Underserved Markets Plan

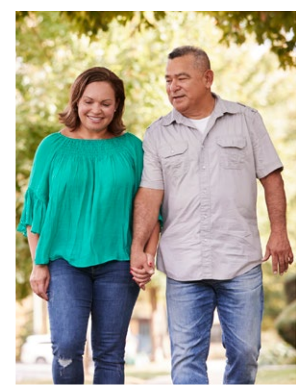
2025–2027 Duty to Serve

Fannie Mae







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Introduction

Affordable housing is at the heart of our mission, facilitating equitable and sustainable access to homeownership and quality rental housing across America. The Duty to Serve Plan is one of many ways we realize that mission.

Supporting very low- and moderate-income families, our 2025 – 2027 Duty to Serve Plan builds on the foundational work we began in 2018 and our renewed commitment in 2022, tackling tough housing challenges in innovative ways to uncover unrealized opportunities for homebuyers, renters, lenders, and the broader housing finance system.

This Plan, and the activities described herein, provide a roadmap for how we will leverage our expertise as a leading provider of residential mortgage liquidity in the U.S. to bring our mission to three underserved markets: affordable housing preservation, manufactured housing, and rural housing.

We are working to:

- Make housing attainable and **affordable**.
- Serve and direct our **liquidity** when and where it is needed most.
- Help keep borrowers and renters in their homes and promote market **stability**.

This work, performed in collaboration with valuable industry partners, will make a meaningful impact for families seeking a safe and affordable home.

Disclaimer: Implementation of the activities and objectives in Fannie Mae's Duty to Serve Underserved Markets Plan may be subject to change based on factors including the Federal Housing Finance Agency (FHFA) review for compliance with the Charter Act, specific FHFA approval requirements and safety and soundness standards, FHFA guidance and directives, regulatory requirements, Preferred Stock Purchase Agreement obligations, and adverse market or economic conditions, as applicable.

OVERVIEW FOR
Rural Housing

Regulatory and Additional Activities for Rural Housing

ACTIVITIES AND OBJECTIVES	2025 EVALUATION AREA	2026 EVALUATION AREA	2027 EVALUATION AREA	PAGE
A. Additional Activity: Support the rural housing market, as most broadly defined by the Regulation (12 C.F.R. § 1282.35 (d)).				
1. Develop a strategy to acquire multifamily loans in rural areas using programs specifically tailored for LMI households.	Outreach	N/A	N/A	18
2. Conduct research on conditions facing current and prospective renters in rural areas.	Outreach	Outreach	N/A	19
3. Conduct research on conditions facing current prospective homeowners in rural areas.	Outreach	Outreach	N/A	20
4. Develop single-family requirements that enable rural CDFIs to access secondary market liquidity more frequently.	Outreach	Loan Product	N/A	21
5. Deploy a strategy to increase mortgage opportunities for rural residents of heirs' property.	Loan Product	N/A	N/A	22
B. Regulatory Activity: Housing in high-needs rural regions (12 C.F.R. § 1282.35 (c)(1)).				
1. Increase liquidity in high-needs rural regions through multifamily loan purchases.	Loan Purchase	Loan Purchase	Loan Purchase	23
2. Acquire single-family purchase money mortgage loans in high-needs rural regions.	Loan Purchase	Loan Purchase	Loan Purchase	24
3. Develop a strategy to increase single-family lending in colonia census tracts.	Outreach	Outreach	N/A	25
C. Regulatory Activity: Housing for high-needs rural populations (12 C.F.R. § 1282.35 (c) (2)).				
1. Support agricultural workers and/or Native American housing projects.	Outreach	Outreach	Outreach	26
2. Acquire single-family loans made to tribal members living in Indian areas.	Loan Purchase	Loan Purchase	Loan Purchase	28
D. Regulatory Activity: Support small multifamily rental properties financing (12 C.F.R. § 1282.35(c)(4)).				
1. Support rural small multifamily rental property activity.	Loan Purchase	Loan Purchase	Loan Purchase	29
E. Additional Activity: Invest in Low-Income Housing Tax Credit properties to facilitate the provision of affordable multifamily housing in rural areas (12 C.F.R. § 1282.35 (d)).				
1. Invest in LIHTC projects in rural areas.	Investment	Investment	Investment	30

Loan Purchase and Investment Targets for Rural Housing

ACTIVITIES AND OBJECTIVES	2025 TARGET	2026 TARGET	2027 TARGET	PAGE
B. Regulatory Activity: Housing in high-needs rural regions (12 C.F.R. § 1282.35 (c)(1)).				
1. Increase liquidity in high-needs rural regions through multifamily loan purchases.	51 properties	52 properties	54 properties	23
2. Acquire single-family purchase money mortgage loans in high-needs rural regions.	6,900 loans	7,400 loans	7,900 loans	24
C. Regulatory Activity: Housing for high-needs rural populations (12 C.F.R. § 1282.35 (c) (2)).				
2. Acquire single-family loans made to tribal members living in Indian areas.	10 loans	15 loans	20 loans	28
D. Regulatory Activity: Support small multifamily rental properties financing (12 C.F.R. § 1282.35 (c)(4)).				
1. Support rural small multifamily rental property activity.	73 properties	74 properties	76 properties	29
E. Additional Activity: Invest in Low-Income Housing Tax Credit properties to facilitate the provision of affordable multifamily housing in rural areas (12 C.F.R. § 1282.35 (d)).				
1. Invest in LIHTC projects in rural areas.	20-30 investments	28-45 investments	32-55 investments	30

OVERVIEW FOR
Manufactured Housing

Regulatory and Additional Activities for Manufactured Housing

ACTIVITIES AND OBJECTIVES		2025 EVALUATION AREA	2026 EVALUATION AREA	2027 EVALUATION AREA	PAGE
A. Regulatory Activity: Support manufactured homes titled as real property (12 C.F.R. § 1282.33 (c) (1)).					
1.	Acquire purchase money mortgage loans secured by MHRP.	Loan Purchase	Loan Purchase	Loan Purchase	39
2.	Expand adoption of conventional financing for manufactured homes by addressing risks of MH lending through product and process development.	Loan Product	Loan Product	Outreach	41
3.	Align product and engagement strategies with new, federally enabled market expansion opportunities.	Loan Product	Loan Product	Outreach	43
4.	Advance MH co-op execution in markets that recognize homes on leased land as real estate.	Loan Product	Loan Product	Loan Product	45
5.	Promote resident stability and improved loan performance through the development of a community of practice focused on secure tenancy in MHCs.	Loan Product	Outreach	Loan Product	47
6.	Pursue policy and industry engagement tactics that reduce the costs of MH homeownership and increase value to the consumer.	Outreach	Loan Product	Loan Product	49
B. Regulatory Activity: Manufactured housing communities owned by a governmental entity, nonprofit organization, or residents (12 C.F.R. § 1282.33 (c) (3)).					
1.	Increase loan purchases of MHCs owned by government entities, nonprofit organizations, or residents.	Loan Purchase	Loan Purchase	Loan Purchase	53
C. Regulatory Activity: Manufactured housing communities with certain pad lease protections (12 C.F.R. § 1282.33 (c) (4)).					
1.	Increase the purchase of MHC loans.	Loan Purchase	Loan Purchase	Loan Purchase	55
D. Additional Activity: Additional manufactured housing community activities (12 C.F.R. § 1282.33 (d)).					
1.	Increase the purchase of MHC loans with affordability created by rent restrictions.	Loan Product	Loan Purchase	Loan Product	56

Loan Purchase Targets for Manufactured Housing

ACTIVITIES AND OBJECTIVES	2025 TARGET	2026 TARGET	2027 TARGET	PAGE
A. Regulatory Activity: Support manufactured homes titled as real property (12 C.F.R. § 1282.33 (c) (1)).				
1. Acquire purchase money mortgage loans secured by MHRP.	6,300 loans	6,800 loans	7,400 loans	40
B. Regulatory Activity: Manufactured housing communities owned by a government entity, nonprofit organization, or residents (12 C.F.R. § 1282.33 (c)(3)).				
1. Increase loan purchases of MHCs owned by government entities, nonprofit organizations, or residents.	2 properties	2 properties	3 properties	53
C. Regulatory Activity: Manufactured housing communities with certain pad lease protections (12 C.F.R. § 1282.33 (c) (4)).				
1. Increase the purchase of MHC loans.	3.3% of Multifamily UPB	3.3% of Multifamily UPB	3.3% of Multifamily UPB	55
D. Additional Activity: Additional manufactured housing community activities (12 C.F.R. § 1282.33 (d)).				
1. Increase the purchase of MHC loans with affordability created by rent restrictions.	N/A	3 loans	N/A	57

OVERVIEW FOR

Affordable Housing Preservation

Regulatory, Statutory and Additional Activities for Affordable Housing Preservation

ACTIVITIES AND OBJECTIVES	2025 EVALUATION AREA	2026 EVALUATION AREA	2027 EVALUATION AREA	PAGE
A. Statutory Activity: The project-based rental assistance housing programs under Section 8 of the U.S. Housing Act of 1937, 42 U.S.C. § 1437f (12 C.F.R. § 1282.34 (c) (1)).				
1. Provide a steady source of capital and liquidity through the purchase of loans secured by Project-Based Section 8 properties.	Loan Purchase	Loan Purchase	Loan Purchase	73
B. Statutory Activity: The rural rental housing program under Section 515 of the Housing Act of 1949, 42 U.S.C. § 1485 (12 C.F.R. § 1282.34 (c) (7)).				
1. Promote greater preservation of USDA Section 515 properties through loan purchases.	Loan Purchase	Loan Purchase	Loan Purchase	74
2. Support technical assistance (TA) programs that facilitate the preservation of Section 515 properties.	Outreach	Outreach	Outreach	76
C. Statutory Activity: Low-Income Housing Tax Credits under Section 42 of the Internal Revenue Code of 1986, 26 U.S.C. § 42 (12 C.F.R. § 1282.34 (c) (8)).				
1. Increase liquidity to the LIHTC debt market by purchasing loans secured by LIHTC properties.	Loan Purchase	Loan Purchase	Loan Purchase	78
D. Statutory Activity: Other comparable State or Local affordable housing programs (12 C.F.R. § 1282.34 (c) (9)).				
1. Purchase loans secured by properties under State or Local affordable housing programs.	Loan Purchase	Loan Purchase	Loan Purchase	81
E. Regulatory Activity: Increase purchases of loans financing improvements on multifamily properties: (a) which reduce energy or water consumption by tenant or property by at least 15%; and (b) where the savings generated over the improvement's expected life will exceed its cost (FHFA Criteria) (12 C.F.R. § 1282.34 (d)(2)).				
1. Increase positive environmental and social impact of green financing through development of market awareness and understanding of energy and water efficiency improvements and financing.	Outreach	Outreach	Outreach	83
F. Regulatory Activity: Energy or water efficiency improvements on single-family, first-lien properties that meet FHFA criteria (12 C.F.R. § 1282.34 (d) (3)).				
1. Reduce homeowner utility costs through consumer tools, new programs, and loan products.	Loan Product	Loan Product	Loan Product	85
2. Increase the purchase of mortgage loans that finance energy and water efficiency improvements or refinance existing energy debt.	Loan Purchase	Loan Purchase	Loan Purchase	88

Regulatory, Statutory and Additional Activities for Affordable Housing Preservation

ACTIVITIES AND OBJECTIVES		2025 EVALUATION AREA	2026 EVALUATION AREA	2027 EVALUATION AREA	PAGE
G. Regulatory Activity: Shared equity programs for affordable housing preservation (12 C.F.R. § 1282.34 (d) (4)).					
1.	Simplify the shared equity loan delivery process through the Shared Equity Program Platform, Certified Shared Equity Program List, and promotion of model documents.	Outreach	Loan Product	Loan Product	90
2.	Increase the purchase of mortgage loans that finance shared equity homes.	Loan Purchase	Loan Purchase	Loan Purchase	93
H. Additional Activity: Support the rehabilitation of single-family homes (12 C.F.R. §§ 1282.34 (e) and 1282.36(c)(3)).					
1.	Increase or improve the quality of single-family homes through dedicated outreach and loan product development.	Loan Product	Loan Product	N/A	94
I. Additional Activity: Residential economic diversity activity (12 C.F.R. §§ 1282.32 (d)(3), 1282.34 (e), and 1282.36 (c) (3)).					
1.	Purchase affordable loans to add liquidity to the market in FHFA-determined residential economic diversity-eligible high-opportunity areas.	Loan Purchase	Loan Purchase	Loan Purchase	96
J. Additional Activity: Support disaster preparedness and weather resiliency (12 C.F.R. §§ 1282.34 (e) and 1282.36(c)(3)).					
1.	Support TA programs that help prepare multifamily properties to adapt to weather-related risks or prepare for natural disasters.	Outreach	Outreach	Outreach	98

Loan Purchase Targets for Affordable Housing Preservation

ACTIVITIES AND OBJECTIVES		2025 TARGET	2026 TARGET	2027 TARGET	PAGE
A. Statutory Activity: The project-based rental assistance housing programs under Section 8 of the U.S. Housing Act of 1937, 42 U.S.C. § 1437f (12 C.F.R. § 1282.34 (c) (1)).					
1.	Provide a steady source of capital and liquidity through the purchase of loans secured by Project-Based Section 8 properties.	23,100 units	23,100 units	23,100 units	73
B. Statutory Activity: The rural rental housing program under Section 515 of the Housing Act of 1949, 42 U.S.C. § 1485 (12 C.F.R. § 1282.34 (c) (7)).					
1.	Promote greater preservation of USDA Section 515 properties through loan purchases.	85 units	85 units	85 units	74
C. Statutory Activity: Low-Income Housing Tax Credits under Section 42 of the Internal Revenue Code of 1986, 26 U.S.C. § 42 (12 C.F.R. § 1282.34 (c) (8)).					
1.	Increase liquidity to the LIHTC debt market by purchasing loans secured by LIHTC properties.	26,000 units	31,460 units	27,000 units	78
D. Statutory Activity: Other comparable State or Local affordable housing programs (12 C.F.R. § 1282.34 (c) (9)).					
1.	Purchase loans secured by properties under State or Local affordable housing programs.	10,220 units	10,230 units	10,240 units	81
F. Regulatory Activity: Energy or water efficiency improvements on single-family, first-lien properties that meet FHFA criteria (12 C.F.R. § 1282.34 (d) (3)).					
2.	Increase the purchase of mortgage loans that finance energy and water improvements or refinance existing energy debt.	40 loans	45 loans	50 loans	88
G. Regulatory Activity: Shared equity programs for affordable housing preservation (12 C.F.R. § 1282.34 (d) (4)).					
2.	Increase the purchase of mortgage loans that finance shared equity homes.	284 loans	295 loans	325 loans	93
I. Additional Activity: Residential economic diversity activity (12 C.F.R. §§ 1282.32 (d)(3), 1282.34 (e), and 1282.36 (c) (3)).					
1.	Purchase affordable loans to add liquidity to the market in FHFA-determined residential economic diversity-eligible high-opportunity areas.	4,150 units	4,100 units	4,200 units	96

2025 – 2027

Rural Housing

Strategic priorities statement

While significant progress has been made in support of the underserved markets through our work in prior years, challenging economic conditions continue to constrain housing affordability. We will maintain our support for these communities and homeowners and are steadfastly committed to addressing obstacles to quality, affordable housing in this Plan.

Fannie Mae reaffirms our support of rural communities and continues to refine our approach to ensure a broad and meaningful impact for rural homebuyers and renters.

Fannie Mae reaffirms our support of rural communities and continues to refine our approach to ensure a broad and meaningful impact for rural homebuyers and renters. Notably, we will continue to support several of the Regulatory Activities that were the focus of previous Plans while adding a critical new Additional Activity that responds to the needs of rural homeowners and renters nationwide.

We will continue to direct liquidity to underserved rural markets through our core loan purchase business, focusing on single-family and multifamily properties in high-needs rural regions, small multifamily rental properties in rural areas, homes belonging to verified tribal members living in FHFA-defined Indian Areas, and multifamily properties in rural areas with voluntary affordable set-asides for workforce housing. This support reduces capital access barriers to mortgage lending in rural areas that have historically lacked investment. These loan purchase targets represent a continuation of our prior work in targeted high-needs rural regions as well as new commitments to ensure broader geographic coverage of rural areas.

We will continue to engage in product development and outreach activities to both enhance options for rural homebuyers and support rural markets in ways that go beyond our current conventional lending activities.

In this regard, Fannie Mae commits to developing products designed to meet the specific needs of heirs' property residents and of rural community development financial institutions (CDFIs) that provide critical access to mortgage financing in their communities. We will also explore ways to serve the Colonias regions more effectively by completing outreach to inform further potential outreach and product design that addresses unique financing needs. Further, we will conduct market research and develop resources that address capital access for housing projects benefiting high-needs rural populations, including Native Americans and agricultural workers. These objectives aim to continuously improve the ways we serve rural areas to help address the host of unique affordability challenges.

In addition to loan purchases, we will continue to provide capital to support the development of affordable rental housing through our equity investments in rural low-income housing tax credit (LIHTC) projects. This work remains a priority for us as it provides a solution for funding gaps that may exist in the development of affordable housing supply.

EXPAND: Explore how our products and services can better serve rural populations by applying the resources in our toolkit to all FHFA-defined rural regions and studying ways to enhance housing stability across this expanded footprint.

PARTNER: Serve our industry partners by leveraging unique market insights to design effective solutions for affordable rural housing, including identifying common barriers like aging housing stocks and issues with tangled titles and utilizing resources supported by Fannie Mae to address these challenges while maintaining our commitment to prioritizing these partnerships.

LEARN: Design and test new mortgage lending products for targeted rural populations to study their effectiveness and identify or refresh key learnings, expanding our institutional knowledge of rural housing needs to continuously enhance this market.

Market overview

FHFA's current Duty to Serve regulation defines a "rural area" as (i) a census tract outside of a metropolitan statistical area (MSA), as designated by the Office of Management and Budget; or (ii) a census tract in an MSA that is outside of the MSA's Urbanized Areas as designated by the U.S. Department of Agriculture's (USDA) Rural-Urban Commuting Area (RUCA) Code #1 and outside of tracts with a housing density of more than 64 housing units per square mile for USDA's RUCA Code #2. Effective July 1, 2023, amendments to the Duty to Serve regulation modify the definition of "rural area" to include all "colonia census tracts" that would not otherwise satisfy the definition.[1]

The rural housing market includes an estimated 82 million people in the United States, or 25% of the U.S. population.[2] Rural areas in the U.S. exhibit a combination of housing and sociodemographic attributes.

25%

of the U.S. population, an estimated 82 million people, live in rural areas.

[1] According to the USDA's Rural-Urban Commuting Area Codes No. 1 and No. 2. See www.fhfa.gov/DataTools/Downloads/Pages/Duty-to-Serve-Data.aspx for details.

[2] These estimates use FHFA's Duty to Serve rural definition, Census 2010 tract land area information, and the American Community Survey (ACS) 2015 to 2019 five-year estimates of the population.

Rural housing residents

The latest American Community Survey (ACS) five-year estimates show that when compared to the overall U.S. population, the population in rural areas is:

- **Older, more likely to have lower income levels and to be in poverty, less likely to have a college degree, and less likely to be employed or participate in the labor force.**
- **More likely to be white. However, certain non-white communities are over-represented in the Lower Mississippi Delta, rural persistent poverty counties, and the colonias census tracts.**

Summary Information for the ACS Five-Year Summary Tables, 2018-2022

		RURAL					
	U.S.	ALL RURAL	ALL HIGH-NEEDS RURAL REGIONS	MIDDLE APPALACHIA	LOWER MISSISSIPPI DELTA	PERSISTENT POVERTY	COLONIA CENSUS TRACTS
Race							
White	58.3%	75.1%	62.5%	91.4%	68.5%	46.6%	18.3%
Black	12.0%	7.0%	13.4%	2.4%	24.6%	18.6%	1.2%
Hispanic	19.4%	11.8%	17.8%	2.9%	3.0%	26.8%	77.0%
American Indian/Alaska Native	0.5%	1.4%	2.9%	0.3%	0.3%	4.8%	1.6%
Asian	5.6%	1.2%	0.7%	0.5%	0.5%	0.8%	0.8%
Other	4.1%	3.5%	2.6%	2.6%	3.0%	2.4%	1.2%
Population Age							
Median Age*	39	42	40	43	41	38	34
Poverty Status							
Poverty Rate	12.8%	13.8%	20.7%	18.0%	19.6%	24.4%	23.0%
Household Income							
Median Homeowner*	$101,767	$79,062	$62,575	$62,285	$62,930	$59,007	$65,947
Median Renter*	$55,035	$41,204	$32,985	$32,670	$30,927	$31,621	$38,528

*Median reported in table is the average median from census tract-level data.
Source: ESR computations from the 2018-2022 five-year American Community Survey based on 2023 Duty to Serve Rural destinations.

Rural housing characteristics

Housing in rural areas is different from housing nationwide.

With higher rates of manufactured housing and homeownership, housing in rural areas is different from housing nationwide.

Summary Information for the ACS Five-Year Summary Tables, 2018-2022

		RURAL					
	U.S.	ALL RURAL	ALL HIGH-NEEDS RURAL REGIONS	MIDDLE APPALACHIA	LOWER MISSISSIPPI DELTA	PERSISTENT POVERTY	COLONIA CENSUS TRACTS
Units							
Number of Units	142,506,742	37,569,034	7,864,759	2,632,467	2,411,756	4,133,004	849,400
Number of Occupied Units	126,956,011	31,094,518	6,410,211	2,143,921	1,967,085	3,342,572	717,478
Property Type							
One- to Four-Unit	75.40%	80.50%	75.10%	75.30%	76.90%	73.30%	75.00%
Manufactured	5.70%	13.20%	19.40%	19.60%	18.50%	20.70%	19.80%
Multifamily	18.80%	6.10%	5.20%	4.90%	4.40%	5.80%	4.70%
Owner-Occupied							
Units	82,327,703	23,296,037	4,590,089	1,599,554	1,416,214	2,296,177	529,413
Share of Occupied Units	64.80%	74.90%	71.60%	74.60%	72.00%	68.70%	73.80%
Owner-Occupied Property Type							
One- to Four-Unit	90.70%	87.20%	81.10%	81.60%	82.00%	78.90%	81.20%
Manufactured	5.80%	12.10%	18.50%	18.00%	17.60%	20.60%	18.10%
Multifamily	3.40%	0.40%	0.10%	0.10%	0.10%	0.10%	0.10%
Renter-Occupied							
Units	44,628,308	7,798,481	1,820,122	544,367	550,871	1,046,395	188,065
Share of Occupied Units	35.20%	25.10%	28.40%	25.40%	28.00%	31.30%	26.20%
Renter-Occupied Property Type							
One- to Four-Unit	50.20%	64.70%	64.10%	59.30%	68.80%	64.40%	65.20%
Manufactured	4.00%	13.10%	17.90%	21.80%	15.90%	17.50%	17.00%
Multifamily	45.70%	21.90%	17.70%	18.70%	15.00%	17.90%	17.00%
Median Value*							
All Owner-Occupied Units	$351,403	$225,452	$149,479	$156,714	$138,744	$135,278	$153,842
Manufactured Housing Only	$79,412	$80,754	$64,334	$66,320	$57,714	$58,681	$73,632

*Median reported in table is the average median from census tract-level data.
Source: ESR computations from the 2018-2022 five-year ACS based on 2023 Duty to Serve Rural destinations.

Challenges and needs

Defining rural and identifying barriers and potential solutions.

As noted by the Harvard Joint Center for Housing Studies, there are at least 11 commonly used definitions of rural that result in varying conclusions about the size and characteristics of this housing market in the United States.[3] To maximize the relevance and impact of our work, we must seek out or conduct research that describes the current state of homeownership and rental conditions in regulatorily defined rural areas.

Lack of affordable single-family and multifamily capital.

Many of the challenges noted in prior iterations of this Plan that constrain liquidity for rural housing remain true. For example, rural multifamily properties can still be difficult to finance because of the underlying economic characteristics of the community and smaller-sized loan amounts. Single-family conventional lending remains challenged by a low inventory of housing supply, affordability pressures driven in part by migration from nonrural areas, and lower approval rates for rural mortgage applicants, according to HMDA.

Rural lenders' distinct strategies.

Lenders specializing in rural markets, including CDFIs, have noted that some of the mortgage products that suit rural consumers are incompatible with Fannie Mae's requirements. Without involvement from local, community-focused lending institutions, it will be difficult for Fannie Mae to significantly improve its support for rural low- and moderate-income (LMI) consumers.

Meeting the challenges

We will remain proactive in both the rural rental and rural homeownership markets, building strategies and solutions that meet the unique needs and challenges related to rural housing. To better understand and address the housing needs of the broader rural market, Fannie Mae commits to the inclusion of three single-family objectives and two multifamily objectives that will span the entire rural housing market, nationwide. Fannie Mae will sustain and build upon its long-established commitment to high-needs rural regions and high-needs rural populations through a mix of loan purchase, loan product, and outreach actions. We will continue to support small rural rental housing and rural LIHTC investments in ways that prioritize continuity with prior Plans.

[3] Hermann A. Joint Center for Housing Studies, Harvard. 2024. How Definitions Shape the Rural Housing Landscape. https://www.jchs.harvard.edu/blog/how-definitions-shape-rural-housing-landscape.

Statutory and Regulatory Activities Considered But Not Included

Under the Duty to Serve Evaluation Guidance, Fannie Mae and Freddie Mac ("the Enterprises") are required to consider and address all four of the Regulatory Activities identified for this market.

Fannie Mae has considered and included three of the Regulatory Activities identified in the Duty to Serve Final Rule: Support housing in high-needs rural regions; support housing for high-needs rural populations; and support rural small multifamily rental property activity.

