

Fannie Mae®

Annual Housing Activities Report **2023**

2023 at a glance

Affordability



189,439

Very low- and low-income homebuyers helped to purchase a home

Over 2,200

Potential homebuyers approved-eligible due to positive rent payment history

317,032

Rental units affordable to very low- and low-income families financed

1.5M

Home purchases, refinances, and rental units enabled

382,384

First-time homebuyers helped to purchase a home

Over 380,000

Renters participated in the multifamily positive rent payment pilot

Stability



Over 226,000

First-time prospective homebuyers completed our HomeView® course and earned their certificate of completion

Over 9,000

Counseling sessions supported to help people stay in their homes after disaster or hardship

Liquidity



\$369B

Provided in liquidity to the single-family and multifamily mortgage markets

\$8.9B

In Multifamily and Single-Family Green MBS issued

482,000

Multifamily units financed

\$11.2B

In Multifamily Social MBS issued

984,000

Single-family purchase and refinance loans acquired



Introduction

Fannie Mae was founded in 1938 with the public purpose of encouraging homeownership in the United States. Over the years, we have continuously sought to expand housing opportunities.

Today, our mission is to advance equitable and sustainable access to homeownership and quality affordable rental housing across America. Fannie Mae supports the housing market by purchasing and guaranteeing mortgage loans made by lenders and issuing mortgage-backed securities (MBS), backed by those mortgage loans, that attract global investors. These activities help to enable affordable housing for individuals and communities.

This report describes a wide range of activities and our accomplishments in 2023 to provide leadership in creating housing opportunities that are affordable and stable. This report also highlights our annual housing activities and performance on the housing goals established by the Federal Housing Finance Agency (FHFA).

This past year, low- and moderate-income families faced challenges in the housing market, including an ongoing high interest rate environment, elevated housing prices, and a continuing shortage of affordable homes for purchase or rent. Fannie Mae continued to provide liquidity to help maintain affordability in the overall housing market, while supporting responsible lending. We also focused on research and developing solutions to help build a more equitable and sustainable housing experience for renters, homebuyers, and homeowners nationwide.

In this report, you will learn how Fannie Mae works to:

- Provide housing **affordability** by offering programs, products, and tools designed to help people secure affordable and stable housing.
- Support housing **stability** for more families to stay in their homes by providing homeownership and rental education, maintaining sustainable and inclusive credit standards, and offering foreclosure prevention options.
- Enable a stable source of **liquidity** for mortgage lending to help increase access to affordable homeownership and rental housing.

We are proud of the work described in this report and the people and partners who are advancing our shared goals. Most of all, we are inspired by the opportunity to serve America's renters and homeowners.



About Fannie Mae

The Federal National Mortgage Association, better known as Fannie Mae, has a unique and vital role in the mortgage finance system. By purchasing mortgages from lenders, we provide liquidity to make stable mortgage financing accessible to more borrowers. In 2023, Fannie Mae helped finance approximately 1.5 million home purchases, refinancings, and rental units.

We work with many partners, including mortgage lenders and servicers, housing counselors, real estate agents, nonprofits, and other industry professionals to help people obtain a home and stay in that home when faced with hardship or disaster.

Fannie Mae's work is focused on two types of housing.

Single-Family

Our Single-Family business helps homebuyers purchase and refinance homes with one to four units. We support mortgage lenders by acquiring the mortgage loans they originate. We package loans we acquire into MBS, providing credit guarantees that attract investors to the U.S. secondary mortgage market. Our financing solutions enable lenders to offer 30-year fixed-rate mortgages, which provide homeowners stable, predictable mortgage payments over the life of their loans.

We develop and maintain underwriting, eligibility, and risk management standards for Fannie Mae loans through Desktop Underwriter® (DU®), our industry-leading underwriting system. We also establish servicing standards, including borrower assistance options for homeowners experiencing financial distress.

Multifamily

Our Multifamily business supports the availability of affordable rental housing in all markets across the country. We work with multifamily lenders to provide funds to the mortgage market primarily by securitizing multifamily mortgage loans acquired from these lenders into Fannie Mae MBS, which are sold to investors or dealers. We also purchase multifamily mortgage loans and provide credit enhancement for bonds issued by state and local housing finance authorities to finance multifamily housing, and we invest in Low-Income Housing Tax Credit (LIHTC) multifamily projects to help support and preserve the supply of affordable housing.

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About this document

In the sections that follow, we provide our response to the 11 requirements set forth in the Fannie Mae Charter Act (12 U.S.C. § 1723a(n)(2)(A) through (K)). We grouped our responses by their alignment to three foundational pillars of our mission — Affordability, Stability, and Liquidity. Footnotes at the start of each section specify which Charter Act requirement is being addressed. The Index at the end of this document also specifies which sections address particular Charter Act requirements.

Housing Affordability



Expanding access to housing affordability is central to our mission. Learn about our goals, solutions, and dedication to creating industry partnerships that help serve the housing needs of low- and moderate-income households across the country.

Our programs and products support affordable housing

To support housing affordability, Fannie Mae works to understand and address the barriers renters and homeowners face when renting or buying a home. We offer products, programs, and tools designed to responsibly expand access to mortgage financing for low-income borrowers and underserved communities.

Single-Family

Homeownership can seem out of reach for many people for a variety of reasons. Common challenges include burdensome up-front housing costs, limited or no formal credit history, lack of familiarity with the process of buying a home, and competition for a limited supply of quality affordable housing.

Fannie Mae has a suite of programs and products designed to assist creditworthy first-time homebuyers and very low- to moderate-income borrowers by offering lower down payment options and more affordable pricing.

- **HomeReady®:** An affordable lending product designed to help our lender partners serve more very low- and low-income borrowers, with expanded eligibility for financing properties in low-income communities. Benefits include the flexibility of a low down payment, decreased mortgage insurance coverage costs, and lower costs of borrowing.
- **HFA Preferred™:** A product that enables participating housing finance agencies (HFAs) to offer loans to borrowers with up to 97% loan-to-value (LTV) ratios. HFA Preferred is ideal for borrowers who have limited funds for down payment and closing cost.
- **Community Seconds®:** A program authorized under Fannie Mae's guidelines that enables a subordinate mortgage financed by an HFA, a nonprofit, or certain other community organizations, to be used in conjunction with a first mortgage sold to Fannie Mae.

We use the term “affordable” in multiple contexts in this report and when gauging the extent to which our financing is supporting housing that is affordable for low- to moderate-income renters and homeowners. When addressing the needs of renters, we consider either rental cost or rent restrictions reported at mortgage origination. For homeowners, we use household income as an indicator of affordability. To account for variations in regional costs of living and incomes, we standardize how we talk about household income by categorizing incomes relative to area median income (AMI).

- **Manufactured housing (MH Advantage[®], standard MH):** Manufactured housing (MH) serves as a significant source of affordable housing available to low- and moderate-income borrowers. Fannie Mae offers conventional financing for a range of MH properties. Fannie Mae's standard MH program covers traditional single-width and multi-width MH properties. Our MH Advantage program offers financing on specially designated MH homes that feature characteristics similar to site-built homes. Under the MH Advantage program, qualifying borrowers can finance up to 97% LTV.
- **Standard 97% LTV:** A fixed-rate product designed for first time homebuyers that offers 97% LTV, which is ideal for borrowers who have limited funds for down payment.
- **Refinancing:** A set of products that allows borrowers to reduce monthly payments, build equity faster, renovate their homes, or find more stability if they have an adjustable-rate loan. Fannie Mae has a suite of options that can be used for refinancing, including RefiNow[™], HomeReady, HomeStyle[®] Renovation, and HomeStyle[®] Energy.

Multifamily

The scarce supply of affordable rental units is one of the primary challenges to housing affordability for renters, resulting in competition for available units and some renters stuck in high-cost or low-quality housing.

Fannie Mae is focused on supporting the preservation, rehabilitation, and creation of more affordable rental housing. We develop products that incentivize preservation of affordable units for low- and very-low-income households. We also support the development and preservation of housing in the underserved MH and rural markets, and our products and programs reflect our commitment to these markets.

- **Preserving affordable multifamily rental units:** Fannie Mae takes an active role in preserving and improving affordable housing for low-income renters. We work to make it easier for lenders to finance the preservation of rental housing by providing standardized, consistent, and scalable multifamily financing products, as well as flexible, tailored products that accommodate innovative and affordability-generating financing structures.

- **Low-Income Housing Tax Credit (LIHTC):** The federal LIHTC program supports the development of affordable rental housing for low- and very low-income households. Fannie Mae makes equity investments in LIHTC properties. Refer to the Liquidity section for additional information.
- **Sponsor-Initiated Affordability (SIA):** Fannie Mae's SIA program seeks to address the gap in affordable housing supply, offering a pricing incentive for multifamily borrowers to voluntarily set aside at least 20% of units for households with income less than 80% of AMI through the life of the Fannie Mae loan. With SIA, Fannie Mae provides toolkits and guidance for property owners, offering an entry point for those who are new to the domain of housing affordability and a loan-level compliance framework for borrowers.
- **Sponsor-Dedicated Workforce (SDW):** Launched in 2023, Fannie Mae's SDW program serves conventional workforce housing providers. SDW provides a pricing incentive to owners willing, for the life of the loan, to keep rent on at least 20% of units at levels affordable to renters earning up to 80% of AMI (or up to 120% in certain high-cost areas).
- **Expanded Housing Choice (EHC) initiative:** Fannie Mae's EHC pilot program offers new and innovative ways to fulfill our commitment to increasing access to affordable housing for renters. Our EHC voucher pricing incentive provides lower cost of finance for property owners who accept U.S. Department of Housing and Urban Development (HUD) Housing Choice Vouchers as a source of income in North Carolina and Texas, widening the housing options available to voucher holders.

Fannie Mae's financing for Multifamily Affordable Housing (MAH)¹ totaled \$6.6 billion in 2023.



¹ MAH includes properties with a minimum level of rent- or income-restricted units, properties receiving federal and state subsidies, properties with rent or income restrictions that meet a special public purpose, and properties eligible for SIA. For more information, refer to [MAH Property Eligibility](#) in our Selling and Servicing Guide.

Our affordable housing goals²

Housing goals

Fannie Mae is required by statute and regulation to meet certain housing goals, which are established by FHFA in accordance with the Federal Housing Enterprises Financial Safety and Soundness Act of 1992, as amended.³ In October 2023, FHFA determined that we met all of our 2022 single-family and multifamily housing goals.

2023 single-family qualifying very low- and low-income purchase money mortgages:

189,439 mortgages acquired, \$39.9 billion unpaid principal balance (UPB)

2023 single-family qualifying very low-income purchase money mortgages:

43,792 mortgages acquired, \$6.3 billion UPB

Single-family housing goals

For single-family goals, our acquisitions are measured annually against the lower of benchmarks set in advance by FHFA or the level of goal-eligible originations in the primary mortgage market as determined by FHFA using data submitted by lenders under the Home Mortgage Disclosure Act (HMDA).⁴ The single-family benchmarks are expressed as a percentage of the total number of goal-eligible single-family mortgages acquired by Fannie Mae each year.

In October 2023, FHFA determined that we met all of our 2022 single-family housing goals. Despite the challenging housing market, we believe we met all the benchmarks set by FHFA for our 2023 single-family housing goals, except for the low-income and very low-income home purchase goals. We are in compliance with the single-family housing goals if we meet either the benchmarks or market share measures, so we may still meet these latter two goals as well. FHFA will make a final determination regarding our 2023 single-family housing goals performance later in the year, after the release of data reported under the HMDA.

