2023
Rural Housing
Loan Purchase

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

OBJECTIVE:
1. Increase liquidity in high-needs rural regions through multifamily loan purchases.

SUMMARY OF RESULTS:

Objective's components detailed in the Plan	*Corresponding actions taken*	*Explanation of any deviations from the Plan (if applicable)*
☒ Purchase 50 loans on multifamily properties in the high-needs rural regions, which represents a 16% increase over the baseline.	Fannie Mae purchased 64 loans secured by properties in high-needs rural regions (HNRRs), exceeding the 2023 target by 28%. These loans financed 7,649 units affordable to renters earning at or below the Area Median Income (AMI). Notably, the number of units financed increased by 21% as compared to 2022.	
☒ Conduct outreach with active lenders in rural areas to share Fannie Mae's interest in qualifying business and provide data to encourage production from lenders.	Fannie Mae discussed and promoted HNRR lending with lenders throughout the year, including at the 2023 Annual DUS Conference where Fannie Mae staff prepared individualized reporting for each DUS lender. These engagements proved crucial in meeting the 2023 goal and allowed Fannie Mae to collect valuable market intelligence.	

SELF-ASSESSMENT RATING OF PROGRESS:

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

IMPACT:

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

IMPACT EXPLANATION:

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

While we remain optimistic about the opportunities to expand homeownership on tribal lands, our market and industry engagements reinforced that significant barriers remain to making conventional loan products more readily accessible for tribal members living on reservation. In addition to programmatic hurdles and staffing limitations, we found that the willingness of tribal housing authorities to consider MH as an affordable housing solution varies widely from tribe to tribe. Factors influencing these decisions may include negative perceptions of MH in favor of site-built homes or preference for traditional multifamily rental apartments for low-income tribal members. Further, the intersection of tribal housing and climate change presents both opportunities and challenges in promoting manufactured housing as a supply solution. On the one hand, negative perceptions of MH quality seem to have reinforced a belief that MH units have shorter economic lifespans relative to other types of housing. Conversely, we found some stakeholders who believed that MH, with its comparatively faster construction timeline, could aid tribes in responding to the urgent need for housing in areas affected by natural disasters, addressing significant changes in tribal population and demographics, or replacing deteriorating housing units. Notably, several lenders reported the use of “twice-moved” MH as an option to expand homeownership in an era that has seen increasing construction housing costs of all types. These MH units are moved from one residential location to another, often in connection with a mass relocation due to the closure of an existing MH community or following repossession and remarketing by a lender-affiliated manufactured home dealer. While Fannie Mae’s long-standing collateral requirements anticipate homes have only been moved in connection with their initial transport from the factory, further exploring the opportunity to support the “twice-moved” MH market within the bounds of our sustainable underwriting criteria could identify additional opportunities to support the use of MH as an affordable housing option for tribal members.

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

Despite economic headwinds that presented challenges for affordable housing in 2023, DUS lenders remained committed to serving HNRRs and continue to be critical partners for executing on our Duty to Serve commitments now and in the future. Fannie Mae’s outreach efforts to these lenders hit similar themes from 2022 but also generated new findings specific to the current market environment typified by elevated interest rates and lower volume.

Lenders broadly identified continued challenges and higher expense in originating rural loans and credit hurdles created by generally smaller loan sizes but noted that discretionary pricing offered by Fannie Mae at the end of 2022 encouraged originators with existing rural sponsor relationships to proactively explore deals in HNRRs to begin in 2023. Several lenders identified Fannie Mae’s AMI Lookup tool as a key early resource originators use when evaluating deals outside of established metropolitan statistical areas (MSAs) but shared their perception that pricing for high-needs rural properties seems inconsistent. One originator also suggested including explicit pricing discounts for this Duty to Serve objective within indicative pricing to DUS lenders.

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

N/A