Fannie Mae has considered but chosen not to include the following Regulatory Activity: Support rural small financial institution financing (SFI). The reasoning for this decision is threefold:

1. Compared to other rural loan purchase targets, SFI loan purchases have been atypically variable from year to year and difficult to forecast for the purposes of a multiyear Plan.
2. Many CDFIs are SFIs, and Fannie Mae is dedicating an objective to loan product development for CDFIs.
3. SFI loans are a subset of "general rural" loans, and Fannie Mae is pursuing several methods to support the broader rural market.

In addition to the three Regulatory Activities, Fannie Mae includes one Additional Activity to draw focus on the broader rural housing market and another Additional Activity to capture continued investment in rural LIHTC projects.

Activities and Objectives

A.

Additional Activity: Support the rural housing market, as most broadly defined by the Regulation (12 C.F.R. § 1282.35 (d)).

According to the ACS 2018 – 2022 five-year data[4], as defined by the Duty to Serve Regulation, approximately 25% of the population, 28% of owner-occupied housing units, and 17% of renter-occupied housing units were rural. This significant share of the population and housing market justifies a dedicated strategy. As a new Additional Activity, a mix of outreach, product development, and loan purchase actions are appropriate for supporting the broader rural market during the 2025 – 2027 Plan cycle.

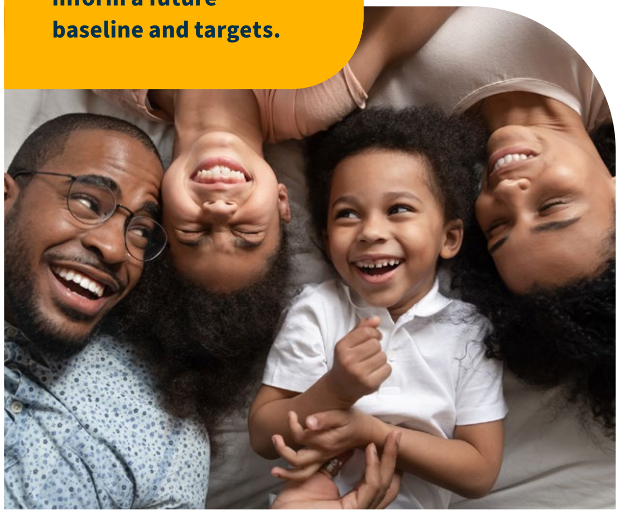
1. Objective: Develop a strategy to acquire multifamily loans in rural areas using programs specifically tailored for LMI households.

Sponsor-Dedicated Workforce (SDW) is a loan product that provides a more stringent level of affordability than standard multifamily loans. SDW requires that a minimum 20% of units must be affordable to renters earning up to at 80% area median income (AMI), or in certain metros, up to 100%-120% AMI. This affordability standard exceeds minimum Duty to Serve thresholds and has been selected specifically to increase affordable supply during a time when various trends, including increased rental costs and increased demand for housing related to remote work, have driven rural rents higher. The SDW product also requires this level of affordability for the life of the loan, offering increased rental stability for tenants. This objective will inform a targeted strategy to finance more affordable rental housing in rural communities.

Baseline: At the time of this writing, SDW has not yet been in-market for a full year, making it infeasible to set a reliable loan purchase baseline. Actions in 2025 will be dedicated to socializing SDW and gathering data necessary to inform a future baseline and targets.

[4] Computations from the ACS 2018 – 2022 five-year estimates at the census tract level.

Actions in 2025 will be dedicated to socializing SDW and gathering data necessary to inform a future baseline and targets.



YEAR	TARGET AND IMPLEMENTATION STEPS	EVALUATION AREA
2025	Socialize SDW product with rural housing market participants in advance of potential future loan purchases. • Engage with Designated Underwriter and Servicing (DUS®)lenders to educate them on the potential benefits of the SDW product. • Analyze loan purchase trends from 2024 and 2025. • Propose 2026 and 2027 loan purchase targets, if feasible. If not, consider product flexibilities which may better accommodate rural markets.	Outreach

As a new Additional Activity for the 2025 – 2027 Plan, the broader rural housing market is ripe for foundational research.

2. Objective: Conduct research on conditions facing current and prospective renters in rural areas.

The broader rural housing market is ripe for foundational research, therefore we have added it as a new Additional Activity for the 2025 – 2027 Plan. Fannie Mae commits to conducting, socializing, and utilizing new research on the rural multifamily housing market to drive increased liquidity that benefits rural renters.

Baseline: Under prior Duty to Serve rural efforts, Fannie Mae has published research reports to advance the industry's collective knowledge of rural multifamily housing, including the following reports:

- *Multifamily Challenges and Opportunities in Middle Appalachia.*
- *Multifamily Challenges and Opportunities in the Mississippi Delta.*
- *Understanding the Colonias Investment Areas*.

These reports demonstrate a commitment from Fannie Mae to contribute information in support of various segments of the multifamily rural housing market and establish a foundation for additional research to holistically define challenges and opportunities within the broader rural housing market.

YEAR	TARGET AND IMPLEMENTATION STEPS	EVALUATION AREA
2025	Develop and publish a research document that captures the unique barriers facing rural renters. • Conduct a literature review of publicly available research on rural multifamily rental housing. • Supplement literature review with analysis of Fannie Mae's multifamily data or otherwise publicly unavailable data to identify focus areas for potential future product flexibilities. • Summarize findings on both rental housing barriers and opportunities in a publicly available document.	Outreach
2026	Socialize research on rural renters, refine research if necessary, and develop a continued outreach strategy for 2027. • Socialize existing research with DUS lenders and other rural stakeholders through direct meetings, online promotion, and presentation to at least two industry events. • Refine and/or supplement existing research based on findings from socialization. • Based on industry feedback, consider product flexibilities that respond to opportunities identified by the research, if appropriate. • If justified by the research and feasible, propose a 2027 outreach target that is informed by prior years' research, such as a lender marketing campaign that highlights products suited for rural rental housing.	Outreach

3. Objective: Conduct research on conditions facing current and prospective homeowners in rural areas.

As a new Additional Activity for the 2025 – 2027 Plan, the broader rural housing market is ripe for foundational research. Fannie Mae commits to conducting, socializing, and utilizing new research on the rural single-family housing market to drive increased liquidity that benefits rural homebuyers.

Baseline: Under prior Duty to Serve rural efforts, Fannie Mae has published several research reports to advance the industry's collective knowledge of rural homeownership, including the following reports:

- *A Methodological Approach to Estimate Residential Heirs' Property in the United States.*
- *Can Service-Learning Programs at Anchor Institutions Contribute to Increasing Homebuyer Readiness Through Financial Capability?*
- *Small Balance Loan Origination Analysis in Rural and High-Needs Rural Areas.*
- *Native American Homeownership —Qualitative Research.*
- *Understanding the Colonias Investment Areas.*

These reports demonstrate a commitment from Fannie Mae to contribute information in support of various segments of the single-family rural housing market and establish a foundation for additional research to holistically define challenges and opportunities within the broader rural housing market.

Under prior Duty to Serve rural efforts, Fannie Mae has published several research reports to advance the industry's collective knowledge of rural homeownership.

YEAR	TARGET AND IMPLEMENTATION STEPS	EVALUATION AREA
2025	Develop and publish a research document that captures the unique barriers facing rural homeowners and homebuyers. • Conduct a literature review of publicly available research on rural homeownership. • Conduct analysis of publicly available data on rural demographics, housing characteristics, and mortgage lending patterns. • Conduct analysis of Fannie Mae single-family data to focus on areas for potential future product flexibilities. • Summarize findings on both homeownership barriers and opportunities in a publicly available document.	Outreach
2026	Socialize research on rural homeownership, refine research if necessary, and develop continued loan product or loan purchase strategy for 2027. • Socialize existing research with lenders and other rural stakeholders through direct meetings, online promotion, and presentations to at least two industry events. • Refine and/or supplement existing research based on findings from socialization. • Based on industry feedback, consider product flexibilities that respond to opportunities identified by the research, if appropriate. • If justified by the research and feasible, propose a 2027 loan purchase target or a 2027 loan product target that is informed by prior years' research.	Outreach

This objective will focus on developing a new product that improves rural CDFIs' ability to access liquidity through Fannie Mae.

4. Objective: Develop single-family requirements that enable rural CDFIs to access secondary market liquidity more frequently.

CDFIs are important participants in the housing finance system generally and within rural communities, where there are dozens of Treasury-certified CDFIs that serve rural consumers. However, many of the single-family mortgage loans that rural CDFIs originate are not eligible for sale to Fannie Mae because they are inconsistent with the Selling Guide for various reasons. Fannie Mae will consider product flexibilities that result in increased liquidity for loans to rural consumers currently served by their local CDFIs.

Baseline: Fannie Mae has consistently sought to support rural CDFIs as part of its Duty to Serve mission. Fannie Mae provided targeted support to two rural CDFIs seeking to become approved sellers/servicers; those rural CDFIs have become customers and thought partners on rural innovation. Fannie Mae subsequently worked with a rural CDFI to document best practices related to CDFIs' servicing of conventional loans. Fannie Mae has also explored other methods of engaging with rural CDFIs, including investments, deposits, and technical assistance (TA) and training. Product development has been an area of opportunity for some time, and this Plan will focus on developing a new product that improves rural CDFIs' ability to access liquidity through Fannie Mae.

YEAR	TARGET AND IMPLEMENTATION STEPS	EVALUATION AREA
2025	Research, identify and develop requirements that enable rural CDFIs to access secondary market liquidity more frequently and with limited changes to existing product strategy. • Meet with at least 10 rural CDFIs to inform potential feature and requirements updates that meet the needs of a wide range of rural CDFI customers. • Identify an update to a new or existing variance or a *Selling Guide* enhancement or update. • Determine eligibility and identification methodology that could be deployed, including whether the CDFI must be a direct Fannie Mae customer or whether a CDFI could sell loans indirectly. • Work with CDFIs to establish reasonable projections for potential loan acquisition.	Outreach
2026	Based on feasibility and learning from 2025, test and learn any new requirements or enhancements for rural CDFI loans with one or more participating lenders. • Based on learnings from 2025, socialize enhancements with multiple rural CDFIs. • Publish *Selling Guide* update or execute variance with at least one participating lender. • If feasible, based on 2026 loan purchases, propose a 2027 loan purchase goal.	Loan Product

Fannie Mae, in partnership with the Housing Assistance Council (HAC), published a novel analysis of nationwide deed and assessment data to estimate the relative prevalence of heirship in homes across the United States; the resulting report was the culmination of nearly two years of analysis.

5. Objective: Deploy a strategy to increase mortgage opportunities for rural residents of heirs' property.

Heirs' property is property that has been informally transferred from one generation to another without clear title, which is necessary for the accumulation and intergenerational transfer of wealth. Heirs' property can be a root cause of wealth inequality. It can also represent a pernicious form of wealth stripping and serve as a key obstacle preventing traditionally underserved consumers from accessing stable and affordable homeownership. Absent a clear title, property owners are unable to access traditional mortgage financing to build a new home or repair an existing home, access disaster relief funds, or leverage equity.

Baseline: In December 2023, Fannie Mae, in partnership with the Housing Assistance Council (HAC), published a novel analysis of nationwide deed and assessment data to estimate the relative prevalence of heirship in homes across the United States; the resulting report was the culmination of nearly two years of analysis. After publication, Fannie Mae promoted the report directly to lenders, in ideation sessions with heirs' property experts, through various research conferences, and at a first-of-its-kind national convening organized by Fannie Mae in 2024.

YEAR	TARGET AND IMPLEMENTATION STEPS	EVALUATION AREA
2025	Leverage past research and outreach to inform a loan product strategy that increases mortgage opportunities for rural residents of heirs' property. • Based on prior learnings, publish a research report or white paper that identifies plausible actions Fannie Mae and its lender partners could take to improve access to mortgage financing for heirs' property residents. • If feasible, design a guide change, variance, or pilot that reflects the consumer needs identified by the research report or white paper, such as: – Refinance terms that enable an heirs' property owner to make necessary repairs, consolidate ownership, and clear title; – Supporting resources that set up the owner and future heirs for success in homeownership; and – Partnerships with local organizations to promote product awareness. • Pursue necessary internal and external approvals for the guide change, variance, or pilot. • Socialize any loan product actions with multiple rural lenders and, if feasible, propose a future loan purchase goal for 2026 and/or 2027.	Loan Product

Activities and Objectives

B.

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

From 2020 to 2022, Fannie Mae purchased loans on an average of

50 properties

located in high-needs rural region.

In addition to focusing on the rural market, as most broadly defined by the regulation, Fannie Mae will also continue to focus on the high-needs rural regions, which continue to face liquidity challenges in both the single-family and multifamily housing markets. For example, according to 2022 Home Mortgage Disclosure Act (HMDA) data, purchase money applications on first lien residential owner-occupied one- to four-unit site-built or MH with land had a denial rate of 10% nationwide compared to 17% in high-needs rural areas. Limiting the data further to only LMI applicants, the denial rate is 13% nationwide compared to 23% in high-needs rural regions. In the multifamily space, lenders continue to express that smaller loan sizes, lower renter incomes, less density, and valuation challenges related to the lack of comparable properties constrain opportunities in high-needs rural regions.

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

Fannie Mae will purchase loans secured by properties in high-needs rural regions. We will continue outreach with our DUS® lender network to share our commitment to these underserved markets and to provide information needed to identify and target business in eligible areas.

From 2020 to 2022, Fannie Mae purchased loans financing an average of 50 properties per year located in high-needs rural regions, which will represent the baseline for this Plan objective. This period best demonstrates Fannie Mae's capability to facilitate financing of multifamily properties in rural markets over the next three years. For context, the purchase of loans financing multifamily properties in high-needs rural regions remained relatively stable from 2020 through 2023, even as overall multifamily acquisitions dropped by over 40% during this same period. As a result, the share of high-needs rural region loans as a percentage of overall multifamily loan purchases steadily grew in this period, with an uncharacteristic spike in 2023. As such, 2023 volumes are considered anomalous to the baseline given by the overrepresentation of high-needs rural region loans as a percent of overall Multifamily loan purchases in this year.

Baseline: The resilience in high-needs rural region loan purchase figures over this time is partially attributable to Fannie Mae's commitment to providing liquidity in rural markets, but may also be a symptom of a temporary dynamic where rising interest rates reduced competition from non-DUS sources of capital in small markets, producing exceptionally high conversion rates of Fannie Mae quoted deals which resulted in loan purchase. In short, these years of rural performance represent historic highs for high-needs rural region as a percentage of Multifamily business that is unlikely to be replicated in the future. Targets that exceed the baseline but feature modest year-over-year increases are reasonable, given market trends and historical data.

HISTORICAL MULTIFAMILY HIGH-NEEDS RURAL REGIONS LOAN PURCHASES	2020	2021	2022
Properties	50	47	52

YEAR	TARGET AND IMPLEMENTATION STEPS	EVALUATION AREA
2025	Purchase loans financing 51 multifamily properties in high-needs rural regions.	Loan Purchase
2026	Purchase loans financing 52 multifamily properties in high-needs rural regions.	Loan Purchase
2027	Purchase loans financing 54 multifamily properties in high-needs rural regions.	Loan Purchase

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

Fannie Mae will continue to support the expansion of single-family high-needs rural region lending during this three-year Plan period through increased loan purchases. In keeping with the prior Plan Cycle, we have decided to exclude refinance loans when planning our loan purchase targets, focusing exclusively on purchase money mortgage (PMM) loans. Fannie Mae will continue to support refinance loans for LMI borrowers in this market, but these loans will not be included in our three-year Plan because of the inherent volatility of the refinance business in an unpredictable interest rate environment.

As provided in the Duty to Serve Evaluation Guidance, we are establishing a loan purchase performance baseline at our level of performance in our most recent year of full data (2023). We believe it would be incorrect to establish a baseline based upon an average of the prior three years of data because those years would include 2021 and 2022—years in which historically low interest rates fueled COVID-19 pandemic recovery efforts and led to a dramatic increase in single-family loan originations, including high-needs rural region loans. To address the inflationary pressures that followed this period of growth, the Federal Reserve raised the federal funds rate by more than five percentage points from March 2022 through July 2023—a policy decision that resulted in a significant reduction in demand for housing. We believe rates may remain elevated throughout 2024, and the effects of any forthcoming rate cuts will likely not be measured until well into 2025 and beyond. Thus, we believe choosing a baseline based upon the most recent years' worth of annual data is appropriate because macroeconomic trends observed in 2023 are likely to persist through 2027.

Baseline: Against a baseline of 6,468 loans, established based upon 2023 high-needs rural region PMM loan purchases, we are committing to meaningful levels of growth in our high-needs rural region loan purchases over the Plan years 2025 – 2027. This approach is based on a close analysis of the underlying causes for observed trends in historical data while also maintaining meaningful growth year-over-year that outpaces recent experience.

SINGLE-FAMILY HIGH-NEEDS RURAL REGIONS LOAN PURCHASES	2023
Loans	6,468

YEAR	TARGET AND IMPLEMENTATION STEPS	EVALUATION AREA
2025	Purchase 6,900 single-family mortgage loans in high-needs rural regions, a roughly 7% increase over the baseline.	Loan Purchase
2026	Purchase 7,400 single-family mortgage loans in high-needs rural regions, a roughly 7% increase over the prior year's target.	Loan Purchase
2027	Purchase 7,900 single-family mortgage loans in high-needs rural regions, a roughly 7% increase over the prior year's target.	Loan Purchase

From 2018 through 2023, Fannie Mae purchased more than

6,800 loans

in the region currently defined as the colonia census tracts, with loan purchases made every month.

3. Objective: Develop a strategy to increase single-family lending in colonias.

FHFA added a definition of "colonia census tract" to the Duty to Serve regulation and amended the definitions for high-needs rural regions and rural areas in July 2023. Fannie Mae has worked with lenders, nonprofits, and researchers specializing in high-needs rural regions, including the colonias, for several years to drive awareness and adoption of Fannie Mae loan products. Given the recency of the formal definition and the unique housing needs in the colonias, a focused, multiyear outreach effort is justified.

Baseline: Since 2018, Fannie Mae has engaged with organizations serving the colonias. In fact, even before the colonias definition became final, Fannie Mae provided liquidity to this underserved market. Using the same geographic definition of Duty to Serve eligibility that has applied since July 2023, Fannie would have purchased more than 6,800 Duty to Serve-eligible loans from 2018 through 2023, with loan purchases made every month. In each year of the 2022 – 2024 Plan, Fannie Mae committed to outreach to lenders, CDFIs and/or housing finance agencies (HFAs), and nonprofits specializing in the colonias to ensure that it would be familiar with market conditions and borrower needs. This outreach is a fitting foundation for outreach and loan product efforts planned for the 2025 – 2027 Plan.

YEAR	TARGET AND IMPLEMENTATION STEPS	EVALUATION AREA
2025	Expand upon prior lender engagement efforts to inform a sustainable outreach strategy to increase liquidity in the colonias. • Summarize, publish, and socialize key learnings from colonia census tracts outreach conducted in prior years. • Gather recommendations from at least three lenders that are reasonably likely to increase loan deliveries. • As needed, support lenders that currently originate but are not delivering conforming loans to Fannie Mae.	Outreach
2026	Explore potential loan product strategies in the colonia census tracts. • Maintain colonia census tracts lender outreach, informed by 2025 best practices, such as a tailored training, one-on-one lender meetings, or an online or in-person gathering of local experts. • With input from lenders, research applicability of existing product strategies to support colonia census tracts residents, such as other rural products, special purpose credit programs, a product designed for rural CDFIs, or potential product flexibilities to support colonia census tract residents, as appropriate. • If feasible, develop a plan to promote mortgage products to colonias lenders and consumers in 2027.	Outreach

Activities and Objectives

C.

Regulatory Activity: Housing for high-needs rural populations (12 C.F.R. § 1282.35 (c) (2)).

Native Americans in Indian areas and rural agricultural workers have been populations of focus for prior iterations of Fannie Mae's Duty to Serve Plan, and this will continue. Research conducted by Fannie Mae in 2023 found that Native American homeowners are the least likely of any racial group (as defined by the 2022 ACS) to utilize mortgage finance and are least likely to live in homes with heated, piped plumbing. The same study revealed that 53% of Native American renters in multifamily properties and 44% of Native American renters in single-family properties were housing-cost burdened. In 2023, Fannie Mae sponsored a survey of multifamily agricultural worker housing developers who noted that, in addition to a general lack of affordable supply, current financing options specifically led to an insufficient supply of housing for retired and seasonal agricultural workers.

1. Objective: Support agricultural worker and/or Native American housing projects.

TA programs deliver industry best practices and expert knowledge around developing housing to serve high-needs rural populations. Building the capacity of community-focused organizations offers long-term benefits as those local entities grow and change with their communities.

Baseline: Since 2019, Fannie Mae has partnered with two national nonprofit organizations to deliver TA to nonprofit organizations, housing authorities, and tribal housing entities that serve agricultural workers and Native American communities in rural areas. TA has consistently resulted in funding for projects that serve these populations.

53%

of Native American renters in multifamily properties and

44%

in single-family properties were housing-cost burdened.

We remain committed to delivering TA to organizations who work to develop or preserve housing for agricultural workers or Native American communities.

YEAR	TARGET AND IMPLEMENTATION STEPS	EVALUATION AREA
2025	Partner with nonprofit organizations to deliver TA to 20 organizations working to develop or preserve housing for agricultural workers or Native American communities through RD 514/516 funding, U.S. Department of Housing and Urban Development (HUD) funding allocated for tribal housing, and/or LIHTC. Work with nonprofit partners to: • Assess the results of TA performed in 2024 and incorporate opportunities and strategies to strengthen the program's effectiveness and increase its scale in 2025. • Plan the 2025 TA program focusing on best practices for completing grant and loan applications, alternative sources of financing, and identifying loan features most relevant to high-needs rural populations, and identify organizations for TA delivery (developers of agricultural labor housing and Native American housing). • Execute the 2025 TA program and collect quantitative and qualitative measures of impact, such as number of units financed and common barriers. • Analyze results of the 2025 TA program at the property level to determine the success of the program and inform future work.	Outreach
2026	Partner with nonprofit organizations to deliver TA to 20 organizations working to develop or preserve housing for agricultural workers or Native American communities through RD 514/516 funding, HUD funding allocated for tribal housing, and/or LIHTC. Work with nonprofit partners to: • Assess the results of TA performed in 2025 and incorporate opportunities and strategies to strengthen the program's effectiveness and increase its scale in 2026. • Plan the 2026 TA program focusing on best practices for completing grant and loan applications, alternative sources of financing, and identifying loan features most relevant to high-needs rural populations and identify organizations for TA delivery (developers of agricultural labor housing and Native American housing). • Execute the 2026 TA program and collect quantitative and qualitative measures of impact such as number of units financed and common barriers. • Analyze results of the 2026 TA program at the property level to determine the success of the program and inform future work.	Outreach
2027	Partner with nonprofit organizations to deliver TA to 20 organizations working to develop or preserve housing for agricultural workers or Native American communities through RD 514/516 funding, HUD funding allocated for tribal housing, and/or LIHTC. Work with nonprofit partners to: • Assess the results of TA performed in 2026 and incorporate opportunities and strategies to strengthen the program's effectiveness and increase its scale in 2027. • Plan the 2027 TA program focusing on best practices for completing grant and loan applications, alternative sources of financing, and identifying loan features most relevant to high-needs rural populations and identify organizations for TA delivery (developers of agricultural labor housing and Native American housing). • Execute the 2027 TA program and collect quantitative and qualitative measures of impact such as number of units financed and common barriers. • Analyze results of the 2027 TA program at the property level to determine the success of the program and inform future work.	Outreach

Between 2018 and 2023, Fannie Mae acquired an annual average of four loan purchases under the combined NACLI or HUD 184 programs that were eligible for Duty to Serve.

2. Objective: Acquire single-family purchase loans made to tribal members living in Indian areas.

Native American communities have some of the greatest barriers to accessing mortgage finance in the nation. Fannie Mae commits to increasing loan purchases made to Native American tribal members living in Indian areas through two channels: Fannie Mae's Native American Conventional Lending Initiative (NACLI) and the purchase and securitization of loans guaranteed under the HUD-184 program.

Note that certain other eligible loans are likely excluded from the following baseline and target: Fannie Mae's purchase of conventional loans to tribal members on unrestricted fee simple land that FHFA defines is in a qualifying Indian Area. Recent analysis suggests that many loans that are Duty to Serve-eligible in Indian Areas are being acquired by Fannie Mae but are not counted because Fannie Mae does not have an established process for verifying tribal membership for loans – except for loans acquired under the NACLI and HUD-184 programs.

Baseline: Between 2018 and 2023, Fannie Mae acquired an annual average of four loan purchases under the combined NACLI or HUD 184 programs that were eligible for Duty to Serve. This represents a reasonable historical baseline. However, there are several reasons to believe future loan volumes could increase over time for both of these loan programs, including an expansion in the number of tribes executing NACLI Memoranda of Understanding (MOUs) with Fannie Mae, recent updates to NACLI to support the financing of MH on tribal lands, and new connections with lenders active in HUD-184 originations. Targets are set at levels that forecast doubling the historical volume above the baseline.

YEAR	TARGET AND IMPLEMENTATION STEPS	EVALUATION AREA
2025	Purchase a combined 10 NACLI and HUD-184 loans to high-needs rural populations. • In support of increased loan purchases, evaluate product offerings to Native American borrowers and promote existing loan products by: – Pursuing more tribal relationships, including through modifications to the NACLI MOU process. – Evaluate potential product offerings designed for Native American borrowers. – Socializing relevant product offerings to new participating lenders.	Loan Purchase
2026	Purchase a combined 15 NACLI and HUD-184 loans to high-needs rural populations. • In support of increased loan purchases, where opportunities exist, continue to strengthen tribal relationships, evaluate products, and partner with lenders.	Loan Purchase
2027	Purchase a combined 20 NACLI and HUD-184 loans to high-needs rural populations. • In support of increased loan purchases, where opportunities exist, continue to strengthen tribal relationships, evaluate products, and partner with lenders.	Loan Purchase

Activities and Objectives

D.

Regulatory Activity: Support small multifamily rental properties financing (12 C.F.R. § 1282.35 (d)).