While mortgage rates have pulled back from the peak of almost 8% seen in October 2023, affordability remains significantly constrained. As measured by the share of median household income needed to purchase a median-priced home with a 30-year fixed-rate mortgage, the current period of housing affordability is at the worst level in over two decades. Affordability challenges have impacted low- and very low-income households the most. In 2021, approximately 18% of low-income households and 11% of very low-income households were able to afford principal and interest payments on a target home (versus 30% of overall renter households), based on Fannie Mae's internal estimates using American Community Survey data.⁵ By 2023, these figures dropped to only 2.3% for low-income household and 0.5% for very low-income households, an 88% and 96% respective decline relative to 2021.⁶ 2023 estimates assume on average mortgage rate of 6.81% and holding median housing values and renter household income constant compared to 2022.

² 12 U.S.C. § 1723a(n)(2)(A): "include, in aggregate form and by appropriate category, statements of the dollar volume and number of mortgages on owner-occupied and rental properties purchased which relate to each of the annual housing goals."

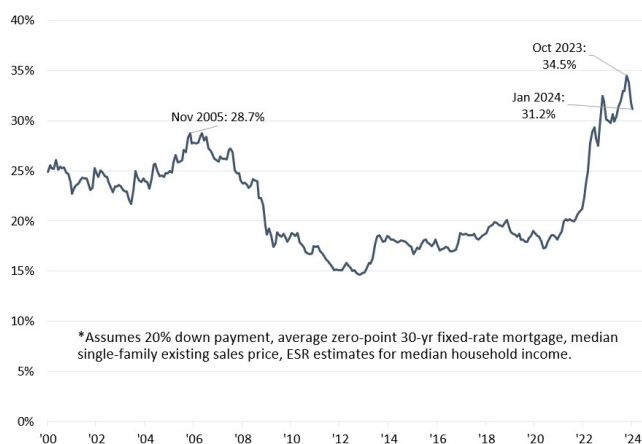
³ 12 U.S.C. §§ 4501 et seq.; see also 12 U.S.C. §§ 1331-1333 (housing goals).

⁴ 12 U.S.C. §§ 2801 et seq.

⁵ These estimates show the share of renter households who have the household income to afford principal and interest payments on a target home at the core-based statistical area (CBSA) median home value for all renters, 80% of CBSA median home value for low-income renters, and 65% of CBSA median home value for very low-income renters. The assumptions also include a 30-year fixed-rate mortgage with the specified note rate, 80% loan-to-value, and a maximum principal and interest payment-to-income ratio of 20%.

⁶ For 2022 home values; this analysis assumes CBSA-level house value appreciation from 2021 Q4 to 2022 Q4 sourced from the FHFA all-transactions house price index (not seasonally adjusted). 2021 ACS renter household income is also adjusted by the change in CBSA-level median household income from 2021 to 2022, sourced from the ACS 1-year summary files.

PERCENT OF INCOME SPENT ON MORTGAGE PAYMENTS*



The table below displays more information about our 2023 single-family housing goals and our results against these goals.

| Single-Family Housing Goals | 2023 FHFA Benchmark | 2023 Single-Family Market Level | 2023 Result |
|--|---------------------|---------------------------------|-------------|
| Low-Income Home Purchase Goal ⁷ | 28% | TBD by FHFA | 26.1% |
| Very Low-Income Home Purchase Goal ⁸ | 7% | TBD by FHFA | 6.0% |
| Low-Income Areas Home Purchase Goal ⁹ | 20% | TBD by FHFA | 28.1% |
| Minority Census Tracts Subgoal ¹⁰ | 10% | TBD by FHFA | 12.6% |
| Low-Income Census Tracts Subgoal ¹¹ | 4% | TBD by FHFA | 9.3% |
| Low-Income Refinancing Goal ¹² | 26% | TBD by FHFA | 38.4% |

Multifamily housing goals

Our multifamily housing goals for 2022 were established as a fixed number of units to be financed. For 2023 through 2024, our multifamily housing goals are based on the percentage share of the goal-eligible units rather than on the number of units in our annual multifamily loan acquisitions that are affordable to each income category.

In October 2023, FHFA determined that we met all of our 2022 multifamily housing goals. We believe we also met all of our 2023 multifamily housing goals. FHFA will make a final determination regarding our 2023 multifamily housing goals performance later in the year.

The table below displays more information about our 2023 multifamily housing goals and our results against these goals.

| Multifamily Housing Goals | 2023 Goal | 2023 Result |
|---|-----------|-------------|
| Low-Income Goal ¹³ | 61% | 76.3% |
| Very Low-Income Subgoal ¹⁴ | 12% | 18.7% |
| Small Multifamily (5 – 50 units) Low-Income Subgoal ¹⁵ | 2.5% | 3.2% |

The dollar volume and number of mortgages on owner-occupied and rental properties purchased that relate to each of the housing goals are set forth in Tables 1A and 1B of the Annual Mortgage Report (AMR).¹⁶

Multifamily qualifying very low- and low-income purchases:

317,032 units financed;
\$31.3 billion UPB

Multifamily qualifying very low-income purchases:

77,509 units financed;
\$6.1 billion UPB

⁷ Home purchase mortgages on single-family, owner-occupied properties to borrowers with incomes no greater than 80% of AMI.

⁸ Home purchase mortgages on single-family, owner-occupied properties to borrowers with incomes no greater than 50% of AMI.

⁹ The sum of (a) mortgages meeting the criteria for the minority census tracts subgoal, (b) mortgages meeting the criteria for the low-income census tracts subgoal, and (c) home purchase mortgages on single-family, owner-occupied properties to borrowers with incomes no greater than 100% of AMI who are located in federally-declared disaster areas. FHFA sets the low-income areas home purchase goal benchmark annually.

¹⁰ Home purchase mortgages on single-family, owner-occupied properties to borrowers with incomes no greater than 100% of AMI in minority census tracts.

¹¹ (i) Home purchase mortgages on single-family, owner-occupied properties to borrowers (regardless of income) in low-income census tracts that are not minority census tracts, and (ii) home purchase mortgages on single-family, owner-occupied properties to borrowers with incomes greater than 100% of AMI in low-income census tracts that are also minority census tracts. Low-income census tracts are those where the median income is no greater than 80% of AMI.

¹² Refinancing mortgages on single-family, owner-occupied properties to borrowers with incomes no greater than 80% of AMI.

¹³ Affordable to low-income families, defined as families with incomes no greater than 80% of AMI.

¹⁴ Affordable to very low-income families, defined as families with incomes no greater than 50% of AMI.

¹⁵ Units in small multifamily properties (defined as properties with 5 to 50 units) affordable to low-income families.

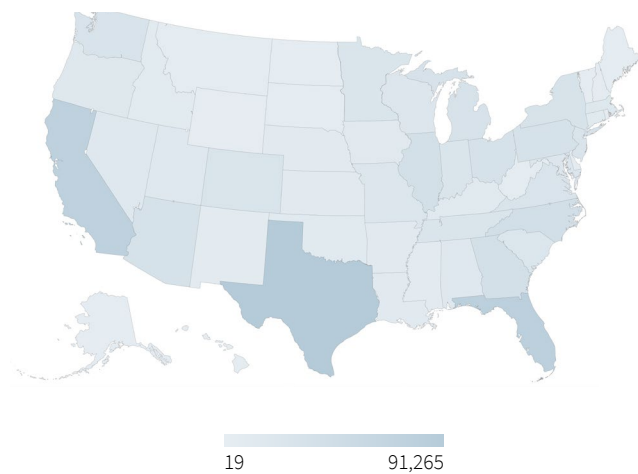
¹⁶ The AMR is provided pursuant to 12 U.S.C. § 1723a(m).

We serve low- and moderate-income families across the country¹⁷

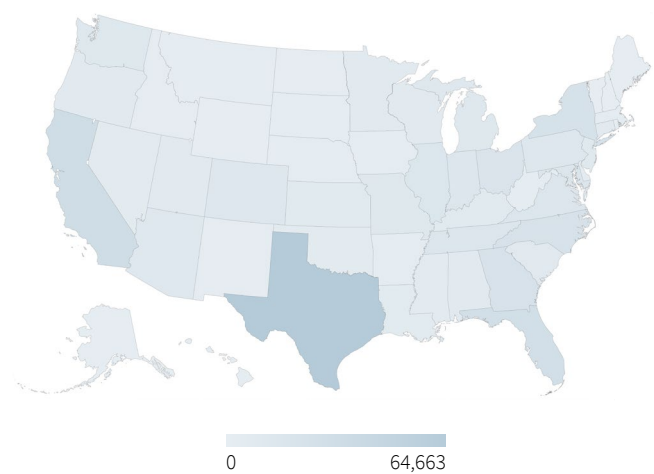
Fannie Mae seeks to be in all markets across the U.S. at all times. The factors that affect the distribution of our mortgage acquisitions include housing density in individual markets and local economic conditions in those markets. In 2023, Fannie Mae helped finance approximately 1.5 million home purchases, refinancings, and rental units. A substantial portion of the loans we purchase support borrowers and renters with incomes at or below AMI.

Over 40% of the single-family loans we acquired in 2023 were made to borrowers whose incomes were at or below AMI, and over 95% of the multifamily units we financed in 2023 that were potentially eligible for housing goals credit were affordable to renters whose incomes were at or below 120% of AMI. The distribution of these borrowers and renters by geography and other factors are represented in the maps and charts below.

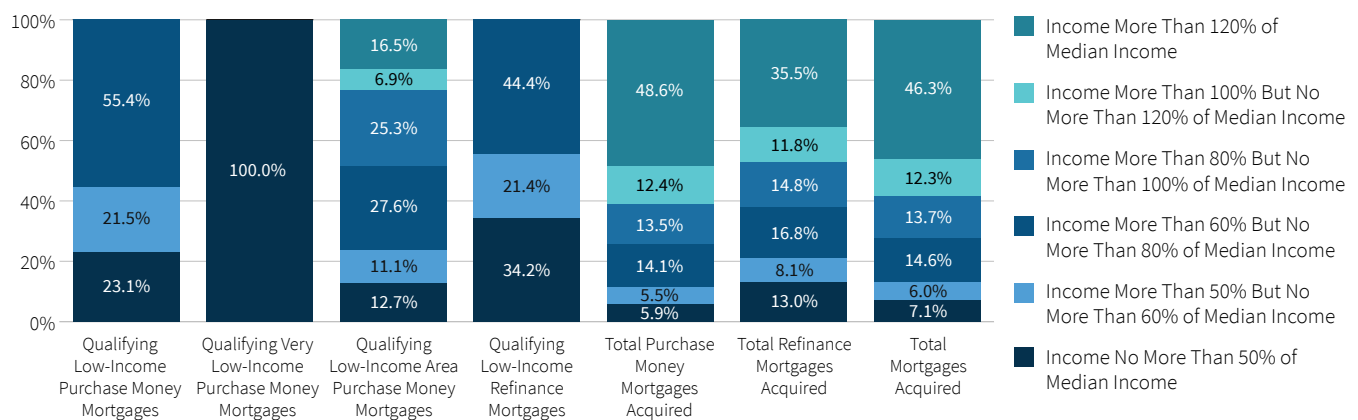
AMR TABLE 10A: DISTRIBUTION OF FANNIE MAE'S SINGLE-FAMILY OWNER-OCCUPIED MORTGAGE PURCHASES BY STATE AND TERRITORY



