

2023 Rural Housing Outreach

ACTIVITY:

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

OBJECTIVE:

4. Conduct outreach in high-needs rural regions to improve knowledge of local market conditions.

SUMMARY OF RESULTS:

<i>Objective's components detailed in the Plan</i>	<i>Corresponding actions taken</i>	<i>Explanation of any deviations from the Plan (if applicable)</i>
<input checked="" type="checkbox"/> Conduct outreach to local housing experts specializing in high-needs rural regions.	Target met through 2023 actions; see subsequent implementation steps.	
<input checked="" type="checkbox"/> Engage at least five lenders specializing in each of Middle Appalachia, Lower Mississippi Delta, and the Colonias, to promote relevant lending products and resources and to continue to gather information about local market conditions.	Fannie Mae engaged eight, 11, and nine lenders specializing in each of Middle Appalachia, Lower Mississippi Delta, and the Colonias, respectively.	
<input checked="" type="checkbox"/> Engage at least one Housing Finance Agency and/or CDFI specializing in each of Middle Appalachia, Lower Mississippi Delta, and the Colonias, to promote HFA Preferred and HomeReady and to continue to gather information about local market conditions.	We engaged four, one, and four Housing Finance Agencies (HFAs) or community development financial institutions (CDFIs) specializing in each of Middle Appalachia, Lower Mississippi Delta, and the Colonias, respectively.	
<input checked="" type="checkbox"/> Engage at least one nonprofit organization specializing in each of Middle Appalachia, Lower Mississippi Delta, and the Colonias to continue to gather information about local market conditions.	We engaged two, two, and one nonprofit organization specializing in each of Middle Appalachia, Lower Mississippi Delta, and the Colonias, respectively.	
<input checked="" type="checkbox"/> Analyze information gathered through 2022 research to identify appropriate loan product parameters with potential to increase borrower and/or property eligibility.	Target met through 2023 actions; see subsequent implementation steps.	



<input checked="" type="checkbox"/> Continue research, as needed.	Through continued partnership between the Housing Assistance Council (HAC) and Fannie Mae, we expanded and refined research on the prevalence of heirs' property homeownership throughout 2023, culminating in the publication of a report, "A Methodological Approach to Estimate Residential Heirs' Property in the United States."	
<input checked="" type="checkbox"/> Expand awareness around issues.	In support of newly published research, we conducted ideation sessions with a housing advocacy organization, with a CDFI loan fund, and with Fannie Mae staff to socialize findings and gather input on potential next steps. Additionally, we presented at a rural housing conference and executed a lender email campaign to promote and solicit feedback on the research.	
<input checked="" type="checkbox"/> Identify potential lender outreach, borrower outreach, or changes to credit and/or collateral requirements that would increase lending potential.	Preparation and socialization of the 2023 research informed several potential outreach and product considerations which will be further refined in 2024.	

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?

Outreach to stakeholders specializing in high-needs rural regions (HNRRs) allows Fannie Mae to identify and learn from issues that are unique or disproportionately relevant to HNRRs, as opposed to issues that stem from broader trends in the housing market. Engagement in 2023 identified several issues prevalent in HNRRs, including increasing costs related to appraisals and various types of insurance, distinct challenges limiting affordable housing supply, growing interest in manufactured housing, the importance of effective management of disaster recovery efforts, and the need to diversify lending approaches to cater to the evolving needs of consumers. For instance, feedback on manufactured housing underscored an opportunity for Fannie Mae to deliver targeted education on our MH Advantage[®] product within the HNRRs. Insights regarding disaster recovery reinforced the importance of ongoing promotion of our HomeStyle[®] Renovation and HomeStyle[®] Energy solutions. In response to feedback that potential homeowners require innovative lending approaches, we more actively promoted recent Desktop Underwriter[®] (DU[®]) enhancements, including Positive Rent Payment History and cashflow underwriting, as well as HomeView[®], our online homebuyer education platform.

Giving Fannie Mae an opportunity to promote solutions or strategies that are known to improve prospects of homeownership in HNRRs was another benefit of this outreach. For example, with the knowledge that down payment assistance (DPA) is critical to consumers and lenders in HNRRs, Fannie Mae launched an HNRR-specific DPA marketing campaign and expanded its DPA-centric Special Purpose Credit Program (SPCP) to include multiple lenders specializing in HNRRs. Outreach in 2023 also included the support of Auburn University Rural Studio and its network of local housing providers to construct 18 high-efficiency homes in HNRRs. Finally, through a partnership with HAC, we published and promoted research on the challenges of heirship, a topic that is prominent in HNRRs.

The net effect of our interactions demonstrated Fannie Mae's commitment to understand and address challenges within the HNRRs.

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

In HNRRs, as in the broader housing market, lack of suitable housing stock is the prevailing issue. Of the limited number of existing affordable properties for sale, most need repair, for which low- to moderate-income (LMI) borrowers often lack the resources to complete. There is also a decrease in supply of new construction homes due to higher materials, labor costs, and shrinking profit margins for small developers who build in HNRRs.

Affordability is closely related to the supply and price of housing stock. Paired with elevated interest rates, higher-priced homes are often outside the reach of prospective LMI borrowers, and those who do pursue purchasing a home are often competing against multiple offers, many of which are all cash. For example, one lender specializing in the Colonias shared that it has a pipeline of clients who would qualify for a loan; however, at the current interest rate, a large percentage of the clients would only qualify for an amount insufficient to purchase a modestly priced property. As a result, some borrowers have become discouraged and have deferred their home purchasing plans.

Lenders note that in HNRRs, low loan balances and high costs to originate loans limit opportunities to work with first-time homebuyers. Also, lenders have shared that many loans in HNRRs are shifting to execution with the U.S. Department of Agriculture or the Federal Housing Administration due to differences in rates and underwriting standards. Some depositories are responding to current market conditions by developing portfolio loan options that would not be salable to Fannie Mae, such as loans with a 100% loan-to-value ratio.

Research on heirship, published in late 2023, was based on a novel analysis of nationwide deed and assessment data, intended to expand awareness on an issue that has typically been studied in limited geographic contexts. As such, the analysis was not specific to HNRRs, though it included them. Conservatively, more than 500,000 properties were identified as potential heirs' properties, and nearly two-thirds of these properties were located in rural areas. Despite challenges such as the lack of uniformity of tax assessment data collection and reporting, the conservative estimated assessed value of identified heirs' properties is \$32.3 billion. In 2024 and beyond, Fannie Mae will pursue strategies to help heirs' property homeowners gain clear title, giving them access to their homes' equity by resolving legal impediments related to cloudy title.



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

N/A