

2022
Affordable Housing Preservation
Outreach

REGULATORY ACTIVITY:

H. Shared equity programs for affordable housing preservation (12 C.F.R. § 1282.34 (d) (4)).

OBJECTIVE:

1. Promote best practices and standardization for shared equity programs through a model deed restriction and a certification system for shared equity programs.

INFEASIBILITY:

Check here if the Enterprise is submitting an infeasibility request for the objective.

SUMMARY OF RESULTS:

Objective’s components detailed in the Plan	Corresponding actions taken	Explanation of any deviations from the Plan (if applicable)
<input checked="" type="checkbox"/> Expand model deed restriction to additional programs and encourage broader lender participation in programs utilizing model documents.	The implementation steps that follow, collectively, constitute completion of this target.	N/A
<input checked="" type="checkbox"/> Document and gather feedback through focus groups, surveys, or interviews to gain an understanding of benefits realized through the implementation of the model deed restriction and solicit recommendations for improvements.	Over 6,000 shared equity practitioners, shared equity consultants, and shared equity technical assistance (TA) providers were included in outreach throughout the year to raise awareness, gather feedback, and promote the adoption of the model deed restriction (MDR): <ul style="list-style-type: none"> • Over 13,000 emails sent. • Approximately 400 shared equity programs contacted. • 12 shared equity consultants received MDR training. • 25 practitioners received help desk assistance. • Six practitioners received in-depth technical assistance 	N/A
<input checked="" type="checkbox"/> Engage lenders to raise awareness of the model documents, promote the benefits of model documents, and create the opportunity for feedback.	N/A	Fannie Mae did not engage lenders due to the need for an FHFA waiver for private transfer fees as described below.



<input checked="" type="checkbox"/> Execute policy or programmatic changes necessary to accommodate model deed restriction documents.	<p>Fannie Mae performed a thorough assessment of the shared equity section of the Selling and Servicing Guides and has prepared substantial policy updates that modernize and simplify shared equity requirements and accommodate the model deed restriction (MDR). The updates to the Selling and Servicing Guides are fully prepared and ready to publish, pending FHFA’s waiver for private transfer fees.</p>	<p>Fannie Mae did not publish policy or programmatic changes due to the need for an FHFA waiver for private transfer fees as described below.</p>
<input checked="" type="checkbox"/> Develop a certification system for shared equity programs.	<p>The implementation steps that follow, collectively, constitute completion of this target.</p>	<p>N/A</p>
<input checked="" type="checkbox"/> Execute the full public launch of the certification system.	<p>The certification platform was publicly launched in January, and 86 programs are certified as of year-end 2022.</p>	<p>N/A</p>
<input checked="" type="checkbox"/> Engage shared equity programs and lenders to promote awareness around the certification system.	<p>Various marketing activities have been completed to reach specific audiences:</p> <ul style="list-style-type: none"> • Practitioners: a comprehensive email outreach campaign, a public webinar, publication of educational materials, social media posts, customized outreach to select programs, a blog post, incorporation into online training courses, and presentations at conferences. • Lenders: account managers engaged ~ 25 shared equity loan-producing lenders and presented educational materials about the shared equity certification system and the Community Land Trust (CLT) waiver. 	<p>N/A</p>
<input checked="" type="checkbox"/> Execute policy and/or process changes necessary to incorporate the certification system into Fannie Mae’s loan origination and delivery processes.	<p>In December, Fannie Mae expanded the certification platform by making it available to all lenders via Fannie Mae Connect™ and publicizing its availability with a Selling Servicing News announcement.</p>	<p>N/A</p>



SELF-ASSESSMENT RATING OF PROGRESS:

- Target met
- Target exceeded
- Target partially completed
- No milestones achieved

IMPACT:

- 50 – Very Large Impact
- 40
- 30 – Meaningful Impact
- 20
- 10 – Minimal Impact
- 0 – No Impact

IMPACT EXPLANATION:

1. How and to what extent were actions under this objective impactful in addressing underserved market needs, or in laying the foundation for future impact in addressing underserved market needs?

Target: Expand model deed restriction to additional programs and encourage broader lender participation in programs utilizing model documents.

Through an engagement with Grounded Solutions Network (GSN), Fannie Mae engaged more than 6,000 individuals, including practitioners, shared equity consultants, and shared equity TA providers through email, a webinar, help desk assistance, in-depth TA, presentations at the Northwest Community Land Trust (NWCLT) and Local Progress conferences, and publications in HomeKeeper and NeighborWorks newsletters.

Initial feedback on the MDR is positive, indicating that practitioners appreciate that the MDR captures the most current thinking and best practices for shared equity programs and that the language in the MDR can be mapped to their program/policy documents to determine how existing program guidelines may differ from MDR requirements. For emerging programs, the MDR serves as a model for their stewardship philosophy and program guidelines. Practitioners also find the color coding of the MDR (to indicate language that is flexible vs. language that cannot be changed) to be user-friendly.

