Manufactured Housing
2023 - 2024

Regulatory Activity: Manufactured housing communities (MHCs) owned by a governmental entity, nonprofit organization, or residents (12 C.F.R. § 1282.33 (c) (3)).

Objective #1: Increase loan purchases of MHCs owned by government entities, nonprofit organizations, or residents.

Modification:
Change 2023 and 2024 Evaluation Area to Outreach instead of Loan Purchase, and remove Target to purchase loans secured by seven MHC properties which are owned by residents, government entities, or nonprofit organizations.

Justification:
Fannie Mae has conducted significant outreach to key lender and non-lender stakeholders involved in this segment of the MHC market in 2023. Notably, we initiated our first-ever training targeting certified technical assistance providers (CTAPs) in the ROC USA network in the hopes of directly uncovering and addressing specific feedback or pain points related to our resident-owned community pilot loan product offering. While we became aware of several refinance transactions which appeared to meet our program standards in the first half of this year, each of those ROC borrowers chose to transact with other capital sources with whom these borrowers were already familiar. Local banks and credit unions, CDFIs, and state housing finance agencies have all created permanent loan products for ROCs in certain geographic markets across the country which either rival our program terms or provide more flexibility in terms of loan-level pricing or credit underwriting standards. We are proposing to continue developing connections with key market stakeholders through targeted outreach while removing the expectation that we purchase loans in 2023-2024, considering our primary learning that many ROC borrowers appear to be well-served with existing debt financing sources.

We note that although this proposed modification reduces our commitment to the resident-owned MHC sector, we remain committed to developing new opportunities for offering mortgage financing to residents in these communities when state law treats such homes as real property, an Objective within our Single-Family manufactured housing plan. Further, we are leveraging this Plan Modification cycle to propose initiating new outreach and product development research to serve other aspects of the manufactured housing financing ecosystem, including strategies for incentivizing the construction of energy-efficient manufactured housing, new outreach and loan product development commitments which deepen our support for manufactured housing under a variety of Single Family leasehold structures, and strategies explicitly targeting the usage of manufactured housing on tribal trust land.

B. Regulatory Activity: Manufactured housing communities (MHCs) owned by a governmental entity, nonprofit organization, or residents (12 C.F.R. § 1282.33 (c)(3)).

1. Objective: Increase loan purchases of MHCs owned by government entities, nonprofit organizations, or residents.

Between 2022 – 2024, Fannie Mae will ~~increase purchases of loans secured~~contribute to the development of a robust marketplace for ~~by~~ MHC properties owned by non-traditional entities, including government entities, nonprofit organizations, or residents through outreach and loan purchase efforts. The rationale highlighted above, including the low representation of non-traditional ownership (2%) and highly fragmented market, demonstrate that it is difficult to achieve scale in this space as it currently stands. We will continue our outreach and education efforts to identify opportunities and support the market.

Baseline for Overall Objective — MHC owned by government entities, nonprofit organizations, or residents: The baseline of two properties represents the average number of properties financed between 2019 and 2021.

Historical Loan Purchases of MHC Owned by Residents, Government Entities, or Nonprofit Organizations	2019	2020	2021
Properties	0	3	1
Units	0	405	226

Year	Target and Implementation Steps	Evaluation Area
2022	Purchase loans secured by five MHC properties which are owned by residents, government entities, or nonprofit organizations, comprising an estimated 808 units and representing a 150% increase from the baseline. • Continue efforts to support resident-owned communities through ROC pilot program implementation and other tactics. • Perform an assessment of lender outreach and education efforts to identify opportunities to increase non-traditional MHC loan purchases.	Loan Purchase
2023	Build awareness and adoption of financing opportunities available to ~~Purchase loans secured by seven~~ MHC properties which are owned by residents, government entities, or nonprofit organizations~~, comprising an estimated 1,131 units and representing a 250% increase from the baseline.~~ by undertaking the following efforts: • Continue efforts to support resident-owned communities through ROC pilot program implementation and other tactics. • Perform an assessment of lender outreach and education efforts to identify opportunities to increase non-traditional MHC loan purchases. • Develop case study highlighting previous ROC transactions supported through Fannie Mae, known availability of primary-market debt financing in select geographic markets which are primed for resident ownership, as well as feedback from resident-service providers and lenders on our resident-owned communities MHC offering(s.)	~~Loan Purchase~~Outreach
2024	~~Continuing refining~~Refine tactics which contribute to the development of a robust secondary marketplace for MHC properties owned by residents, government entities, and nonprofit organizations by undertaking the following tactics: ~~Purchase loans secured by seven MHC properties which are owned by residents, government entities, or nonprofit organizations, comprising an estimated 1,131 units and representing a 250% increase from the baseline.~~	~~Loan Purchase~~Loan Product