From 2020 to 2022, Fannie Mae purchased loans financing an average of

71 small rural rental properties

per year, which represents a reasonable historical baseline for this rural market objective.

Fannie Mae will purchase loans secured by rural small multifamily rental properties. These properties, which are defined as having between five and 50 units, are critical forms of housing in rural communities, where large properties are less common than in metropolitan areas.

1. Objective: Support rural small multifamily rental property activity.

Fannie Mae will continue to support small rural rental properties. Recognizing the relevance of this form of housing for rural renters, we will commit to rural small multifamily loan purchase targets in each year of this Plan cycle.

Baseline: From 2020 – 2022, Fannie Mae purchased loans financing an average of 71 small rural rental properties per year, which represents a reasonable historical baseline for this rural market objective. As with another rural multifamily purchase objective, market factors, an anomalous spike in rural loans as a share of overall Multifamily loan purchases, and temporary reduction in non-DUS lender competition in select markets exclude 2023 from the baseline.

For context, while Fannie Mae's overall multifamily loan purchases dropped more than 40% when comparing 2023 to all-time highs in 2020, this drop was even more severe for small loans financing five- to 50-unit properties.

Despite this drop in the multifamily business, the number of rural small rural rental loans has remained generally steady, indicating a steadily rising small rural rental share of the multifamily business. This is partially due to Fannie Mae's commitment to providing liquidity in rural markets but is also a symptom of a temporary dynamic driven by rising interest rates in which DUS lenders faced reduced competition from non-Agency sources of capital. DUS lenders have identified that pent-up demand in major markets, spurred partially by higher rates, is likely to further shift volume away from rural markets when rates relax, a risk exacerbated if accompanied by any macroeconomic contraction which disproportionately impacts rural markets. In short, recent years of rural performance represent historic highs for small rural rental business and demonstrate growth which is likely not indicative of future trajectory. Targets that exceed the baseline and feature modest year-over-year increases are reasonable.

SMALL MULTIFAMILY RENTAL PROPERTIES LOAN PURCHASES	2020	2021	2022
Properties	66	70	77

YEAR	TARGET AND IMPLEMENTATION STEPS	EVALUATION AREA
2025	Purchase loans financing 73 small rural rental properties.	Loan Purchase
2026	Purchase loans financing 74 small rural rental properties.	Loan Purchase
2027	Purchase loans financing 76 small rural rental properties.	Loan Purchase

Activities and Objectives

E.

Additional Activity: Invest in Low-Income Housing Tax Credit properties to facilitate the provision of affordable multifamily housing in rural areas (12 C.F.R. § 1282.35 (d)).

The LIHTC program is a critical tool in creating and preserving affordable housing in the U.S. In 2018, Fannie Mae re-established our LIHTC investment business. We engaged with syndicator partners, developers, and HFAs to better understand the needs and challenges of rural properties relying on tax credits. Since then, Fannie Mae has invested in LIHTC projects in rural communities, primarily through participation in multi-investor fund investments.

1. Objective: Invest in LIHTC properties in rural areas.

In support of affordable housing, Fannie Mae will continue to invest in LIHTC properties in rural areas. Fannie Mae is committed to remaining a reliable and consistent source of equity. However, Fannie Mae's investments in multi-investor funds ceased at the end of 2022 due to a concern by a number of LIHTC equity market participants that Fannie Mae could be considered a tax-exempt controlled entity (TECE) under the Internal Revenue Code due to Treasury's ownership of our preferred stock. Other investors saw this potential interpretation as a regulatory threat to their anticipated economic return, causing them to be unwilling to invest in multi-investor funds in which Fannie Mae is a member. Without the multi-investor fund channel, Fannie Mae has been limited to rural investments through new proprietary funds and equity investments acquired by multi-investor funds Fannie Mae committed to prior to 2023. Despite this challenge Fannie Mae remains dedicated to the rural housing underserved market.

Fannie Mae has and will continue to commit time and resources as it resumes multi-investor fund investments. The impact of the TECE issue is evidenced by the reduction in our 2023 and anticipated 2024 rural investment numbers.

Baseline: Throughout 2023, Fannie Mae worked to develop a strategy to address the TECE issue. Fannie Mae began the initial phases of strategy implementation in the first half of 2024. At the time of this writing, the new strategy has not yet been in-market for a full year, making it infeasible to set a reliable investment baseline. The targets for each year are set based on historical production with consideration for market uncertainty, as well as other potential constraints that may limit investment activity.

In support of affordable housing, Fannie Mae will continue to invest in LIHTC properties in rural areas.

YEAR	TARGET AND IMPLEMENTATION STEPS	EVALUATION AREA
2025	Make equity investments in 20 to 30 LIHTC projects in rural areas.	Investment
2026	Make equity investments in 28 to 45 LIHTC projects in rural areas.	Investment
2027	Make equity investments in 32 to 55 LIHTC projects in rural areas.	Investment

2025 – 2027

Manufactured Housing

Strategic priorities statement

Fannie Mae will continue to provide liquidity to the manufactured housing (MH) market in the Duty to Serve Plan years 2025 to 2027 by increasing loan purchase activity and fostering loan product innovation to enable the use of MH in additional development scenarios. Additionally, we will continue to seek opportunities to broaden our MH product suite to provide a greater range of consumer options for our lender customers and other market participants, allowing increased responsiveness to industry needs and trends in this Plan cycle.

The MH market provides affordable housing to about

6.7 million

households.

In the new plan cycle, we will continue to test and develop single-family real property financing options for MH communities with secure land tenure, with a strategic focus on limited equity cooperatives and communities offering long-term leases. To promote sustainability within MH, we will:

- Continue partnering with industry stakeholders to support energy-efficient homes.
- Respond to new opportunities enabled by recent U.S. Department of Housing and Urban Development (HUD) code updates, which broaden MH eligibility to include two-to-four-unit construction, while partnering with manufacturers and community development professionals to support the use of MH as an infill housing solution.
- Address stability for renters, by promoting the implementation of voluntary rent restrictions within MH communities in response to workforce housing needs.

We will also focus on strategies to reduce common barriers to market participation that are a product of the unique legal and collateral risks of MH lending. Efforts will continue to include lender education and outreach, loan product innovation, and policy and process enhancements designed to simplify MH lending. In the new Plan cycle, we will also incorporate research to improve visibility on the risk profile of MH loans, which previous outreach identified as a key information gap. These activities will work in concert to address obstacles that may exist for lenders, thereby encouraging an active and accessible market for MH finance.

INNOVATE: Expand mortgage product options for MH through product development, testing and continuous improvement of existing processes.

LEAD: Continue to set MH industry standards and lead the market toward solutions by de-risking products while emphasizing consumer protections and accessibility for low- and moderate-income (LMI) homebuyers and renters.

COLLABORATE: Continue to develop key partnerships with MH thought leaders and advocates in the development of solutions to address the needs of underserved communities and homebuyers.

Market overview

The MH market provides affordable housing to about 6.7 million households, of which approximately 3.1 million households own the land and unit, 1.8 million own the unit only, and 1.3 million rent both the home and the land.[5]

In comparing the total housing costs of MH residents to residents of site-built homes, it is clear that MH is an affordable option that generally caters to those with LMI. Median monthly total housing costs are roughly $658 for MH compared to $1,240 for residents of single-family site-built homes. For homeowners, the median cost to own a manufactured home with land is only $491 per month compared to $1,252 for site-built homes. MH homeowners who rent the land pay $743 per month at the median. And finally, renters of both the home and land pay a median cost of $760, while renters of site-built homes pay $1,200 at the median.[6]

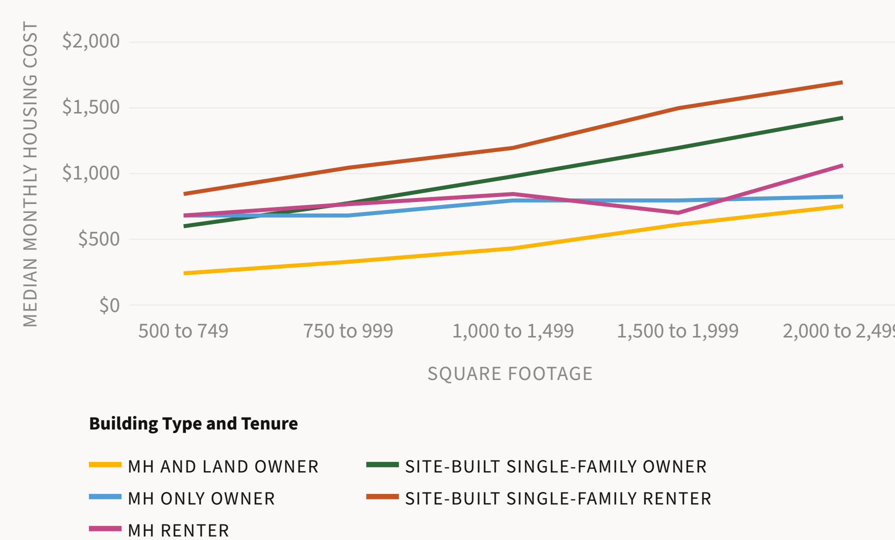
The chart below illustrates the affordability of MH when considering housing costs relative to square footage, with all three varieties of MH land tenure demonstrating consistent affordability despite disparities in financing outcomes. Even when considering that the median first mortgage rate for MH landowners (4.37%) is nearly a full

Median monthly total housing costs are roughly

$658

for MH.

Affordability of MH when considering housing costs relative to square footage



Source: 2021 American Housing Survey

[5] 2021 American Housing Survey. The detailed tenure type of roughly another 520,000 MH residents cannot be determined.

From 2019 to 2022, the average cost per square foot of a new manufactured home increased by

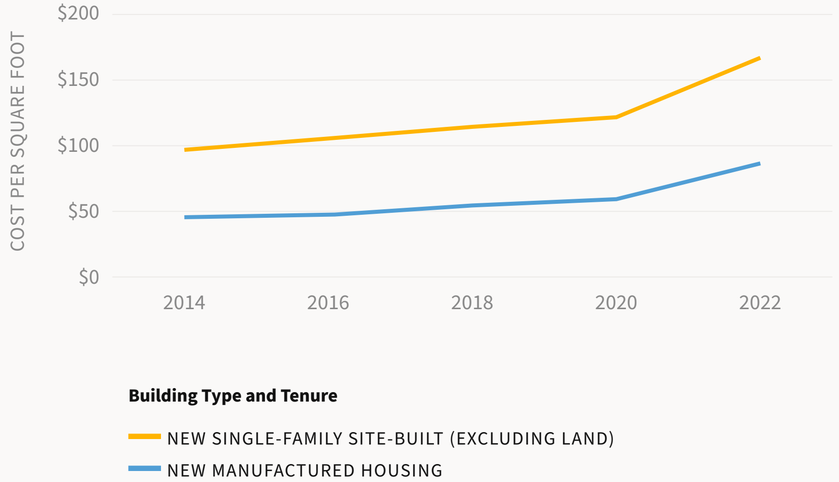
55%

to around $88.

percentage point higher than site-built homeowners (3.43%,) the fact that the MH with land is roughly half as expensive to own than a site-built home underscores the inherent affordability of the product.

Though MH is known for its affordable price point, it has not been immune to increased production costs in recent years. From 2019 to 2022, the average cost per square foot of a new manufactured home increased by 55% to around $88, surpassing the 44% increase in the average cost per square foot (excluding land) of a new site-built home, suggesting that MH production costs rose faster than those for site-built homes amid COVID-related supply chain constraints and inflationary pressures.

Average cost per square foot of a new manufactured home

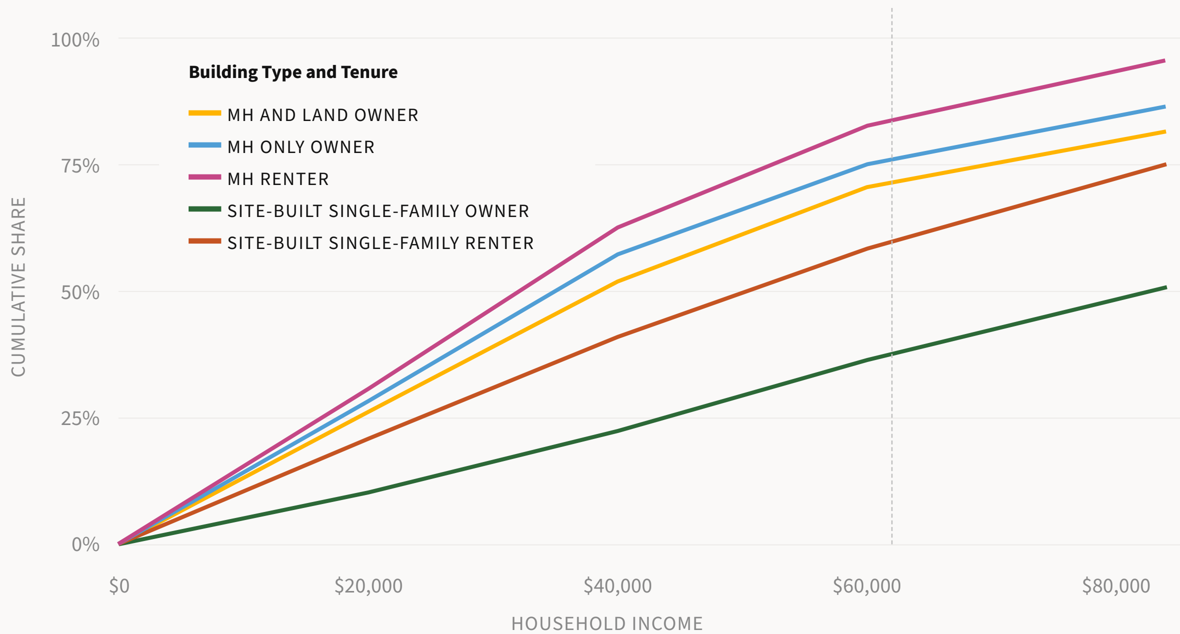


Source: Census Bureau

MH residents

Households below the median income in 2021 were more likely to own MH than site-built homes.

Median Household Income



Source: 2021 American Housing Survey

Geographic distribution of MH

MH makes up 5.7% of the nation's housing stock, but that share is higher in rural areas.[6] While site-built single-family homes represent about 81% of housing stock in rural areas, MH constitutes approximately 13%. When looking at the high-needs rural regions defined under the Duty to Serve rule, the share of housing stock comprised of manufactured homes jumps to 19%. Multifamily housing with five or more units remains an underrepresented housing option in rural areas, comprising just 6% of total stock in rural areas, while that percentage is three times higher (19%) in the broader United States.

Shipments of new manufactured homes are largely concentrated in southern states. Texas consistently receives the largest share of new homes, and except for California and Michigan, all other states receiving the top 10 most new home shipments in the most recent year of data were in the southeast.

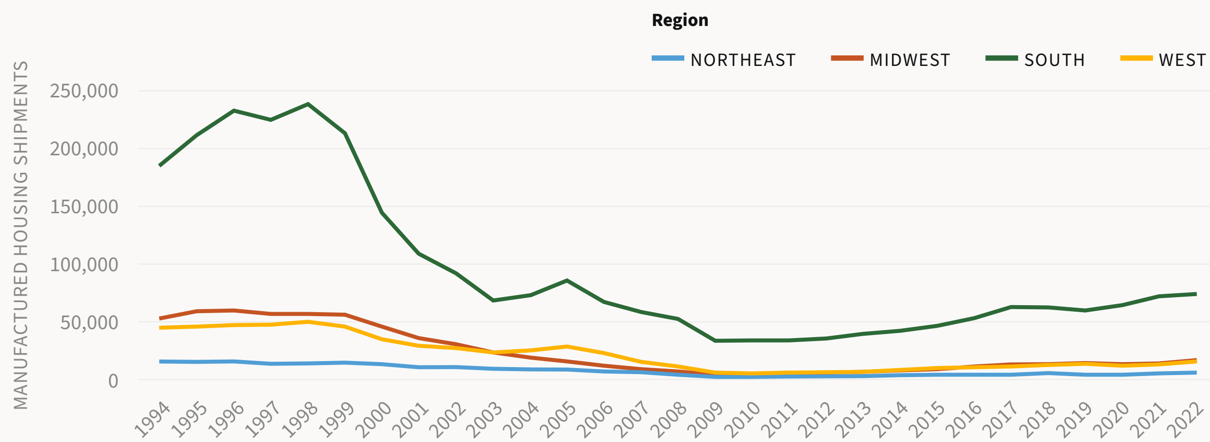
The Manufactured Housing Survey administered by the U.S. Census Bureau reports that roughly one-third of new manufactured homes have been shipped for placement in land-lease MH communities in recent years. Interestingly, the percentage of new homes shipped to both land-lease communities and private property in subdivisions or planned unit developments increased from 2021 to 2022, suggesting that traditional home retailers facilitating the placement of homes for individuals on privately owned land may play a less prominent role than they have in prior years.

MH makes up 5.7% of the nation's housing stock; that percentage more than doubles to approximately

13%

in rural areas.

MH Shipments by Geographic Region, 1994 - 2022



Source: U.S. Census Bureau Manufactured Housing Survey.
Note: Excludes shipments with unknown destinations.

[6] 2018-2022 American Community Survey five-year.

Challenges and needs

Fewer than

90,000

new manufactured homes were produced in 2023, the fewest number of homes shipped since 2016.

Titling affects consumer outcomes.

Factory-built manufactured homes built to HUD Code may be titled as either personal property ("chattel") or real property (meaning they are treated by local law as a part of the land on which they are placed). This classification determines available financing options. Several factors may impact a borrower's decision for titling and financing a manufactured home, including personal credit scores, the recommendations of a buyer's broker or seller, the desire for a quicker settlement process and lower closing costs, lower annual property tax obligations, and even the desire to leave recordation of the home and land separate. Most new manufactured homes are only classified as personal property.[7]

Unique distribution model.

Traditionally, many manufactured homes are sold to consumers through retailers or dealers. As a result, many consumers who may be interested in exploring MH are unaware of how to initiate a home search. Moreover, stakeholders in the homebuying process, including real estate agents, counselors, and appraisers, may be unfamiliar with this housing type, so they may not suggest MH as an option when they are guiding individuals and families through the search process. Recently, the rate at which homes have been placed directly into communities has increased, suggesting that manufacturers and community owners are seeking efficiencies by bypassing the traditional retailer model.

Limited production.

The production of MH is limited by the number and capacity of factories capable of producing homes that meet the HUD Code. In many markets, there are fewer factories operating than at earlier peak periods of production, and many factories do not operate at full capacity due to several factors, including limited labor supply. And while COVID-era construction backlogs have mostly subsided since their onset in 2020, it is estimated that fewer than 90,000 new homes were produced in 2023, the fewest number of homes shipped since 2016.

Declining number of Manufactured Housing Communities (MHCs).

Our August 2023 Multifamily Economic and Market Commentary reviewed available multifamily apartment construction pipeline data and found over 1.1 million apartment units under construction, with 730,000 units estimated to be completed in 2023. Conversely, the pipeline for new MHCs is virtually non-existent, with only three MHCs reported as under construction nationally as of mid-August 2023, representing only 450 pad sites. The lack of new supply has been exacerbated by the rate at which MHCs are being closed and/or redeveloped, with data between 2017 and 2022 showing MHC demolitions offsetting or eclipsing new completions.

[7] According to the Manufactured Housing Survey administered by the U.S. Census Bureau, 73% of new homes constructed in 2022 were titled as personal property, with 21% titled as real estate.

Meeting the challenges

Fannie Mae will continue to be a reliable source of financing for manufactured homes and communities, providing affordable and stable homeownership and rental opportunities for households around the country. We are committed to sustainably increasing our share of the Manufactured Homes Titled as Real Property (MHRP) market, increasing our role in providing liquidity for the purchase of loans financing non-traditionally owned MHCs, and working with our partners to increase market adoption of FHFA's tenant site lease protections (TSLPs), as well as advancing innovative solutions to benefit more families and help the industry grow.

Statutory and Regulatory Activities Considered But Not Included

Under the Duty to Serve Evaluation Guidance, Fannie Mae and Freddie Mac are required to consider and address all four of the Regulatory Activities identified for this market, as well as an Additional Activity.

Fannie Mae has addressed and included three of the Regulatory Activities identified in the Duty to Serve Final Rule and has added an Additional Activity. We continue to work with our regulator to understand safety and soundness considerations and the viability of a chattel loan pilot program for MH.

Activities and Objectives

A.

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

In the MH market, most buyers rely on chattel or personal property loans to finance their homes.[8] Buyers may leverage these loans when they do not own, or otherwise cannot mortgage, the land on which the manufactured home is located[9] or may choose to title their homes as personal property for a variety of reasons. Whatever the reason, personal property loans provide fewer originations and servicing consumer protections than do traditional mortgages and typically charge higher interest rates over shorter terms, reflecting the nature of personal property as an asset class that generally depreciates in value. Fannie Mae has invested in its real property mortgage programs for manufactured homes in recent years via expanded product eligibility, including a construction-to-permanent option for MH homes, expanded eligibility for single-width MH properties, and efforts to position MH as an affordable alternative to site-built homes with the development of the MH Advantage product. While these efforts improve the competitiveness of our MH offerings, our loan purchase activity is still largely dictated by the credit profile of loan casefiles being underwritten for potential delivery and the macroeconomic conditions affecting consumer sentiment and decision-making.

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

In keeping with the prior Plan cycle, we have decided to exclude refinance loans when planning our loan purchase targets,

Fannie Mae has invested in its real property mortgage programs for manufactured homes in recent years via expanded product eligibility.

[8] Laurie Goodman and Bhargavi Ganesh, “Challenges to Obtaining Manufactured Home Financing,” Urban Institute, June 2018, urban.org/sites/default/files/publication/98687/challenges_to_obtaining_manufactured_home_financing_0.pdf (accessed March 11th, 2024).

[9] Sarah Gerecke, Laurie Goodman, and Daniel Pang, “Manufactured Housing Personal Property Loans: Balancing Market Liquidity and Consumer Protection” Urban Institute, https://www.urban.org/sites/default/files/2023-08/Manufactured%20Housing%20Personal%20Property%20Loans.pdf (accessed April 11, 2024).

We are committing to meaningful levels of growth in our MHRP loan purchases over the Plan years 2025 – 2027.

focusing exclusively on purchase money mortgage (PMM) loans. Fannie Mae will continue to support refinance loans for LMI borrowers in this market, but these loans will not be included in our three-year Plan because of the inherent volatility of the refinance business in a volatile interest rate environment.

We considered the circumstances within the market when establishing our baseline and targets. As provided in the Duty to Serve Evaluation Guidance, we are establishing a loan purchase performance baseline at our level of performance in our most recent year of full data (2023.) We believe it would be incorrect to establish a baseline based upon an average of the prior three years of data because those years would include 2021 and 2022—years in which historically low interest rates fueled COVID-19 pandemic recovery efforts and led to a dramatic increase in Single Family loan originations, including MH loans. To address the inflationary pressures that followed this period of growth, the Federal Reserve raised the federal funds rate by more than five percentage points from March 2022 through July 2023—a policy decision that resulted in a significant reduction in demand for housing. As recent Federal Reserve policy decisions are indicative of a “wait-and-see” approach, we believe rates may remain elevated throughout 2024 and the effects of any forthcoming rate cuts will likely not be measured until well into 2025 and beyond. Thus, we believe choosing a baseline based on the most recent years’ worth of annual data is appropriate because macroeconomic trends observed in 2023 are likely to persist through 2027.

Baseline: Against a baseline of 5,689 loans, established based upon 2023 MHRP PMM loan purchases, we are committing to meaningful levels of growth in our MHRP loan purchases over the Plan years 2025 – 2027. As this approach is based on a close analysis of the underlying causes for observed trends in historical data while also maintaining meaningful year-over-year growth that outpaces recent experience, we believe the baseline and targets are consistent with the standards anticipated in FHFA’s Evaluation Guidance.

HISTORICAL MHRP LOAN PURCHASES	2023
Loans	5,689

YEAR	TARGET AND IMPLEMENTATION STEPS	EVALUATION AREA
2025	Purchase 6,300 purchase-money loans for MH, which represents approximately a 10% increase over baseline.	Loan Purchase
2026	Purchase 6,800 purchase-money loans for MH, which represents approximately a 20% increase over baseline.	Loan Purchase
2027	Purchase 7,400 purchase-money loans for MH, which represents approximately a 30% increase over baseline.	Loan Purchase

Fannie Mae can increase demand for MH by influencing our lender customers to adopt MH as a product offering.

2. Objective: Expand adoption of conventional financing for manufactured homes by addressing risks of MH lending through product and process development.