AMR TABLE 10B: DISTRIBUTION OF FANNIE MAE'S MULTIFAMILY MORTGAGE PURCHASES BY STATE AND TERRITORY

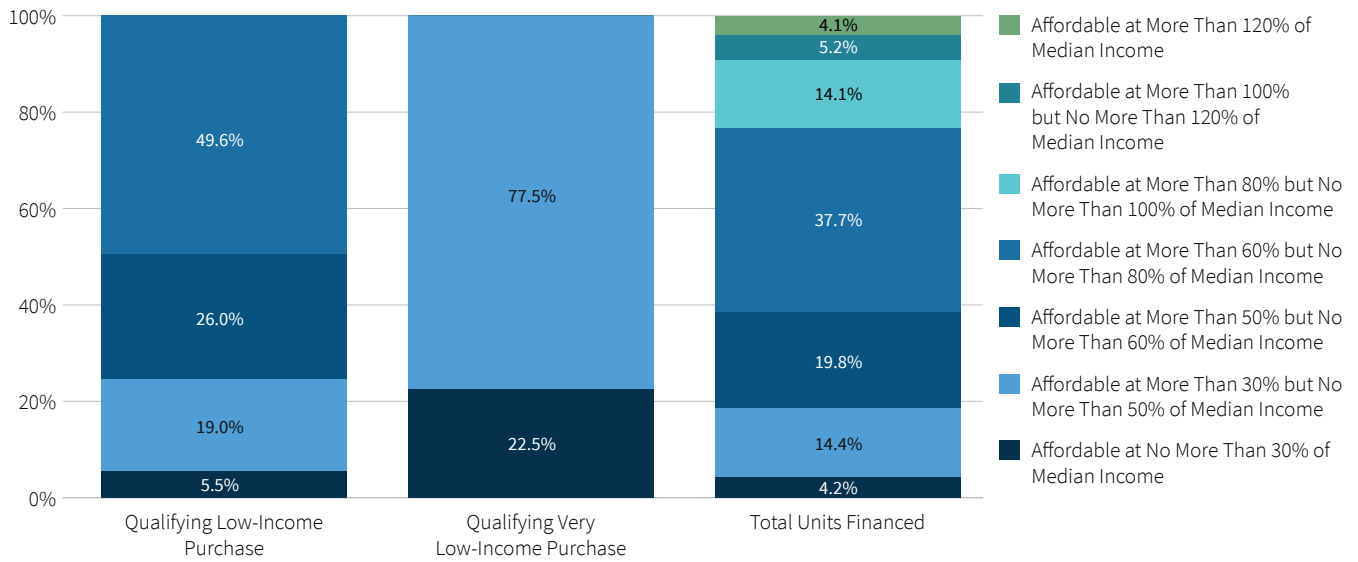


AMR TABLE 2: DISTRIBUTION OF SINGLE-FAMILY OWNER-OCCUPIED MORTGAGES BY INCOME CLASS OF MORTGAGOR(S)



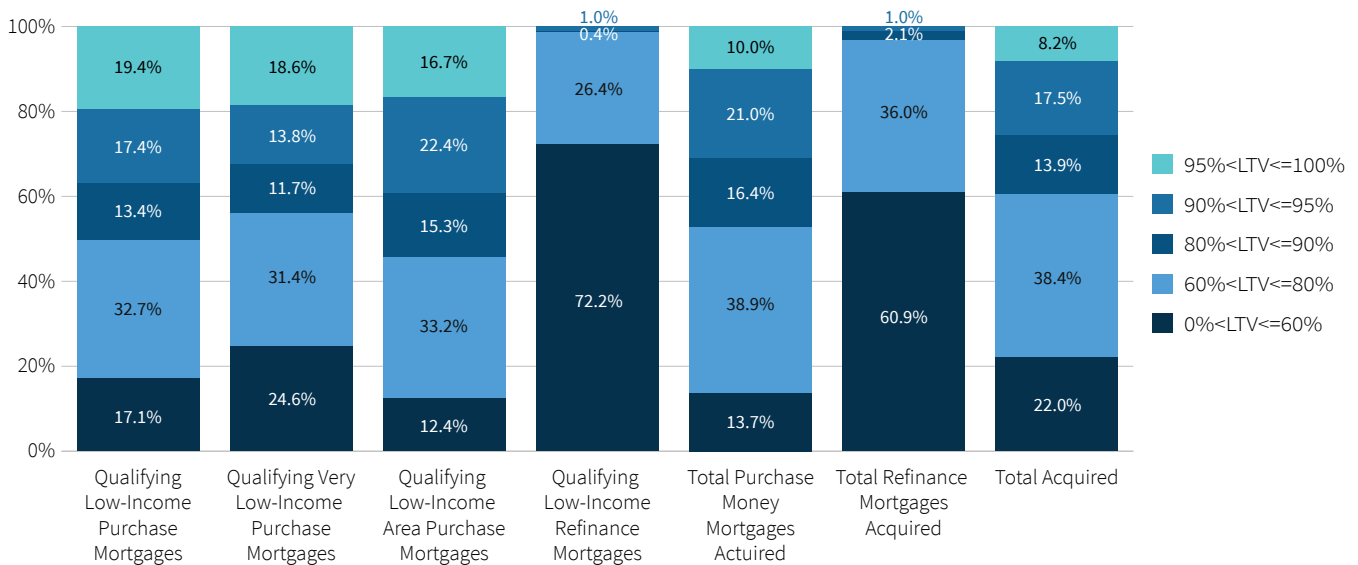
¹⁷ 12 U.S.C. § 1723a(n)(2)(B): "include, in aggregate form and by appropriate category, statements of the number of families served by [Fannie Mae], the income class, race, and gender of homebuyers served, the income class of tenants of rental housing (to the extent such information is available), the characteristics of census tracts, and the geographic distribution of the housing financed."
 12 U.S.C. § 1723a(n)(2)(E): "include, in aggregate form and by appropriate category, the data provided to the [FHFA] under subsection (m)(1)(B) [i.e., the LTV ratios of purchased mortgages at the time of origination]."

AMR TABLE 3A: DISTRIBUTION OF RENTAL UNITS FINANCED BY MULTIFAMILY MORTGAGES IN 2023, BY AFFORDABILITY OF RENT



AMR TABLE 11: DISTRIBUTION OF SINGLE-FAMILY OWNER-OCCUPIED MORTGAGE PURCHASES BY LTV CATEGORY

Fannie Mae’s low down payment products, such as HomeReady and HFA Preferred, help enable very low- and low-income borrowers to purchase homes.



AMR Table 11 provides the LTV ratios of single-family mortgages on owner-occupied properties purchased by Fannie Mae.

The income class, race, and gender of homebuyers served, the characteristics of the census tracts, and the geographic distribution of the housing financed are set forth in more detail on AMR Tables 2, 3A, 3B, 4, 5A, 6, 7, 8A, 8B, 9, 10A, 10B, and 10C.



We provide access to first-time homebuyers¹⁸

Our efforts, including those described in the next section, supported over 380,000 first-time homebuyers to purchase a home in 2023, representing more than 45% of our single-family mortgage acquisitions.¹⁹

The special programs and products facilitating homeownership opportunities for first-time homebuyers in 2023 included the following:

| Programs and Products | Percentage of Mortgages Made to First-Time Homebuyers |
|--------------------------------|---|
| HomeReady | 72.19% |
| HFA Preferred | 91.82% |
| Standard 97% LTV ²⁰ | 100.00% |
| Non-HFA Community Seconds | 93.08% |

Our efforts supported over 380,000 first-time homebuyers to purchase a home in 2023, representing more than 45% of our single-family mortgage acquisitions.

¹⁸ 12 U.S.C. § 1723a(n)(2)(D): "include statements of the proportion of mortgages on housing consisting of 1 to 4 dwelling units purchased by [Fannie Mae] that have been made to first-time homebuyers, as soon as providing such data is practicable, and identifying any special programs (or revisions to conventional practices) facilitating homeownership opportunities for first-time homebuyers."

¹⁹ Fannie Mae has relied on information provided by lenders to identify units occupied by first-time homebuyers. Fannie Mae's Single-Family Selling Guide provides that a first-time homebuyer is an individual who (1) is purchasing the security property; (2) will reside in the security property as a principal residence; and (3) had no ownership interest (sole or joint) in a residential property during the three-year period preceding the date of the purchase of the security property. In addition, an individual who is a displaced homemaker or single parent also will be considered a first-time homebuyer if he or she had no ownership interest in a principal residence (other than a joint ownership interest with a spouse) during the preceding three-year time period.

²⁰ This standard mortgage product allows LTV ratios up to a maximum of 97% for purchase transactions if at least one borrower is a first-time homebuyer.

We lower barriers to housing for low- and moderate-income and underserved households²¹

There are many obstacles facing people who want to buy a home — especially low- and moderate-income families. Fannie Mae is committed to helping knock down these barriers through updated policies and technological innovation to provide access to credit while maintaining strong underwriting criteria.

Initiatives to address the obstacle of limited credit history

Fannie Mae's Single-Family Positive Rent Payment History (PRPH) program opens doors for first-time homebuyers to reach the goal of homeownership while maintaining our credit standards. Single-Family PRPH enables lenders, with applicant's permission, to incorporate up to 12 months of PRPH in their mortgage credit evaluation process through automated analysis of bank statements. On-time monthly rent payments are considered to improve eligibility; records of missed or inconsistent rent payments do not negatively affect the applicant's ability to qualify for a loan eligible for sale to Fannie Mae. Lender usage of PRPH within Fannie Mae's automated underwriting system, DU[®], has grown steadily.

In 2023,

over 2,200

DU[®] case files benefited from PRPH.²²

Of the applicants who provided optional protected class information, **over 50%** self-identify as minorities.

We rolled out our self-employed income calculator, a tool that helps lenders easily and accurately calculate income for self-employed borrowers. With Fannie Mae's income calculator, lenders can:

- Increase certainty of loan quality;
- Serve more qualified homebuyers with confidence; and
- Maximize qualifying income for borrowers.



Fannie Mae's innovative technology that gives lenders the ability to consider a borrower's positive rent payment history is helping long-time renters like Kyle achieve homeownership. [Watch Kyle's story](#) on how his consistent rent payments helped him qualify for a mortgage and purchase a home that he and his teenage son could finally make their own.

²¹ 12 U.S.C. § 1723a(n)(2)(G): "assess underwriting standards, business practices, repurchase requirements, pricing, fees, and procedures that affect the purchase of mortgages for low- and moderate-income families, or that may yield disparate results based on the race of the borrower, including revisions thereto to promote affordable housing or fair lending."

²² This represents the number of applications that were deemed eligible for sale to Fannie Mae as a result of PRPH when they otherwise would not have been eligible.

We continued to increase the adoption of the **Multifamily Positive Rent Payment (MF PRP)** pilot, which allows eligible multifamily property owners to more easily share timely rent payment data to the three major credit bureaus for incorporation in a renter's credit profile.



In 2023,

over 2,000

properties were enrolled in the MF PRP pilot, with over 380,000 residents participating in the pilot.



According to our vendors,

over 27,000

renters have established new credit scores,

and approximately

117,000

of renters have improved their credit scores since the program's inception.²³



Given its strong results, in 2023, we announced that the

MF PRP will be extended

through December 2024.²⁴

DU innovations: a journey to more equitable mortgage standards

In 2023, Fannie Mae introduced [changes to our mortgage standards, including in DU®](#), to responsibly increase access to credit.

- 2- to 4-unit residential properties: We increased the maximum LTV ratio on loans for certain owner-occupied 2- to 4-unit homes. Single-family homes that consist of 2 to 4 units are one of the most stable and affordable sources of rental housing in many U.S. cities. By increasing the eligible LTV ratios for loans on these properties, we are reducing the up-front costs (by way of smaller down payments) for creditworthy borrowers. This helps to create and preserve affordable housing, while also empowering more borrowers to own income-producing properties.
- Number of borrowers on a mortgage loan: We also recently removed the “number of borrowers” as a risk factor in DU®. Historically, having one borrower on a loan was an important predictor of higher risk; however, thanks to advancements in DU's ability to assess risk using additional data sources, we no longer consider this a risk factor due to advances in our ability to predict risk using other factors. In the last 20 years, the number of homeowners and potential homeowners who are single heads of households has grown substantially, and this change helps us better serve this population while appropriately managing risk.

Refer to [Fannie Mae's website](#) for Fannie Mae's Single-Family Selling Guide, Servicing Guide, and other 2023 policy communications.