- Continue efforts to support resident-owned communities through ROC pilot program implementation and other tactics.
- Perform an assessment of lender outreach and education efforts to identify opportunities to increase non-traditional MHC loan purchases.
- Update and promote 2023 case study highlighting previous ROC transactions, known availability of debt financing in select geographic markets which are primed for resident ownership, as well as feedback from resident-service providers and lenders on our resident-owned communities MHC offering(s.)
- Evaluate, and if appropriate, ~~Broaden~~expand lender eligibility ~~guidelines~~ for either Fannie Mae's resident-owned communities pilot offering or its standard MHC product execution available to non-profit and government-owned MHCs by year-end~~, based upon market stakeholder feedback~~ based on lenders' previous experience in the non-traditionally owned MHC market.
- Evaluate the application of existing secondary mortgage market mechanisms to promote resident and other non-traditional ownership structures in the manufactured housing market.

Explore updates to lender guidance and internal processes that streamline existing delivery of non-traditionally owned MHCs based on market feedback

Manufactured Housing
2023

Regulatory Activity: Support manufactured homes titled as real property (MHRP) (12 C.F.R. § 1282.33 (c) (1)).

Objective # 1: Acquire purchase money mortgage (PMM) loans secured by MHRP.

Modification:
For 2023, maintain existing baseline but reset target to 4,800 loans to account for significant shifts in the housing finance market that are outside of Fannie Mae's control. These shifts reduce opportunities to finance PMM loans, both generally and in low-loan balance product segments including manufactured home loans, necessitating the recalculation.

Justification:
The proposed modification is roughly 43 percent less than the total number of loans purchased under this Objective in 2022. For context, through the second quarter of this year, Fannie Mae's overall Single-Family purchase-money mortgage acquisition volume has declined roughly 39 percent year-over-year through the first half of the year. Thus, the proposed reduction to the MHRP target is similar to, but slightly larger than, the decline in Fannie Mae's overall business.

Macroeconomic factors such as high interest rates and the associated "lock-in" effect for existing homeowners, historically high home prices, and limited available housing supply are direct contributors to our constrained loan purchase activity this year. We also note that manufactured home loans make up a disproportionate share of lower-price housing in the U.S. As documented through numerous recent research publications, low-balance loans are more likely to be denied due to higher debt-to-income (DTI) ratios—a factor which has been exacerbated as interest rate increases have a direct impact on the borrower's DTI.

Further, our own research has shown that the share of originated loans held on portfolio and those securitized through Ginnie Mae has increased in 2023. Through June 2023, the share of loans held on portfolio has increased roughly 3% since 2022. Since the FHA mortgage insurance premium was lowered in March of 2023, Ginnie Mae market share for loans with LTVs greater than 80% has increased by 3%, while high LTV MH loan purchases for Fannie Mae have decreased proportionately. These trends suggest that as overall origination volume has contracted, other players in the market have accrued additional market share, thereby further constraining our loan purchase efforts.