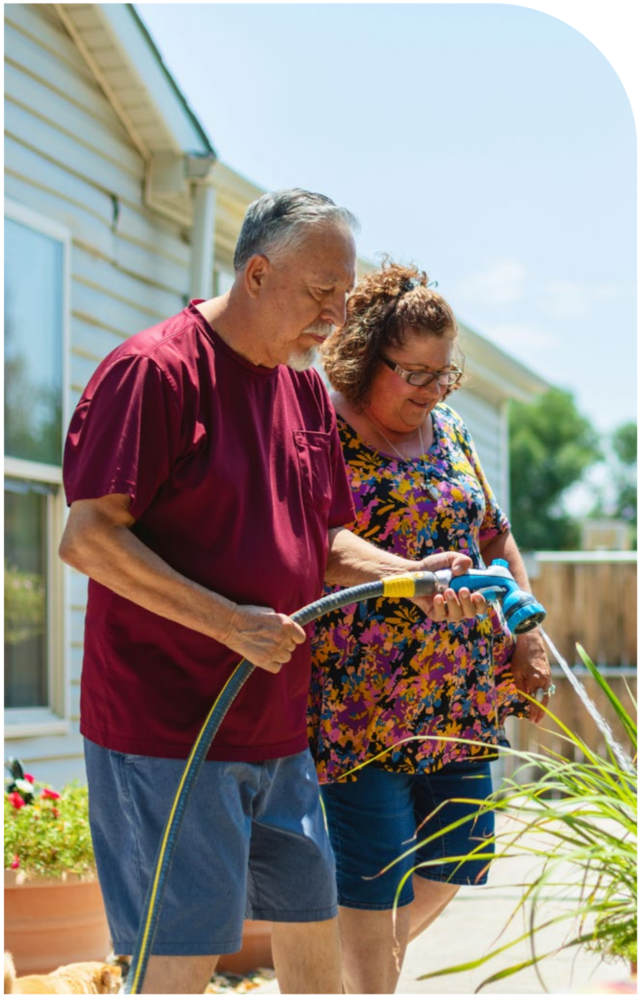
Much of Fannie Mae's prior efforts in the MH market have focused on attempting to impact the supply of new manufactured homes, oftentimes through large-scale marketing and industry engagement efforts related to our MH Advantage loan product. While these efforts have produced modest results, our 2022 analysis of the housing shortage in this country highlighted that supply challenges are highly localized with no unilateral solutions.[10] While efforts to directly impact the supply of housing are perhaps best driven at the local level, Fannie Mae does have the ability to use its position in the market to responsibly increase demand for conventional financing for MH by influencing our lender customers to adopt MH as a product offering. While MH serves as an affordable supply option in markets across the country, only half of Fannie Mae sellers originate and deliver MH loans to Fannie Mae on an annual basis. Many lenders who do not participate in MH lending cite their perceived "risk" of the product as being a key consideration in their choice not to originate MH loans.

Baseline: Fannie Mae maintains loan eligibility guidelines for manufactured homes and develops digital products and data standards made available to approved lender customers to help streamline their adoption and origination of conventional mortgage loans.

Regarding loan product and eligibility guidelines, manufactured home mortgage loans sustainably underwritten through Fannie Mae's Desktop Underwriter® (DU®) generally receive the same product terms and credit risk weighting considerations as any other loan. Notable differences include a maximum 95% loan-to-value (LTV) ratio and higher mortgage insurance coverage requirements when compared to other Single-Family offerings.

Regarding digital products, Fannie Mae's Collateral Underwriter® (CU®) is a web-based application provided at no charge to help lenders manage collateral risk as part of their underwriting and quality control processes. CU® is not currently configured to consume manufactured home appraisal data.

[10] Fannie Mae. 2023. The U.S. Housing Shortage from a Local Perspective. https://www.fanniemae.com/media/45106/display.



YEAR	TARGET AND IMPLEMENTATION STEPS	EVALUATION AREA
2025	Determine scope and parameters to expand loan and digital product criteria to support additional MH mortgage lending by undertaking the following tactics: • Evaluate existing selling eligibility to determine if opportunities exist to broaden eligibility for MH loans and remove MH exclusion language, where appropriate. • Analyze drivers of MH loan loss severity over time to assess policy or programmatic changes that may reduce credit risk and improve perception of MH lending. • If appropriate, socialize results of loss severity analysis with key ancillary players such as mortgage insurers and title companies. • Rollout Uniform Appraisal Dataset for early adoption by lenders and other market participants.	Loan Product
2026	Operationalize loan and digital product eligibility expansion(s) to increase collaboration and buy-in with conventional lenders by undertaking the following tactics: • Considering the loss severity analysis conducted in 2025, implement one process or policy change aimed at reducing MH loss severity, if feasible. • Informed by HMDA data analysis, engage with at least ten lenders holding MH loans in their portfolio or not originating MH loans at all to understand opportunities to increase adoption and promote secondary market deliveries. • Include at least five state housing finance agencies and/or CDFIs in the aforementioned lender engagement. • Promote Uniform Appraisal Dataset adoption as a precursor to implementing MH functionality within CU to at least 250 lenders through quarterly product webinars or other high-traffic engagement channels. • Assess MH appraisal data received from the Uniform Appraisal Dataset and complete a first draft outlining business requirements for MH functionality in Collateral Underwriter.	Loan Product
2027	Bolster confidence in the product and generate new insights regarding the risks of MH lending by undertaking the following tactics: • If Collateral Underwriter is updated in 2027, engage early adopters of MH data to understand opportunities and barriers to using this data to support MH loan originations. • If appraisal data collected through CU is sufficient in number, analyze the degree to which manufactured homes may be undervalued, potentially enabling Fannie Mae to be responsive to industry claims that appraisers are biased toward MH as a construction type. • Prepare communications to socialize MH appraisal data findings through appraiser newsletters, white papers, or other high-traffic communication channels. • Considering the quality of MH appraisal data collected, analyze whether alternative-scope property valuation approaches or rep and warrant relief could be expanded to MH loans.	Outreach

3. Objective: Align product and engagement strategies with new, federally enabled market expansion opportunities.

MH has represented roughly **10%** of annual housing starts over the last decade.

Despite measurable cost savings and improved aesthetics in recent years, MH has represented roughly 10% of annual housing starts over the last decade.[11] Much of the cost savings attributable to MH are a result of the economies of scale generated from the factory-built process, bolstered by a federal design standard enumerated by HUD, which facilitates product adoption by a national network of manufacturers and retailers. While manufactured homes remain largely a rural housing solution, recent updates to the HUD Code for MH have been initiated to cultivate additional demand for the product and allow it to be more seamlessly integrated into urban neighborhoods. In particular, the HUD Code was recently updated to allow attached manufactured homes, potentially enabling new two- to four-unit housing supply in urban infill settings.[12] In response, at least one national manufacturer has launched a new product line in an effort to further develop this market segment.[13] HUD has also communicated a host of forthcoming updates, subject to final rule publication, which generally seek to lower the cost of production for new manufactured homes through streamlined and expanded eligibility.[14] In certain cases, there may be an opportunity for Fannie Mae to respond to these updates by reviewing its own MH policy guidelines for efficiencies.

While HUD has a direct influence on the MH industry through the construction and safety standards it maintains, it can also have an indirect impact on the utilization of manufactured homes via its efforts to spur economic development through its federal block grant programs, notably the HOME Investments Partnerships Program and the Community Development Block Grant (CDBG) program. Recent clarifications to the CDBG program have been made to expressly encourage the use of MH as grant recipients plan to allocate their funds for affordable housing development. As of October 2023, CDBG funds may now be used to support the acquisition of new construction manufactured homes and related real estate development activities, but only when such manufactured homes are intended to be part of a community's permanent housing stock.[15] This update expands eligibility for MH in a way that aligns with Fannie Mae's stated policy that eligible homes should be placed on a permanent foundation system and classified as real estate.

Baseline: Fannie Mae does not currently provide eligibility for two-unit MH in its Single-Family *Selling Guide*. Further, existing product guidelines for MH Advantage-eligible homes generally support the homes being placed on private lots or in subdivisions but may not anticipate the use of the product in urban infill settings with smaller lot configurations.

Since the first year of Duty to Serve implementation in 2018, Fannie Mae has not conducted deliberate outreach to recipients of federal block grants to support their use of MH as a component of their economic development and affordable housing strategies.

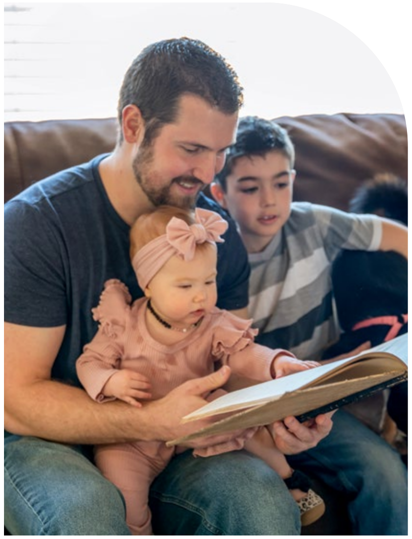
[11] Herbert C., Hermann A., McCue D., & Reed C. Joint Center for Housing Studies Harvard University. 2024. A Review of Barriers to Greater Use of Manufactured Housing for Entry-Level Homeownership. https://www.jchs.harvard.edu/sites/default/files/research/files/harvard_jchs_barriers_manufactured_housing_2024.pdf.

[12] 24 CFR Part 3280 Subpart K (July 12, 2021).

[13] The Anthem by Cavco (cavcoanthem.com).

[14] US Department of Housing and Urban Development Department. 2022. Manufactured Home Construction and Safety Standards. https://www.federalregister.gov/documents/2022/07/19/2022-14701/manufactured-home-construction-and-safety-standards.

[15] Notice CPD-2023-10, Issued October 26, 2023.



YEAR	TARGET AND IMPLEMENTATION STEPS	EVALUATION AREA
2025	Assess policy and/or process improvements needed to facilitate expanded MH eligibility, necessarily incorporating the following: • Analyze loan and property performance for homes with ancillary collateral features, such as driveways and garages, to determine whether MH Advantage financing could be streamlined for homes on infill lots where such features may not be common and customary. • Consider credit and collateral parameters for expanding MH eligibility to include two- to four-unit properties. • Develop value proposition and industry engagement tactics to reach a new audience of community development practitioners receiving federal block grants who may be unaware of MH financing opportunities. • If feasible, announce one policy expansion informed by the implementation steps above by the end of Q4.	Loan Product
2026	Promote expanded MH eligibility to identified partners benefiting from federal expansion opportunities noted above while undertaking the following tactics: • Engage with regional and municipal economic development and affordable housing professionals to assess potential eligibility expansion(s) within the context of their programmatic objectives. • Research additional infill housing barriers, including infill build envelopes, to determine whether MH eligibility could be expanded to facilitate more placements in urban areas. • To spur municipal and developer interest in using MH as an infill housing solution, research eligibility of special taxing programs, such as tax-increment financing, as sources of down payment assistance when structured as subordinate loans/liens. • If feasible, finalize one policy expansion informed by the implementation steps above by the end of Q4.	Loan Product
2027	Drive innovation in MH product and program delivery by expanding outreach efforts to encompass the following: • Identify three to five states or locales whose experiences with MH can serve in the development of use cases that detail state and local planning obstacles, create awareness of solutions to those obstacles, and demonstrate quality build comparisons to educate decision makers in additional markets. • Create an industry-facing infill housing product toolkit that reflects these use cases. • Reassess the HUD construction code policy landscape to determine additional policy and outreach alignment opportunities. • Catalyze additional investment of federal block grant dollars in MH projects by socializing MH program offerings and success stories with known and potential grantee(s)	Outreach

Fannie Mae's Single-Family programs support conventional lending to residents of MHCs in states that recognize homes subject to a long-term land lease as real estate.

4. Objective: Advance MH co-op execution in markets that recognize homes on leased land as real estate.

Cooperative ownership affords residents of MHCs greater control over community decisions, such as capital expenditures and rent increases. While national and regionally-based non-profit and consumer advocacy groups have championed resident ownership as a legal structure poised to improve resident and community outcomes for many years, recent federal investments in the form of competitive grant opportunities are poised to allocate critical funds to support infrastructure improvements and resiliency measures for LMI residents of MHCs.[16] Against the backdrop of these efforts, Fannie Mae's Single-Family programs support conventional lending to residents of MHCs in states that recognize homes subject to a long-term land lease as real estate for the purposes of financing and conveyance. MHRP have been documented as appreciating in value similarly to site-built homes, bolstering both the consumer's wealth-building prospects and improving the loss severity outlook on defaulted loans in strong or moderate housing cycles.[17]

In addition to being underwritten through our DU platform, our product eligibility for resident-owned cooperatives (ROCs) is bolstered by community recognition agreements designed to strengthen collaboration between the borrower, lender, and co-op organization while reducing loss severity in an instance of loan default through well-defined roles and responsibilities.

Baseline: Fannie Mae has financed Single-Family loans located in ROCs in New Hampshire for many years—a product offering enabled by the state's unique treatment of homes placed on a site and connected to utilities as real estate. In the 2022 – 2024 Duty to Serve Plan cycle, Fannie Mae conducted an analysis of titling laws in select states and found additional markets conducive to real estate treatment of manufactured homes placed on cooperatively owned land. While the applicable laws in these new markets enable homes in ROCs to be considered real estate, the community of practice that exists in New Hampshire to support the financing of homes in ROCs is not robust in these other markets. Through conversations with stakeholders interested in further developing the real property mortgage market for ROCs, we have realized that additional market-making and outreach efforts are needed to continue to bolster the marketplace for conventional mortgage lending in these markets, which have historically relied upon personal property financing for these homes.

[16] US Department Of Housing And Urban Development. Preservation And Reinvestment Initiative For Community Enhancement (Price). https://www.hud.gov/program_offices/comm_planning/price.

[17] Goodman L., Golding E., Bai B. & Strochak S. Urban Institute. 2018. New Evidence Shows Manufactured Homes Appreciate As Well As Site-built Homes. https://www.urban.org/urban-wire/new-evidence-shows-manufactured-homes-appreciate-well-site-built-homes#:~:text=The%20FHFA's%20important%20new%20MH,index%20to%20the%20entire%20market.

YEAR	TARGET AND IMPLEMENTATION STEPS	EVALUATION AREA
2025	Provide product and engagement support to increase originations of MH ROC loans in identified expansion markets by undertaking the following tactics: • Develop one appraisal resource designed to help appraisers determine market value for MH in ROCs. • Based upon stakeholder feedback, analyze project standards eligibility guidelines and identify those which may be streamlined to reduce borrower costs and encourage greater participation among ROC board members and other industry stakeholders. • To encourage collaboration between ROC communities and anchor institutions, explore the right of first refusal or preemptive option to purchase language in legal covenants related to the resale of the home in instances where such institutions strive to provide homeownership opportunities to their employees or constituents. • Update ROC lending program guidance to anticipate the right of first refusal mentioned above, enabling a pipeline of fifty affordable homes to become eligible for conventional financing.	Loan Product
2026	Assess opportunities to enhance penetration of MHRP in new markets and applications by undertaking the following tactics: • In markets with enabling titling legislation but relatively few real property sales to serve as comparable sales, explore the ability to use cost-based valuation approaches to facilitate MHRP loan volumes—akin to the approach taken for homes on tribal trust land. • Work with newly identified lenders to cultivate knowledge and adoption of an ROC mortgage product in identified expansion markets. • Considering experience in New Hampshire, engage Housing Finance Agencies and local CDFIs to attract additional resources to support loan originations, such as borrower down payment assistance, mortgage credit certificates, or other subsidies. • Finalize one program update which clarifies eligibility for new construction units through construction-to-permanent financing or fully amortizing purchase loans, enabling ROCs to access conventional financing for infill needs.	Loan Product
2027	Reassess current medium and long-term ROC market expansion prospects to catalyze further investment in ROCs by undertaking the following tactics: • Based upon stakeholder feedback, re-analyze applicable titling legislation in select geographic markets to determine whether legislation enabling MHRP title conversions has evolved or expanded. • To the extent titling legislation has evolved to enable real property treatment of homes in ROCs to new states, update ROC program framework to enable originations in additional states. • Continue engagements with lenders, technical assistance (TA) providers, and other stakeholders to assess Fannie Mae’s eligibility in the context of borrower needs. • In support of increased loan purchases, continue to innovate on product offerings available to ROC homebuyers and continue to promote existing mortgage products.	Loan Product

Fannie Mae believes more standardization in the marketplace can increase confidence in MH lending among lenders and consumers alike.

5. Objective: Promote resident stability and improved loan performance through the development of a community of practice focused on secure tenancy in MHCs.

As discussed in the Challenges and Needs section on page 37, the fractured land tenure observed in the traditional land-lease MHC model has been measured as being both a detriment to loan performance and to the wealth-building prospects of manufactured homeowners. Providing specific consumer protections to residents of MHCs is explicitly considered as a Duty to Serve Regulatory Activity via the implementation of the TSLPs through the acquisition of MHC loans. Those specific tenant protections were finalized by FHFA in 2016 with the publication of the Final Rule for the Duty to Serve regulation, through which FHFA communicated its findings following significant industry engagement on matters related to lease standardization.[18] FHFA's deliberation during the Duty to Serve rule-making period was itself informed by analyses conducted by consumer advocates and public policy organizations dating back to at least the early 2000s.[19] Consumer advocates and industry representatives have consistently maintained nuanced and disparate views on the need for market standardization, a reality that will likely complicate the goals of this objective. Despite these considerations, Fannie Mae believes more standardization in the marketplace can increase confidence in MH lending among lenders and consumers alike and could provide the programmatic basis for expanding conventional real estate mortgage financing into new market applications. Additionally, while the rate of community closure and redevelopment has outpaced the development of new MHCs in recent years,[20] promoting new or enhanced Single-Family financing options may be the catalyst for facilitating new permits and completions of MHCs across the country.

Fannie Mae sees this effort as an extension of the tenant site lease protections work which comprised a meaningful share of prior Duty to Serve implementation efforts. Beginning in 2022, Fannie Mae now requires that multifamily MHC borrowers implement site lease protections for tenants as a condition of financing. The efforts described in this Objective will build upon that industry standardization by expanding Single Family financing for residents of communities which have adopted long-term leases and associated consumer protections, thereby fostering resident stability while also facilitating new affordable housing supply.

Baseline: Fannie Mae will purchase leasehold mortgage loans on site-built homes, modular homes, and manufactured homes if those loans meet its leasehold estates criteria.[21] Leasehold mortgages for manufactured homes are permitted in established condo and planned unit development projects approved through Fannie Mae's Project Eligibility Review Service. Aside from a small number of leasehold MH loans in community land trusts, zero loan purchases are known to have been made under this policy since Duty to Serve began in 2018. Given the disparate leasing practices currently employed by MHC operators, Fannie Mae believes additional outreach and product development work consistent with that described in this objective is necessary to continue to develop the real property marketplace for homes in communities.

[18] Federal Housing Finance Agency. 12 CFR Part 1282, Final Rule. Enterprise Duty to Serve Underserved Markets. https://www.fhfa.gov/SupervisionRegulation/Rules/RuleDocuments/2016%20Duty%20to%20Serve%20Final%20Rule_For%20Web.pdf.

[19] Carter C., Williamson O., DeArmond E. & Sheldon J. AARP Public Policy Institute. Manufactured Housing Community Tenants Shifting the Balance of Power. https://assets.aarp.org/rgcenter/consume/d18138_housing.pdf.

[20] Fannie Mae. 2023. Lack of Communities Leaves Fundamentals at MHCs Tight. https://multifamily.fanniemae.com/news-insights/multifamily-market-commentary/lack-communities-leaves-fundamentals-mhcs-tight.

[21] Selling Guide, Fannie Mae. 2019. B2-3-03. Special Property Eligibility and Underwriting Considerations: Leasehold Estates. https://selling-guide.fanniemae.com/sel/b2-3-03/special-property-eligibility-and-underwriting-considerations-leasehold-estates.

YEAR	TARGET AND IMPLEMENTATION STEPS	EVALUATION AREA
2025	Develop a leasehold MH policy approach that strengthens consumer disclosures and protections while engendering support from the MH industry, necessarily incorporating the following considerations: • Review known long-term leases in use in MHCs today to identify strengths and gaps in protections for both the borrower and the community owner. • Consider the need for new origination policies that improve consumer disclosures and mitigate delinquencies, such as the requirement that annual pad rent increases be tied to a measurable price index. • Anticipate consumer impacts arising from lease termination, either through refinance or sale of the home or as a result of carrying the lease to term. • Anticipate consumer impacts arising from the sale of the community or foreclosure upon lien on the underlying fee estate. • Consider program elements that would afford community owners greater control over leasing decisions, such as credit and background checks on subleasees and/or assignees. • Consider the need for new servicing policies that mitigate delinquencies and loss severity, such as more deliberate notice requirements in an instance of default under the land lease, or more deliberate instructions to servicers regarding escrow of pad rent and other costs. • Meet with at least ten stakeholders, including community operators, secondary market participants, lenders, or other market participants, to review leasehold lending policies. • Revise leasehold MH program approach by Q4.	Loan Product
2026	Catalyze additional investment in MHCs by promoting new leasehold concept to the marketplace, necessarily undertaking the following engagement tactics: • Meet with at least twenty-five stakeholders, including community operators, secondary market participants, lenders, and other market participants, to review leasehold lending policies. • Consider the need for a robust ground lease review mechanism, similar to the process established in the prior Duty to Serve Plans for shared equity programs, as a process for soliciting and reviewing MH ground leases for compliance. • Participate in at least two key industry events to promote the benefits of stable land tenure in facilitating new community approvals, improving loan and property performance, and expanding MH market share. • Consult with non-profits and consumer advocacy organizations to coordinate national leasehold policy and program efforts with identified market expansion opportunities.	Outreach
2027	Incorporate stakeholder feedback into the revised leasehold MH lending approach, ensuring that the program is representative of industry feedback without diluting consumer protections. • Help develop and/or guide a deal framework between community developer(s), state and local entities, and lenders to enable prospective MHC developments to move forward, providing incremental assurance to supply-side entities regarding the salability of home loans in newly constructed MHCs. • Analyze degree to which MHRP leasehold lending approach could be applied to the conversion of homes in existing MHCs, in addition to new communities. • Incorporating these considerations, launch revised leasehold MH program approach by Q4.	Loan Product

Roughly 17% of all landowning borrowers choose not to title the manufactured home as real estate, with estimates reaching a high of 59% in states with detailed homeownership data.

6. Objective: Pursue policy and industry engagement tactics that reduce the costs of MH homeownership and increase value to the consumer.

This objective entails outreach and product development efforts that support value-retentive MH, including the conversion of personal property MH to real estate and tactics to promote greater adoption of value-additive home products and features, such as energy efficiency and property resilience. Together, these thematic approaches aim to reduce the cost of homeownership for MH borrowers while facilitating a more vibrant resale market for homes.

An often-discussed figure when observing financing outcomes is the striking percentage of borrowers who own their land but choose not to title the home as real estate. This percentage is estimated at roughly 17% of all landowning borrowers and has been observed to be as high as 59% in states with particularly detailed homeownership data, such as Texas.[22] Extensive research has been conducted on the factors influencing this decision, with most researchers concluding that it is a multifaceted issue with no leading determinant. In general, though, choosing a personal property loan has been associated with a desire to keep recordation of the home and land separate. Other factors may include an inability to convey the underlying land as collateral for a mortgage loan, resulting from the borrower not having clear title to the land or having a fractional ownership stake in the property with other family members.[23]

While this consumer preference may not be easily influenced, at least one ethnographic study has shown that MH landowners for whom the lender was cited as an important source of loan information have about half the odds of selecting a personal property loan as those for whom the lender was not cited as an important source of information. Similarly, MH landowners for whom a real estate agent was an important source of loan information have about 40% lower odds of selecting a personal property loan.[23] Accordingly, Fannie Mae believes there is some prospect of influencing these financing decisions by positioning lenders and other market participants with knowledge and financing tools that emphasize the benefits of mortgage financing. Despite the complexity of this issue, the basic premise for this objective is upheld when comparing the difference in median rate spread across MHRP and those titled as personal property,

[22] Carolina Planning. Loan Shopping Experiences. https://planning.unc.edu/wp-content/uploads/sites/399/2020/01/manufactured-homeowners-survey-and-report-on-loan-shopping-experiences.pdf.

[23] The Housing Assistance Council, Fannie Mae. 2023. A Methodological Approach to Estimate Residential Heirs' Property in the United States. https://www.fanniemae.com/sites/g/files/koqyhd191/files/2023-12/heirs-property-research-report_0.pdf.

which sits around 350 basis points based upon a 2021 Consumer Financial Protection Bureau report.[24] Achieving a lower interest rate over a longer loan term via refinance and conversion of the home to real estate would have a positive impact on household balance sheets while improving consumers' long-term wealth building prospects.

In addition to improving wealth-building opportunities via the conversion of existing properties to real estate, Fannie Mae also sees additional opportunities to enhance MH programs that add value to the property or reduce the costs of homeownership, such as energy-efficiency features. Considered broadly, these initiatives could take the form of remediating environmental or performance issues with existing MH stock or seeking opportunities to support the construction of new homes built to green building certification standards. Manufactured homes have been documented as having disproportionate exposure to flooding and other environmental hazard,[25] and median energy costs as a percentage of income are twice as high for manufactured homes when compared to all homes.[26]

Fannie Mae also sees additional opportunities to enhance MH programs that add value to the property or reduce the costs of homeownership.

Baseline: Fannie Mae has never conducted deliberate market outreach to encourage the conversion of personal property MH to real estate. While Fannie Mae has begun to measure the extent of residential heirs' property in the United States, these findings have not been analyzed in the context of a homebuyer's decision to title their MH as personal property instead of real estate.

Fannie Mae permitted HomeStyle® Renovation and HomeStyle Energy eligibility for MH properties beginning in 2018, but usage of these products has been scant. Known challenges include a lack of industry awareness of energy and resiliency loan product features, low lender adoption due to difficulty identifying eligible improvements in the absence of a standardized dataset, and the specificity of Fannie Mae product guidelines as they relate to environmental and property condition issues to be remediated. For new construction homes, in particular, energy efficiency features often do not receive contributory value during the appraisal process, constraining LTV limits and potentially putting energy-efficient homes out of reach for prospective homebuyers.

[24] Consumer Financial Protection Bureau. 2021. Manufactured Housing Finance: New Insights from the Home Mortgage Disclosure Act Data. https://files.consumerfinance.gov/f/documents/cfpb_manufactured-housing-finance-new-insights-hmda_report_2021-05.pdf.

[25] Sullivan E. 2022. Department of Sociology, The University of Colorado, Denver. Annual Review of Law and Social Science Personal, Not Real: Manufactured Housing Insecurity, Real Property, and the Law. https://www.annualreviews.org/doi/pdf/10.1146/annurev-lawsocsci-050520-094027.

[26] Bell-Pasht A. & Ungar L. 2022. ACEEE. Strong Universal Energy Efficiency Standards Will Make Manufactured Homes More Affordable. https://www.aceee.org/sites/default/files/pdfs/manufactured_housing_final_2-7-22.pdf.