²³ Rent reporting is one component of a consumer's credit score. Positive rent payment reporting does not guarantee an increase in credit score.

²⁴ Fannie Mae will facilitate the adoption of and pay for 12 months of rent payment reporting for eligible multifamily borrowers, through the end of 2024.

Initiatives to address the obstacle of burdensome up-front costs

Fannie Mae's appraisal modernization initiative continues to explore new ways to make property valuation more accurate, more objective, and less costly. We continued to update our appraisal policies to encourage appraisal alternatives to reduce consumer costs in the homebuying process. In 2023, Fannie Mae launched Value Acceptance + Property Data, an option that allows lenders to forgo an appraisal if they provide interior and exterior property data collection to verify property eligibility.



Overall, we estimate that our efforts to modernize the home valuation process by using models and analytics that allow us to offer appraisal waivers and other less costly alternatives saved borrowers more than

\$88 million

in up-front costs in 2023, including approximately \$52 million for borrowers with incomes at or below 120% of AMI.

Fannie Mae continued to focus on ways to support homebuyers with solutions aimed at reducing homebuyer closing costs.

- Fannie Mae's closing cost concessions (which help reduce out-of-pocket closing costs for the buyer) for low- and moderate-income purchasers of Fannie Mae real estate owned (REO) properties continued to grow. In 2023, more than 500 REO properties closed with the Fannie Mae's concession. Since its inception in Q4 2021, Fannie Mae has provided over \$4 million in closing cost assistance.
- Fannie Mae expanded eligibility in the Selling Guide to permit Attorney Opinion Letters in lieu of a lender's title policy on loans secured by condos and properties with restrictive covenants.

Manufactured housing

Fannie Mae markets a suite of MH loan options (MH Advantage®, standard MH, and single-wide MH). In May 2023, we improved our pricing for MH loans by waiving up-front risk-based fees for low-income borrowers. In addition, we have updated our comparable sales requirement for MH Advantage-eligible homes to require the use of site-built home sales when fewer than three MH Advantage comparable sales are available. This should facilitate more consumer sales of MH Advantage-eligible homes.

We offer quarterly webinars on our MH financing options, with

over 950

attendees in 2023.

In 2023, Fannie Mae provided

\$2.4 billion

in liquidity to the single-family MH market.



Multi-year Equitable Housing Finance Plan

Fannie Mae’s Equitable Housing Finance Plan outlines a series of actions we are taking to further our commitment to advancing equity in housing finance in a safe and sound manner in both our Single-Family and Multifamily businesses. We are developing and executing initiatives that are available to households regardless of their race to help address common barriers to housing and homeownership opportunities that are disproportionately confronted by historically underserved consumers, including Black and Latino renters, homebuyers, and homeowners. The Plan, now in its third year, seeks to help consumers who face four common obstacles: limited or

no formal credit history; burdensome up-front housing costs; lack of financial resilience; and lack of property resilience. The actions in the Plan span the [consumer housing journey](#) and cover a broad range of activities, including education and counseling, underwriting innovations, down payment assistance, credit-building, and housing industry diversification efforts. Fannie Mae’s first three-year Plan is the beginning of what we expect will be a multi-year effort, one that includes many partners and industry participants, to reduce housing disparities over time.



Housing preparation:

Helping consumers prepare early for sustainable homeownership and access to quality rental housing through establishing strong financial and credit foundations.



Renting or buying:

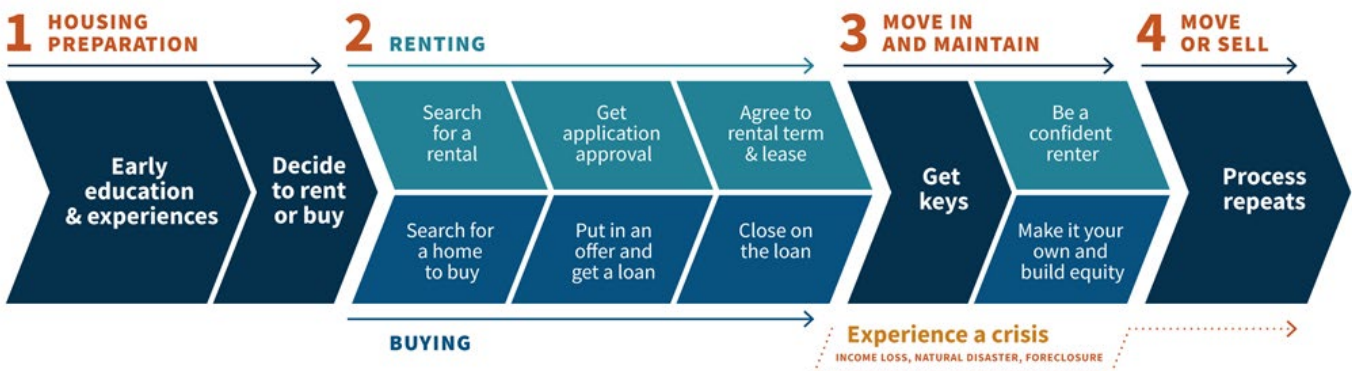
Removing unnecessary obstacles in shopping for, acquiring, renting, or financing the purchase of a home.



Moving in and maintaining:

Improving the services that help sustain housing so that renters and homeowners can withstand disruptions or crises and remain stably housed.

The Housing Journey



Commitment to fair lending

Fannie Mae complies with both the letter and spirit of applicable laws and regulations related to fair housing and lending (Fair Lending Laws). The Fair Lending Laws include the Equal Credit Opportunity Act²⁵, the Fair Housing Act²⁶, and the Federal Housing Enterprises Financial Safety and Soundness Act of 1992, as amended, and their implementing regulations, as well as similar state and local laws. These laws prohibit discrimination in housing and lending on the basis of certain characteristics.

Fannie Mae operates in the secondary mortgage market and does not originate loans or lend money directly to borrowers or lenders. However, we require our lender partners, who lend money directly to borrowers, to comply with:

- Our Selling Guides, which prescribe the requirements lenders must follow in order to sell loans to us.
- All federal, state, and local laws and regulations that apply to their origination practices, including the Fair Housing Act and the anti-discrimination provisions of the Equal Credit Opportunity Act.
- All other related state and federal regulations.

When selling single-family loans to Fannie Mae, lenders provide representations and warranties that assert their compliance with our Selling Guide and all applicable laws, including anti-discrimination laws and regulations. Thereafter, lenders must attest to us on an annual basis that they have policies and procedures in place, including regular training for employees and contractors, to facilitate and monitor compliance with these laws. Those who service loans for Fannie Mae are also required to abide by applicable laws and regulations dealing with loan servicing, as well as the provisions of our Servicing Guides. Multifamily has similar requirements.

In addition to the lender and servicer requirements related to compliance with Fair Housing Laws, Fannie Mae's Fair Lending Program is designed to prevent, identify, measure, mitigate, and manage enterprise-wide fair lending risks. The program promotes fair and responsible housing practices on an enterprise-wide level, covering both Fannie Mae's Single-Family and Multifamily businesses, including underwriting standards, business practices, pricing policies, fee structures, and procedures. The Fair Lending Program is administered

by Fannie Mae's Fair Lending Group under the direction of the Fair Lending Officer. The Fair Lending Group reviews new and ongoing policies and initiatives, such as policies that impact the eligibility of loans sold to Fannie Mae, mortgage servicing policies, appraisal guidelines, models, and marketing materials, not only for compliance with the Fair Lending Laws, but also with a view toward increasing equity in the home lending and rental markets. The group also conducts enterprise monitoring of fair lending risk as well as periodic testing and targeted reviews to evaluate fair lending compliance. The Fair Lending Group develops and delivers fair lending training to employees taking into consideration their job responsibilities and Fannie Mae's fair lending risks. Fair lending is also covered as part of our enterprise-wide training provided to all employees.

Business Partner Code of Conduct

Our partners — from lenders and servicers who connect our financing with borrowers and renters, to those providing goods and services that support our employees — all play a vital role in helping us achieve our mission. For this reason, Fannie Mae has worked to develop a Business Partner Code of Conduct, which formally launched in April 2023. The code outlines Fannie Mae's expectations for our business partners, setting out 23 principles across four pillars: business ethics, diversity and inclusion, environmental sustainability, and equitable housing. It contains both required and aspirational practices and encompasses our partners' interactions with their customers and next-tier suppliers.



²⁵ 15 U.S.C. § 1691.

²⁶ 42 U.S.C. §§ 3601 et seq.

We partner across the industry to expand access to affordable housing²⁷

Included below are some highlights of our 2023 engagements with industry partners to make progress for underserved markets.

Partnering with HFAs to offer HFA Preferred

Fannie Mae continues to offer HFA Preferred, an affordable lending product available exclusively to eligible HFAs to serve very low- to moderate-income borrowers. The product has no upfront pricing requirement and allows reduced mortgage insurance coverage on conventional loans at or below 80% of AMI.

Over 25,000

HFA loans

Over 70

State and local HFA relationships

23

Industry events

Supporting California Housing Finance Agency (CalHFA)

Fannie Mae collaborated with the CalHFA on the Dream For All Shared Appreciation Loan, a down payment assistance program for first-time homebuyers to be used in conjunction with the Dream For All Conventional First Mortgage loan for down payment and/or closing costs. In its first year, Fannie Mae acquired over 2,000 Dream For All loans.

Assisting or partnering with Affordable Housing Collaborative Initiative (AHCI)

In collaboration with the National Council of State Housing Agencies, we launched the AHCI in 2022. The purpose of the AHCI is to bring together industry experts to formulate potential solutions to confront the ongoing housing supply shortage. In 2023, the AHCI group identified and developed four potential action items across the areas of accessory dwelling units, MH, builder production, and preservation/energy efficiency to pursue in 2024 that align with existing plans and areas of interest for Fannie Mae's mission.

Down payment assistance

Lack of funds for down payment and closing costs is a common barrier for low- to moderate-income borrowers qualifying for a loan and achieving homeownership. To overcome this barrier, Fannie Mae, in conjunction with its industry partners, continued to implement its multi-pronged down payment assistance (DPA) strategy initiated in 2022.

- Fannie Mae continued its efforts to expand the availability of a special purpose credit program (SPCP) pilot - now branded as HomeReady® First - for first-time homebuyers. In 2023, Fannie Mae acquired over 5,600 SPCP loans and provided over \$5 million to help HomeReady First borrowers fund down payment or closing costs.
- Fannie Mae partnered with Freddie Mac and the state HFAs to create standardized subordinate lien documents to help introduce efficiencies in the DPA origination process. In 2023, we rolled out the documents to 16 state HFAs.
- Fannie Mae coordinated with the HFA Solutions Team (HFAST) industry group and the National Council of State Housing Agencies to develop the HFA1 Lender Toolkit. HFA1 is a successful milestone in helping lenders evaluate various DPA programs across multiple states by presenting their common features in one place on a matrix.

²⁷ 12 U.S.C. § 1723a(n)(2)(K): "describe the activities undertaken by [Fannie Mae] with nonprofit and for-profit organizations and with state and local governments and housing finance agencies, including how [Fannie Mae's] activities support the objectives of comprehensive housing affordable strategies under [section 105 of Cranston-Gonzalez National Affordable Housing Act]."

- In late 2022, Fannie Mae contracted with the organization Down Payment Resource to create a consumer search tool on fanniemae.com to help increase awareness of DPA programs. In 2023, we launched a national marketing campaign to promote the DPA tool. There were approximately 90,000 visits to the DPA search tool since its launch.
- Fannie Mae made numerous Selling Guide policy updates to simplify and enhance our DPA requirements in support of our selling and servicing partners and the consumers they serve. In March 2023, we extended the circumstances under which the borrower's sweat equity may be used as a source for DPA. In April 2023, we permitted the use of the borrower's earned real estate commission for down payment and closing costs. In May 2023, we updated the shared appreciation DPA program requirements; introduced new standards that promote consumer protection; clarified how repayment is made and aligned program requirements with industry standards.