A. Regulatory Activity: Support manufactured homes titled as real property (MHRP) (12 C.F.R. § 1282.33 (c) (1)).

1. Objective: Acquire purchase money mortgage (PMM) loans secured by MHRP.

Fannie Mae has committed to supporting the expansion of MHRP in the past and will continue to do so during this three-year Plan period through increased loan purchases. Unlike in the prior Plan cycle, we have decided to exclude refinance loans when planning our loan purchase targets, focusing exclusively on purchase money mortgage (PMM) loans. Fannie Mae will continue to support refinance loans for low- to moderate-income borrowers in this market, but these loans will not be included in our three-year Plan because of the inherent volatility of the refinance business in a volatile interest rate environment. In other words, we believe that including refinance loans would place more weight on market forces and monetary policy than on our own actions. We considered the circumstances within the market to select the growth target. In manufactured housing, year-over-year growth has fluctuated. In fact, 2019 PMM purchases were slightly lower than in 2018. Between 2017 and 2020, annualized average growth has been about 13%. Moving into the next plan cycle, macroeconomic trends such as increasing housing prices and interest rates suggest that sustained growth in these markets may prove difficult to achieve. However, we recognize that Duty to Serve consumers are likely to be impacted greatly by these broader economic challenges. As a result, we have made what we believe to be a meaningful commitment to this market in the form of an enhanced loan purchase target in Year One. While we do not have the data to feel confident in making additional increases to later years in the Plan, we will commit to working with FHFA to responsibly adjust our targets should market conditions change. In summary, our 2022 manufactured home target is 22% higher than the baseline, while our 2023 target is 13% higher than our baseline. By the third and final year of this Plan cycle, our target is 15.8% higher than the baseline.

Baseline: The baseline of 8,196 loans is the current three-year average of the number of MHRP loans purchased by Fannie Mae. Fannie Mae has set the below targets for 2022 – 2024. Similar to our approach when setting a baseline in the prior iteration of the Duty to Serve Plan, we reference actual loan purchases from a recent period. Our standard approach calculates the simple average of the three years spanning 2018 to 2020. However, 2020 loan purchases were anomalously high in certain markets, so we focused on determining whether it was reasonable to include or exclude 2020 from each baseline. In manufactured housing, purchases of PMM loans in 2020 were higher than any recent year. However, the year-over-year growth of 13% was generally in line with recent years and continued an existing trend, so we included it in our baseline. Therefore, based on 2018 – 2020 performance, we set a manufactured homes baseline of 8,196 PMM loans for 2022 – 2024.

MHRP Historical Loan Purchases	2018	2019	2020
Loans	8,025	7,766	8,798

Year	Target and Implementation Steps	Evaluation Area
2022	Purchase 10,000 loans for conventional manufactured housing, which represents approximately a 22% increase over baseline.	Loan Purchase
2023	Purchase 4,800~~9,300~~ loans for conventional manufactured housing~~, which represents approximately a 13% increase over baseline.~~	Loan Purchase
2024	Purchase 9,500 loans for conventional manufactured housing, which represents approximately a 16% increase over baseline.	Loan Purchase

Manufactured Housing
2023 - 2024

Additional Activity: Support manufactured home lending on tribal trust land (12 C.F.R. § 1282.33 (d)).

Objective # 1: Develop product and process flexibilities to streamline manufactured home lending on tribal trust land.

Modification:
Adding new Loan Product Objectives for 2023 and 2024 which expand on existing efforts to increase adoption of manufactured housing as a viable source of affordable supply for tribal entities and consumers living on tribal trust land.

Justification:
While its use varies significantly from Tribe to Tribe, manufactured housing is an important form of housing on Indian reservations. For example, a recent study by NCRC using HMDA data states that Native American mortgage borrowers are more than twice as likely to borrow on MH than other racial groups. Separately, the Minneapolis Fed developed a resource to explore HMDA data within specific Indian reservations and found that, on the largest reservation in the US, Navajo Nation, out of a total of 2,494 home loan applications in its dataset, 2,363 (95%) were for MH properties. The lenders that account for most of these loans on Navajo Nation land specialize in chattel, meaning they are likely high cost to the borrower relative to a traditional mortgage. Fannie Mae believes there are opportunities to address lender and industry stakeholder feedback, within the NACLI variance framework, that make conventional financing for manufactured homes simpler and more certain for Native consumers living on tribal trust land.