Many of the recipients of help desk or in-depth technical assistance provided by GSN have experience selling homes and working with first-time homebuyers and are interested in expanding their programs to include lasting affordability for homes. These organizations have expressed appreciation that the MDR provides comprehensive coverage of all aspects of a lasting affordability program from stewardship practices to program sustainability.

Based on feedback from practitioners, we noted that the practice of having resale restrictions that survive foreclosure and flexibility around repair and replacement funds are two areas where programs tend to differ from the requirements of the MDR.

Fannie Mae worked with Chipola Habitat for Humanity, Regions, and Auburn Rural Studio on the first MDR implementation in the country. The first of four completed homes is in the Hurricane Michael disaster area and is built to Fortified Gold and Energy Star 3.0 standards. In addition, Chipola College Construction Workforce Development Program students earned construction certifications by building these homes and their hours of work through our HomeReady sweat equity provision provided \$30,000 in down payment assistance.

Some practitioners also indicated that they plan to update their affordable pricing and resale formula based on the language in the MDR. Practitioners are also sharing the MDR with their local subsidy providers to learn of any concerns about adopting the document as it relates to compliance with their public funding source.

Outreach summary:

- Over 13,000 emails sent in 2022.
- Hosted a public webinar with 135 attendees.
- Published a video explaining the platform and a video with instructions on how to certify.



- GSN incorporated the promotion of the certified platform into member recruitment outreach, reaching over 250 programs.
- Published an educational PDF.
- Presentations at two conferences.
- Published five social media posts across GSN channels.
- Publications in two newsletters.
- Completed multiple rounds of personalized outreach to specific programs.
- Highlighted the certification platform in a June HomeKeeper blog post, in GSN's Training Institute Online courses, at the NWCLT coalition convening, and at GSN's member services booth at their May housing conference.
- Nearly 1,600 unique visitors to the MDR webpage since the MDR was published in November 2021.
- Approximately 400 shared equity programs contacted.
- Hosted ~160 attendees across two legal document webinars.
- GSN held an educational webinar in November with ~100 attendees.
- 12 shared equity consultants received MDR training.
- 25 practitioners received help desk assistance.
- Six practitioners received in-depth TA to adopt the MDR.

As a result of outreach efforts, three practitioners adopted the MDR. One is Chipola Area Habitat for Humanity, who could provide a replicable adoption process for Habitat for Humanity International. Fannie Mae also met with Habitat for Humanity International to discuss shared equity and the MDR. Additionally, Fannie Mae received delivery of the first loan using the MDR from Chipola Area Habitat for Humanity. NeighborWorks Southern Colorado also adopted the MDR, which spurred NeighborWorks to share the MDR with other affiliate organizations. NeighborWorks Southern Colorado also plans to use the MDR for its Pikes Peak development which was planned to break ground in 2022. In addition, four more programs have committed to adopting the MDR.

Target: Develop a certification system for shared equity programs

Fannie Mae launched the shared equity certification system to GSN membership in 2021. After making the certification available to all shared equity programs in January, we currently have 83 programs (up from 24 programs at year-end 2021) certified in 30 states with concentrations in California (10), Washington (8), Florida (6), Pennsylvania (5), and Texas (5). During 2022 Fannie Mae received 33 loan deliveries that used certified programs.

We offered lenders incentives through a Special Requirement Agreement (SREQ) and a variance to help promote usage of the list of certified programs. The success of the SREQ has resulted in the extension of the Loan Level Price Adjustment (LLPA) through 2023 to continue to spur lender engagement with the certification platform. In Q4, GSN updated messaging to include this information to promote the certification platform to their member base, and they included the updated messaging in their year-end newsletter to their full 6,000+ email list.

In December 2022, Fannie Mae also promoted the certification platform in the Selling and Servicing News, informing all lenders that they have access to the certification platform.

Throughout the year, we performed targeted outreach to shared equity practitioners to promote the certification platform and spur them to certify. For example, we reviewed loan-level detail to uncover shared equity programs that were producing loan volume but were not certified. We had GSN conduct customized outreach to these programs. We also reviewed our Community First buyer list for approved shared equity programs that were not certified, and our Community First team reached out to those programs for a warm hand-off to GSN, who requested that those programs certify.

To promote the certification platform and the simplification of the loan origination and delivery process, we also performed targeted outreach to lenders to spur them to participate in the SEPCS pilot and use the certification platform which provides rep and warrant relief for loan deliveries that financed a property in a CLT from the certified list. We reviewed loan-level deliveries for CLT loans that use a program on the certified list and approached the lenders suggesting that they execute the variance. We also worked with GSN to ask newly certified programs which lenders they work with as another way to identify lenders who are good candidates for the pilot. These efforts resulted in eight lenders executing the variance and 77 visits to the certification platform on FM Connect. Until December 14, the report was only open to the 15 lenders. All 15 lenders visited the certification platform at least once during the year.



2. What did the Enterprise learn from its work about the nature of underserved market needs and how to address them?

Seventy-five percent (75%) of certified programs primarily use a ground lease, and 25% a deed-restricted covenant. Over 80% of the submitting programs are nonprofits, 15% are governments and 5% are instrumentalities of government.