Shared equity

Community Land Trust programs and Income and Resale Price Restriction programs, sometimes referred to as "Below Market Rate" programs, provide opportunity to attain and sustain affordable homeownership through below market rate sales pricing coupled with pre- and post-purchase counseling, monitoring of property maintenance, and other supportive services. Fannie Mae published the [Certified Shared Equity Program List](#) to a public-facing webpage and updated the Selling Guide to provide lender relief for certain programs on the List.

Oweesta

Fannie Mae continued to partner with Oweesta Corporation, a Native community development financial institution (CDFI), to support the housing counseling services of their Native Housing Counseling Network. Oweesta's mission is to provide opportunities for Native people to develop financial assets and create wealth. In 2023, over 1,300 Native households were served through housing counseling.

Working with ROC USA to support resident-owned manufacturing housing communities

As part of our ongoing efforts to support non-traditionally owned MH communities, Fannie Mae continued its partnership in 2023 with National Cooperative Bank (NCB) and ROC USA, a non-profit organization helping residents purchase and manage their own MH communities throughout the nation. Through this relationship, Fannie Mae developed new outreach materials for resident cooperative boards and community technical assistance providers, advising them on Fannie Mae's refinance options tailored for current market conditions. Developing and presenting direct-to-borrower materials will allow Fannie Mae, NCB and ROC USA to build on previous successes and continue to offer affordable financing to communities so that they may maintain the benefits of resident ownership.

Affordable Housing Advisory Council (AHAC) addresses housing inequities, affordable supply, and current market challenges

AHAC brings together leaders from various segments of the housing ecosystem to inform and identify ways to support the creation and sustainability of affordable housing. Council members represent a variety of perspectives, including for-profit and nonprofit organizations, single-family and multifamily lenders, public and private entities, academia, and housing policy organizations. Twice per year, the Council meets in person at Fannie Mae's Midtown Center headquarters in Washington, DC, where we provide updates on key Fannie Mae initiatives and seek advice and counsel from our industry participants. Topics discussed in 2023 included innovations in housing, breaking down barriers to housing inequities, climate challenges, and managing the costs of purchasing a home.



Through our [partnership with the Oweesta Corporation](#), Fannie Mae is addressing the lack of traditional mortgage financing for Native American borrowers.

"If you want to go fast, go by yourself, but if you really want to make momentum, go slowly with friends."

—Chrystel Cornelius, President & CEO of Oweesta Corporation



Housing Stability

In this section, we discuss how we help keep renters and borrowers in their homes and provide stability to markets in all times, in a safe and sound manner. Learn about our industry partnerships and how we work to support housing stability by investing in homeownership and financial education as well as working to prevent displacement and insecurity — and market disruption — when disasters strike.

Our responsible underwriting promotes housing stability

Serving very low-, low-, and moderate-income households is a fundamental part of Fannie Mae’s mission, and we design our underwriting standards and business practices to help ensure that borrowers are prepared to meet the obligations of homeownership over the long term.

Single-Family

Fannie Mae’s Selling and Servicing Guides set out the current eligibility and ongoing administrative requirements for loans we can acquire. Lenders use DU® to determine whether a specific loan is eligible for sale to Fannie Mae. Using an automated underwriting system helps bring greater consistency for loans being sold to Fannie Mae, rather than having over a thousand lenders manually underwrite loans using the *Guide* standards. We regularly review and enhance our underwriting standards to best serve borrowers while appropriately addressing credit risk to reduce the risk of default.

DU performs a comprehensive evaluation of the primary and contributory risk factors of a mortgage.

Multifamily

Fannie Mae provides liquidity to the commercial mortgage market by acquiring multifamily loans primarily from its national network of DUS® lenders. The DUS program grants approved lenders the ability to underwrite, close, and sell loans on multifamily properties to Fannie Mae without prior Fannie Mae review. These DUS lenders must abide by rigorous credit and underwriting criteria, are subject to ongoing credit review and monitoring, and share the risk of loss if a loan defaults.

DUS lenders generally retain a risk position in the loans that they sell to Fannie Mae.

We support stable housing for renters and borrowers²⁸

Homebuyer education

Part of our role as an industry leader is to educate renters, homebuyers, and homeowners on what it takes to responsibly rent, buy, and own a home.

Our vision is to deliver a continuum of educational resources, where multiple approaches at distinct points in an individual's [renting or homeownership journey](#) can build upon each other for cumulative effect.

HomeView® is Fannie Mae's free online consumer-facing homebuyer education course. Our HomeView certificate aligns with National Industry Standards for Homeownership Education and Counseling, so it fulfills pre-purchase education requirements for most mortgage products, including low down payment loans such as HomeReady. Through this course, we are providing tools to make sure first-time homeowners are well prepared with the knowledge they need to be successful.

HomeView was designed to address misperceptions or a lack of knowledge about homebuying and the mortgage qualification process that discourage some renters from pursuing homeownership. Fannie Mae also partners with organizations that provide fundamental financial capability education and resources delivered early in participants' financial life cycles.

In addition to educating consumers, we are committed to educating our partners (e.g., lenders, real estate agents) across the industry on affordable lending products and policies.

15

training sessions held.

Over 3,000

lenders, real estate professionals, and other stakeholders trained on Fannie Mae affordable mortgage products.



Introduced a new Spanish-language credit education course on the HomeView education platform:

“Strategies for Healthy Credit”



HomeView and HomeView en Español certifications delivered:

Over 226,000



Diverse consumers (minorities, women, and/or people with a disability) engaged with through our educational marketing programs:

Over 25 million

²⁸ 12 U.S.C. § 1723a(n)(2)(G): “assess underwriting standards, business practices, repurchase requirements, pricing, fees, and procedures that affect the purchase of mortgages for low- and moderate-income families, or that may yield disparate results based on the race of the borrower, including revisions thereto to promote affordable housing or fair lending.”

Tenant protections

In 2023, Fannie Mae explored various strategies and actions to tackle challenges faced by renters during their housing journey. Addressing challenges to renter stability, affordability, access, and sustainable housing is central to our Multifamily mission.

Fannie Mae conducted [research](#) to understand the greatest pain points for renters and partnered with a wide range of industry stakeholders to develop a list of meaningful tenant protections for further evaluation. In 2024, we expect to work closely with Freddie Mac, FHFA, and our borrowers to create an approach for adoption.



Supporting housing stability and property resilience

Aging housing stock is an issue facing cities, homeowners, and renters across the U.S., and too often leaves residents living in inadequate housing with homes in disrepair. To address this, Fannie Mae is partnering with entities like the Green and Healthy Homes Initiative (GHHI). In the city of Detroit, GHHI is leading an innovative housing repair model. It has developed the \$20 million Detroit Home Repair Fund (DHRF) to address the widespread home repair needs that exist in the city due to its aging housing stock. While multiple funding programs in Detroit exist to help residents improve their homes for low or no cost, they are difficult to access, and the homes' high-cost deferred maintenance needs can leave residents unable to tap into program funding. Through DHRF, GHHI helps homeowners access flexible funding and coordinates a cohort of community

development organizations that work with residents to scope their home repair and efficiency needs. It helps to secure funding from existing programs and uses the DHRF to fill gaps while also coordinating contractors to complete improvements.

As of late 2023, 200 participants were actively enrolled in the program, and the team has prepared 89 homes toward the fund's goal of repairing 1,000 homes. There has been an array of repairs to roofs, porches, windows, and mold and asbestos remediation. The results are homeowners living in healthier, safer properties that are more secure and resilient. Through this partnership, Fannie Mae is learning best practices that can be shared and potentially replicated in other cities across the U.S. that are facing similar issues due to their aging housing stock.

We partner across the industry to promote housing stability²⁹

In our mission to promote housing stability, we partner across the industry to provide education and counseling to borrowers and renters, and programs and services to communities.

Local Initiative Support Corporation (LISC)

In 2023, Fannie Mae partnered with LISC to support Financial Opportunity Center® (FOC) sites in five markets. The selected FOC partners provided financial coaching services to approximately 2,400 low- to moderate-income clients across supported LISC markets. Outcomes included increased savings, credit score improvement and credit establishment, which support housing stability.

Junior Achievement

To expand access to youth financial education with a focus on homeownership, Fannie Mae has partnered with Junior Achievement, a leading non-profit provider of K - 12 educational resources dedicated to financial capabilities, work readiness, and entrepreneurship. In 2022, we adapted HomeView (Fannie Mae's homebuyer education course) content to develop online learning modules with Junior Achievement, published on their JA Connect online platform, and co-developed a parent-focused take-home activity about homeownership and renting for first-grade Junior Achievement program participants.

In 2023, our self-guided modules on JA Connect were an important part of our efforts to increase the financial capabilities of youth across the country. During the 2022 - 2023 school year, more than 300,000 students were made aware of our modules via referral.

²⁹ 12 U.S.C. § 1723a(n)(2)(K): "describe the activities undertaken by [Fannie Mae] with nonprofit and for-profit organizations and with state and local governments and housing finance agencies, including how [Fannie Mae's] activities support the objectives of comprehensive housing affordable strategies under [section 105 of Cranston-Gonzalez National Affordable Housing Act]."



Fannie Mae mortgage and rent relief outreach

Over 3 million

unique visitors to Fannie Mae's consumer website.

Approximately

6 million

engagements with educational content.



Housing counseling sessions

Received over

14,000 calls

to 855-HERE2HELP and other FannieMae/non-Fannie Mae channels.

Over 9,000

sessions on default/foreclosure prevention, post-modification, or disaster recovery counseling.



Modifications related to disaster

Initiated

over 11,000

disaster-related FLEX Modification Trial Starts.

Executed

over 9,000

disaster-related FLEX Modification conversions.

Partnering to deliver technical assistance to organizations working to preserve Section 515 properties

U.S. Department of Agriculture (USDA) Section 515 Rural Renting Housing Loans are a critical source of rental housing finance in rural areas, particularly for seniors, people with disabilities, and low-income renters. There is a crucial need to preserve properties with maturing Section 515 loans: once properties exit the program, they lose Rural Development affordability restrictions, and residents are no longer eligible to receive USDA rental assistance.

In addition to purchasing Section 515 loans, Fannie Mae partnered with both Enterprise Community Partners and the Housing Assistance Council to provide technical assistance to support organizations pursuing potential Section 515 preservation activities. The path for owners to refinance or transfer 515 loans through USDA, thereby retaining rental assistance eligibility, is cumbersome and complex. Technical assistance is crucial to successfully preserving 515 properties, as it can support owners and potential buyers in navigating the process, delivering best practices and expert knowledge to organizations interested in preservation.

Community First by Fannie Mae™ buyers

Fannie Mae believes that partnering with nonprofit and for-profit organizations and state and local governments will help to make a fairer and more stable housing industry. Our Community First program offers community-minded buyers, like nonprofits and public entities, exclusive access to view and make offers on Fannie Mae real estate owned properties before they become available to the public.

Fannie Mae approved 33 new Community First buyers, expanding buyer coverage to five new states. There are now Community First buyers in 48 states plus Puerto Rico, bringing the total number of Community First buyers to more than 300.



We keep people in their homes during hardship

Fannie Mae continued to help renters and homeowners in need to understand their relief options and stay in their homes.

Fannie Mae’s loss mitigation strategy sets standards for timely resolution when borrowers experience financial distress. Our policies require servicers to intervene early to address mortgage loan delinquency and provide alternatives to foreclosure. First and foremost, the servicer is required to engage with the borrower on options for resolving the delinquency. The servicer is required to determine whether a borrower qualifies for a home retention solution before considering foreclosure or foreclosure alternatives. If no home retention solutions are viable, Fannie Mae works to avoid foreclosure. Pre-foreclosure sales (“short sales”) and deeds-in-lieu of foreclosure are available options to minimize disruption to homeowners’ lives and damage to their credit histories. To promote consistency across servicers and improved outcomes for borrowers, Fannie Mae offers Servicing Management Default Underwriter™, an application that automates loss mitigation decisions.