E. Additional Activity: Support manufactured home lending on tribal trust land (12 C.F.R. § 1282.33 (d)).

1. Objective: Develop product and process flexibilities to streamline manufactured home lending on tribal trust land

While its use varies significantly from Tribe to Tribe, manufactured housing is an important form of housing on Indian reservations. For example, a recent study by NCRC using HMDA data states that Native American mortgage borrowers are more than twice as likely to borrow on MH than other racial groups. Separately, the Minneapolis Fed developed a resource to explore HMDA data within specific Indian reservations and found that, on the largest reservation in the US, Navajo Nation, out of a total of 2,494 home loan applications in its dataset, 2,363 (95%) were for MH properties. The lenders that account for most of these loans on Navajo Nation land specialize in chattel, meaning they are likely high cost to the borrower relative to a traditional mortgage. Fannie Mae believes there are opportunities to address lender and industry stakeholder feedback, within the NACLI variance framework, that make conventional financing for manufactured homes simpler and more certain for Native consumers living on tribal trust land.

Baseline: Fannie Mae has made manufactured housing an eligible property type within its Native American Conventional Lending ("NACLI") variance offering for many years. However, as affordable housing supply remains a critical need for Native consumers living on tribal trust land, Fannie Mae proposes additional product development work to streamline the adoption of MH amongst consumers and lenders leveraging the NACLI financing opportunity.

Year	Target and Implementation Steps	Evaluation Area
2023	To develop product and industry engagement strategies which further the availability of conventional financing for MH units on tribal trust land, Fannie Mae will pursue the following tactics: • Considering lender and industry feedback, research legal and collateral standards applicable to homes on trust land which may be streamlined to promote adoption of MH as a housing supply option. • Ongoing participation in trainings among Native coalitions to facilitate the training and certification of Native ICC-certified inspectors and adoption of tribal building codes, considering their applicability to manufactured housing. • Develop an outreach and training plan to understand replicability of tribal ordinances and business processes for de-titling new and re-titling existing manufactured homes from personal to real property, identifying barriers to adoption and proposing solutions to address those barriers. • Issue one programmatic change to the NACLI variance which responds to feedback collected in 2023.	Loan Product
2024	Fannie Mae will build upon its 2023 efforts to streamline lending for manufactured home consumers living on trust land by undertaking the following: • Promote the 2023 programmatic change to NACLI to three lenders and/or tribal entities deemed reasonably fit for adoption, based on 2023 outreach findings.	Loan Product

Year	Target and Implementation Steps	Evaluation Area
	• Through lender and stakeholder outreach, research tactics and strategies employed by tribal entities in procuring new and/or used manufactured housing units. • Further research legal and collateral standards applicable to homes on trust land which may be streamlined to promote adoption of MH as a housing supply option on trust land. • If feasible, issue one additional programmatic change to the NACLI variance which furthers the use of manufactured housing as an affordable supply option on tribal trust land.	

Fannie Mae

Affordable Housing Preservation
2023

Regulatory Activity: Energy or water efficiency improvements on single-family, first lien properties that meet the FHFA Criteria (12 C.F.R. § 1282.34 (d) (3)).

Objective # 2: Increase the purchase of mortgage loans that finance energy and water improvements or refinance existing energy debt.

Modification:
Action item description: Purchase 187 loans used to purchase or refinance homes with energy, water, or energy debt refinance, which represents a 5% increase over the baseline.
Modified language: Purchase 28-33 loans used to purchase or refinance homes with energy, water, or energy debt refinance.

Justification:
Broader market trends have resulted in significantly lower single-family energy loan volume during the first half of 2023. Specific drivers for this decline include factors affecting the broader housing market, such as high interest rates and the associated "lock-in" effect for existing homeowners, historically high home prices, and limited available housing supply.

With the higher interest rates, refinances are also down considerably. This is particularly impactful for single-family energy and water loans. Historically, homeowners have used HomeStyle Energy, and to a lesser extent HomeStyle Renovation, during a refinance to fund home energy improvements or refinance existing energy-related debt. The higher interest rates have caused a reduction in refinance transactions, which in turn has reduced the number of HomeStyle Energy and HomeStyle Renovation loans to purchase. To provide some perspective, over 95% of the DTS Energy-eligible loans acquired in 2022 were from refinance transactions.

We are currently on track to see the lowest volume of DTS Energy-eligible loans since we started tracking and reporting these loans for Duty to Serve in 2018. In the first six months of 2023, we have purchased a total of 19 loans, or roughly three loans per month. Comparing this monthly average from last year, the average for DTS Energy-eligible loans was 16 loans per month.

