Enterprises actively connect lenders and borrowers with DPA programs and support organizations managing and providing funds for such programs through technical assistance and other means.

The Plan addresses many of these suggestions, as does other Fannie Mae work contemplated outside this Plan. This Plan includes pilot programs where Fannie Mae and participating lenders will provide Black borrowers with DPA as part of a Special Purpose Credit Program. Outside of this Plan, we are pursuing significant additional work to increase use and build awareness of DPA programs. While these efforts are not included in this Plan because they are aimed at increasing usage of DPA programs more broadly, we believe they will benefit Black borrowers by making DPA funds more accessible.

Appraisal guidelines: Comments described the systematic nature of appraisal bias in communities of color, noting that a reliance on comparable and historical valuations can help perpetuate such bias.

The Plan addresses these suggestions. The Valuation Modernization initiative aims to combat appraisal bias in many ways and is designed to drive more equitable outcomes for people and communities of color. Furthermore, the Appraiser Diversity Initiative aims to increase representation of communities of color in the appraisal industry. Over the long-term, we believe these collective efforts will help to reduce appraisal bias against Black homebuyers and communities of color.

Secondary themes

Special Purpose Credit Programs (SPCPs): These comments encouraged the Enterprises to work with lenders and community groups to provide greater liquidity for mortgages originated through SPCPs. They also called for greater regulatory clarity on the legality of various elements of SPCPs, noting that such clarity could enhance industry adoption of them.

The Plan addresses these concerns. It contains several SPCP pilots that would reach Black consumers, with the goal of making Fannie Mae's purchasing of SPCP loans as routine as any other loans we currently buy. The Plan does not address regulatory clarity, as the subject is outside of our control. However, recent HUD clarifications on the viability of these programs under ECOA may encourage broader housing industry participation in these programs.

Small-balance loans: Comments in this area emphasized the importance of small-dollar loans to borrowers of color, that borrowers have difficulty originating such loans, and suggested the Enterprises use their positions to enhance liquidity in this market.

The Plan does not address these suggestions directly. However, our recently published research on closing cost disparities indicates that regressive closing costs are a major barrier for borrowers on small balance loans. This Plan addresses closing costs through several actions, including the Special Purpose Credit Program pilots and other pilots and actions to reduce the disparate burden of closing costs on low-income and borrowers of color.

Servicing and loss mitigation: These comments urged the Enterprises to study and monitor racial disparities in servicing, loan modification, and loss mitigation. Suggestions also included ensuring servicers are implementing policies fairly and accurately.

The Plan addresses these suggestions. It includes monitoring racial disparities in forbearance and loss mitigation outcomes at the servicer level, and piloting solutions to address disparities. It also includes helping communities of color develop plans to mitigate the impact of climate change on their housing stock, which will lead to more equitable outcomes in the long-term. The Plan also includes an expansion of counseling services for borrowers and renters facing hardship.

Climate risk: These comments noted and called upon the Enterprises to mitigate the disproportionate impact of climate change and the hazards it causes for communities of color.

The Plan addresses these suggestions at the community level. The Plan includes an effort to provide climate analytics to communities of color, which will assist with planning and policy related to mitigating the impact of climate change. These analytics may also help these communities compete for grants to fund efforts to mitigate the impact of climate change. Outside of this Plan, Fannie Mae is exploring broader educational efforts to raise awareness of the importance of flood insurance, which will assist with planning and mitigating the financial impact of climate change at the individual borrower level.

Real Estate Owned (REO) standards: These comments discussed the idea of ensuring REO properties are sold to owner-occupants, rather than investors. Such sales help ensure these homes contribute to single-family supply and help communities with longer-term homeownership and stabilization efforts.

The Plan does not address these suggestions directly. However, Fannie Mae is undertaking activities outside of this Plan that are aimed at promoting the sale of our REO properties to owner-occupants. This includes repairing and providing deeper rehabilitation investments into our REO inventory, which has been shown to drive more sales to owner occupants. In addition, we continue to partner with community members such as nonprofits and public entities to provide an exclusive first look and customized pricing to allow these members to purchase REO inventory to fulfill their respective mission objectives. Fannie Mae deploys this program through a process and technology called Community First and will continue to enhance this experience and process for its community member partnerships.