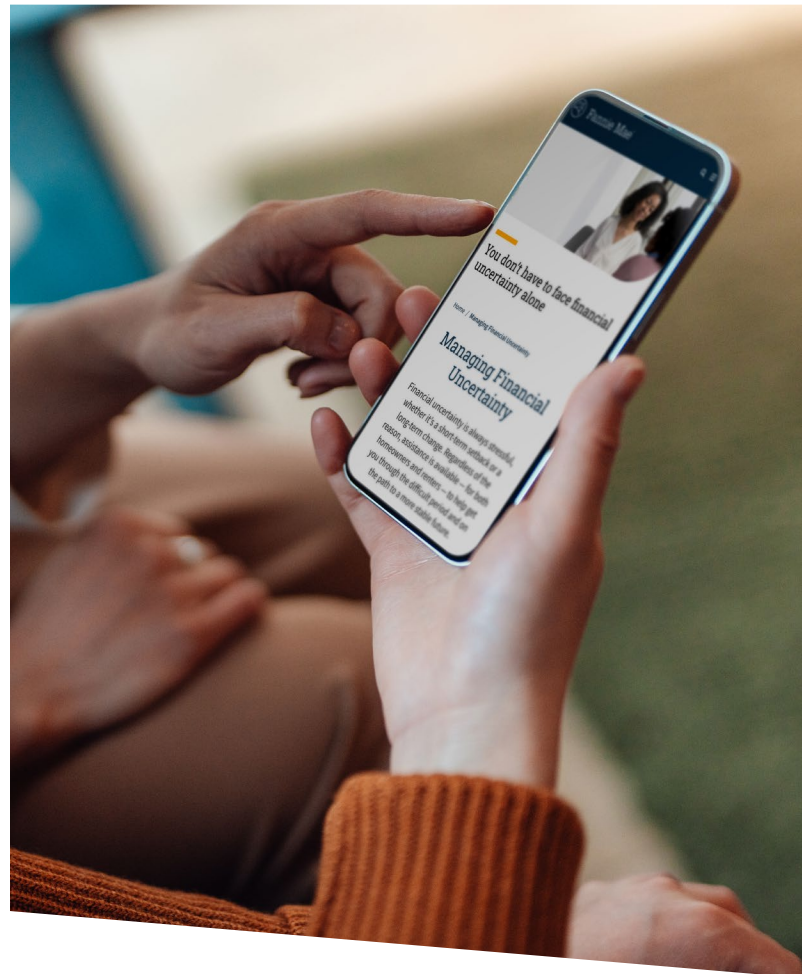
Payment deferral policy enhancements

As a result of industry feedback and of lessons learned from the COVID-19 pandemic, as well as our efforts to ensure our retention workout options provide appropriate borrower assistance regardless of economic environment, we expanded our payment deferral policy to allow borrowers facing financial hardship to defer up to six months of mortgage payments. This enhancement promotes sustainable homeownership and further supports the safety and soundness of Fannie Mae. For more information, please refer to [LL-2023-04](#).

Here2Help

Fannie Mae’s unified counseling brand, Here2Help (formerly the Disaster Response Network™), successfully launched on our consumer website in April 2023, simplifying the user experience for consumers in crisis. Here2Help provides support for Fannie Mae borrowers experiencing financial distress and any borrower or renter experiencing the effects of a natural disaster.

Fannie Mae extended access to post-modification counseling to borrowers who received a modification in the last 12 months, rather than six, increasing the potential number of borrowers referred to counseling by an average of 46%.



Trends in delinquency and default rates of mortgages secured by housing for low- and moderate-income families³⁰

As of December 31, 2023, Fannie Mae's single-family serious delinquency rate (SDQ) of 0.55% remained near historically low levels.

Fannie Mae's underwriting standards support market stability by providing sustainable financing while promoting credit access for low- and moderate-income borrowers. The chart below reports 90-day delinquencies occurring within the first 12 months of acquisition and defaults (defined as a foreclosure sale, deed-in-lieu of foreclosure, pre-foreclosure sale, or third-party sale, at any time during the life of the loan) on loans made to low- and moderate-income borrowers compared to loans made to borrowers with incomes above the median level, by acquisition year.³¹ This analysis is based on income relative to AMI and does not control for other risk dimensions, such as LTV ratio or credit history. In 2023, 90-day delinquency rates for both income groups dropped significantly from elevated levels experienced during the height of the COVID-19 pandemic. Information regarding serious delinquency and default performance is based on acquisitions through December 2022 with loan performance reported through December 2023.



For the first time in 17 years, Fannie Mae's single-family SDQ loan count is

below 100,000.

³⁰ 12 U.S.C. § 1723a(n)(2)(I): "describe trends in the delinquency and default rates of mortgages secured by housing for low- and moderate-income families that have been purchased by [Fannie Mae], including a comparison of such trends with delinquency and default information for mortgage products serving households with incomes above the median level that have been purchased by [Fannie Mae], and evaluate the impact of such trends on the standards and levels of risk of mortgage products serving low- and moderate-income families."

³¹ Since 2010, Fannie Mae no longer tracks single-family unit-level affordability data. To ensure consistency comparing loans from 2000 onward, this analysis is based upon borrowers' income relative to AMI. Additionally, this analysis only pertains to owner-occupied principal residences.

RELATIVE 90-DAY DELINQUENCY AND DEFAULT RATES BETWEEN SINGLE-FAMILY LOANS SERVING LOW- AND MODERATE-INCOME FAMILIES AND LOANS SERVING FAMILIES WITH INCOME ABOVE THE MEDIAN LEVEL, BY YEAR³²

| Acquisition Year | Income Group | Average Rate of 90-day Delinquency (%) | Percent Difference (%) | Average Rate of Default (%) | Percent Difference (%) |
|-------------------------|---------------------|---|-------------------------------|------------------------------------|-------------------------------|
| 2012 | Above Median Income | 0.115 | | 0.317 | |
| | Low-Mod Income | 0.267 | 132 | 0.905 | 186 |
| 2013 | Above Median Income | 0.108 | | 0.299 | |
| | Low-Mod Income | 0.289 | 168 | 0.970 | 225 |
| 2014 | Above Median Income | 0.138 | | 0.252 | |
| | Low-Mod Income | 0.329 | 138 | 0.818 | 225 |
| 2015 | Above Median Income | 0.108 | | 0.129 | |
| | Low-Mod Income | 0.260 | 141 | 0.417 | 224 |
| 2016 | Above Median Income | 0.142 | | 0.074 | |
| | Low-Mod Income | 0.274 | 94 | 0.281 | 278 |
| 2017 | Above Median Income | 0.423 | | 0.075 | |
| | Low-Mod Income | 0.500 | 18 | 0.265 | 252 |
| 2018 | Above Median Income | 0.209 | | 0.068 | |
| | Low-Mod Income | 0.420 | 101 | 0.224 | 230 |
| 2019 | Above Median Income | 2.607 | | 0.022 | |
| | Low-Mod Income | 2.798 | 7 | 0.095 | 335 |
| 2020 | Above Median Income | 1.119 | | 0.005 | |
| | Low-Mod Income | 1.337 | 19 | 0.028 | 411 |
| 2021 | Above Median Income | 0.325 | | 0.005 | |
| | Low-Mod Income | 0.477 | 47 | 0.022 | 352 |
| 2022 | Above Median Income | 0.587 | | 0.009 | |
| | Low-Mod Income | 0.685 | 17 | 0.016 | 85 |

³² Sample used: unseasoned, conforming, conventional, owner-occupied, first-lien, non-reverse mortgages, excluding Growing-Equity Mortgages, Graduated Payment Mortgages, and loans missing affordability data. During the period 2006 through and including 2008, acquisitions of mortgage loans to borrowers of all income categories had a higher risk of delinquency and default. In addition, the likelihood of 90-day delinquency percentages shown are static and only reflect if a loan went delinquent in the first year.

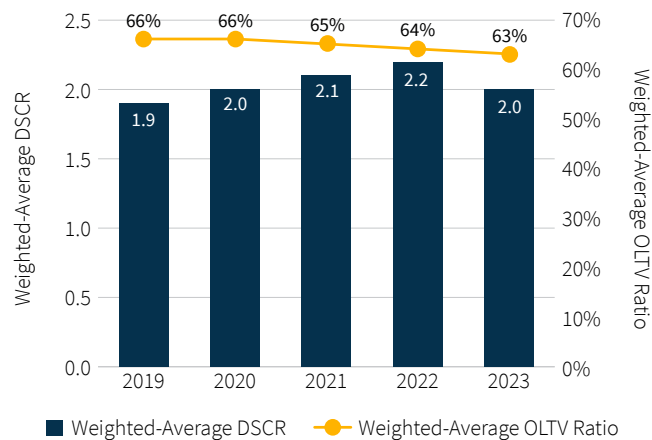
Credit characteristics of our guaranty book of business

Effective risk management is essential to Fannie Mae’s ability to provide liquidity, stability, and access to credit to the U.S. housing market.

The overall credit characteristics of the Single-Family conventional guaranty book of business remained strong, with a weighted-average mark-to-market LTV ratio of 51% and a weighted-average FICO credit score at origination of 753 as of December 31, 2023.

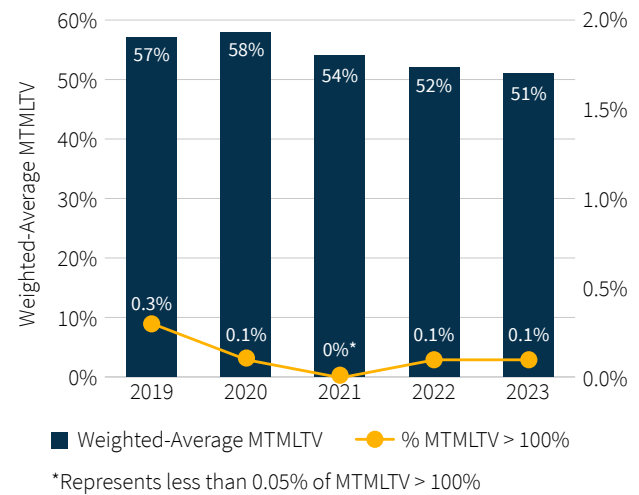
While certain segments of the Multifamily market continued to be pressured by economic conditions, such as the high interest rate environment and declining commercial real estate valuations, the overall credit profile of our Multifamily book also remained strong. The average original LTV ratio of our book is 63%, and the debt service coverage ratio³³ (DSCR) is 2.

CREDIT CHARACTERISTICS OF MULTIFAMILY GUARANTY BOOK OF BUSINESS³⁴

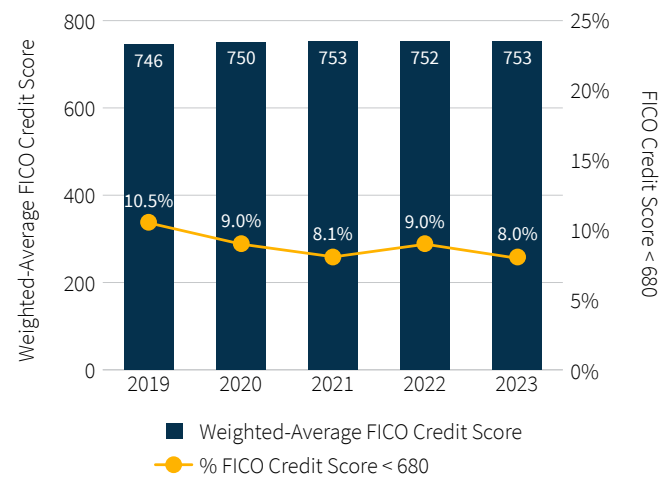


CREDIT CHARACTERISTICS OF SINGLE-FAMILY CONVENTIONAL GUARANTY BOOK OF BUSINESS

Mark-to-Market Loan-to-Value Ratio³⁵



FICO Credit Score³⁶



³³ Debt Service Coverage Ratio refers to a ratio of net cash flow to the annualized debt service, which may include both principal and interest payments, of a multifamily property.