With continued outreach and education to lenders, we anticipate being able to purchase between 28 and 33 DTS Energy-eligible loans in 2023. Despite this revised target being well below our set baseline, the revised target will still be challenging to achieve by the end of 2023 given that we do not expect market conditions to improve during this period.

G. Regulatory Activity: Energy or water efficiency improvements on single-family, first lien properties that meet the FHFA Criteria (12 C.F.R. § 1282.34 (d) (3)).

2. Objective: Increase the purchase of mortgage loans that finance energy and water improvements or refinance existing energy debt.

Fannie Mae will purchase loans that support energy and water efficiency improvements, including loans that refinance existing energy debt such as Property-Assessed Clean Energy (PACE) loans. These loans will help homeowners finance energy and water improvements to a home that will reduce utility bills or reduce the cost of existing energy debt, making homeownership more affordable. Our goal is to increase liquidity of loans that contribute to the preservation of affordable housing by reducing utility bills, which disproportionately impact low-income households.

Baseline: The baseline of 178 loans was derived from the Fannie Mae average of 2018 to 2020 acquisitions, DTS-eligible energy and water improvement loans, and PACE refinance loans. Using this baseline, Fannie Mae has set the DTS energy loan purchase targets for 2023 and 2024. As part of Energy Objective 2, Fannie Mae will focus our 2022 efforts on product enhancements and lender outreach to meet the 2023 and 2024 loan purchase targets.

Historical Single-Family Energy/Water Loan Purchases	2018	2019	2020
Loans	85	173	277

Fannie Mae has collected data on Duty to Serve eligible purchase and refinance loans with energy improvement components from 2018 through 2020. We have also aggregated refinances used at least in part to pay off a homeowner's debt obligation under an existing PACE agreement. There are no discernable trends from 2018 – 2020 among either loan counts in aggregate or among any of the sub-categories (purchase, refinance, and PACE refinance), and the loan counts over those years are highly variable. Therefore, it would be inappropriate to impute a trend into the future or to use a methodology that implies a trend, such as straight-line growth from a previous year. Instead, we believe that a reasonable goal for 2023 would be to exceed the baseline loan acquisition count by at least 5%, or 187 loans. In 2024, building upon the foundational work described in the objectives, we aspire to grow such acquisitions by at least 20% above the 2023 target (26% above the baseline), or 225 loans. These loan acquisition targets balance two competing considerations — the considerable growth opportunities we see for consumers to make energy improvements and the highly volatile loan delivery history of the market to date.

Year	Target and Implementation Steps	Evaluation Area
2022	N/A	N/A
2023	Purchase 28-33~~187~~ loans used to purchase or refinance homes with energy, water, or energy debt refinance~~, which represents a 5% increase over the baseline~~.	Loan Purchase
2024	Purchase 225 loans used to purchase or refinance homes with energy, water, or energy debt refinance, which represents approximately a 20% increase over the 2023 target.	Loan Purchase

Fannie Mae

Affordable Housing Preservation
2023

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

Objective # 2: Increase the purchase of mortgage loans that finance shared equity homes.

Modification:
For 2023, maintain the existing baseline and reset the target to 155 loans to account for significant shifts in the housing finance market that are outside of Fannie Mae's control. These shifts reduce opportunities to finance shared equity loans. The revised target is based on year-to-date loan production and an analysis of the last 12 months of loan purchases to assess loan purchase opportunities remaining in 2023 given expected housing market conditions.

To establish this new target, we used an updated methodology to identify shared equity loan deliveries using loan delivery data indicators for community land trusts and review of loans delivered that utilize a shared equity program from our certified shared equity program list, all filtered for AMIs of 100% or less. Historically, we relied on select lender identification of shared equity loans that meet Duty to Serve criteria.

Justification:
The proposed modification results in about 14 percent less loan purchases than the total number of loans purchased under this objective in 2022.

For context, using our new proposed shared equity loan identification methodology, when comparing Fannie Mae's shared equity loan purchases made during the first six months of 2022 versus those made during the first six months of 2023, loan purchases are about 31 percent lower in 2023.