Partnership and transparency

Primary themes

Community/stakeholder engagement: These comments called for the Enterprises to regularly consult with members of communities of color, as well as organizations serving these communities (particularly those led by members of the communities they serve). Many respondents expressed their interest and willingness to participate in such consultations. Industry groups expressed their interest in helping the Enterprises make such connections.

The Plan addresses some of these comments, and we welcome broad industry engagement and community participation in our efforts. Community engagement will be an integral part of our work on Special Purpose Credit Programs. In addition, we expect to partner closely with community groups, nonprofit organizations, and a broad range of industry stakeholders as we undertake the actions described in this Plan. This is particularly true for the variety of pilot activities that we have included in the Plan, where we are aiming to test the impact and effectiveness of different actions in addressing the key obstacles in the housing journey. Fannie Mae has regularly consulted with organizations interested in advancing racial equity in housing and the Black community over the past two years (see the “Summary of Consultations” section of this Plan for more detail). For example, in 2020 we surveyed 650+ Black renters who were eligible or close to being eligible for DU approval, and conducted 26 in-depth interviews, to better understand the barriers to homeownership faced by the Black community.

Democratize the Enterprises' property data/analysis: These comments called for the Enterprises to release more of their proprietary data for use by interested stakeholders and/or more effectively leverage such data to analyze and report on discrepancies in housing outcomes for different racial groups.

The Plan addresses these comments while maintaining compliance with data privacy regulations. The closing cost calculator, for example, is a tool that will leverage Fannie Mae data, providing it to consumers and lenders in an easy-to-use format while adhering to privacy concerns. We also plan to publish research on disparities in outcomes when possible, as exemplified by our recent analysis of closing costs, which highlights how they vary across racial and ethnic groups.

Housing counseling: These comments suggesting the Enterprises should support housing counseling and encourage consumers to engage with housing counselors, as well as develop or provide more comprehensive homebuyer and homeowner education.

The Plan addresses these comments. It includes actions to expand post-purchase and post-modification counseling available to borrowers needing default, foreclosure, or eviction protection, disaster recovery, or post-mod counseling. The SPCP pilots also include expanded post-purchase counseling services, and this Plan contains numerous efforts providing homebuyer and homeowner education.

Affordable housing supply (single-family and multifamily):

Primary themes

Inadequate supply of affordable housing: Comments in this area centered on the need to grow the supply of affordable single-family housing. Some comments in this area noted there is very little the Enterprises can do to grow affordable supply. Suggestions for growing affordable supply included the Enterprises engaging in targeted grant-making and changes to public policy.

The Plan has some alignment with increasing the supply of affordable housing. Efforts to better equip communities of color with data and analytics on climate change could help these communities mitigate the impact of climate change, and thereby preserve affordable supply over the long-term. However, we note that Fannie Mae's role as a provider of secondary market financing means that the direct actions that we can take to increase supply in specific communities is limited.

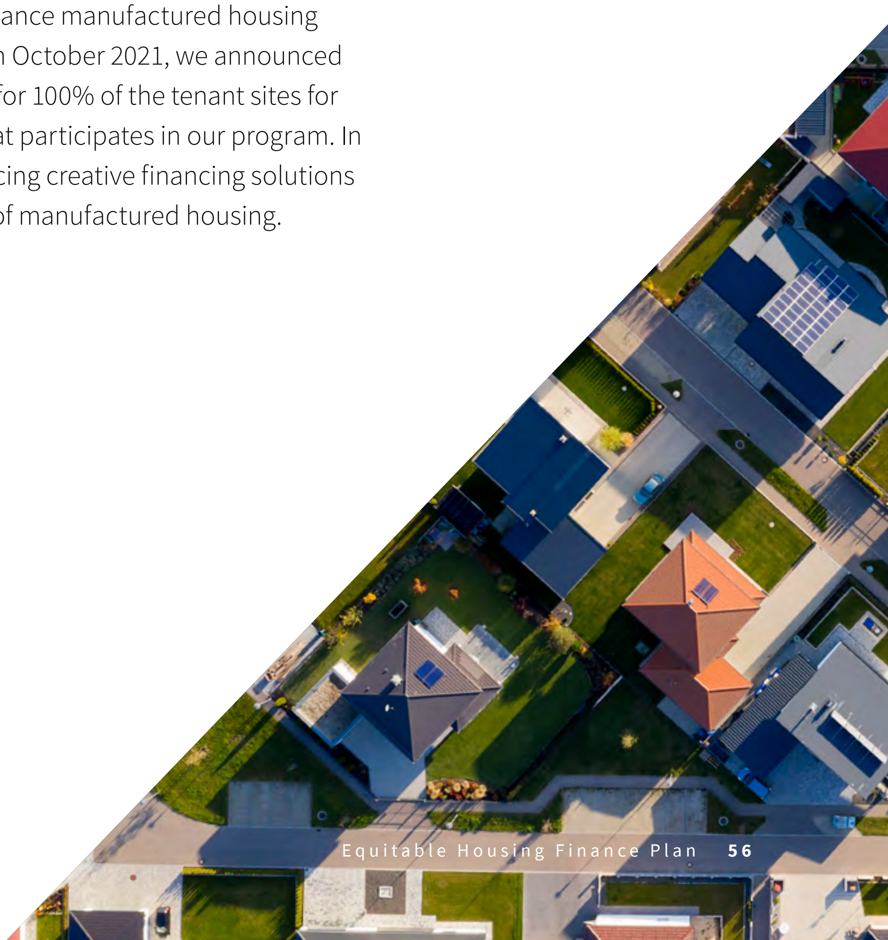
Affordable rental housing: These comments discussed the need to grow the supply of affordable rental units. Ideas mentioned included the importance of the Low-Income Housing Tax Credit (LIHTC), creating or extending protections (e.g., eviction protection) for renters, and the need to concentrate supply in areas of social and economic opportunity.