YEAR	TARGET AND IMPLEMENTATION STEPS	EVALUATION AREA
2025	Expand outreach and develop a qualitative and quantitative framework for new value-retentive MH initiatives, necessarily undertaking the following tactics: • Analyze the median and incremental costs associated with owning a manufactured home as personal property when compared to real estate, with a specific focus on loan terms and rates, property tax burdens, MH insurance availability and coverage amounts, and energy costs. • Research borrower usage of HomeStyle Renovation and HomeStyle Energy products for MH properties, including improvements made and/or issues remediated. • Considering these usage patterns, update the HomeStyle lender playbook to specifically reflect MH product eligibility. • Explore alternatives to the "as completed" appraised value for newly constructed MH with energy efficiency features. • Conduct HMDA data analysis to identify personal property MH originations in markets with known title conversion frameworks conducive to real estate conversion. • Consider clarification opportunities for cash-out and limited cash-out refinance policy requirements to encourage conversion of personal property MH to real estate.	Outreach
2026	Operationalize expansion concept researched in 2025 while exploring additional opportunities to broaden the availability of conventional financing for MH homebuyers by undertaking the following tactics: • Re-evaluate single-width loan eligibility guidelines to determine opportunities to expand eligibility for single-width homes based upon strengths in loan and property performance. • Consider the applicability of heirs' property/tangled title research on a consumer's decision to pursue personal property financing for MH, and the feasibility of introducing a product or policy solution that remediates the consumer's inability to convey the land. • Consider the need to develop MH-specific property insurance guidance in recognition of the industry practice of providing actual cash value (ACV) replacement policies for older MH properties. • Assess eligibility of MH with solar photovoltaic (PV) capabilities for inclusion in Single-Family social bond securitization structures. • Finalize one program change promoting MH eligibility by the end of the year.	Loan Product
2027	Pursuant to 2026 learnings, execute a pilot or initiative in at least two markets to offer the benefits of real property mortgage financing and/or energy-efficient MH mortgage loans. • Build greater awareness and familiarity among lenders, mortgage insurers, hazard insurance providers, or other stakeholders regarding MH programs to reduce barriers to entry. • Depending on the nature of the solution implemented in 2026, consider the need for dedicated post-purchase counseling to support borrower resilience. • Assess product eligibility and messaging framework within the context of federal energy efficiency incentives, such as the Inflation Reduction Act. • If feasible, purchase loans under the pilot initiative.	Loan Product

Activities and Objectives

B.

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

It's estimated there are 800 non-traditionally owned MHCs around the country, most of which are resident-owned communities.[27] Some resident-owned communities are part of larger network organizations that provide support and TA. Nonprofit and government ownership are also viable solutions to address affordability and stability challenges for MHCs, bringing experienced management and a mission focused on affordability and sustainability for residents. Some nonprofit housing entities focus on helping MHCs preserve affordability and improve physical conditions. In a few jurisdictions, public housing authorities own and operate MHCs.

The number of non-traditionally owned MHCs has grown in recent years and may expand in the future. Laws that provide rights for MHC residents to purchase their community when it is slated to be closed or sold have been enacted recently in Colorado and Connecticut, adding to the list of states providing this option for residents.[28,29] Other states have provided financial incentives or grants supporting resident-ownership, often to improve the infrastructure of older communities and prepare the properties to qualify for conventional financing once capital improvements have been made. Alongside these efforts, Fannie Mae continues to conduct market outreach and research to gain insights into the financing needs of non-traditionally owned MHCs and lenders working in this space. Historically, these organizations purchase communities through grants provided by city, county, and state governments, combined with low-interest private loans and tax-exempt bonds. These below market-rate products are often available in states that promote resident-ownership through the opportunity to purchase legislation, creating a competitive, localized financing ecosystem that is more attractive to residents than a secondary market financing option. However, Fannie Mae believes that providing consistent access to conventional financing via the secondary markets can bolster the overall market outlook for non-traditional ownership, particularly as experienced owners with tangible equity and a demonstrated history of strong property management need to refinance existing debt nearing maturity. We provided three refinance loans for properties under non-traditional ownership from 2021 – 2023, two of which were resident-owned communities.

[27] Fannie Mae. 2019. A Need for Non-Traditional Ownership of Manufactured Housing Communities. https://multifamily.fanniemae.com/news-insights/multifamily-market-commentary/need-non-traditional-ownership-manufactured-housing.

[28] Colorado Department of Local Affairs. Mobile Home Park Sales and Home Owners' Opportunity to Purchase. https://cdola.colorado.gov/mobile-home-park-sales.

[29] Otte E. 2023. CT Examiner. CT Senate Passes Bill To Give Mobile Home Tenants First Shot at Buying Park Land. https://ctexaminer.com/2023/05/31/ct-senate-passes-bill-to-give-mobile-home-tenants-first-shot-at-buying-park-land/.

There are

800

non-traditionally owned MHCs around the country, most of which are resident-owned communities.

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

Between 2025 and 2027, Fannie Mae will continue to purchase loans secured by MHCs owned by non-traditional entities, including government entities, nonprofit organizations, or residents. The market landscape, including the low representation of non-traditional ownership (2%) and highly fragmented market, demonstrate that it is difficult to scale this market segment in its current state. We will continue our outreach and education efforts to identify opportunities to support the market.

Baseline: The baseline of one property represents the average number of properties financed between 2021 and 2023.

HISTORICAL LOAN PURCHASES OF MHC OWNED BY RESIDENTS, GOVERNMENT ENTITIES, OR NONPROFIT ORGANIZATIONS	2021	2022	2023
Properties	1	2	0
Duty to Serve Units	226	275	0

YEAR	TARGET AND IMPLEMENTATION STEPS	EVALUATION AREA
2025	Purchase loans secured by two MHCs owned by residents, government entities, or nonprofit organizations, comprising an estimated 334 units and representing a 150% increase from the baseline. • Continue efforts to support resident-owned communities through ROC pilot program implementation and other tactics. • Perform an assessment of lender outreach and education efforts to identify opportunities to increase non-traditional MHC loan purchases.	Loan Purchase
2026	Purchase loans secured by two MHCs owned by residents, government entities, or nonprofit organizations, comprising an estimated 334 units and representing a 150% increase from the baseline. • Continue efforts to support resident-owned communities through ROC pilot program implementation and other tactics. • Perform an assessment of lender outreach and education efforts to identify opportunities to increase non-traditional MHC loan purchases.	Loan Purchase
2027	Purchase loans secured by three MHCs owned by residents, government entities, or nonprofit organizations, comprising an estimated 501 units and representing a 200% increase from the baseline. • Continue efforts to support resident-owned communities through ROC pilot program implementation and other tactics. • Perform an assessment of lender outreach and education efforts to identify opportunities to increase non-traditional MHC loan purchases.	Loan Purchase

Activities and Objectives

C.

Regulatory Activity: Manufactured housing communities with certain pad lease protections (12 C.F.R. § 1282.33 (c) (4)).

Residents of MHCs can either own or rent their homes, but they generally do not own the land on which their homes sit. The space where the MH is installed, known as the pad or site, is rented by the homeowner from the MHC operator. TSLPs help preserve the affordability and stability of MHCs across the country and are a way to safeguard tenants from predatory practices. Some states have laws that provide mandatory site lease protections for tenants while others do not.

Fannie Mae worked with consumer advocates, industry leaders, and lenders to design and launch the first program to encourage MHC borrowers to voluntarily provide additional consumer protections for their residents. In 2019, Fannie Mae launched a product enhancement to incentivize MHC borrowers to voluntarily implement FHFA's regulatory criteria for TSLPs and financed over 26,000 units under this enhancement. In 2022, we transitioned into a requirement that all communities financed through Fannie Mae implement the TSLPs for both owner-occupants and renters within one year from the note date. From 2022- 2023, we financed over 120,000 units in over 650 communities, demonstrating our resolve to standardize site lease protection across the MH industry.

From 2022 – 2023, we financed over

120,000

units in over 650 communities.

1. Objective: Increase the purchase of MHC loans.

Fannie Mae has successfully navigated the challenging macroeconomic landscape in recent years to deliver a significant amount of financing to the MHC sector while improving resident outcomes through mandatory implementation of the TSLPs. In this next Plan cycle, we're committed to maintaining our investment in this market segment while recognizing that prior loan purchase activity may be unsustainable.

We analyzed the drivers for prior performance and believe that a combination of strong investor demand and comparatively low interest rates supported heightened MHC sales and refinance activity in 2021-2022,[30] while the refinance market contracted in the latter half of 2022 and into 2023 as interest rate increases dampened the outlook for new debt financing and simultaneously compressed values.

Baseline: Our proposed baseline methodology differs from prior years and considers current market factors. We are establishing a baseline using the average of our prior three years of TSLP attainment, expressed as a percentage share of Fannie Mae's overall Multifamily acquisitions when measured in unpaid principal balance (UPB). To get a realistic baseline, one very large transaction comprising over 40% of our 2023 TSLP attainment, was removed from the analysis. Such transactions are extremely rare and would artificially inflate our baseline relative to potential transactions in 2025 – 2027. The baseline against which our TSLP performance will be measured is 3.1% of overall multifamily UPB per year.

HISTORICAL LOAN PURCHASES OF MHC WITH TENANT SITE LEASE PROTECTIONS (TSLP)	2021	2022	2023
MHC Loan Amount	$2.32	$1.92	$1.67
Percentage of Overall MF Volume	3.34%	2.77%	3.23%

YEAR	TARGET AND IMPLEMENTATION STEPS	EVALUATION AREA
2025	Purchase MHC loans that include TSLPs meeting the FHFA Mission criteria at a rate of 3.3% of overall Fannie Mae multifamily production.	Loan Purchase
2026	Purchase MHC loans that include TSLPs meeting the FHFA Mission criteria at a rate of 3.3% of overall Fannie Mae multifamily production.	Loan Purchase
2027	Purchase MHC loans that include TSLPs meeting the FHFA Mission criteria at a rate of 3.3% of overall Fannie Mae multifamily production.	Loan Purchase

[30] Fannie Mae. 2023. Lack of Communities Leaves Fundamentals at MHCs Tight. https://multifamily.fanniemae.com/news-insights/multifamily-market-commentary/lack-communities-leaves-fundamentals-mhcs-tight.

Activities and Objectives

D.

Additional Activity: Additional Manufactured Housing Communities Activities (12 C.F.R. § 1282.33 (d)).

1. Objective: Increase the purchase of MHC loans with affordability created by rent restrictions.

Fannie Mae is proud to have helped standardize minimum tenant site lease protections offered to residents and believes that expanding these protections to include greater certainty in future pad rent increases would benefit residents and may align with the investment strategies of certain MHC owners. Recent industry outreach conducted by FHFA suggests that the broader multifamily industry has differing views on the depth and breadth of potential resident stability tactics that the government-sponsored enterprises (GSEs) could pursue, with FHFA highlighting that significant work would be required to advance any resident-centered practices at properties funded by the GSEs.[31]

Against this market backdrop, Fannie Mae has expended considerable effort in recent years to develop new products that incentivize affordability for renters. Fannie Mae's Sponsor-Dedicated Workforce (SDW) program was launched in late 2023 and offers pricing and underwriting flexibilities for borrowers agreeing to make at least 20% of a property's units affordable to tenants making 80% or less of the area median income (AMI) with flexibility of up to 100 – 120% AMI in certain high-cost markets. While the product is new, we believe further refinement to tailor SDW for the MHC asset class can improve resident outcomes while ensuring that MHC owners can build a business model around sustainable economic returns on their investment.

[31] Federal Housing Finance Agency. 2024. Resident-centered Practices at Multifamily Properties Backed by Fannie Mae and Freddie Mac. https://www.fhfa.gov/PolicyProgramsResearch/Policy/Documents/RFI-Summary-Tenant-Protections-January-2024.pdf.

Fannie Mae's SDW program was launched in late 2023 and offers pricing and underwriting flexibilities for borrowers.

Baseline: Fannie Mae's SDW loan product was created in Q4 2023 to incentivize multifamily borrowers to adopt voluntary restrictions on annual rent increases for a portion of units at a property for the life of the Fannie Mae loan. The program's first iteration assesses tenant rent affordability by comparing total monthly housing costs for residents at a property to the area's median income. Given that the total monthly housing costs of residents of MHCs are generally not known to the community owner, a new rent affordability calculation would need to be developed to ensure MHC borrowers employ pad rent restrictions that have a measurable impact on tenant outcomes. Therefore, we have no baseline for loan purchases. The first year of the Plan contemplates additional product development work to develop an MHC-specific iteration of the SDW product, if feasible, followed by loan purchases and additional product development work if needed.

YEAR	TARGET AND IMPLEMENTATION STEPS	EVALUATION AREA
2025	Develop, if feasible, a product that incentivizes MHC operators to moderate annual rent increases and incorporates the following: • Accompanying legal framework, including any specific loan modifications or attestations needed to monitor borrower compliance over time. • An appropriate unit threshold for product eligibility, including whether a higher percentage of pads could be subject to restrictions on site rent increases in the MHC version of the product. • Expansion to include MHC properties by end of year.	Loan Product
2026	Purchase three MHC loans with restrictions on site rent increases.	Loan Purchase
2027	Refine product approach pursuant to borrower and stakeholder feedback, considering the following: • Performance of MHC asset class and SDW loan cohort to determine potential product expansion features, such as longer amortization timelines or interest-only features. • Based upon market and stakeholder feedback, consider feasibility of increasing the threshold for product eligibility, including a consideration of whether all sites in a community must be subject to restrictions on site rent increases to be considered for preferential pricing and/or product expansion features. • Measure impact of changes in ownership or financing on the program requirements, and assess the feasibility of conditioning the community sale, refinance, and/or loan assumption to be conditioned on the successive obligor agreeing to keep rent restrictions in place. • Launch revised MHC with product approach by end of year, if needed.	Loan Product

2025 – 2027

Affordable Housing Preservation

Strategic priorities statement

Fannie Mae's commitment to the affordable housing preservation market continues to be centered on housing stability through our support of a variety of established affordable housing models.

Our dedicated loan purchase targets provide liquidity to different segments of the single-family market, including loans secured by shared equity and energy-efficient properties, as well as the multifamily market through our support of various government-backed programs that preserve rental affordability (Section 8, Section 515, low-income housing tax credit (LIHTC), and other state / local programs). In a market environment with persistent housing affordability challenges, these loan purchase objectives continue to drive our core business toward our mission of equitable access to homeownership and stable rental housing through preservation.

Building on our loan purchase efforts and laying the groundwork for future impact, we will also seek to adapt our product offering to improve support for underserved homebuyers and renters. This will include work to address common barriers to accessibility for energy-efficient mortgages such as appraisal limitations, availability of tools to create energy efficiency, and ability to identify energy efficient mortgages. Similarly, to promote accessibility of mortgage financing for shared equity properties, we will aim to simplify the community land trust (CLT) property appraisal process and evaluate existing shared equity lending requirements for potential updates.

Fannie Mae also commits to strategic outreach that aims to bridge the gap for market participants seeking affordability programs. These efforts will include sponsorship of TA for the Section 515 loan program, and the promotion of resources that focus on energy efficiency and climate resilience in housing.

INNOVATE: Make our products more effective at creating lasting affordability while continuing to prioritize safe and sound lending practices.

SIMPLIFY: Encourage market adoption of our mortgage products that focus on affordability preservation and continuously improve our preservation products and processes by removing unnecessary hurdles that may impede or delay the creation of lasting affordability.

FACILITATE: Use our role in the secondary market to set standards for affordable mortgage programs incorporating principles of consumer protection and equitable housing access into our business and further incentivizing the use of models that maintain affordability for consumers.

Market overview

Across the nation, renters and homeowners continue to face severe housing affordability challenges. In 2021, over 10% of owner households, totaling 8.7 million, were considered severely cost-burdened in that they spent more than half of their household income on housing payments and utilities.[32]

The share of the renter population considered severely cost-burdened rose to 26.7% in 2022 from 23.9% in 2019, just three years prior.

An even more severe affordability gap exists for renters: The share of the renter population considered severely cost-burdened rose to 26.7% in 2022 from 23.9% in 2019, just three years prior. In addition to the share of cost-burdened renter households increasing, the number of cost-burdened renters hit an all-time high of 12.1 million in 2022, representing an increase of 1.5 million households above pre-pandemic levels.[33]

The rapidly increasing housing cost burden for renters is driven by rent growth that has historically exceeded household income growth, a trend that has been observed over two decades. Following a peak-pandemic surge, annual rent growth slowed to 4.5% by the first quarter of 2023, below a historical high of 15.3% a year earlier, but it remains well above the 3.6% average in the five years leading up to the pandemic.[32]

In similar fashion, the market for homeownership is grappling with rapid home price growth that far exceeds household income growth. While some relief through low mortgage interest rates and student loan payment pauses created favorable homebuying and refinancing conditions in 2020-2021, the shifting rate environment beginning in 2022 has reversed this trend and suppressed affordability even further. Because housing costs remain high relative to pre-pandemic levels, this has put the prospect of homeownership out of reach for many LMI homebuyers. While the US homeownership rate rose to 65.8% in 2022 from 65.5% in 2021, continuing six years of consecutive homeownership growth since 2016, the share of purchases by first-time homebuyers fell 22%.[32] Continually increasing home prices require a higher down payment and closing costs, which is a common barrier particularly for first-time buyers.

[32] Joint Center for Housing Studies at Harvard University, The State of The Nation's Housing 2023, Report: https://www.jchs.harvard.edu/sites/default/files/reports/files/Harvard_JCHS_The_State_of_the_Nations_Housing_2023.pdf.
[33] Joint Center for Housing Studies at Harvard University, America's Rental Housing 2024, Report: https://www.jchs.harvard.edu/sites/default/files/reports/files/Harvard_JCHS_Americas_Rental_Housing_2024.pdf.

The Single-Family Affordable Housing Preservation Market

Overview of the single-family market

Our Duty to Serve Regulatory Activities in the single-family affordable housing preservation market include two distinct market segments:

Energy or water efficiency improvements on single-family, first-lien properties.

Shared equity programs for affordable homeownership preservation.

Energy or Water Efficiency Improvements for Single-Family, First-Lien Properties

Energy and water efficiency improvements for single-family homes can be financed with first-lien mortgage products supported by Fannie Mae. In addition to income requirements, improvements financed by loans eligible for this market must be credibly projected to reduce energy or water consumption by at least 15%, and the utility savings generated over the expected life of the improvements must exceed the cost of installation. Lowering energy and water usage and costs can make homeownership more affordable and sustainable by lowering the overall cost of homeownership. Some energy and water efficiency improvements can also help homes become more resilient in the face of natural disasters and resultant utility service interruptions.

Shared Equity Programs for Affordable Homeownership Preservation

Shared equity programs provide homeownership opportunities at below-market-rate prices. In exchange for the purchase price subsidy, buyers commit to limitations on resale pricing that will ensure that the housing unit remains affordable for subsequent purchasers. Fannie Mae purchases shared equity mortgage loans from the following types of programs:

- Deed restriction/below market rate programs.
- CLTs.
- Shared equity cooperatives.

Single-family market size and demographics

It is estimated that there are more than

15,000

shared equity homes in the United States and that there are over 300 CLT and shared equity organizations located across 46 states.

Energy and Water Efficiency

Across the United States, the number of homes owned by those with very low incomes is estimated to be 36 million.[34] There is no comprehensive data, however, to determine how many of these are energy- and/or water-efficient or how many need upgrades. The median age of an owner-occupied home is 40, according to data from the 2022 US Census Bureau ACS. In addition, most homes in the United States were built before model energy codes were developed and adopted by state and local jurisdictions. The American Society of Heating, Refrigerating, and Air-Conditioning Engineers model energy standard 90.2 for residential buildings was not published until 1975, and the more popular residential model energy code from the International Code Council was not published until 1998.[35] To put that into perspective, 49% of the current residential stock was built prior to 1979, and 74% of the current stock was built before 1999.[36]

Shared Equity

It is estimated that there are more than 15,000 shared equity homes in the United States and that there are over 300 CLTs and shared equity organizations located across 46 states. The majority (87%) of residents living in shared equity homes are first-time homebuyers.[37]

[34] U.S. Census Bureau, American Community Survey 2015 – 2019. Figure shows the number of owner-occupant households earning less than 120% of their respective Area Median Income (AMI).
[35] Halverson M., Shu B. & Evans M. U.S. Department of Energy, Pacific Northwest National Lab. 2009. Country Report on Building Energy Codes in the United States. https://www.pnnl.gov/main/publications/external/technical_reports/PNNL-17979.pdf.
[36] U.S. Census Bureau, American Community. 2022. Selected Housing Characteristics (Table DP04). https://data.census.gov/table?q=DP04.
[37] Lincoln Institute of Land Policy. 2023. The 2022 Census of Community Land Trust and Shared Equity Entities in the United States: Prevalence, Practice, and Impact, Report. https://www.lincolninst.edu/publications/working-papers/2022-census-community-land-trusts-shared-equity-entities-in-united.

Recent single-family market trends

It is estimated that shared equity programs added about **2,100** units to their inventory in 2023.

The Effects of the COVID-19 Pandemic

The COVID-19 pandemic had groundbreaking impact on the single-family housing market, and the effects of this on home values are still being felt. Mandated telecommuting and online schooling led to a spike in demand for single-family homes as families sought out larger living spaces, including those that were renters-by-choice which accelerated future home purchases. This paradigm shift is still mostly in place today, as many employers have embraced telecommuting as a new flexibility. Among U.S. workers, 15.2% worked from home in 2022, down from almost 17.9% in 2021 but still far higher than the 5.7% that worked from home before the onset of the COVID-19 pandemic in 2019.[38] The sustained increased demand for single-family housing led to a rapid increase in home price appreciation that is just beginning to come back down. Fannie Mae's Economic and Strategic Research team has estimated that 2022 home prices increased by approximately 8.0%, up from 5.4% in 2019, but this rate slowed to an estimated 7.1% in 2023 and is forecasted to reduce further to 3.2% in 2024.[39]

Energy Efficiency

According to the Joint Center for Housing Studies at Harvard University, "in 2021, homeowners spent $111 billion on building envelopes and systems and equipment projects with the potential to improve home energy performance—three times more than in 2001. As a result, energy-related improvements accounted for 34% of aggregate market spending on home improvements in 2021, up more than 5% from the market share two decades earlier."[40] The passing of the Inflation Reduction Act in 2022 will bring significant home energy improvement incentives to households over the next decade. Rebates for insulation, heating and cooling systems, and water heaters will help low- and moderate-income homeowners make necessary, energy-saving improvements. Furthermore, the additional funding to the Weatherization Assistance Program from the Infrastructure Investment and Jobs Act will allow thousands of very low-income families to make energy-efficiency retrofits at no cost to the homeowner. These public programs are a significant investment in low-income households, who disproportionately occupy older, less efficient households.

Shared Equity

The number of new shared equity programs has grown by about 30% since 2010. Estimates projected an addition of approximately 2,100 units to shared equity inventory in 2023. Resales of shared equity homes represent approximately 2% of the total shared equity inventory each year.[41]

[38] U.S. Census Bureau. February 20, 2024. "Census Bureau Releases New Brief About Travel to Work Since Pandemic's Onset".
[39] Fannie Mae. 2024. Housing Forecast: March 2024. https://www.fanniemae.com/media/50801/display.
[40] Joint Center for Housing Studies at Harvard University. 2023. Improving America's Housing 2023 Report. https://www.jchs.harvard.edu/sites/default/files/reports/files/JCHS-Improving-Americas-Housing-2023-Report.pdf.
[41] Wang R., Wandio C., Bennett A., Spicer J., Corugedo S., & Thaden E. Lincoln Institute of Land Policy. 2022. The 2022 Census of Community Land Trusts and Shared Equity Entities in the United States: Prevalence, Practice, and Impact, Report. https://www.lincolninst.edu/publications/working-papers/2022-census-community-land-trusts-shared-equity-entities-in-united.

Single-family challenges and needs

Energy and water efficiency improvements. Significant barriers exist for very low-, low-, and even moderate-income households to make energy and/or water efficiency improvements that will yield long-term cash savings. Home energy repairs and improvements may require a large amount of upfront capital. Even obtaining an energy audit, which can help a homeowner identify the most cost-effective energy improvements can be costly for a low-income homeowner. According to Angi, the average cost of an energy audit in 2023 was $424 and can be as much as $2,300.[42] Although the incentives from the Inflation Reduction Act may help these households, the programs will be rolled out on a state-by-state basis, and some states have indicated they don't want to accept the funding.

Homeowners may also be challenged to understand their best options for equipment and financing so that they can achieve meaningful savings. Or, where to find all the incentives that may be available to them. Lack of standardization and recognition of the value of improvements in the real estate market also deters some from making upgrades.

Shared equity transaction volume. The growth trend for new shared equity home creation and estimated resale activity for shared equity homes indicates that the annual market for shared equity home transactions is very small. The complexity of shared equity transactions as compared to typical, conventional lending, along with low transaction volume creates a barrier to financing. Lenders are not incentivized to commit resources to training and systems changes to serve a very low-volume market.

Meeting the challenges in single-family

While we have had a long body of work historically to address challenges in the energy efficiency and shared equity segments of the affordable housing preservation market, there is more work to be done. In our 2025-2027 Plan years, we aim to tackle these challenges using a diversified approach that continues to prioritize liquidity support through our loan purchases but that also pursues innovation and ease of access to our loan products. We remain committed to evaluation of our lending processes for continuous improvement, market engagement and outreach to educate lenders and homebuyers about the available options, and collaboration with our industry partners to remain updated on emerging market trends.

[42] Angi. How Much Does a Home Energy Audit Cost? https://www.angi.com/articles/how-much-does-energy-audit-cost.htm.

The Multifamily Affordable Housing Preservation Market

Overview of the multifamily market

The preservation of existing affordable housing and protecting affordability for current and future tenants is essential to meeting a community's affordable housing needs. Much of the affordable housing stock is now in need of capital improvements, and much of this stock is also coming to the end of their affordability periods that were established by their initial funding sources. We expect that our Plan commitments to support and expand our programs will result in the preservation of affordable multifamily rental units, which will help mitigate multifamily resident displacement and the loss of critical affordable housing stock.