Drivers for this reduction in loan purchase opportunities include higher interest rates, higher property acquisition costs, and higher costs for labor and materials to perform rehabilitation of properties. Shared equity programs require significant subsidy at property acquisition and/or property rehabilitation to enable the sale of the property at an affordable price which is typically significantly below the market value of the property. The current market environment results in the need for higher subsidy for each property acquired, reducing the buying power of shared equity programs and the availability of shared equity properties.

To identify shared equity loans eligible for Duty to Serve loan purchase credit, Fannie Mae has incentivized lenders via a loan level price adjustment (LLPA) in exchange for them identifying shared equity loans originated for properties in programs that they have deemed compliant with DTS guidelines.

The work we have done is the shared equity space over the last few years has resulted in learnings and changes to our policies and process that allow us to better identify shared equity loans that meet Duty to Serve requirements without the need to compensate lenders to identify the loans for us. Going forward, we propose that we identify these loans by using loan delivery data indicators for: community land trusts, model deed restriction, below market rate, and private transfer fees (each of these have a special feature code used at loan delivery) as well as review of loans delivered that utilize a shared equity program from our certified shared equity program list, all filtered for AMIs of 100% or less. A retroactive analysis of loan deliveries shows that we are able to report higher shared equity loan deliveries using this methodology versus the current methodology.

To incentivize lenders to use these loan indicators, we are updating our loan pricing matrix to indicate that these loans qualify for the pricing adjustment for loans at 100% AMI or less.

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

2. Objective: Increase the purchase of mortgage loans that finance shared equity homes.

Many shared equity programs have difficulty attracting broad lender participation. As a result, borrowers have limited lender choices for the financing of shared equity homes. In concert with our efforts to promote standardization and simplified underwriting for shared equity loans, we will seek to provide greater liquidity to the shared equity market through increased loan purchases. By enhancing underwriting support, promoting market standardization, and expanding purchases of shared equity loans, we intend to enable lenders to scale their shared equity lending such that these loans are no longer considered a niche offering, but instead become a standard product offering for more lenders. This will result in greater competition and choices for shared equity borrowers.

Baseline: The baseline of 155 loans was derived from Fannie Mae's historical shared equity loan purchases for the year 2020. Significant effort was made in the prior Duty to Serve Plan to identify DTS-eligible shared equity loan purchases. Ultimately, Fannie Mae determined that the best mechanism for identifying such loans was to require lenders participating in our DTS shared equity initiative to represent and warrant at delivery the DTS eligibility of a particular program with which a loan is associated. These lenders are required to add a corresponding special feature code (SFC) to loans originated for properties in programs that they have deemed compliant with DTS guidelines. Loans delivered with this SFC have constituted our "official" DTS shared equity loan purchase count that we tracked internally for 2020. Due to the fact that the first two years of the Plan were devoted to determining the best mechanism to identify DTS-eligible deliveries and garnering lender buy-in, the number of loans purchased rose dramatically by the third year of the Plan — increasing by more than 158% from 2018 and 107% from 2019. Therefore, utilizing the mean number of deliveries for the years 2018 – 2020 did not appear to be a viable strategy for establishing a reasonable baseline for prospective loan purchase targets. Instead, using the final tally of loans purchased in 2020 with the DTS SFC, and in consultation with targeted lenders participating in our DTS shared equity initiative in 2021, we set loan purchase targets for 2022 – 2024 that reflect steady year-over-year growth from the 2020 loan purchase total for DTS-eligible shared equity loans.

Shared Equity Loan Purchases	2020
Loans	155

Year	Target and Implementation Steps	Evaluation Area
2022	Purchase 175 loans used to finance shared equity properties, which represents approximately a 13% increase from the baseline.	Loan Purchase
2023	Purchase ~~230~~ 155 loans used to finance shared equity properties, which ~~represents approximately a 48% increase from~~is equal to the baseline.	Loan Purchase
2024	Purchase 345 loans used to finance shared equity properties, which represents approximately a 123% increase from the baseline.	Loan Purchase

Fannie Mae

Rural Housing
2023

Regulatory Activity: Housing in high-needs rural regions (12 C.F.R. § 1282.35(c)(1)).