The Plan does not address these comments. However, we note that Fannie Mae resumed LIHTC equity activities in 2018 to provide a reliable source of capital for affordable rental housing and underserved markets, providing over $1.5 billion of equity investments since that time. Outside of the Plan, we will continue to conduct a number of activities in the course of our Multifamily business activities that benefit tenants and preserve affordable rental housing.

Secondary themes

Manufactured housing: These comments suggested the Enterprises use manufactured housing as a tool to contribute to reducing racial disparities in housing. Specific suggestions included working to reduce the number of loans for manufactured housing classified as chattel loans and building awareness of manufactured housing as a low-cost option.

The Plan does not address these comments. While these efforts are not included in this Plan, Fannie Mae purchases loans financing the sale of manufactured housing through our Single-Family business, including a change to our *Selling Guide* in late 2020 that expanded our eligibility criteria to allow expanded eligibility to allow loans secured by single-width manufactured homes. We finance manufactured housing communities through our Multifamily business, and in October 2021, we announced our objective to require tenant site lease protections for 100% of the tenant sites for each new manufactured housing community loan that participates in our program. In addition, our Duty to Serve Plans are aimed at advancing creative financing solutions to help homebuyers and renters access the benefits of manufactured housing.



D. Special purpose credit program (SPCP) strategy overview

The Black Housing Journey lays out a series of obstacles, and Fannie Mae's Equitable Housing Finance Plan proposes pilots to address them. Some of the challenges will be addressed through SPCPs and are embedded throughout the Plan. The chart below summarizes the overall SPCP strategy.

Special Purpose Credit Programs Strategy

Objective: To determine which types of SPCPs increase:

- **Engagement.** Black consumer engagement measured by requests for information from participating lenders;
- **Applications.** The number of applications made to participating lenders from Black consumers (whether for conventional or government loans); and
- **Loan Deliveries.** The number of loans to Black borrowers purchased by Fannie Mae in the designated geographies/programs.

Markets: The SPCPs will be tested in predominantly Black geographic markets and/or with recipients of funds from local government programs established to address housing discrimination and wealth inequity. We have begun analyzing geographies with a high concentration of Black consumers, overlaying these areas with data about housing supply, affordability, historic redlining, legal settlements and more, all in service of identifying the areas where SPCPs have the best chance of achieving the Plan's objectives. In 2022, we will launch 3 – 5 SPCPs for first-time homebuyers with at least one in each of the first three categories below with a lender active in the specific geographic market.

Reduce Hurdles for SPCP Participation: Identify barriers to lender participation in SPCPs through a market insights survey and create opportunities for increased participation (e.g., clarification or changes to our *Selling Guide*) so that loans can be salable to Fannie Mae.