Federally Assisted Programs in the Affordable Housing Preservation Market

The multifamily affordable housing preservation market includes properties that make use of federal, state, or local subsidies, and therefore are subject to a regulatory agreement or recorded restriction that imposes limitations on rents, establishes maximum income restrictions on tenants, or places other affordability restrictions on the use or occupancy of the property.

Some examples of programs that fall under this definition include:

- The federal LIHTC program.
- Section 8 and Project-Based Rental Assistance (PBRA) and Project-Based Vouchers.
- USDA Rural Rental Housing Loans under Section 515 (RD 515).
- Other state, local, or federal subsidies that are conditioned on the affordability of some or all the units in the property.

Low-Income Housing Tax Credits

The federal LIHTC program was created in 1986 to support the production and preservation of affordable rental housing and is the main source of new affordable supply in the U.S. Properties financed by the LIHTC program are required to set aside units for low-income renters. The program is administered by states, which may impose requirements and incentives for a greater percentage of affordable units and/or units that serve renters with incomes lower than the federal minimums. According to the most recent U.S. Department of Housing and Urban Development (HUD) data, in 2021, an estimated 49.8% of LIHTC households have incomes at or below 30% of AMI.[43] States can also design parameters around specific demographic groups to be served, such as seniors or people with disabilities.

[43] HUD Office of Policy Development and Research. 2021. Tenants in LIHTC Units. https://www.huduser.gov/portal/Datasets/lihtc/2021-LIHTC-Tenant-Tables.pdf.

Project-Based Section 8

The Section 8 program, administered by HUD, has two key components: tenant-based rental assistance and project-based rental assistance. Our activities supporting Section 8 programs within Duty to Serve are focused on PBRA programs, which enable more than 2 million people in 1.2 million low-income households to afford modest apartments by contracting with private owners to rent some or all the units in their housing developments to low-income families.[44]

USDA Rural Rental Housing Loans Under Section 515 (RD 515)

The preservation of properties with maturing USDA Section 515 Rural Rental Housing loans is a critical need in rural America. With a portfolio of over 374,000 rental units across the United States, Section 515 is a principal source of rental housing finance in rural areas.[45] Most households living in 515 units are seniors and people with disabilities, and the average income of Section 515 renters is $13,600.[46]

State and Local Affordable Housing Programs, Including Inclusionary Housing

State and local governments across the U.S. have developed programs to address the affordable housing needs in their jurisdictions. While these programs may be limited by budget constraints at the state or local level, they can provide more targeted support for market-specific challenges, as state and local government entities are well-positioned to understand their communities' specific needs. Local programs can provide resources for the development and preservation of affordable housing that is designed to serve certain populations, neighborhoods, and income groups, and can be continuously updated as a community's needs change over time. Inclusionary housing programs require or incentivize the inclusion of affordable units in newly constructed properties, making them a critical mechanism for the creation of new affordable housing supply.

[44] Center for Budget and Policy Priorities. 2022. Policy Basics: Section 8 Project-Based Rental Assistance. cbpp.org/research/housing/section-8-project-based-rental-assistance.
[45] Properties provided via file to Fannie Mae from the Public and Affordable Housing Research Corporation based on data from the National Housing Preservation Database.
[46] Strauss L. Housing Assistance Council. 2022. USDA Rural Rental Housing Programs. https://nlihc.org/sites/default/files/2022-03/2022AG_4-15_USDA-Rural-Rental-Housing-Programs.pdf.

Multifamily market size and demographics for federally assisted programs

Two programs fund most apartments receiving federal assistance: 52% of rental units are supported by LIHTC and 28% by Project-Based Section 8 contracts

In 2023, another 7% of units were assisted by the Section 515 Rural Rental program, administered by the USDA.

The size of the market opportunity varies greatly by each program. In 2020, approximately 79,000 properties, containing about 5 million affordable rental homes, received federal project-based assistance to serve low-income families.[47] The share of federally assisted rental units represented approximately one-tenth of all rental stock in 2020.[48]

As shown to the right, just two programs fund most apartments receiving federal assistance: 52% of rental units are supported by LIHTC and 28% by Project-Based Section 8 contracts. There is some overlap, however, as just over 25% of LIHTC-assisted units also receive assistance under Project-Based Section 8[49] to ensure that tenants spend no more than 30% of their household income on rent and utilities. Excluding public housing, which is generally owned and operated by local municipalities or counties, the remaining number of units supported by other federal housing programs drops sharply. However, in 2023, another 7% of units were assisted by the Section 515 Rural Rental Program, administered by the United States Department of Agriculture (USDA).[50]

Market Size of Select Programs Identified by Statute Under Duty to Serve

PROGRAM	NUMBER OF PROPERTIES	NUMBER OF LOW-INCOME UNITS	PERCENT OF LOW-INCOME UNITS
LIHTCs	34,000	2.6 million	52%
Section 8 PBRA	22,000	1.4 million	28%
Section 515 Rural Rental	12,000	374,000	7%

Source: 2023 Picture of Preservation Retrieved from preservationdatabase.org/reports/preservation-profiles-2023, February 8, 2024.

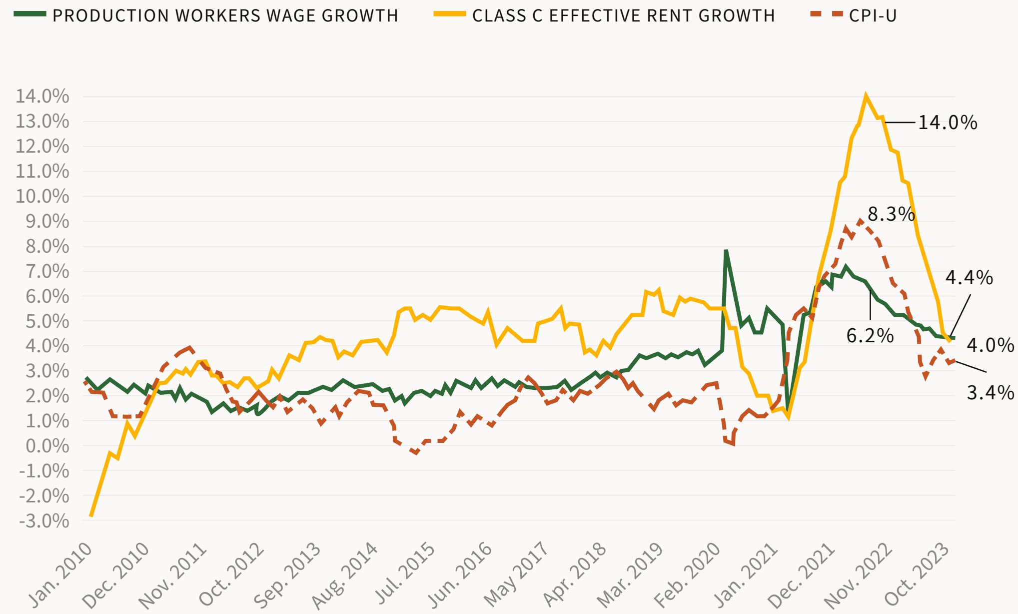
[47] 2021 Picture of Preservation. October 2021. National Low-Income Housing Coalition and Public and Affordable Housing Research Corporation. Note: The 5 million-unit estimate includes properties assisted by LIHTC, HUD Section 8 PBRA, Section 202 direct loans, HUD insurance programs, State HFA Funded Section 236, Section 515 rural rental housing loans, Section 514 direct loans, rural development Section 538, HOME Assistance, and Public Housing.
[48] 2021 Picture of Preservation. October 2021. National Low-Income Housing Coalition and Public and Affordable Housing Research Corporation.
[49] 2018 State HFA Factbook (Washington, D.C.: National Council of State Housing Finance Agencies, 2018).
[50] 2023 Preservation Profiles. National Housing Preservation Database (NHPD). Retrieved February 16, 2023, 2023 Preservation Profiles – (National Housing Preservation Database (NHPD).

Recent multifamily market trends

The Effect of the COVID-19 Pandemic

The COVID-19 pandemic has had a lasting impact on the rental market. The ability to telecommute allowed workers to move from more expensive urban areas to less expensive markets,[51] creating more demand for rental housing in traditionally affordable markets and driving up rents. The end of COVID related federal rental assistance and income support has also affected lower income renters. As a result, COVID and the corresponding disruption to the job market still has a lingering impact on the multifamily renter market with the share of Class C/B renters able to pay rent by the end of any given month still slightly below pre-pandemic levels.[52]

Year-over-Year Change in Private Sector Nominal Average Hourly Earnings and Effective Rent (Jan. 2010–Dec. 2023)



Source: Moody's Analytics, RealPage

Lack of Improvement in Affordability

Class C rents, defined as those that are in the bottom 20% of the rent distribution for a given market, are some of an area's most affordable rents. However, as shown in the chart to the right, Class C renters are not making much headway against the rent growth. According to RealPage, Inc., as of December 2023, year-over-year Class C rent growth slowed to 4.0% from a high of 14.0% recorded in August 2022. Even so, year-over-year December 2023 rent growth was just barely below the 4.4% recorded for wage growth for non-supervisory employees and still above the 3.4% inflation rate. As a result, many Class C renters are unlikely to have seen any real benefit from slowing rent growth to date.[53] In fact, in December 2023, only an estimated 88% of Class C renters were able to pay rent in the month it is due, which is below the 90%-91% seen regularly prior to the pandemic.[52] These are the renters who benefit most from Federally-assisted housing and other types of assisted housing.

[51] Rogers L., Perry M. & Spell L. U.S. Census Bureau. Domestic Outmigration From Some Urban Counties Slowed, Smaller Gains in Rural Counties. https://www.census.gov/library/stories/2023/03/domestic-migration-trends-shifted.html.
[52] Fannie Mae. 2024. Multifamily Economic and Market Commentary. https://www.fanniemae.com/media/50411/display.
[53] February 2024. Zahalak, 2024 Outlook for Multifamily Affordability – Many Renters Remain Cost-Burdened.

A 2023 study by the National Low Income Housing Coalition and Center on Budget and Policy Priorities identified 353 active rental housing programs across the country supporting renters through diverse programs.

State and Local Governments Step In

With an ongoing decline in housing affordability and increasing construction costs over the past decade, many state and local governments have been looking for solutions to increase the supply of new single-family and multifamily affordable housing. Certain jurisdictions have been adopting inclusionary housing programs.

According to a 2019 survey, there were over 1,000 inclusionary housing programs in 31 states and the District of Columbia, and an average of 19 new programs have been added annually since 2000.[54] Given that over 40% of inclusionary housing programs do not appear to track either fees or units generated by these programs, it is not possible to accurately ascertain the market size for affordable units created. However, a subset of 258 programs created a total of about 110,000 affordable units, including 70,000 affordable rentals, 31,000 single-family homes, and 9,000 units with tenure unknown.[54]

A 2023 study by the National Low Income Housing Coalition and Center on Budget and Policy Priorities identified 353 active rental housing programs across the country supporting renters through diverse programs including assistance to tenants and/or property owners to offset costs passed on to tenants (property-based rental assistance), capital resources or tenant tax relief. Over half of these programs provide capital for the construction, rehabilitation, purchase, and operation of affordable rental housing properties.[55]

[54] Fannie Mae. 2020. Inclusionary Housing in the United States: Prevalence, Practices, and Production in Local Jurisdictions as of 2019. multifamily.fanniemae.com/media/14236/display.
[55] National Low Income Housing Coalition. 2023. State and Local Investments in Rental Housing. https://nlihc.org/sites/default/files/2023-10/state-and-local-investments-rental-housing-report.pdf.

Multifamily challenges and needs

HUD survey data reports that in 2021, there were

8.5 million

renter households that had very low incomes, lacked housing assistance, and had either severe rent burdens or severely inadequate housing (or both).

Rental assistance. HUD survey data reports that in 2021, there were 8.5 million renter households that have very low incomes, lack housing assistance, and have either severe rent burdens or severely inadequate housing (or both).[56] This figure increased by 9.8% from 2019, but has remained elevated since the Great Recession. A critical action to address the growing number of households with urgent need is to preserve existing units and increase new supply of federally assisted affordable rentals, most notably those under the LIHTC and Section 8 programs, which together assist over 3 million units, and the creation of new affordable units through financing incentives.

Affordable rental supply. The solutions for addressing this affordable rental supply issue come with their challenges, however. Operating expenses such as salaries[57] and insurance[58] have been increasing but maximum rents at assisted properties are capped. In addition, financing for affordable properties may not always coincide with the expiration of federal assistance, as refinancing is influenced by other factors such as prevailing interest rates. Therefore, incoming opportunities for financing to preserve or expand affordable units may be limited. There are also limited opportunities to expand the supply of new properties in the Section 8 program, as this funding is subject to appropriations through the annual federal budget. The LIHTC program only added a net of approximately 46,900 units from 2022 to 2023, with the Project-Based Section 8 program adding only a net of approximately 2,600 units, many of which are former Public Housing units that converted to the Section 8 and/or LIHTC platforms.[59]

Energy efficiency measures. In addition to rental assistance, however, there are also energy efficiency measures that can help limit housing costs for renters. Green building, sustainability, and energy efficiency (collectively "green") principles have become increasingly integrated into the multifamily housing sector as education and understanding of their benefits becomes more widespread. This education is critical to the realization of long-term cost savings for renters, since decision-making about efficiency improvements lies with property owners. As the need for climate resiliency becomes more prominent, these owners will also need to be prepared to make informed decisions about how to adapt multifamily properties to protect against the risks of natural disaster.

[56] Alvarez T., Steffen B. U.S. Department of Housing and Urban Development Office of Policy Development and Research. 2023. Worst Case Housing Needs: 2023 Report to Congress. https://www.huduser.gov/portal/publications/Worst-Case-Housing-Needs-2023-Executive-Summary.html.

[57] Gorman K. Novogradac. 2023. Payroll for LIHTC Properties Sees Record Increase, But Maintains Long-Term Stability. https://www.novoco.com/notes-from-novogradac/payroll-lihtc-properties-sees-record-increase-maintains-long-term-stability.

[58] Gorman K. Novogradac. 2023. LIHTC Property Insurance Increased in 2022, but Jump Differed by Area. https://www.novoco.com/notes-from-novogradac/lihtc-property-insurance-increased-2022-jump-differed-area.

[59] Public and Affordable Housing Research Corporation tabulations of the National Housing Preservation Database provided to Fannie Mae on February 16, 2024.

Meeting the challenges in multifamily

Fannie Mae remains committed to providing a source of stable liquidity to support the creation of new affordable units and the preservation of multifamily properties with federal, state, and local subsidies through 2025-2027. This work will be powered by collaboration with our industry partners to identify new market opportunities and promote awareness of our multifamily affordable housing products. In addition to the availability of capital for financing, we also commit to providing other support for lenders and property owners in the form of education and outreach regarding solutions for energy efficiency, climate resiliency, and disaster preparedness.

Statutory and Regulatory Activities Considered But Not Included

Under the Duty to Serve Evaluation Guidance, Fannie Mae and Freddie Mac are required to consider and address at least five of the Statutory and Regulatory Activities identified for the affordable housing preservation market. In our 2025 – 2027 Plan, Fannie Mae has addressed and included four Statutory Activities and three Regulatory Activities, as well as three Additional Activities.

Activities and Objectives

A.

Statutory Activity: The project-based rental assistance housing programs under Section 8 of the U.S. Housing Act of 1937, 42 U.S.C. § 1437f (C.F.R. § 1282.34 (c) (1)).

A number of Section 8 Project-Based Rental Assistance (PBRA) units will be at risk of losing their affordability status in coming years due to expiring housing assistance payments (HAP) contracts. For developments in high-opportunity neighborhoods, when the HAP contract expires, the owner may choose not to renew and instead convert the units to market-rate rentals or condominiums. This poses a risk of those units being permanently removed from the affordable housing supply unless there is adequate financing for their preservation. Further, the stock of development with PBRA is aging and in need of capital investment for physical rehabilitation and improvements to keep these developments safe and in good repair. This is critical to maintaining affordable housing supply, as the preservation of existing units is more cost-effective than new construction, particularly in the current economic environment, and units with PBRA maintain their deep subsidy.

According to the National Housing Preservation Database, there are an estimated 22,400 properties assisted with Section 8 as of November 2023. We can estimate the market opportunity for Section 8 financing by applying the average length of time that financing is in place to the market for Section 8 properties for Fannie Mae's book of business. While not all Section 8 properties can support debt as maximum rents are set annually by HUD, and this share is not known as there is no comprehensive source for debt financing, we use 10% as a proxy for the properties that cannot support debt. With this assumption, we estimate that as many as 1,675 properties or 106,600 units may come up for refinance annually, assuming each is supported by a loan.

According to the National Housing Preservation Database, there are an estimated

22,400

properties assisted with Section 8.

Fannie Mae has established a target of

23,100

Section 8 units in each year of our Plan.

1. Objective: Provide a steady source of capital and liquidity through the purchase of loans secured by Project-Based Section 8 properties.[60]

Through our loan purchase activities, Fannie Mae provides stable liquidity to preserve Section 8 PBRA housing, which serves LMI households. We remain committed to supporting one of the most effective forms of subsidized affordable housing and continue to prioritize our partnerships with lenders and housing practitioners in this market.

Baseline: From 2020 – 2023, Fannie Mae purchased an average of 23,632 Project-Based Section 8 units per year, with historical loan purchases noted in the chart to the right. Our baseline of 23,000 units is based on a three-year average of loans purchased, adjusted for the impact of anomalous market conditions that are not likely to be replicated in upcoming Plan years by excluding 2022 loan purchase volume from the calculation, basing the average on 2020, 2021, and 2023 loan purchase volume. Considering prevailing headwinds in the market for Section 8 loans, we have set targets for the 2025-2027 Plan years in line with the baseline based on expectations that this loan volume will be maintained with a high level of engagement.

SECTION 8 LOAN PURCHASES	2020	2021	2022	2023
Loans	229	222	223	105
Rental units	28,258	26,603	25,526	14,139

YEAR	TARGET AND IMPLEMENTATION STEPS	EVALUATION AREA
2025	Purchase loans financing 23,100 Section 8 units.	Loan Purchase
2026	Purchase loans financing 23,100 Section 8 units.	Loan Purchase
2027	Purchase loans financing 23,100 Section 8 units.	Loan Purchase

[60] Loans that qualify for the Section 8 loan purchase objective may also qualify for other Duty to Serve loan purchase objectives.

Activities and Objectives

B.

Statutory Activity: The rural rental housing program under Section 515 of the Housing Act of 1949, 42 U.S.C. § 1485 (12 C.F.R. § 1282.34 (c) (7)).

In support of the Section 515 space, Fannie Mae continues to provide liquidity for the preservation of affordable units through our loan purchase activities, using financing solutions previously developed in partnership with industry leaders and the USDA. To provide added support for these transactions, which are notably complex, we also continue to sponsor technical assistance (TA) programs that educate owners, developers, and mission-oriented buyers about Section 515 preservation and provide resources for navigating the lengthy conversion process. Through these commitments, we aim to preserve Section 515 units that may be otherwise at risk of exiting the program without this support.

1. Objective: Promote greater preservation of USDA Section 515 properties through loan purchases.

Fannie Mae will continue to purchase loans secured by Section 515 properties, made possible by a loan subordination agreement with the USDA that permits financing and issuance of mortgage-backed securities for these loans, and those with a Restricted Use Covenant (RUC) in place. While this objective has been a key element of the Duty to Serve Plan in prior years, Fannie Mae has historically experienced challenges in achieving loan volume under this goal. Multiple barriers to accessing this market were identified through outreach to lenders and stakeholders, including transaction complexity with multiple sources of financing and long lead times for originating new debt, limited incentives for lenders given smaller average loan balances, and availability of alternative financing in the USDA Section 538 loan product which is perceived to be a more efficient process. Despite these challenges, we worked in close partnership with our Delegated Underwriting and Servicing (DUS®) lenders to successfully purchase loans supporting Section 515 properties for the first time in 2023. This financing allowed for the preservation and rehabilitation of affordable properties in rural areas of California and Arkansas. We obtained approval from FHFA to receive Duty to Serve credit for supporting the financing of rental projects that are subject to RUCs, which the USDA records on properties that are initially financed through the Section 515 program. In 2023, three of the four transactions financed were properties with RUCs in place. A high level of effort was put forth to purchase four loans representing 248 rental units, and we remain committed to supporting this market in 2025-2027 to the extent feasible.

In support of the Section 515 space, Fannie Mae continues to provide liquidity for the preservation of affordable units through our loan purchase activities, using financing solutions previously developed in partnership with industry leaders and the USDA.

Achieving future loan purchases under this goal will continue to be challenging because of the nature of Section 515 financing. Fundamentally, the preservation of these properties tends to require multiple sources of financing working together, often including some form of public or private subsidy. The pipeline of viable 515 preservation opportunities is sensitive to fluctuations in the availability of this capital, including the ability of the borrower to defer or re-amortize 515 debt. While these market factors remain outside the control of the lender or Fannie Mae, we are committed to leveraging our relationships with the USDA and our DUS® lenders to work toward the loan purchase targets outlined below.

Baseline: Given the challenges of achieving volume under this objective, historical loan purchases are limited to 2023. The baseline for this objective of 83 units is set based on the three-year historical average unit count. Based on our observations, Section 515 loan opportunities have been highly variable, and it is understood that future loan purchases may exhibit similar trends. As market uncertainty persists in this space and the level of effort associated with each transaction remains high due to their complex nature, the targets are set in line with the baseline for each of the subsequent plan years. However, Fannie Mae remains committed to making progress in this market, as exhibited by our renewed commitment to establishing market share in 2025-2027.

HISTORICAL SECTION 515 AND RUC LOAN PURCHASES	2020*	2021	2022	2023
Loans	0	0	0	4
Rental units	0	0	0	248

*The 2020 Duty to Serve Plan did not include a Section 515 loan purchase target.

YEAR	TARGET AND IMPLEMENTATION STEPS	EVALUATION AREA
2025	Finance the preservation of 85 Section 515 and/or RUC units.	Loan Purchase
2026	Finance the preservation of 85 Section 515 and/or RUC units.	Loan Purchase
2027	Finance the preservation of 85 Section 515 and/or RUC units.	Loan Purchase

2. Objective: Support TA programs that facilitate the preservation of Section 515 properties.

A key constraint to the preservation of affordability is the risk of losing affordable units when program financing expires. Properties lose rural development (RD) affordability restrictions upon exiting the Section 515 program, which eliminates access to USDA rental assistance for residents. The USDA permits 515 owners to either remain in the program through a refinance or sell properties to owners who will remain in the section 515 program by completing a transfer to retain rental assistance eligibility. Because this process can be quite complex, owners and potential buyers can benefit from TA programs to help them successfully navigate it. TA providers are experts on industry best practices and are highly knowledgeable about the USDA's refinance and transfer process, providing critical support to organizations interested in preserving affordable RD housing. Despite market uncertainty, we remain committed to supporting TA programs that provide this guidance, enabling a number of organizations to work toward refinance or transfer and maximizing the probability that properties will successfully remain in the 515 program.

Baseline: From 2022 – 2024, Fannie Mae partnered with two national nonprofit organizations to deliver TA directly to Section 515 owners and buyers with an affordable mission and preservation focus, including housing authorities, state housing finance agencies (HFAs), and nonprofit developers. These partnerships resulted in two successful preservation academies, including training and peer learning sessions, and direct TA to an average of 30 recipients each year.

YEAR	TARGET AND IMPLEMENTATION STEPS	EVALUATION AREA
2025	Partner with nonprofit organizations to deliver TA to 30 organizations working to preserve the affordability of Section 515 properties and to provide measurable impact through TA efforts. • Provide TA in the transfer analysis, negotiation, underwriting, and application process. • Work with the organizations to identify and secure funding from other sources. • Assess the results of TA provided in 2024 and identify opportunities and strategies to strengthen the program's effectiveness and increase its scale in 2025. • Plan the 2025 TA program and identify organizations for TA delivery (owners of 515 properties at risk of exiting the program and mission-oriented entities seeking to preserve 515 properties). • Execute the 2025 TA program. • Document at least six submitted loan applications that would maintain both 515 debt and 521 rental assistance.	Outreach
2026	Partner with nonprofit organizations to deliver TA to 35 organizations working to preserve the affordability of Section 515 properties. • Provide TA in the transfer analysis, negotiation, underwriting, and application process. • Work with organizations to identify and secure funding from other sources. • Assess the results of TA performed in 2025 and incorporate opportunities and strategies to strengthen the program's effectiveness and increase its scale in 2026. • Plan the 2026 TA program and identify organizations for TA delivery (owners of 515 properties at risk of exiting the program and mission-oriented entities seeking to preserve 515 properties). • Execute the 2026 TA program. • Analyze results of the 2026 TA program at the property level to determine success of the program and inform future work. • Document at least seven submitted loan applications that would maintain both 515 debt and 521 rental assistance.	Outreach
2027	Partner with nonprofit organizations to deliver TA to 40 organizations working to preserve the affordability of Section 515 properties. • Provide TA in the transfer analysis, negotiation, underwriting, and application process. • Work with organizations to identify and secure funding from other sources. • Assess the results of TA provided in 2026 and identify opportunities and strategies to strengthen the program's effectiveness and increase its scale in 2027. • Plan the 2027 TA program and identify organizations for TA delivery (owners of 515 properties at risk of exiting the program and mission-oriented entities seeking to preserve 515 properties). • Execute the 2027 TA program. • Analyze results of the 2027 TA program at the property level to determine success of the program and inform future work. • Document at least eight submitted loan applications that would maintain both 515 debt and 521 rental assistance.	Outreach

Activities and Objectives

C.

Statutory Activity: Low-Income Housing Tax Credits under Section 42 of the Internal Revenue Code of 1986, 26 U.S.C. § 42 (C.F.R. § 1282.34 (c) (8)).