Objective #2: Acquire single-family purchase money mortgage (PMM) loans in high-needs rural regions.

Modification:
For 2023, maintain existing baseline but reset target to 5,400 loans to account for significant shifts in the housing finance market that are outside of Fannie Mae's control. These shifts reduce opportunities to finance PMM loans, both generally and in high-needs rural regions, necessitating the recalculation. The revised target is based on a close analysis of year-to-date loan purchases and statistically modeled forecasts of loan purchase opportunities remaining in 2023 given expected housing market conditions.

Justification:
The proposed modification is about 40 percent less than the total number of loans purchased under this objective in 2022. This is roughly the same size drop when comparing Fannie Mae's overall single-family volumes from the first half of 2023 to the first half of 2022.

Drivers for this general reduction in loan purchase opportunities include high interest rates and the associated "lock-in" effect for existing homeowners, historically high home prices, and limited available housing supply.

Additionally, there are several factors specific to this underserved market, as identified by our targeted lender outreach, including competitive pressures in underwriting and pricing from other secondary market participants and from CRA-incented depositories, correspondent lenders holding loans on portfolio, and ongoing challenges with rural appraisals.

A. Regulatory Activity: Housing in high-needs rural regions (12 C.F.R. § 1282.35 (c)(1)).

2. Objective: Acquire single-family purchase money mortgage (PMM) loans in high-needs rural regions.

Borrowers in high-needs rural regions experience challenges in securing financing for home purchases. The number of lenders serving high-needs rural regions has declined significantly in recent decades. As described above, lenders that do operate in high-needs rural regions often retain the loans they originate in their portfolio instead of selling them into the secondary market, thereby limiting liquidity and availability of mortgage financing. There is an opportunity to increase liquidity by increasing loan purchases in high-needs rural regions.

FOCUSING ON PURCHASE MONEY MORTGAGE (PMM) PURCHASES

Unlike in the prior Plan cycle, we have excluded refinance loans from our loan purchase targets, focusing exclusively on PMM loans. Fannie Mae will continue to support refinance loans for LMI borrowers in this market. However, these loans will not be included in our three-year Plan because of the inherent volatility of the refinance business in a shifting interest rate environment, which may place more weight on market forces beyond our control.

IDENTIFYING A GROWTH TARGET

We believe that continued growth over the next three years is reasonable, even amid shifting market conditions. As with the baseline, we considered the circumstances within each market to select appropriate growth targets. In high-needs rural regions, recent average annual growth has been 19%, and each year of the first Duty to Serve Plan resulted in higher loan purchases than the year prior. Moving into this plan cycle, macroeconomic trends such as increasing housing prices and interest rates suggest that sustained growth in these markets may prove difficult to achieve. However, we recognize that Duty to Serve consumers are likely to be impacted greatly by these broader economic challenges. As a result, we have made what we believe to be a meaningful commitment to this market in the form of an enhanced loan purchase target in Year One, which is 23% higher than the baseline. While we do not have the data to feel confident in making annual increases of this size to later years in the Plan, we will commit to working with FHFA to responsibly adjust our targets should market conditions change.

Baseline: The 6,526-loan baseline represents the four-year average of the number of loans purchased by Fannie Mae from 2017 – 2020. Fannie Mae has set the below targets for 2022 – 2024. Similar to our approach when setting a baseline in the prior iteration of the Duty to Serve Plan, we reference actual loan purchases from a recent period.

Single-Family High-Needs Rural Regions Loan Purchases	2017	2018	2019	2020
Loans	5,039	5,942	6,619	8,505

Year	Target and Implementation Steps	Evaluation Area
2022	Purchase 8,000 single-family mortgage loans in high-needs rural regions, which represents approximately a 23% increase over the baseline.	Loan Purchase
2023	Purchase ~~7,900~~5,400 single-family mortgage loans in high-needs rural regions~~, which represents approximately a 21% increase over the baseline~~.	Loan Purchase

2024	Purchase 8,700 single-family mortgage loans in high-needs rural regions, which represents approximately a 33% increase over the baseline.	Loan Purchase

Rural Housing
2023

Regulatory Activity: Financing by Small Financial Institutions (SFIs) of rural housing (12 C.F.R. § 1282.35(c) (3)).