SPCP Test Scenarios	Description
Eligibility Enhancements	• Create a HomeReady® or similar program specifically for use with our SPCP pilots. This program would extend the benefits of the HomeReady[46] product to borrowers with income levels greater than 80% of area median income in the target SPCP areas who are purchasing or refinancing a principal residence. Potential benefits include lower down payment requirements, underwriting flexibilities, such as expanded sources of funds for down payment and closing costs, mortgage insurance (MI) cost reductions through lower-than-standard MI requirements and reduced pricing through lower loan-level price adjustments (LLPAs). These pilots would allow Fannie Mae to test which of these benefits, or combinations of benefits, are the most effective. • In addition, we plan to test expanded credit criteria, such as allowing for greater usage of boarder income in order to address consumer needs. • We will also encourage SPCP pilot lenders to use positive rental payment data in DU as part of their loan process in order to help increase credit access for borrowers who lack traditional credit scores with thin credit histories.
Down payment Assistance (DPA)	Allow DPA funds, in some cases at a substantial level, from one or more of a variety of sources: • Lender funded • Fannie Mae funded • Nonprofit funded • Housing Finance Agency or government funded, or • A combination of the above
Closing Cost Reduction	Reduce borrower costs for settlement services and expenses, such as: • Appraisal Costs • Title Insurance The costs will be reduced by one or more of: concessions from the service provider, credits from Fannie Mae, or alternative services, such as appraisal products or home inspections

46 Fannie Mae's HomeReady program is generally limited to borrowers with incomes less than or equal 80% of the area median income.

Local government programs	
Local government programs established to address housing discrimination and wealth inequity occupy a special place in Fannie Mae's Plan. These programs augment our general geographic approach to identifying Black consumers. By leveraging a local government's determination of which Black consumers should receive their program's funds, Fannie Mae will be able to identify a pool of potentially qualified applicants.	
Local government programs	• Identify opportunities for Fannie Mae to work with eligible recipients of funds from local government programs established to address housing discrimination and wealth inequity. Apply the SPCP scenarios described above as appropriate. Listen to stakeholders in communities with these programs to learn what help they most need. Assess opportunities to bring industry stakeholders to the table (e.g., lenders, mortgage insurance companies, etc.) to further help eligible recipients. Document learnings and explore where we can apply to other emerging programs so that these loans are salable to Fannie Mae.

Sustainability	Description
Sustainability. SPCPs allow lenders to grant credit to applicants who would not ordinarily qualify under the lender's customary standards of creditworthiness. Fannie Mae wants to not only increase access to credit but also explore ways to increase sustainability for Black homebuyers. To accomplish this, Fannie Mae will work with lenders to add one or more of the following sustainability features to their SPCPs.	
Sustainability add-ons	• Expanded homebuyer education and post-purchase homeownership counseling. • Explore additional features to support ongoing homeownership stability — for example, mortgage reserve accounts, home warranty products, or flood insurance.

E. Summary of planned actions

Find a summary list of all planned actions noted in the order they appear in this plan. This chart indicates which item in the directive the plan addresses. It also indicates whether an action is a pilot and if it addresses any RFI comments.

Action	Journey stage	Pilot	Addresses RFI comments
1. Pilot renters' rental payment reporting across the multifamily (MF) industry to help Black renters with no credit score establish credit history and help those with low credit scores to increase them.	HOUSING PREPARTION	✓	✓
2. Pilot options to defray and/or decrease the cost of renter security deposits. Decreasing renter security deposits would help Black renters qualify for quality rental housing and help them increase their savings.	HOUSING PREPARTION	✓	
3. Build and Launch Fannie Mae First-Time Homeownership Education Curriculum that aims to provide consumers with education on the full spectrum of the homebuying process.	RENTING & BUYING		
4. Execute SPCP Pilots to help support the expansion of homeownership eligibility and availability of down payment assistance (DPA), while exploring ways to reduce SPCP participation hurdles for lenders.	RENTING OR BUYING	✓	✓
5. Expand Eligibility and Access for credit-invisible borrowers through automated underwriting enhancement and positive rental data implementation to support the expansion of eligibility for Black Consumers.	RENTING OR BUYING	✓	✓
6. Enhance Eligibility & Underwriting via Rental Reporting to Credit Bureaus to support the expansion of eligibility for Black Consumers.	RENTING OR BUYING		✓
7. Execute SPCP Pilot for Appraisal Products/ Reimbursements to support the reduction of borrower closing costs for Black homebuyers.	RENTING OR BUYING	✓	✓