³⁴ The Multifamily guaranty book of business consists of: (a) multifamily mortgage loans of Fannie Mae; (b) multifamily mortgage loans underlying Fannie Mae MBS; and (c) other credit enhancements that the company provided on multifamily mortgage assets. It excludes non-Fannie Mae multifamily mortgage-related securities held in the retained mortgage portfolio for which Fannie Mae does not provide a guaranty.

³⁵ The average estimated mark-to-market LTV ratio is based on the unpaid principal balance of the loan divided by the estimated current value of the property at period end, which the company calculates using an internal valuation model that estimates periodic changes in home value. Excludes loans for which this information is not readily available.

³⁶ FICO credit score is as of loan origination, as reported by the seller of the mortgage loan.



Liquidity

Fannie Mae is a leading source of financing for residential mortgages in the U.S. We provide a reliable source of liquidity for mortgage lending to help increase access to affordable home and rental housing finance in all markets, at all times. Learn about the ways we support liquidity — including Green and Social Bonds, our support of diverse business partners, and our leverage of public programs.

Our business supports liquidity in mortgage markets³⁷

We enable the flow of capital from investors to lenders for the purpose of financing residential housing. We do this principally by issuing Fannie Mae MBS that are readily traded in the capital markets. We create Fannie Mae MBS by placing mortgage loans in a trust and issuing securities that are backed by those mortgage loans. In a single-family “lender swap transaction,” a mortgage lender that operates in the primary mortgage market generally delivers a pool of mortgage loans to us in exchange for Fannie Mae MBS backed by these mortgage loans. In addition, Fannie Mae’s Single-Family Whole Loan Conduit purchases whole loans directly from small- and medium-sized single-family lenders and securitizes them. These securities may then be sold into the secondary market. The Whole Loan Conduit passes on Fannie Mae’s economies of scale to smaller lenders, thus leveling the playing field across the lender base.

Our Multifamily business generally creates Multifamily Fannie Mae MBS in lender swap transactions in a manner similar to our Single-Family business.

\$369 billion

in liquidity to the single-family and multifamily mortgage markets.

Supported

805,000

home purchases and 179,000 refinancings.

482,000 units

of multifamily units financed.

Over 95% of the multifamily units we financed in 2023 that were potentially eligible for housing goals credit were affordable to those earning at or below 120% AMI.

³⁷ 12 U.S.C. § 1723a(n)(F): “Compare the level of securitization versus portfolio activity.”

Green and social bonds issued

Total of

\$7.5 billion

in Multifamily Green MBS and

\$1.4 billion

in Single-Family Green MBS.

\$11.2 billion

in Multifamily Social MBS and \$641 million

in Multifamily Social securitizations.

Fannie Mae issues labeled Green and Social Bonds backed by either single-family or multifamily loans. These securities must conform with our Green and Social Bond Frameworks, which are generally aligned to global standards set forth in the International Capital Markets Association Green Bond Principles and Social Bond Principles.

Single-Family Mission Index and Social Bond Framework

In 2022, we launched the Single-Family Social Index, an innovative disclosure solution that provides insights into the mission-oriented lending activities underlying our MBS while providing privacy protections for single-family borrowers. Since then, we have collected market feedback and, refined our methodology. In January 2024, Fannie Mae introduced updates to the disclosure, including a refreshed name: the Mission Index™.

The updated Mission Index contains 10 criteria focusing on income, borrower, and property attributes. For example, the Index includes first-time homebuyers, low-income borrowers, affordable rental housing, borrowers residing in or purchasing homes in underserved markets, and MH properties. Read more about [our Mission Index criteria and methodology](#).

MISSION INDEX CRITERIA

| Dimension | Criteria |
|-----------|---|
| Income | Low-Income Borrower |
| | Affordable Rental |
| Borrower | First-Time Homebuyer |
| | Buyers in Underserved Markets |
| | Special Purpose Credit Program Borrower |
| Property | Low-Income Census Tracts |
| | Minority Tract |
| | High-Needs Rural Areas |
| | Designated Disaster Area |
| | Manufactured Housing |

In 2023, Fannie Mae worked closely with FHFA, Freddie Mac, and market participants to create an aligned Single-Family Social Bond Framework designed to promote mission-oriented lending while maintaining the health of the to-be-announced market for Fannie Mae- and Freddie Mac-issued securities and preserving borrower privacy. In January 2024, Fannie Mae announced its updated [Social Bond Framework](#), which aligns to global standards and is validated by an independent second party opinion.

The updated Social Bond Framework describes Fannie Mae mortgage collateral eligible to be pooled, issued, and labeled as Single-Family Social MBS. The Single-Family MBS that receive the Social label will be based on certain scores using the Mission Index disclosure. In line with labeled Social Bond practices, Fannie Mae will provide annual impact reporting to help the market understand the social impact of the loans underlying their investments.



We support diverse business partners³⁸

In our role providing liquidity to the mortgage market, Fannie Mae strives to maintain relationships with lenders that serve diverse populations — including geographically diverse segments — and to expand opportunities in the capital markets.

1,506

single-family primary
market lenders

55

multifamily primary
market lenders

The following table sets forth the volume of mortgages purchased in 2023 from lenders identified as minority- or women-owned, and community-oriented lenders.³⁹

| Seller/Service Type | Volume of Mortgages |
|----------------------------|---------------------|
| Minority- or women-owned | \$14.96B |
| Women-owned | \$2.43B |
| Community-oriented lenders | \$90.38B |

Single-Family

In 2023, we continued our engagement with single-family minority-owned lenders, collectively known as the Lender Diversity Council (LDC), to foster diversity and inclusion within the single-family lender network, consistent with the principles of equal opportunity contracting. Through the LDC, Fannie Mae provides tools and resources to eligible lenders to scale their businesses.

Fannie Mae also supported community-oriented lenders through our partnerships with the American Credit Union Mortgage Association, The Mortgage Collaborative, and Lenders One.

In 2023, Fannie Mae significantly increased its engagement with real estate trade associations, including the Asian Real Estate Association of America and the National Association of Hispanic Real Estate Professionals, fostering relationships

with industry partners and communities. This involved active participation in six national conferences and hosting a roundtable with real estate professionals to gather feedback on updates to our Equitable Housing Finance Plan. Fannie Mae collaborated on six appraiser diversity initiative workshops in various markets, working closely with local chapters to promote and enhance diversity in the appraisal field. These efforts align with Fannie Mae's mission, focusing on outreach and engagement to provide knowledge on valuable resources and products.

Multifamily

Multifamily undertook several initiatives in 2023 aimed at fostering diversity within our lender network, including:

- Remaining actively involved with the DUS Diversity, Equity and Inclusion Subcommittee formed in conjunction with multifamily lenders.
- Continuing to engage in efforts to identify diverse mortgage banking firms while encouraging our existing DUS partners to support business from diverse sponsors, and provide greater access to credit for underserved borrowers. While the value proposition remains, current market conditions have presented a challenging environment for new partnerships.

ACCESS[®] program

Established in 1992, Fannie Mae's ACCESS program fosters diversity within the capital markets. The program provides eligible broker-dealer members with opportunities to participate in Fannie Mae debt issuance, single-family and multifamily MBS trading, and credit risk transfer activities.

³⁸ 12 U.S.C. § 1723a(n)(2)(J): "describe in the aggregate the seller and servicer network of [Fannie Mae], including the volume of mortgages purchased from minority-owned, women-owned, and community-oriented lenders, and any efforts to facilitate relationships with such lenders."

³⁹ For these purposes, a "community-oriented lender" is defined as a financial institution with total assets of less than \$1.564 billion as of Dec. 31, 2022. This definition parallels the definition of "small bank" under the implementing regulations of the Community Reinvestment Act (12 C.F.R. § 228.12).

We leverage public programs to provide liquidity to the market⁴⁰

Fannie Mae also provides liquidity to the market in conjunction with public subsidy programs. These programs include certain single-family and multifamily HUD- and Rural Housing Service-related programs and other government-insured and/or related programs; mortgages originated by HFAs that benefit from federal tax exemption; HFA mortgage revenue bond (MRB) issuance; and mortgages that benefit from low-income housing tax credits. Some loans may have been made in conjunction with more than one public subsidy program, which may result in a small amount of overlap.



Acquired

over 5,000

single-family mortgages and

over 370

multifamily mortgages that were originated in conjunction with public subsidy programs.

Aggregate UPB of approximately **\$1 billion** and **\$6.6 billion**, respectively.

HFAs

As noted earlier, Fannie Mae partners with state and local HFAs to offer HFA Preferred mortgages to support their MRB programs. HFAs issue tax-exempt and taxable MRBs and use the proceeds to finance low-cost mortgages for low- and moderate-income first-time homebuyers, or the production of rental apartments affordable to lower-income families. HFAs can also use MRBs to issue Mortgage Credit Certificates, which provide a nonrefundable federal income tax credit for part of the mortgage interest that qualified homebuyers pay each year. In combination with MRB programs, HFA Preferred is a powerful mortgage financing tool to further increase first-time homeownership and preserve affordability.

LIHTC equity investments

Beyond our liquidity to the mortgage market, Fannie Mae also supports affordable housing through investments in LIHTC equity. The federal government's LIHTC program encourages private equity investment in creating and preserving affordable rental housing for low- and very low-income households. Tax credits are awarded by each state to affordable housing developers who enter into partnerships with corporate investors, like Fannie Mae, that receive the credits in exchange for equity contributions to create or preserve affordable rental housing. The LIHTC program is currently a primary mechanism for subsidizing affordable housing production and rehabilitation in the U.S. Since re-entering the market in 2018 Fannie Mae has committed approximately \$4 billion in net equity to LIHTC investments. For 2024, [FHFA has increased our annual investment limit to \\$1 billion](#). FHFA requires that our investments above \$500 million be in transactions FHFA has identified as having difficulty attracting investors. Further, FHFA requires that Fannie Mae make LIHTC investments only in projects that waive the qualified contract provision.

⁴⁰ 12 U.S.C. § 1723a(n)(2)(c): "include a statement of the extent to which the mortgages purchased by the Corporation have been used in conjunction with public subsidy programs under Federal law."