Objective #1: Acquire single-family purchase money mortgage (PMM) loans in rural areas from SFIs.

Modification:
For 2023, maintain existing baseline but reset target to 2,200 loans to account for significant shifts in the housing finance market that are outside of Fannie Mae's control. These shifts reduce opportunities to finance PMM loans, both generally and in the rural SFI market, necessitating the recalculation. The revised target is based on a close analysis of year-to-date loan purchases and statistically modeled forecasts of loan purchase opportunities remaining in 2023 given expected housing market conditions.

Justification:
The proposed modification is about 40 percent less than the total number of loans purchased under this objective in 2022. This is roughly the same size drop when comparing Fannie Mae's overall single-family volumes from the first half of 2023 to the first half of 2022.

Drivers for this general reduction in loan purchase opportunities include higher interest rates and the associated "lock-in" effect for existing homeowners, historically high home prices, and limited available housing supply.

They also include several factors specific to this underserved market, as identified by our targeted lender outreach, including increased competition from larger depositories and non-depositories for SFI loans and, SFI originators holding loans on portfolio, and competitive pricing from other secondary market participants. Moreover, additional market research suggests that some SFIs seeking to originate loans in rural areas can be limited by technology that is less nimble than that of larger competitors. Finally, some SFIs have reported that, as borrowing costs and housing costs have risen, their customers have become more price sensitive, leading to fewer loans made to customers on the basis of their existing relationship.

C. Regulatory Activity: Financing by Small Financial Institutions (SFIs) of rural housing (12 C.F.R. § 1282.35(c) (3)).

1. Objective: Acquire single-family purchase money mortgage (PMM) loans in rural areas from SFIs.

Rural communities have experienced a decline in the number of bank branches, exacerbating mortgage finance obstacles. Fannie Mae is positioned to help financial services providers in rural communities expand their reach. Increasing liquidity in the Rural Housing market can support expanded mortgage options for buyers in rural areas.

FOCUSING ON PMM PURCHASES

Unlike in the prior Plan cycle, we have excluded refinance loans from our loan purchase targets, focusing exclusively on PMM loans. Fannie Mae will continue to support refinance loans for LMI borrowers in this market. However, these loans will not be included in our three-year Plan because of the inherent volatility of the refinance business in a shifting interest rate environment, which may place more weight on market forces beyond our control.

IDENTIFYING A GROWTH TARGET

We believe that modest growth over the next three years is reasonable, even amid shifting market conditions. As with the baseline, we considered the circumstances within each market to select growth targets. With SFIs, year-over-year growth has fluctuated. In fact, 2019 PMM purchases were slightly lower than in 2018. Over a longer time period, annualized average growth has been about 12%. Because we do not expect this level of growth in perpetuity, and because we expect market conditions (like interest rates) to provide headwinds, we chose an annual growth rate of 5%. Therefore, by the third and final year of this Plan cycle, our target is 15.8% higher than the baseline.

Baseline: The baseline of 5,749 loans is the three-year average of the number of loans purchased by Fannie Mae from 2018 – 2020. Fannie Mae has set the below targets for 2022 – 2024. Similar to our approach when setting a baseline in the previous Duty to Serve Plan, we reference actual loan purchases from a recent period. We set an SFI baseline, according to 2018 – 2020, of 5,749 PMM loans.

Single-Family Loans in Rural Areas from SFIs	2018	2019	2020
Loans	5,385	5,265	6,595

Year	Target and Implementation Steps	Evaluation Area
2022	Purchase 4,200 single-family mortgage loans in rural areas from SFIs. • Conduct research and outreach focused on understanding and responding to shifts within the SFI loan purchase market.	Loan Purchase
2023	Purchase ~~6,339~~2,200 single-family mortgage loans in rural areas from SFIs~~, which represents a 5410% increase over the baseline~~.	Loan Purchase
2024	Purchase 6,656 single-family mortgage loans in rural areas from SFIs, which represents a 16% increase over the baseline.	Loan Purchase