Action	Journey stage	Pilot	Addresses RFI comments
8. Reduce Closing Costs for Black consumers to help support the removal of the barrier of insufficient funds at closing (down payment plus closing costs) faced by Black homeowners and prospective homeowners.	RENTING OR BUYING	✓	✓
9. Launch Closing Cost Calculator Tool	RENTING OR BUYING	✓	✓
10. Valuation Modernization to support the creation of an equitable appraisal process for Black households and communities of color.	RENTING OR BUYING	✓	✓
11. Expand Appraiser Diversity Initiative (ADI) to enhance economic opportunities for Black people and over the long-term, reduce appraisal bias against Black homebuyers, homeowners, and communities.	RENTING OR BUYING		✓
12. Expand Future Housing Leaders® (FHL) to increase the representation of Black people in the housing industry to improve access to economic opportunities while creating an industry that better reflects the diversity of the nation.	RENTING OR BUYING		✓
13. Execute SPCP Pilot with the addition of Homebuyer Education and Post-Purchase Counseling to strengthen ongoing borrower stability.	MOVE IN & MAINTAIN	✓	✓
14. Execute SPCP Pilot with add-on features to strengthen ongoing borrower stability.	MOVE IN & MAINTAIN	✓	✓
15. Expand counseling services for borrowers and renters facing hardship.	MOVE IN & MAINTAIN		✓
16. Provide ongoing oversight of Servicer Forbearance/ Loss Mitigation efforts	MOVE IN & MAINTAIN	✓	✓
17. Provide climate analytics to empower communities with data, enabling them to make a stronger case for change and resources.	MOVE IN & MAINTAIN	✓	✓

F. Summary of acronyms

An alphabetical list of acronyms and their descriptions used in the Plan and its supporting documents.

Acronym	Description
ADI	Appraiser Diversity Initiative
AMI	Area Median Income
API	Application Programming Interface
CDIA	Consumer Data Industry Association
CFPB	Consumer Financial Protection Bureau
CU®	Collateral Underwriter®
DPA	Down Payment Assistance
DU®	Desktop Underwriter®
ECOA	Equal Credit Opportunity Act
ESG	Environmental, Social, and Governance
ESR	Economic & Strategic Research
FHFA	Federal Housing Finance Agency
FHL	Future Housing Leaders®
GSE	Government-Sponsored Enterprise
HBCU	Historically Black College or University
HFA	Housing Finance Agency
HOLC	Home Owners' Loan Corp.
KBD	Key Business Decision
LIHTC	Low-Income Housing Tax Credit
LLPA	Loan-Level Price Adjustments
LMI	Low- and moderate-income
LTV	Loan to Value ratios
MF	Multifamily
PSPA	Preferred Stock Purchase Agreement
QC	Quality Control
RFI	Request for Information
SPCP	Special Purpose Credit Programs
UAD	Uniform Appraisal Dataset

G. Summary of references & sources

A summary of references and other sources used throughout the plan:

1. Desktop Underwriter® (DU®) – the industry-leading underwriting system – helps lenders efficiently complete credit risk assessments to establish a home loan's eligibility for sale and delivery to Fannie Mae with easy-to-use, powerful tools.
2. 2019 American Community Survey and the 2019 Current Population Survey/Housing Vacancies and Homeownership Survey.
3. 2019 American Community Survey.
4. Survey of Consumer Finances 2019.
5. "The Future of Headship and Homeownership" Goodman, Zhu, 2021.
6. "Real Denial Rates" Goodman, Bai, and Li, 2018.
7. "Barriers to Entry: Closing Costs for First-Time and Low-Income Homebuyers," Mota and Palim, 2021.
8. Fannie Mae National Housing Survey, 2nd quarter 2021.
9. "Examining the Black-white wealth gap," McIntosh, Moss, Nunn, Shambaugh, February 2020.
10. Survey of Consumer Finances 2019.
11. Fannie Mae National Housing Survey, Q4 2019.
12. Fannie Mae National Housing Survey, Q2 2021.
13. Fannie Mae National Housing Survey, Q2 2021.
14. Fannie Mae is engaging with credit rating agency representatives to aid in the development of uniform standards for rental reporting in credit reports.
15. The Transition to Home Ownership and the Black-White Wealth Gap – Kerwin Kofi Charles and Erik Hurst, The Review of Economics and Statistic, 2002, vol. 84, issue 2, 281-297 https://econpapers.repec.org/article/tprrestat/v_3a84_3ay_3a2002_3ai_3a2_3ap_3a281-297.htm.
16. "Housing Discrimination Against Racial and Ethnic Minorities 2012," HUD, 2013.
17. Zillow Group Consumer Housing Trends Report, 2019.
18. 2018 Home Mortgage Disclosure Act data.
19. "Data Point: Credit Invisibles," CFPB, 2015.
20. Fannie Mae National Housing Survey responses, Q3 2021.
21. "Barriers to Entry: Closing Costs for First-Time and Low-Income Homebuyers," Mota and Palim, December 2021.
22. 2018 Mortgage Qualification Research - https://singlefamily.fanniemae.com/media/21466/display.
23. All consumer education modules and training materials will be regularly updated to assure they remain current and actionable for new audiences.
24. Goodman, L., Bai, B., Li, W. (2018). Real Denial Rates: A Better Way to Look at Who Is Receiving Mortgage Credit https://www.urban.org/sites/default/files/publication/98823/real_denial_rates_2.pdf.
25. DPAs could come from local, community, or governmental sources.
26. Fannie Mae's HomeReady program is generally limited to borrowers with incomes less than or equal to 80% of Area Median Income.
27. **Credit invisible** is defined as consumers without records in nationwide credit reporting agencies according to the Consumer Financial Protection Bureau (CFPB). These customers have no credit information (which is different from customers with credit information but no score) and are often Black, Hispanic, or of low income. These customers face challenges in accessing credit.

28. **Cash-flow underwriting:** Use of summarized data from digital bank statement records covering such items as transaction patterns, balance trends over time, and other observations.
29. Collateral Underwriter® (CU®) is a web-based application provided at no charge to help lenders manage collateral risk as part of their underwriting and quality control processes. The application uses appraisal data and advanced analytics to help identify and research appraisals with overvaluation, appraisal quality, or property eligibility/policy compliance risks.
30. https://www.zippia.com/real-estate-agent-jobs/demographics/.
31. Fannie Mae National Housing Survey, Q2 2021.
32. Survey of Consumer Finances 2019.
33. "Trading Equity for Liquidity: Bank Data on the Relationship Between Liquidity and Mortgage Default," JPMorgan Chase & Co. Institute, 2019.
34. "Is Timing Everything? Race, Homeownership and Net Worth in the Tumultuous 2000s," Newman, Holupka, 2015.
35. "The Assessment Gap: Racial Inequalities in Property Taxation," Avenancio-Leon, Howard, 2021.
36. "Flood Exposure and Social Vulnerability in the United States," Tate, Rahman, Emrich, *et al*, 2021.
37. "FIrst National Flood Risk Assessment," First Street Foundation, 2020.
38. "The Homeownership Experience of Low-Income and Minority Families" Abt Associates 2006.
39. Fannie Mae Multifamily Renter Needs Research, August 2021.
40. Survey of Consumer Finances 2019.
41. "Flood Exposure and social vulnerability in the United States," Tate, Rahman, Emrich, et al. January 2021.
42. Key risks for this initiative include the availability of data or accurate models on the long-term prognosis for localized climates, dependence on a partner to provide accurate analytics, and dependence on governments or community organizations to fund and execute solutions to mitigate the impact of climate change.
43. While the measures each community takes to mitigate climate risk will depend on a variety of factors (e.g., funding, available resources), we seek to empower communities with data to enable them to make a stronger case for change and resources. Access to analytics can help disadvantaged communities develop action plans that may help them compete for state or federal grants targeted towards climate resiliency.
44. A KBD is a decision that may expose Fannie Mae to significant, new, or unusual risk - including strategic, reputational, market, funding and liquidity, operational, credit, or compliance risk.
45. Most comments not captured in one of the three areas above were out-of-scope for Fannie Mae's development of this plan. Some of these comments, such as those suggesting amendments to the Preferred Stock Purchase Agreement (PSPA) and those noting the impact of zoning regulations on housing supply, are out of Fannie Mae's control. Others, such as discussions of the importance of language access / translation of information and housing equity for specific non-Black racial and ethnic groups, will be considered in future years as our focus broadens beyond the Black community.
46. Fannie Mae's HomeReady program is generally limited to borrowers with incomes less than or equal 80% of the area median income.