Through our loan purchase activity, Fannie Mae provides liquidity for the financing of multifamily affordable housing properties that are part of the LIHTC program. Our position in this market is supported by core product development work completed in prior years of the Plan to continuously improve our offering for LIHTC properties, including our mortgage-backed security as Tax-Exempt Bond Collateral product, a very effective tool for LIHTC deals financed with tax-exempt bonds.

1. Objective: Increase liquidity to the LIHTC debt market by purchasing loans secured by LIHTC properties.

Loans secured by LIHTC properties provide critical financing for the preservation of affordable rental units that benefit very low-, low, and moderate-income families across the country. We remain committed to supporting this market through continued loan purchase activity and lender engagement in 2025 – 2027.

As with many subsidy-based loan purchase activities, our ability to further preservation in this space is highly dependent on new financing opportunities for LIHTC properties, particularly those that may be at risk of exiting the program. Our loan purchase volume in this space has been constrained in recent years by limited LIHTC properties entering the extended use period, which limits the number of new financing opportunities under this objective. This is a downstream effect of recession-era trends, where fewer LIHTC properties/units were placed in service during 2008 and 2009, leading to fewer properties entering their extended use period in 2023 – 2025. Further, new preservation projects continue to be constrained by rising construction costs which have been impacted by inflation, with building material prices collectively up 39% since the start of the pandemic.[61] In addition, rehab projects are frequently funded with tax-exempt bonds and 4% credits, but some states are running up against annual caps on tax-exempt bonds, which was the case in over half of the states in 2022 including Texas, Pennsylvania, and Florida.[62] Developers also face challenges in financing construction due to rising interest rates which have both increased the cost of debt and led investors to seek higher yields from their equity investments. The ability of LIHTC properties to absorb these cost increases through revenue growth is limited, as affordable properties cannot command the same rents as market-rate properties.

[61] "LIHTC Properties Facing Challenging Times". July 2024. https://www.fanniemae.com/media/53121/display.

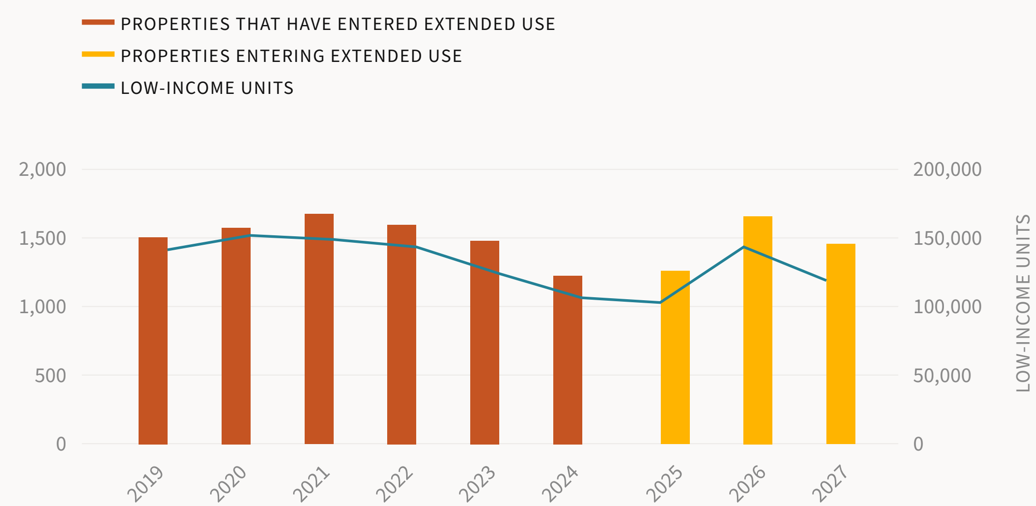
[62] Filling Funding Gaps: How State Agencies are Moving to Meet a Growing Threat to Affordable Housing". Sept. 2022. https://www.abtglobal.com/sites/default/files/files/insights/reports/2022/ncsha-filling-funding-gaps-report-sept-2022.pdf.

Due to these factors, many multifamily properties can now support less debt and equity than in the low rate environments of 2020, 2021, and early 2022, and projects must find additional sources of equity or financing to be completed. In addition, like multifamily market rate properties, multifamily affordable properties continue to face increased insurance costs[63] which adds an additional challenge to operating these properties once preservation is complete. Despite these challenges, we remain committed to serving this market by providing liquidity for the preservation of these deeply affordable properties, recognizing that our engagements with stakeholders will be key to identifying market needs and new opportunities to drive impact.

Baseline: The baseline of 29,772 units is calculated as a three-year average of units financed through our loan purchases, in 2020, 2021, and 2023. The 2022 loan purchase volume has been excluded from the baseline calculation due to anomalous market conditions which produced extremely low interest rates that are not likely to be replicated in upcoming Plan years. It should be noted that historical loan purchase figures in 2020 and 2021 are an approximation based on application of the current eligibility definition to a retroactive review of loans purchased, due to differences in the methodology in the 2020 plan year and the lack of a LIHTC loan purchase target in 2021. Historically, our LIHTC loan purchase targets have been designed to build upon our previous market engagements, powered by concentrated stakeholder outreach and product development. In more recent years, these increased targets have been difficult to meet due to the constraining factors noted previously, in addition to the challenging macroeconomic environment which has impacted multifamily loan purchases generally. To set our loan purchase targets for 2025-2027, we based our anticipated market share on historical loan purchases as a proportion of the estimated number of LIHTC units that entered the extended use period and would need preservation financing in each respective year. We then applied that market share assumption to the estimated number of LIHTC units that will enter the extended use period over each of the respective plan years, which are shown on the table below and considered the total market opportunity, to arrive at our targets. Some fluctuation over the three years is due to shifts in the total measurable market.

LIHTC Market Expectations for 2025 – 2027 Plan Years

LIHTC Properties/Units Completing and Entering Extended Use (2019 – 2027)*



*Properties in/entering extended use consist of properties completing compliance period plus additional acquisition rehab properties from new 4% tax credits less properties with re-syndicated credits.

Note: For New York State 9% Credit only, LIHTC Expiration Year = "LIHTC Start Year" + 30 years. For all other LIHTC Expiration Year = "LIHTC Start Year" + 15 years.

Source: National Preservation Database for extended use. Retrieved February 10, 2024. NCSHA (2019 – 2022) Factbooks for net acquisition rehab preservation.

[63] "Higher Insurance Premiums Continue to Impact the Multifamily Sector". May 2022. https://www.fanniemae.com/media/51396/display.

We anticipate that the total assisted units eligible for preservation will remain depressed in 2025 but will recover somewhat in 2026 and 2027.

The opportunity for preservation comes from LIHTC units exiting the compliance period and entering extended use and from net new units created by LIHTC allocations for acquisition rehab net of LIHTC re-syndications. The Great Recession will continue to have an impact through 2025 on properties entering extended use as the number of properties and units placed in service during and just after the Great Recession was depressed. Therefore, we anticipate that the total assisted units eligible for preservation will remain depressed in 2025 but will recover somewhat in 2026 and 2027, as projects which had difficulty in completing and being placed in service during the Great Recession were brought forward. In addition, after 2021, the temporary 12.5% basis boost for tax credits from the 2017 Tax Cuts and Jobs Act expired, leading to a lower volume of tax credits for acquisition rehab even as the cost of construction rose. As a result, the average number of units eligible for preservation over the three-year Plan period will be lower than the average from 2019 – 2022.

HISTORICAL LIHTC LOAN PURCHASES	2020*	2021*	2022	2023
Loans	237	229	348	202
Rental units	31,214	30,399	48,737	27,552

*2020 and 2021 loan purchase figures are an approximation based on a retroactive review against the current definition of eligible LIHTC loan purchases, which includes properties beyond the 15-year initial compliance period, consistent with the 2022-2024 Duty to Serve Plan. The 2021 Duty to Serve Plan did not include a LIHTC Debt loan purchase target.

YEAR	TARGET AND IMPLEMENTATION STEPS	EVALUATION AREA
2025	Purchase loans financing 26,000 LIHTC units that meet the Fannie Mae LIHTC definition.	Loan Purchase
2026	Purchase loans financing 31,460 LIHTC units that meet the Fannie Mae LIHTC definition.	Loan Purchase
2027	Purchase loans financing 27,000 LIHTC units that meet the Fannie Mae LIHTC definition.	Loan Purchase

Activities and Objectives

D.

Statutory Activity: Other comparable State or Local affordable housing programs (C.F.R. § 1282.34 (c) (9)).

We remain committed to providing liquidity to support the financing of multifamily affordable housing developments where there are commitments to affordability facilitated by state or local authorities.

Through our loan purchase activities, Fannie Mae provides a source of liquidity for the financing of affordable developments that are part of various State or Local programs through our Multifamily Affordable Housing Business. These programs can help to address funding gaps that may result from rising development costs in the current economic environment in exchange for long-term commitments to affordability for low- to moderate-income households. Combined with the support of the secondary mortgage market, these programs provide critical access to financing for affordable rental housing supply.

1. Objective: Purchase loans secured by properties under State or Local affordable housing programs.

Fannie Mae will continue to purchase loans secured by properties that are a part of State or Local affordable housing programs. Fannie Mae has developed specific standards for loans included under this objective and will continue to evaluate best practices for tracking these types of loans as new State and Local programs are created.

We remain committed to providing liquidity to support the financing of multifamily affordable housing developments where there are commitments to affordability facilitated by state or local authorities.

Baseline: The baseline of 10,219 units is calculated as the three-year average of State or Local loan purchases, adjusted for the impact of anomalous market conditions that are not likely to be replicated in upcoming Plan years by excluding 2022 loan purchase volume from the calculation, basing the average on 2020, 2021, and 2023 loan purchase volume, and also taking into consideration changes in the market for state and local subsidies. Future loan purchase targets are set slightly above our baseline with some modest year-over-year growth, as market realities and challenging lending conditions lead us to believe that loan volume will trend mostly consistent with our loan acquisitions from prior years but with considerable market headwinds versus prior periods.

HISTORICAL STATE OR LOCAL LOAN PURCHASES	2020	2021	2022	2023
Loans	72	78	108	67
Rental units	10,140	12,776	17,012	9,694

YEAR	TARGET AND IMPLEMENTATION STEPS	EVALUATION AREA
2025	Finance 10,220 units belonging to properties under a Fannie Mae-approved State or Local affordable housing program.	Loan Purchase
2026	Finance 10,230 units belonging to properties under a Fannie Mae-approved State or Local affordable housing program.	Loan Purchase
2027	Finance 10,240 units belonging to properties under a Fannie Mae-approved State or Local affordable housing program.	Loan Purchase

Activities and Objectives

E.

Regulatory Activity: Increase purchases of loans financing improvements on multifamily properties: (a) which reduce energy or water consumption by tenant or property by at least 15%; and (b) where the savings generated over the improvement's expected life will exceed its cost (FHFA Criteria) (12 C.F.R. § 1282.34 (d)(2)).

We continue to support the integration of green building, sustainability, and energy efficiency into multifamily housing and monitor its influence on long-term affordability. In Duty to Serve, the impact of utility cost burden on low- to moderate-income consumers is a key focus area for the affordable housing preservation market. Data from the American Community Survey suggests that the national average energy burden for low-income households is 8% of income, approximately eight times higher than the average for non-low-income households.[64] Accessible financing for energy-efficient improvements can serve to reduce this cost burden and create flexibility for families to meet other critical needs such as transportation or health care and address other expenses that have recently been impacted by high rates of inflation.

In this Plan, we will continue to build on our historical body of work in Multifamily Green Finance. Since launching our first Multifamily Green Mortgage Loan product in 2012, Fannie Mae Green MBS issuances have exceeded $117 billion through year end 2023.[65] Collectively, the projected impact of these MBS issuances includes approximately $187 average annual energy and water cost savings per family, driven by our Green Rewards loan product, and 1 million units that are improved or Green Building Certified. It has been Fannie Mae's experience that continued education of lenders, borrowers, and key industry partners is critical to driving market adoption of energy efficiency financing products. In addition to providing liquidity support as a leader in the green financing market, we continue to prioritize education and resources for lenders and property owners on the benefits of green financing.

Since launching our first Multifamily Green Mortgage Loan product in 2012, Fannie Mae Green MBS issuances have exceeded

$117 billion

through year end 2023.

[64] U.S. Department of Energy. 2024. LEAD Tool Factsheet, https://www.energy.gov/sites/default/files/2024-03/lead-tool-factsheet_032824.pdf.
[65] Fannie Mae Green MBS At-A-Glance. 2023. https://capitalmarkets.fanniemae.com/media/20881/display.

1. Objective: Increase the positive environmental and social impact of green financing through development of market awareness and understanding of energy and water efficiency improvements and financing.

The use of Fannie Mae Green Financing can positively influence affordability for renters, in addition to the environmental benefits it provides through more efficient utility consumption. To expand the program and build market capacity, more education on the benefits of environmental, social, and financial metrics is crucial for borrowers and lenders. This outreach promotes the adoption of these loan products for future projects where efficiencies can be realized but also provides further research and evaluation based on the feedback we receive during these engagements. These forums provide an effective way to collaborate with partners, build industry consensus, and develop key learnings that are used to advance our Green Financing initiatives toward more meaningful impact. This also includes research and analysis we conduct to keep our understanding of utility cost trends current and maintain awareness of available solutions.

Baseline: Historically in Duty to Serve, our Multifamily Green Financing outreach has focused on education and awareness for lenders and borrowers about our Green Mortgage Loans. This work has included trainings, conference participation, individual lender engagements, and the hosting of stakeholder convenings. To build upon this work in 2025 – 2027, we will maintain our industry presence and explore new opportunities to continuously improve access to our Green Financing program. We will also study emerging trends and develop informational resources to maximize the impact of new projects.

YEAR	TARGET AND IMPLEMENTATION STEPS	EVALUATION AREA
2025	Promote the advancement of Fannie Mae's Green Financing offering by broadening stakeholder understanding of energy efficiency financing and sharing insights from data analysis. • Participate in two key energy efficiency/green building industry conferences. • Host one convening of the Green Rental Housing Task Force to solicit feedback on increasing the impact of Green Financing and product improvement. • Continue integration of building electrification into Fannie Mae's Green Financing offerings to advance a low-carbon economy per Fannie Mae's Electrification Roadmap. • Host two lender learning series sessions on building electrification and decarbonization. • Inform borrowers and lenders of their options in connecting with Inflation Reduction Act (IRA) funds through webinars or other communications. • Leverage the 2023 Multifamily Energy and Water Survey dataset and develop a report evaluating trends in energy and water consumption in multifamily properties. • Host two convenings of the Chief Asset Manager Green Working Group to gather feedback on current/proposed guidance, resources, and processes to further improve the Green Financing program. • Hold two webinars to educate asset managers about best practices, emerging trends, and program requirements. • Conduct annual portfolio analysis to understand cost to borrower of meeting Green Rewards eligibility requirements, tenant and owner utility savings, and property and deal characteristics of good candidates for the program. Incorporate findings into borrower and lender outreach. • Conduct two trainings on the updates made to the Green Building Certification program in 2024 that increase the standards of efficiency over local codes.	Outreach
2026	Partner with stakeholders to increase stakeholder knowledge of energy efficiency financing and explore opportunities to make enhancements. • Continue to show industry presence and leadership by participating at energy efficiency/green building industry conferences. • Host one convening of the Green Rental Housing Task Force, building on the 2025 session. Continue to solicit and evaluate ideas for increasing the impact of Fannie Mae's Green Financing program and product improvement. • Evaluate implementation of Electrification Roadmap in 2025 and share findings by hosting two related sessions for the lender learning series. • Host two convenings of the Chief Asset Manager Green Working Group. Continue to gather feedback on current/proposed guidance, resources, and processes to further improve the Green Financing program. • Hold two webinars to continue to educate asset managers about best practices, emerging trends, and program requirements. • Conduct annual portfolio analysis to understand cost to borrower of meeting Green Rewards eligibility requirements, tenant and owner utility savings, and property and deal characteristics of good candidates for the program. Incorporate findings into borrower and lender outreach.	Outreach
2027	Leverage lessons learned to further stakeholder understanding of best practices and continue Fannie Mae's leadership efforts in energy and water efficiency financing. • Continue to show industry presence and leadership by participating at energy efficiency/green building industry conferences. • Host one convening of the Green Rental Housing Task Force, building on the 2025 and 2026 sessions. Continue to solicit and evaluate ideas for increasing the impact of Fannie Mae's Green Financing program and product improvement. • Evaluate progress of the Electrification Roadmap and refine the plan based on lessons learned in 2025 and 2026. • Explore development of a 2028 Multifamily Energy and Water Survey to support U.S. Environmental Protection Agency's (EPA's) update of the 1 – 100 ENERGY STAR® score and EPA Water score for multifamily housing. • Host two convenings of the Chief Asset Manager Green Working Group. Continue to gather feedback on current/proposed guidance, resources, and processes to further improve the Green Financing program. • Hold two webinars to continue to educate asset managers about best practices, emerging trends, and program requirements. • Continue Lender Learning Series to educate the market on the importance of decarbonization. • Conduct annual portfolio analysis to understand cost of meeting Green Rewards eligibility requirements, tenant and owner utility savings achieved, and property and deal characteristics of good candidates for the program. Incorporate findings into borrower and lender outreach.	Outreach

Activities and Objectives

F.

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

1. Objective: Reduce homeowner utility costs through consumer tools, new programs, and loan products.

Millions of households in the United States, especially those in Duty to Serve markets, face high utility bills that strain household budgets and force households to engage in coping mechanisms, such as rationing their energy use or forgoing basic household necessities to pay their energy bills.[66] Energy efficient home improvements can help increase household energy security but the upfront cost can be expensive; while energy efficiency incentive programs to subsidize costs exist, they are often underutilized and difficult to access.

Baseline: Financing energy improvements is not a viable option for many low-income households, especially in a high-interest-rate environment. Although we continue to improve and innovate with our mortgage financing products, we must play a role in connecting low-income households to the existing energy-saving programs and incentives for which they may be eligible. We began this work in the 2022 – 2024 Duty to Serve Plan cycle, and we plan to continue and expand this critical work in the next Plan cycle.

[66] United States Census Bureau. 2023. Household Pulse Survey. Household Energy Use and Spending in the Last 12 Months, by Select Characteristics. https://www.census.gov/data/tables/2023/demo/hhp/hhp63.html.

In the 2022 – 2024 Duty to Serve Plan cycle, we began to test new approaches to helping very-low- and low-income homeowners make energy-saving improvements that will lower their utility bills. We designed and launched a test-and-learn connecting homeowners in financial distress to the federally funded, locally implemented Weatherization Assistance Program. The Weatherization Assistance Program provides a no-cost energy audit and cost-effective energy improvements to income-eligible homeowners. The initial feedback and data we received supports a larger test-and-learn. We plan to expand this test-and-learn to more high energy burdened markets in partnership with a housing counseling agency. In the initial phase we targeted two high energy burden cities: Detroit and Atlanta. The expanded test-and-learn in 2025 will focus on five high energy burden states.

The Energy Savings Program Finder tool was launched in December 2023 with energy efficiency incentive program information for ten states.

The Energy Savings Program Finder tool was launched in December 2023 with energy efficiency incentive program information for ten states. Fannie Mae is on track to have the tool include program information for all 50 states by the end of 2024. Over the next three years, our plan is to increase awareness and usage of the tool and continuously improve the tool's functionality where appropriate based on stakeholder feedback and the program data we receive. Our first step is to develop an outreach and engagement strategy with an emphasis on expanding awareness of the tool for LMI homeowners. To effectively engage and reach LMI households and households experiencing high energy burdens the team will focus on efforts that increase awareness of the tool and Fannie Mae as a trusted partner to provide access to energy efficiency incentive program information.

The strategy development will include stakeholder mapping to identify key lenders, community development financial institutions (CDFIs), HFAs, servicers, utility providers, social service agencies, direct practitioners and energy efficiency industry partners who can best increase awareness of the tool. In addition to the stakeholder outreach, the outreach strategy will include a paid media campaign focused on high energy burden markets.

Additionally, we plan on engaging with key stakeholders by:

- Promoting the tool at key housing industry and energy industry conferences.
- Hosting webinars for mortgage servicers, lenders, and national organizations such as housing counselors focused on energy and climate justice, affordable housing, poverty alleviation and financial asset building for LMI households.
- Collaborating with social services agencies.

The outreach and engagement will start in early 2025 and continue throughout the Plan cycle. Fannie Mae will continue to evaluate the tool's usage and effectiveness and make updates to the tool as appropriate.

YEAR	TARGET AND IMPLEMENTATION STEPS		EVALUATION AREA
2025	Promote and expand energy initiatives that support very low- and low-income homebuyers and homeowners. • Evaluate the effectiveness of the Energy Savings Program Finder; if appropriate, add new features to the tool. • Develop and launch an outreach and engagement strategy for the Energy Savings Program Finder to increase adoption; conduct stakeholder mapping to identify key partners such as CDFIs, HFAs, servicers, utility providers, social service agencies, direct practitioners, and energy efficiency industry partners. • Expand Weatherization Assistance Program test-and-learn for high-energy-burden borrowers to additional markets. • Utilizing research conducted in previous years and through learnings from the high-performance homes pipeline (2022-2024), continue to develop two new workstreams that focus on best practices and cost-benefit analysis of key energy efficiency and resiliency upgrades.	Increase awareness and evaluate existing energy loan products. • Assess existing mortgage products for potential alignment with Inflation Reduction Act (IRA) incentives and financing, which may help households complete energy efficiency or electrification projects after relevant IRA incentives are applied. • Engage with lenders to increase awareness and adoption of HomeStyle Energy and HomeStyle Renovation.	Loan Product
2026	Continue to promote and expand energy initiatives that support very low- and low-income homebuyers and homeowners. • Evaluate effectiveness of the Energy Savings Program Finder to determine next steps for the tool. • Continue outreach and marketing strategies to increase adoption of the Energy Savings Program Finder. • Evaluate effectiveness of Weatherization Assistance Program test-and-learn for high-energy-burden borrowers. • Continue research associated with two workstreams that focus on best practices and cost-benefit analysis of key energy efficiency and resiliency upgrades and if feasible, design test-and-learn.	Increase awareness and evaluate new energy loan products. • If applicable, assess new products that may help households complete energy efficiency or electrification projects after relevant IRA incentives are applied. • Continue lender engagement to increase awareness and adoption of HomeStyle Energy and HomeStyle Renovation.	Loan Product
2027	Continue to promote and expand energy initiatives that support very low- and low-income homebuyers and homeowners. • Evaluate effectiveness of the Energy Savings Program Finder to determine next steps for the tool. • If appropriate, continue outreach and marketing strategies to increase adoption of the Energy Savings Program Finder. • If feasible, launch a test-and-learn based on the energy efficiency and resiliency work completed in 2026.	Evaluate effectiveness of energy loan product initiatives. • Evaluate lender engagement and its impact to increase awareness and adoption of HomeStyle Energy and HomeStyle Renovation.	Loan Product

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

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

In addition to meeting the requirements for all Duty to Serve loans, Fannie Mae considers loans for this purchase target that meet at least one of the following requirements:

- Is a HomeStyle® Renovation or HomeStyle Energy loan, which includes an ENERGY STAR® certified improvement (see ENERGYSTAR.gov for details);
- Is a refinance on an existing Property Assessed Clean Energy (PACE) loan; OR
- Is a HomeStyle Energy loan which is projected to reduce energy or water consumption by at least 15% and provide aggregate utility savings over the life of the improvement that exceeds its cost.

Clarification of Excluded Loans

Fannie Mae does not count mortgage loans that finance renewable energy, such as solar or geothermal, or newly constructed homes towards Duty to Serve goals. We also do not count HomeStyle Renovation or Homestyle Energy loans that do not have verification of an ENERGY STAR improvement or do not have evidence of a 15% reduction of energy or water consumption.

Renewable Energy

Renewable energy is a form of energy production. By itself, it does not reduce the energy consumption of a household. Onsite renewable energy can result in lower utility bills over time and a cleaner energy source compared to utility-purchased electricity; however, onsite renewable energy still comes at an initial cost if a homeowner is purchasing or financing the system. While renewable energy could have been financed by an original PACE loan, PACE could also have been used for energy efficient upgrades such as a new, high efficiency heat pump or new wall insulation installation. Therefore, we still consider loans which are refinances out of a PACE loan to be Duty to Serve eligible, if the borrower also meets the income and occupancy requirements of Duty to Serve.

Newly Constructed Homes

The Duty to Serve Rule focuses on financing energy and water improvements of existing homes. Therefore, newly constructed homes are not considered eligible to be counted toward this loan purchase target. One exception, as noted in the final Duty to Serve Rule, is manufactured homes. According to a footnote (No. 74) on Page 112 of the final Duty to Serve Rule, "A manufactured home that has met a credible and generally accepted standard for projecting energy savings, such as the ENERGY STAR certification, would be eligible for Duty to Serve credit under this energy efficiency Regulatory Activity."

Fannie Mae is not currently counting green manufactured homes for this loan purchase objective but we may in the future.

HomeStyle Renovation and Homestyle Energy Loans

In the final Duty to Serve Rule for this regulatory activity, a section titled "Credible Projections" states "the projections of energy or water savings must be made based on credible and generally accepted standards that the improvements will reduce energy or water consumption by at least 15 percent." One of our loan purchase requirements is directly aligned with the "Credible Projections" language. Fannie Mae has worked with FHFA during the previous Duty to Serve program cycles to add the ENERGY STAR certified improvements and the refinancing of existing PACE loans as alternative pathways that adhere to the intent of the Duty to Serve credible projections. These are pathways that, we can reasonably assume likely will or have resulted in a reduction of at least 15 percent energy or water consumption. However, Fannie Mae does not count all HomeStyle Renovation or HomeStyle Energy loans. Both loan products can finance improvements that do not result in a reduction of energy or water consumptions, such as projects that finance renewable energy, resilience, or even an addition to a home. Therefore, we only count loans that we can reasonably assume result in the reduction of energy or water consumption.