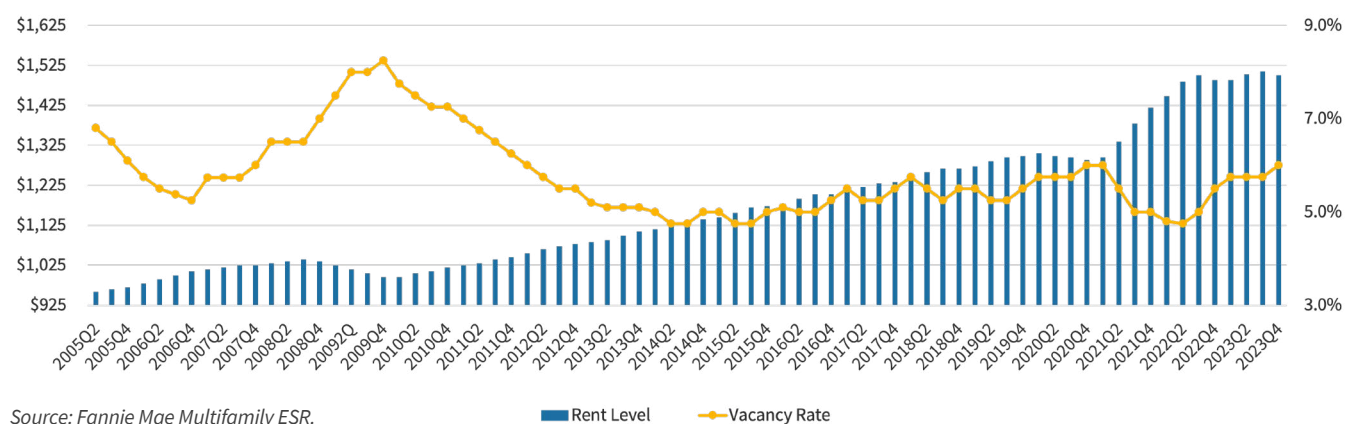
Deep dive into multifamily housing market trends⁴¹

As described above, Fannie Mae provides liquidity to the multifamily market by guaranteeing MBS on multifamily properties. We aim to address the rental housing needs of a wide range of the population in markets across the country, with the majority of our focus on supporting rental housing that is affordable to households earning at or below the median income in their area. We serve the market at all times, rather than moving in and out depending on market conditions.

Over the past decade, the U.S. multifamily sector has benefited from solid demand, increasing rent growth, and low vacancies, due to favorable demographic trends, ongoing job growth, and continued renter household formations.

However, that long-term trend has been interrupted since late 2022. Multifamily rental growth is estimated to have turned negative during the fourth quarter of 2023, after growing at moderate levels earlier in the year. We accurately predicted turbulence in the multifamily market last year, and it appears that it is likely to continue into 2024. At a national level, rental demand remained positive for much of 2023 due to stronger-than-expected job growth, smaller-but-continued wage increases, elevated interest rates, and an overall shortage of housing, especially for-sale housing.

ESTIMATED MULTIFAMILY RENT AND VACANCY



Source: Fannie Mae Multifamily ESR.

Based on preliminary third-party data, we estimate that the national multifamily vacancy rate for institutional investment-type apartment properties increased to 6.0% as of December 31, 2023, up 50 basis points from an estimated 5.5% vacancy rate as of December 31, 2022. The national multifamily vacancy rate remains near its average rate of about 5.8% over the last 15 years.

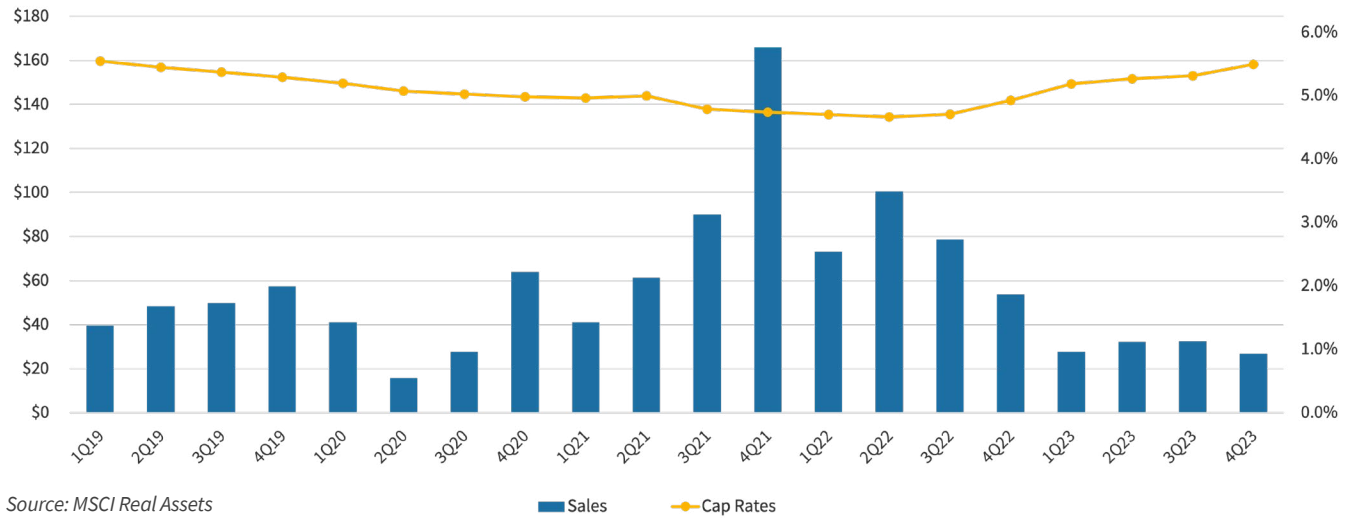
We believe that national rent growth turned negative at the end of 2023, declining by 0.67%. As a result, we estimate that annualized rent growth for 2023 was just 0.8%, below our

expected range of between 1.0% and 2.0%, but in line with our expectations that fourth quarter would see negative rent growth, meaning that annualized rent growth would be at the low end of the range.

Multifamily construction underway remains elevated. There are more than 1 million units underway and based on current completion trends we expect more than 500,000 units to be completed and delivered in 2023. We also expect new deliveries in 2024 will remain elevated and near 2023 levels.

⁴¹ 12 U.S.C. § 1723a(n)(H): “Describe trends in both the primary and secondary multifamily housing mortgage markets, including a description of the progress made, and any factors impeding progress toward standardization and securitization of mortgage products for multifamily housing.”

ESTIMATED NATIONAL APARTMENT SALES VOLUME AND CAPITALIZATION RATES



According to the most recent data from MSI Real Assets, sales of multifamily properties valued at \$2.5 million or greater totaled an estimated \$119.0 billion during 2023, a significant decline from the \$305.8 billion in sales that took place during the prior year, and well below the average of \$175.5 billion in pre-pandemic sales transacted between 2017 - 2019.

Deal activity for the apartment sector was below pre-pandemic averages for the entire year. Volume in 2023 averaged \$29.8 billion per quarter, which lags the quarterly average of \$41.7 billion between 2017 - 2019. Estimated multifamily sales during Q4 2023 declined for the fourth consecutive quarter, as high interest rates continued to negatively impact buyers' ability to conduct deals. This year marked the lowest volume transacted since 2014.

As a result of declining transaction volumes, coupled with elevated interest rates, available data suggests that the average capitalization rate – the expected rate of return on a multifamily property – increased slightly in the fourth quarter of 2023 and is estimated to have increased by approximately 60 basis points year-over-year.

This section contains a number of forward-looking statements, including statements regarding future economic and housing conditions, and the factors that will impact them. These forward-looking statements are based on the company's current assumptions regarding numerous factors, and actual outcomes may be very different, perhaps materially, as a result of macroeconomic, market, and geopolitical issues, including the factors identified in our discussion.



Multifamily standardization and securitization

Over the past three decades, there has been a continual move toward standardization and more transparent disclosure in commercial real estate securitizations. Standardization of securitized financings and their associated disclosures promotes liquid trading in the capital markets. Transparent, liquid trading allows for the efficient origination and pricing of multifamily mortgage loans by market participants and the placement of those loans, as MBS, in the investor market.

Fannie Mae's DUS platform allows lenders to swap each multifamily loan for a standardized, tradeable MBS, which shares the characteristics of the underlying loan. Fannie Mae Multifamily MBS are predominantly single-loan securitizations that allow lenders to auction every MBS rate lock to multiple bidders. This allows for the best execution for borrowers and instantly transfers interest-rate risk to private capital at rate lock, with no aggregation risk for Fannie Mae or our lenders.

2023 standardization and securitization highlights:



Issued

\$53.1 billion

in Multifamily MBS, which accounted for over 99% of our Multifamily production.



Purchased

\$3.9 billion

of Multifamily MBS from our DUS lender network and sold \$2.1 billion of Multifamily MBS pools.



Issued

\$1.7 billion

of Multifamily structured securities through three Real Estate Mortgage Investment Conduit (REMIC) transactions as part of the Fannie Mae Guaranteed Multifamily Structures (Fannie Mae GeMS™) program.



\$641 million

were Social GeMS backed by Multifamily Social MBS.



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| Charter Act Requirement | Section of Charter Act | Location in document |
|---|----------------------------|---|
| Include, in aggregate form and by appropriate category, statements of the dollar volume and number of mortgages on owner-occupied and rental properties purchased which relate to each of the annual housing goals. | 12 U.S.C. § 1723a(n)(2)(A) | Affordability: Our affordable housing goals |
| Include, in aggregate form and by appropriate category, statements of the number of families served by the corporation, the income class, race, and gender of homebuyers served, the income class of tenants of rental housing (to the extent such information is available), the characteristics of census tracts, and the geographic distribution of the housing financed. | 12 U.S.C. § 1723a(n)(2)(B) | Affordability: We serve low- and moderate-income families across the country |
| Include a statement of the extent to which the mortgages purchased by the Corporation have been used in conjunction with public subsidy programs under Federal law. | 12 U.S.C. § 1723a(n)(2)(C) | Liquidity: We leverage public programs to provide liquidity to the market |
| Include statements of the proportion of mortgages on housing consisting of 1 to 4 dwelling units purchased by the corporation that have been made to first-time homebuyers, as soon as providing such data is practicable, and identifying any special programs (or revisions to conventional practices) facilitating homeownership opportunities for first-time homebuyers. | 12 U.S.C. § 1723a(n)(2)(D) | Affordability: We provide access to first-time homebuyers |
| Include, in aggregate form and by appropriate category, the data provided to the [Director] under subsection (m)(1)(B) [i.e., the loan-to-value ratios of purchased mortgages at the time of origination]. | 12 U.S.C. § 1723a(n)(2)(E) | Affordability: We serve low- and moderate-income families across the country |
| Compare the level of securitization versus portfolio activity. | 12 U.S.C. § 1723a(n)(2)(F) | Liquidity: Our business supports liquidity in mortgage markets |
| Assess underwriting standards, business practices, repurchase requirements, pricing, fees, and procedures that affect the purchase of mortgages for low- and moderate-income families, or that may yield disparate results based on the race of the borrower, including revisions thereto to promote affordable housing or fair lending. <i>[Response for this Charter Act Requirement split between Affordability and Stability]</i> | 12 U.S.C. § 1723a(n)(2)(G) | Affordability: We lower barriers to housing for low- and moderate-income and underserved households Stability: We support stable housing for renters and borrowers |
| Describe trends in both the primary and secondary multifamily housing mortgage markets, including a description of the progress made, and any factors impeding progress toward standardization and securitization of mortgage products for multifamily housing. | 12 U.S.C. § 1723a(n)(2)(H) | Liquidity: Deep Dive into multifamily housing market trends |
| Describe trends in the delinquency and default rates of mortgages secured by housing for low- and moderate-income families that have been purchased by the corporation of such trends with delinquency and default information for mortgage products serving households with incomes above the median level that have been purchased by the corporation, and evaluate the impact of such trends on the standards and levels of risk of mortgage products serving low- and moderate-income families. | 12 U.S.C. § 1723a(n)(2)(I) | Stability: Trends in delinquency and default rates of mortgages by housing for low- and moderate-income families |
| Describe in the aggregate the seller and servicer network of the corporation, including the volume of mortgages purchased from minority-owned, women-owned, and community-oriented lenders, and any efforts to facilitate relationships with such lenders. | 12 U.S.C. § 1723a(n)(2)(J) | Liquidity: We support diverse business partners |
| Describe the activities undertaken by the corporation with nonprofit and for-profit organizations and with state and local governments and housing finance agencies, including how the corporation's activities support the objectives of comprehensive housing affordable strategies under section 105 of Cranston-Gonzalez National Affordable Housing Act. <i>[Response for this Charter Act Requirement split between Affordability and Stability]</i> | 12 U.S.C. § 1723a(n)(2)(K) | Affordability: We partner across the industry to expand access to affordable housing Stability: We partner across the industry to promote housing stability |