Practitioners want exposure to lenders, which limited the appeal of the certified platform during the year since the platform was still in pilot and available to 15 lenders. On December 14, Fannie Mae opened the certified platform to all lenders. This laid the foundation for future impact because feedback from shared equity programs indicates they are typically interested in working with more lenders. By increasing the visibility of certified programs to potentially any Fannie Mae lender, shared equity programs gain exposure to a large and broad set of lenders. In turn, this may entice more programs to certify, knowing that all Fannie Mae lenders have access to the platform and that lenders have the incentive to deliver loans that use certified programs. In 2023, pending the FHFA waiver for private transfer fees and the update to our Selling and Servicing Guides, we plan to terminate the rep and warrant relief waiver for loans that use a certified CLT program and make it a standard business practice to provide rep and warrant relief for any loan that uses a certified CLT program or a certified program that uses the MDR. This provides lenders with another benefit to using the certification platform and will be another path for more future impact.

Shared equity programs and the nonprofit industry in general faced significant staffing and capacity issues during Q1, especially in January 2022. Feedback from GSN members indicated that the beginning of 2022 was a challenging period resulting in limited bandwidth to respond to calls to action, including certifying their program. Also, nonprofit programs that already have one or more lending partners and are not in a significant phase of growth are not motivated to complete certification.

We also learned that municipal programs do not understand nor identify with the term “shared equity”, so we have shifted messaging to “homeownership programs with lasting affordability”.

3. Optional: If applicable, why was the Enterprise unable to achieve the Plan target?

Fannie Mae did not publish policy or programmatic changes to accommodate the MDR due to the pending FHFA waiver for private transfer fees. Because policy and programmatic changes were not made, Fannie Mae did not engage lenders to raise awareness of or acquire feedback about the MDR.

Fannie Mae has prepared substantial policy updates that modernize and simplify shared equity requirements and accommodate the MDR. The updates to the Selling and Servicing Guides are fully prepared and ready to publish pending FHFA's waiver for private transfer fees.



Affordable Housing Preservation Second Quarter Report: April 1 – June 30, 2022 Outreach

ACTIVITY:

H. Regulatory Activity: Shared equity programs for affordable housing preservation (12 C.F.R. § 1282.34 (d) (4)).

OBJECTIVE:

1. Promote best practices and standardization for shared equity programs through a model deed restriction and a certification system for shared equity programs.

SUMMARY OF PROGRESS:

Fannie Mae's efforts to fulfill the target and implementation steps related to promoting the Model Deed Restriction for this objective are pending guidance from FHFA regarding application of 12 C. F. R. § 1228 (the "Private Transfer Fee Regulation") to mortgages of properties under Affordable Housing Programs.

FOLLOWING ARE THE 2022 ACTIONS UNDER THIS OBJECTIVE:

- Expand model deed restriction to additional programs and encourage broader lender participation in programs utilizing model documents.
 - Document and gather feedback through focus groups, surveys, or interviews to gain an understanding of benefits realized through the implementation of the model deed restriction and solicit recommendations for improvements.
 - Engage lenders to raise awareness of the model documents, promote the benefits of model documents, and create the opportunity for feedback.
 - Execute policy or programmatic changes necessary to accommodate model deed restriction documents.
- Develop a certification system for shared equity programs
 - Execute the full public launch of the certification system.
 - Engage shared equity programs and lenders to promote awareness around the certification system.
 - Execute policy and/or process changes necessary to incorporate the certification system into Fannie Mae's loan origination and delivery processes.



SELF-ASSESSMENT RATING OF PROGRESS:

- On-target to meet or exceed the target
- Progress delayed and/or partial completion of the objective expected
- Unlikely to achieve any milestones of the objective

ADDITIONAL INFORMATION (IF APPLICABLE):

Uncertainty over FHFA's response regarding the Private Transfer Fee Regulation has resulted in Fannie Mae's efforts to engage lenders to raise awareness of the model documents, promote the benefits of model documents, and create the opportunity for feedback. This includes postponing updates to our Selling Guide to incorporate the Model Deed Restriction and make clarifications to our requirements to promote the use of shared equity programs.

Fannie Mae has completed an assessment of the appropriate updates to our Selling and Servicing Guides to facilitate the execution of policy or programmatic changes necessary to accommodate Model Deed Restriction documents and we have final drafts of the Guide amendments. However, Fannie Mae views it premature to publish the Guide updates until we have received FHFA's response regarding the Private Transfer Fee Regulation.

Through our partner, Grounded Solutions Network, we are documenting and gathering feedback from shared equity practitioners through focus groups, surveys, technical assistance, or interviews to gain an understanding of benefits realized through the implementation of the Model Deed Restriction and solicit recommendations for improvements. Fannie Mae has contracted Grounded Solutions Network to implement a market awareness and promotion campaign of the Model Deed Restrictions and this body of work is on track for completion in 2022 plan year.

The target and implementation steps associate with the shared equity certification are not impacted by the Regulation and are on track for completion in 2022.