Our strategy for developing this market at scale will continue to be centered around relationship and education-focused outreach to lenders. These engagements will aim to bridge knowledge gaps in the application of our requirements for the various categories that make up this loan purchase target and provide iterative feedback to potentially improve the ways that we track eligible loan purchases in the future. Lenders may require assistance to establish the necessary level of detail in their loan identification process because of the nuances of how energy- and water-efficiency improvements are measured, which can create challenges for loan delivery. Maintaining consistent engagement and feedback channels is key to addressing these challenges and building on the liquidity support we provide to this market.

Baseline: Broader market trends have resulted in significantly lower single-family energy loan volume in 2023. Specific drivers for this decline include factors affecting the broader housing market, such as higher interest rates and the associated "lock-in" effect for existing homeowners, historically high home prices, and limited housing supply. With the higher interest rates, refinances were down considerably. This is particularly impactful for single-family energy and water loans. In the past, homeowners have used HomeStyle Energy and, to a lesser extent, HomeStyle Renovation during a refinance to fund home energy improvements or refinance existing energy-related debt. The higher interest rates are reducing refinance volume, which in turn is reducing the number of HomeStyle Energy and HomeStyle Renovation loans. In 2023, Fannie Mae purchased 36 loans under this objective, which represents the baseline. We have opted for a one-year baseline as this is believed to be representative of current market conditions. Our proposed loan purchase targets for 2025-2027 reflect volume expectations over the upcoming plan years, including refinance volume.

Below is a breakdown of our 2023 energy loan purchases by energy improvement category and loan type:

ENERGY LOAN PURCHASES	2023	%
Total Loans	36	100.00
Energy Improvement Category		
PACE Loans	20	55.6
ENERGY STAR® Improvements	16	44.4
Loan Type		
Purchase Loans	15	41.7
Refinance Loans	21	58.3

YEAR	TARGET AND IMPLEMENTATION STEPS	EVALUATION AREA
2025	Purchase 40 loans used to purchase or refinance homes with energy, water, or energy debt refinance, which represents approximately an 11% increase over the baseline.	Loan Purchase
2026	Purchase 45 loans used to purchase or refinance homes with energy, water, or energy debt refinance, which represents approximately a 12.5% increase over the 2025 target.	Loan Purchase
2027	Purchase 50 loans used to purchase or refinance homes with energy, water, or energy debt refinance, which represents approximately an 11% increase over the 2026 target.	Loan Purchase

Activities and Objectives

G.

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

An analysis of shared equity loans in Fannie Mae's portfolio between 2021 and 2023 showed an average UPB of approximately

$200,000.

Shared equity programs preserve affordable homeownership opportunities by allowing borrowers to purchase homes at below-market prices. In exchange, borrowers agree to sell the property only to other income-qualified buyers at a below-market rate determined by a restrictive resale price formula. This structure allows a one-time subsidy for property acquisition or construction to result in lasting affordability.

In addition to creating lasting affordability, the shared equity model serves communities through an adaptable model, customizing programs to meet community priorities. While this model helps programs best serve their communities, it poses challenges to standardizing the financing of home purchase transactions because each program may have different guidelines. To originate a loan, lenders may have to carefully review complex legal documents (e.g., a ground lease or deed restriction) to determine if the program meets conforming loan requirements. This challenge, coupled with very low shared equity transaction volume and low loan balances, disincentivizes lenders to originate shared equity loans, ultimately constraining liquidity to this market.

There are just over 300 shared equity programs in the United States with a total of approximately 15,600 shared equity homes which comprise approximately 0.01% of the total housing units in the United States.[67] An analysis of shared equity loans in Fannie Mae's portfolio between 2021 and 2023 showed an average unpaid principal balance of approximately $200,000.

1. Objective: Simplify the shared equity loan delivery process through the Shared Equity Program Platform, Certified Shared Equity Program List, and promotion of model documents.

Fannie Mae will continue to manage and promote the Shared Equity Program Platform (SEPP) and the Certified Shared Equity Program List (CSEP List) to incentivize increased lending for shared equity properties by decreasing the complexity of loan origination and delivery. In December 2023, we deployed SEPP and the CSEP List, a shared equity certification system and public-facing list of certified shared equity programs. In tandem with the launch of this platform, we updated our Selling Guide to provide rep and warrant relief to lenders, relieving them from having to review the legal documents for certified programs that use model documents. Programs that use documents other than the model documents but are found through our review process to meet certain requirements are also included on the CSEP List for visibility, though they are not eligible for lender rep and warrant relief. We will conduct outreach to shared equity programs that are not certified, with the goal of achieving certification of the majority of the known shared equity program market. We will also conduct outreach to lenders to promote the CSEP List to improve visibility for shared equity programs and ultimately increase shared equity loan deliveries to Fannie Mae. Fannie Mae will also continue the annual recertification process to ensure that the CSEP list is updated to reflect any program-level changes for certified programs. To accomplish this, SEPP has been updated to manage the recertification process, where programs must certify if they have or have not made

[67] Lincoln Institute of Land Policy. 2023. The 2022 Census of Community Land Trusts and Shared Equity Entities in the United States: Prevalence, Practice, and Impact, Report: https://www.lincolninst.edu/publications/working-papers/2022-census-community-land-trusts-shared-equity-entities-in-united. Note: Share of shared equity housing units in the United States is based on the housing inventory estimate of 146 million as of Q4 2023 U.S. census data (citation below). U.S. Census Bureau, Housing Inventory Estimate: Total Housing Units in the United States [ETOTALUSQ176N], retrieved from FRED, Federal Reserve Bank of St. Louis, https://fred.stlouisfed.org/series/ETOTALUSQ176N, March 27, 2024.

As of June 30th, 2024, there are

110

programs reflected on the CSEP List.

changes to their legal documents. If they have made changes, the program must refresh its responses to the certification questions and upload current legal documents which initiates Fannie Mae review for adherence to certification requirements. This process may result in updates to the CSEP list based on new information from programs and review outcomes. While it is not known how many programs have updated their legal documents since certification, Fannie Mae's quality control reviews of certified programs over the last year indicate that some programs do make changes and the materiality of changes may vary. Though the process of recertification is expected to be a substantial undertaking given the number of programs currently certified, it remains critical for the maintenance of an accurate CSEP List.

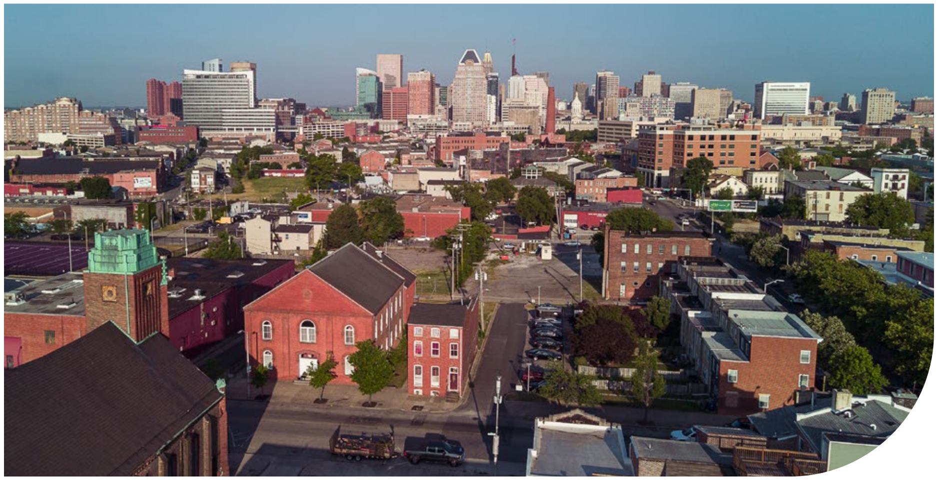
Baseline: As of June 30th, 2024, there are 110 programs reflected on the CSEP List.

Addressing Lending Challenges

Feedback from industry stakeholders has indicated several common hurdles to shared equity lending, including a lack of visibility into how these loans perform compared to traditional single-family lending. Shared equity loans have unique characteristics, such as low LTVs, and programs often provide additional services and support to buyers of shared equity properties to help them maintain housing stability. These characteristics may drive a difference in loan performance as compared to non-shared equity loans. The analysis will compare shared equity loans to several types of non-shared equity loans with a focus on comparison to affordable loan products. The results of the analysis may help to inform possible product, process, or policy changes, including how we utilize SEPP and the CSEP List.

Industry stakeholders have also noted challenges in completing appraisals for shared equity properties. Fannie Mae will conduct research and outreach to lenders to understand appraisal challenges to guide an effort to simplify and streamline appraisal requirements. In addition, Fannie Mae does not allow for delivery of loans on CLT properties where the resale restrictions survive foreclosure. Through engagement, we know of several state and local government programs that per statute require the restrictions to survive foreclosure. We will review our product, process, and policy against known programs with resale restrictions that survive foreclosure to inform possible changes to allow for financing these properties. Our ability to address these barriers could simplify the process for lenders, thereby promoting access to conventional mortgage financing for shared equity properties.

Baseline: Fannie Mae will complete an analysis of shared equity loan performance and identify appraisal challenges that can be addressed through potential process, product, or policy improvements.



YEAR	TARGET AND IMPLEMENTATION STEPS	EVALUATION AREA
2025	Manage the shared equity loan delivery process and evaluate for potential enhancements to simplify shared equity lending. • Continue to promote, manage, and enhance the shared equity program platform. – Complete recertification process for all programs certified prior to year-end 2024. – Conduct nationwide outreach to an additional 200 shared equity organizations that are not yet participating in the certification platform. – Conduct outreach to targeted lenders and program providers, including a shared equity advisory group, to promote shared equity and gather feedback on SEPP, the CSEP List, and Fannie Mae's work to increase liquidity to the shared equity market. – If necessary, update certification platform and processes to respond to lender and practitioner feedback. • Perform a portfolio analysis of shared equity loan performance. • Conduct a review of valuation methods for shared equity loan deliveries, including appraisals and appraisal alternatives, and obtain feedback from lenders to evaluate opportunities for simplification and clarification of shared equity appraisal requirements. • Review policies regarding resale restrictions that survive foreclosure for potential changes to accommodate financing of these properties.	Outreach
2026	Manage the shared equity loan delivery process and, if appropriate, implement enhancements to simplify shared equity lending. • Review the majority of shared equity programs for certification. – Achieve cumulative review of at least 150 shared equity programs. – Analyze opportunities for product or policy enhancements that simplify loan origination and loan delivery requirements by leveraging SEPP. – Complete recertification of current certified programs as needed. • If appropriate, update process, product, or policy requirements for shared equity loans. – Use the analysis of shared equity loan performance to implement process, product, or policy changes and implement where appropriate. – Use the analysis of shared equity property valuation methods to inform updates to shared equity appraisal requirements and implement where appropriate. – Use the policy review for properties with resale restrictions that survive foreclosure to inform process, product, or policy changes and implement where appropriate.	Loan Product
2027	Manage the shared equity loan delivery process and, if appropriate, refine enhancements to simplify shared equity lending implemented in 2026. • Review the majority of shared equity programs for certification. – Achieve cumulative review of at least 200 shared equity programs. – Complete recertification of current certified programs as needed. • Assess impact of updates to process, product, or policy requirements that simplify loan origination and delivery requirements and refine as necessary. • Assess impact of updates to appraisal or valuation requirements implemented in 2026 and refine as necessary. • Assess impact of updates to policy regarding resale restrictions that survive foreclosure and refine as necessary. • Make updates, as appropriate, to SEPP based upon feedback gathered from shared equity programs, lenders and industry partners in years 2025 and 2026.	Loan Product

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

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

Baseline: In 2023, Fannie Mae modified the loan purchase target for shared equity loans, which included a change to the way Fannie Mae identifies shared equity loans. This change of loan identification methodology was based on shared equity policy and procedure changes in 2023 that allow us to identify shared equity loan deliveries more comprehensively. Prior to this change in methodology, Fannie Mae relied on select lender identification of shared equity loans that meet Duty to Serve criteria, incentivizing lenders to identify loan deliveries of shared equity loans that meet Duty to Serve requirements. In 2024, Fannie Mae discontinued the incentive structure, and it is unknown how this will impact future loan deliveries.

We are using a baseline of 270 loans, calculated using the 2023 volume of 301 shared equity loans, less the portion of 2023 volume that we estimate came in exclusively due to the lender incentive, approximately 10%.

HISTORICAL SHARED EQUITY LOAN PURCHASES	2022*	2023
Loans	180	301

*2022 shared equity loan purchases are reported per the previous methodology noted above.

YEAR	TARGET AND IMPLEMENTATION STEPS	EVALUATION AREA
2025	Purchase 284 loans used to finance shared equity properties, which represents approximately a 5% increase from the baseline.	Loan Purchase
2026	Purchase 295 loans used to finance shared equity properties, which represents approximately a 9% increase from the baseline.	Loan Purchase
2027	Purchase 325 loans used to finance shared equity properties, which represents approximately a 20% increase from the baseline.	Loan Purchase

Activities and Objectives

H.

Additional Activity: Support the rehabilitation of single-family homes (12 C.F.R. §§ 1282.34 (e) and 1282.36(c)(3)).

1. Objective: Increase or improve the quality of single-family homes through dedicated outreach and loan product development.

In 2021, the median home was the oldest it has ever been at 43 years of age, up from 27 in 1991.[68] As our housing supply continues to age, essential repairs or improvements for quality and safety are key to preserving these homes, and funding needs for these repairs are growing. The Federal Reserve Bank of Philadelphia estimates that the nation's housing stock needs repairs amounting to $149 billion, including $57 billion for homes occupied by households with lower income.[68] The need for financing is particularly strong among low- to moderate-income homeowners who may lack ample savings to pay for costly improvements and maintenance out of pocket. Without accessible funding, deferral of these repairs contributes to the deterioration of aging housing stock, creating health and safety risks for homeowners and impacting the quality of housing supply over time. Fannie Mae has historically served consumer renovation needs through our HomeStyle® Renovation and HomeStyle® Energy loan products but remains committed to exploring additional options that may benefit underserved homebuyers as property rehabilitation needs grow.

Baseline: Fannie Mae has previously been working to identify opportunities to further address rehabilitation needs for single-family properties. This included engagements with lenders to assess market need for a unique loan product for rehabilitation that adds to our existing renovation options. We are seeking to continue this outreach and use key learnings to pursue loan product development and innovation that enables households to make essential repairs and improvements, which will help to improve the quality of existing housing supply over time.

The nation's housing stock needs repairs amounting to $149 billion, including $57 billion for homes occupied by households with lower income.

[68] Joint Center for Housing Studies at Harvard University. 2023. The State of The Nation's Housing 2023 Report. https://www.jchs.harvard.edu/sites/default/files/reports/files/Harvard_JCHS_The_State_of_the_Nations_Housing_2023.pdf.

YEAR	TARGET AND IMPLEMENTATION STEPS	EVALUATION AREA
2025	Continue to expand solutions for the rehabilitation of single-family homes that promote habitability, safety, and longevity. • Pursue innovation of the HomeStyle® Energy loan product to include options for environmental hazard remediation. – Perform an analysis of common environmental hazards (such as mold, asbestos, and lead) and their remediation costs that could be addressed under this expansion. – If feasible, implement a policy change informed by findings that is designed to ease the burden of environmental hazard remediation for the consumer. • Continue development of a small-scale renovation solution to support repairs and improvements for aging housing stock. – Assess feasibility and market need through targeted outreach to lenders not currently participating in our renovation programs.	Loan Product
2026	Continue to expand solutions for the rehabilitation of single-family homes that promote habitability, safety, and longevity. • Monitor expansion of the HomeStyle® Energy loan product completed in 2025 for impact and potential follow-on improvements. – Seek feedback from lenders on the ease of use and effectiveness of the expansion. • Continue development of a small-scale renovation solution to support repairs and improvements for aging housing stock. – If feasible, develop a financing solution informed by outreach completed in 2025 that addresses consumer needs and lender risk tolerances. – Begin market testing of the solution and evaluate its effectiveness through engagement with lenders.	Loan Product

Activities and Objectives

I.

Additional Activity: Residential Economic Diversity Activity (12 C.F.R. §§ 1282.32 (d)(3) and 1282.36(c)(3)).

Fannie Mae will conduct activities within the affordable housing preservation market that contribute to the residential economic diversity (RED) of communities. Through our loan purchases, we can support the development and maintenance of properties that provide housing affordable to low- and very low-income residents within certain FHFA-defined High Opportunity Areas. These areas provide meaningful proximity to jobs, public transportation, and quality schools but are often accompanied by housing and living costs that are prohibitively high for low-income households. Efforts to support affordable supply within these neighborhoods promote economic mobility and access to stable housing with community resources. To meet the affordability needs of the market, these properties may utilize funding from one or a combination of several federal, state, or local programs in addition to financing from Fannie Mae.

1. Objective: Purchase affordable loans to add liquidity to the market in FHFA-determined RED-eligible high-opportunity areas.

Fannie Mae will purchase loans secured by Section 8, LIHTC, and/or properties supported by State or Local affordable housing programs that also fall within a RED-eligible high-opportunity area. By providing liquidity for affordable multifamily housing in these areas, we can help to preserve RED at a time where rising market-rate rents may limit options for low-to-moderate income individuals and families. Housing stability is particularly impactful in areas of high opportunity because of the access to resources that contribute to economic mobility. To meet our targets under this objective, we will continue our strategy of consistent engagement with our DUS lenders to identify opportunities in these areas that fall within our Multifamily Affordable Housing business.

Baseline: The baseline of 4,016 units is calculated as the 3-year average of the number of Section 8, LIHTC, and State/Local affordable program loans in FHFA's designated High-Opportunity Areas purchased by Fannie Mae, adjusted for the impact of anomalous market conditions that are not likely to be replicated in upcoming Plan years by excluding 2022 loan purchase volume from the calculation, basing the average on 2020, 2021, and 2023 loan purchase volume. This calculation is consistent with the baseline methodologies for the loan purchase objectives for Section 8, LIHTC, and Other State / Local. We have set targets for the 2025-2027 Plan years slightly above the baseline, with modest increases based on expectations that this loan volume will be maintained through prevailing market headwinds due to a high level of market engagement.

HISTORICAL RED LOAN PURCHASES	2020*	2021*	2022	2023
Loans	32	22	57	39
Rental Units	4,165	2,858	7,086	5,026

*2020 and 2021 figures displayed are based on the RED loan purchase definition from the 2022-2024 Duty to Serve Plan, which includes LIHTC Debt, Section 8, and Other State and Local. These differ from reporting under the 2018 - 2020 Duty to Serve Plan definition, which included LIHTC Debt and Other State and Local, and the 2021 Duty to Serve Plan definition which included Other State and Local only.

YEAR	TARGET AND IMPLEMENTATION STEPS	EVALUATION AREA
2025	Purchase loans financing 4,100 RED-eligible units in high-opportunity areas secured by LIHTC, Section 8, and/or properties supported by state or local affordable housing programs.	Loan Purchase
2026	Purchase loans financing 4,150 RED-eligible units in high-opportunity areas secured by LIHTC, Section 8, and/or properties supported by state or local affordable housing programs.	Loan Purchase
2027	Purchase loans financing 4,200 RED-eligible units in high-opportunity areas secured by LIHTC, Section 8, and/or properties supported by state or local affordable housing programs.	Loan Purchase

Activities and Objectives

J.

Additional Activity: Support disaster preparedness and weather resiliency (12 C.F.R. §§ 1282.34 (e) and 1282.36(c)(3)).

1. Objective: Support TA programs that help prepare multifamily properties to adapt to weather-related risks or prepare for natural disasters.

Insurance and disaster relief at the federal and state levels have historically helped insulate the multifamily industry from the full financial impact of catastrophic events. However, the volatility of the insurance market in 2023 highlighted how insurance and disaster assistance may not be enough to protect lenders, borrowers, and residents from an increase in the strength and frequency of weather-related events. Fannie Mae has focused our work on understanding opportunities to mitigate the impact of climate-related weather events on multifamily properties and the families that live in them. There are two main challenges driving/encouraging action on resilience: property owners being uninformed of their risks and the unknown financial impact of those risks.

To combat these challenges, TA will be an important and beneficial tool used to deliver industry best practices and expert knowledge.

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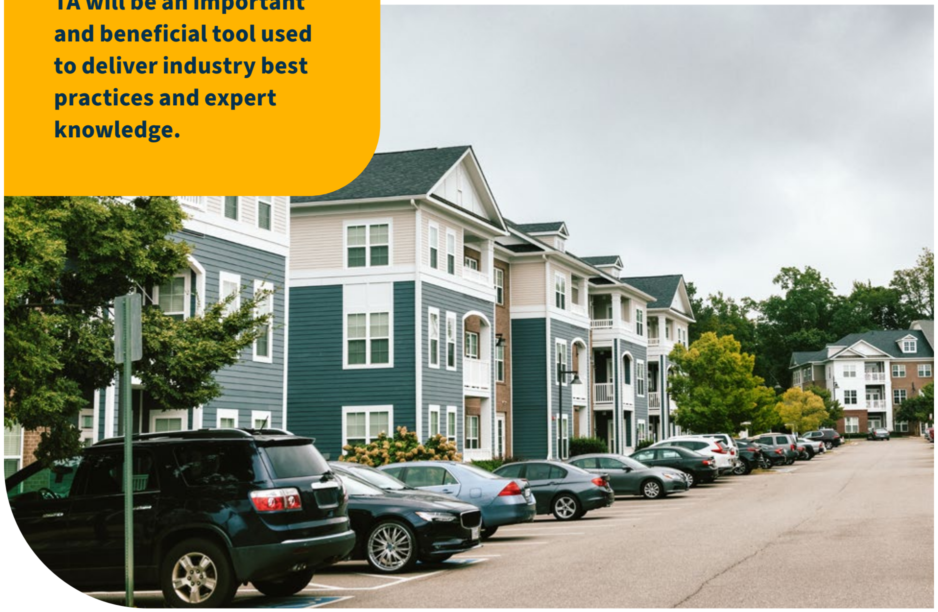
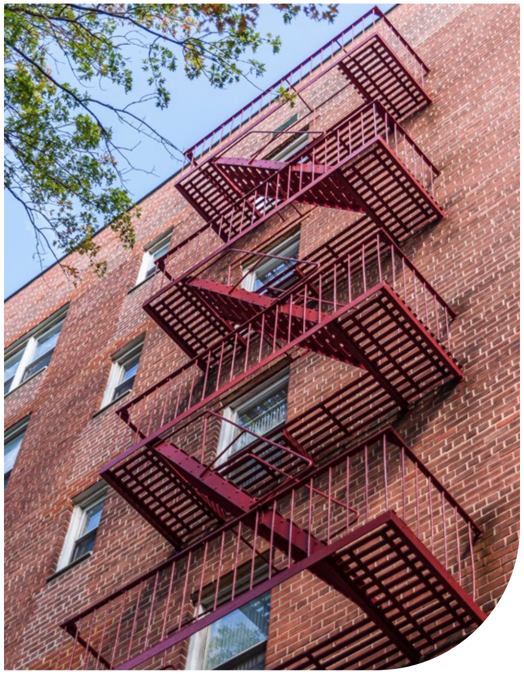


Fannie Mae will partner with a nonprofit organization to engage affordable housing providers, local stakeholders, and subject matter experts with the goal of helping participants identify critical vulnerabilities, offer solutions and TA designed to improve building and portfolio resilience to future threats, and incorporate strategies for improving community resilience.

Baseline: Fannie Mae has explored ways to support multifamily property resilience in recent years. In 2020, Fannie Mae partnered with Enterprise Community Partners on the creation of a free, interactive tool to equip multifamily affordable building owners and managers with a plan to address crises called Ready to Respond: Business Continuity Toolkit for Affordable Housing Organizations. Fannie Mae has also supported a roadmap, developed by the National Institute of Building Sciences, that outlines the mitigation investment that can be undertaken to help prepare for and respond to the devastating effects of extreme weather. We commit to building on this historical body of work in the Plan by providing dedicated support for resources that serve to educate and prepare property owners to make decisions about climate resilience.

YEAR	TARGET AND IMPLEMENTATION STEPS	EVALUATION AREA
2025	Partner with a nonprofit organization experienced in resilience outreach to deliver TA to 12 to 20 organizations by educating them on how to preserve affordable housing through increased resilience to severe weather events. • Plan the 2025 TA program, coordinate with the nonprofit in planning where possible, and identify organizations for TA delivery – targeting borrowers with properties that have been identified as vulnerable to weather-related risks and working with its servicers to directly reach out to borrowers regarding available assistance. • Execute the 2025 TA program by working with providers to deliver programs that measure progress toward agreed-upon milestones. • Nonprofit will host at least four educational sessions on resilience-related topics.	Outreach
2026	Continue partnership with nonprofit organization to deliver TA to 12 to 20 organizations by educating them on how to preserve affordable housing through increased resilience to severe weather events. • Assess the results of TA provided in 2025 and identify opportunities and strategies to strengthen the program's effectiveness in 2026. • Plan the 2026 TA program, coordinate with the nonprofit in planning, where possible, and identify organizations for TA delivery – targeting borrowers with properties that have been identified as vulnerable to weather-related risks and working with its servicers to directly reach out to borrowers regarding available assistance. • Execute the 2026 TA program by working with providers to deliver programs that measure progress toward agreed-upon milestones. • Nonprofit will host at least four educational sessions on resilience-related topics.	Outreach
2027	Continue partnership with nonprofit organization to deliver TA to 12 to 20 organizations by educating them on how to preserve affordable housing through increased resilience to severe weather events. • Assess the results of TA provided in 2026 and identify opportunities and strategies to strengthen the program's effectiveness in 2027. • Plan the 2027 TA program, coordinate with the nonprofit in planning, where possible, and identify organizations for TA delivery – targeting borrowers with properties that have been identified as vulnerable to weather-related risks and working with its servicers to directly reach out to borrowers regarding available assistance. • Execute the 2027 TA program by working with providers to deliver programs that measure progress toward agreed-upon milestones. • Nonprofit will host at least four educational sessions on resilience-related topics. • Evaluate lessons learned in 2025 and 2026 to determine if there are additional opportunities for Fannie Mae to support resilience.	Outreach



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