Fannie Mae®

Duty to Serve

Underserved Markets Plan

2022 – 2024

Preface

Fannie Mae is committed to being America's most valued housing partner. True to our charter to provide a reliable source of affordable mortgage financing, we continue to innovate ways to create and preserve affordable housing and promote a stronger, safer, and more efficient housing finance system.

In 2016, the Federal Housing Finance Agency (FHFA) issued the Enterprise Duty to Serve (DTS) Underserved Markets Rule, charging Fannie Mae to more explicitly service three key underserved markets: Manufactured Housing, Affordable Housing Preservation, and Rural Housing. This mandate directly aligns with our mission. We seek to be a trusted partner in these often overlooked markets by providing liquidity, increasing stability, and promoting affordability for the greatest number of families.

Fannie Mae's DTS 2018 – 2021 Underserved Markets Plan set the foundation to improve access to mortgage financing and affordable rental housing for more families with modest means. Since 2018, Fannie Mae has executed and implemented the activities outlined in the DTS 2018 – 2021 Plan. Our 2022 – 2024 Plan continues those efforts to help more families achieve the dream of a stable, affordable place to call 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 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.*

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Our Duty to Serve Impact

2018 – 2020

ALL DTS

$82.26
BILLION
Total liquidity provided

MULTIFAMILY

626,533
Units financed

SINGLE-FAMILY

138,310
Home loans purchased

Manufactured Housing

MULTIFAMILY

INTRODUCED
2 PRICING INCENTIVES
Tenant site lease protections and non-traditional ownership

MULTIFAMILY

15,958
Pads with tenant site lease protections

SINGLE-FAMILY

NEARLY
$5.58
BILLION
Liquidity provided to the manufactured housing market

Affordable Housing Preservation

MULTIFAMILY

NEARLY
$1.7
BILLION
In financing for properties advancing residential economic diversity

SINGLE-FAMILY

1,203
Smart thermostats provided to low- or moderate-income borrowers

SINGLE-FAMILY

15
States where we purchased DTS-eligible shared equity loans

Rural Housing

MULTIFAMILY

20,724
Units of affordable housing financed in high-needs rural regions

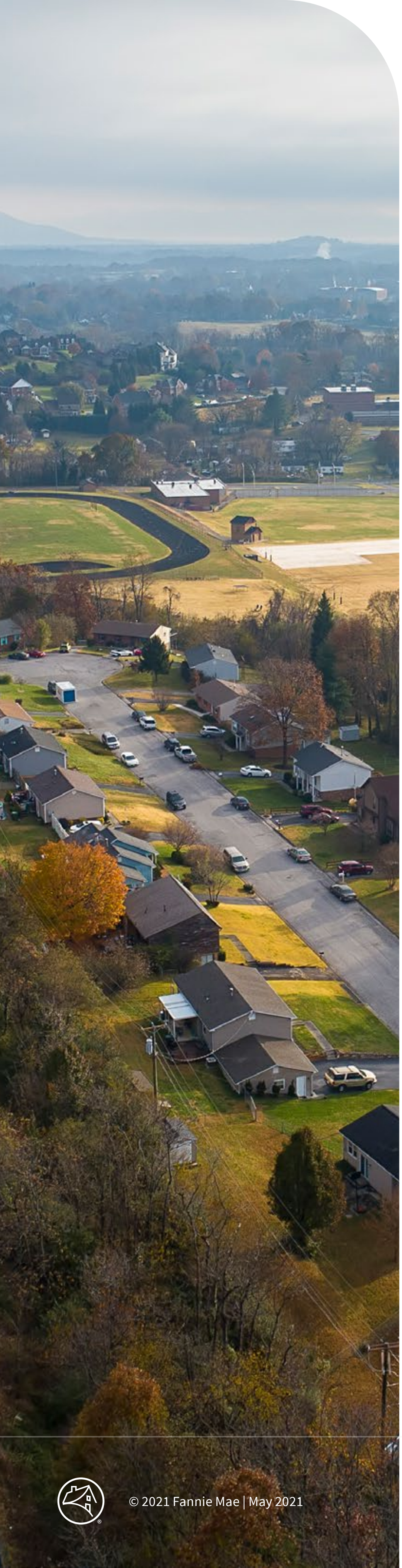
SINGLE-FAMILY

NEARLY
$5.1
BILLION
In loan deliveries from small financial institutions

SINGLE-FAMILY

NEARLY
$5.7
BILLION
Liquidity provided to high-needs rural regions

Totals reflect 2018 – 2020. Fannie Mae's 2020 results have not been validated by FHFA. After validation, they may differ from the results reported.



Strategic Priorities Across All Markets: 2022 – 2024 Plan

We are proud of the accomplishments that have been made so far, but the challenges facing the Manufactured Housing, Affordable Housing Preservation, and Rural Housing markets are evolving and require our continued attention. Building on these foundations, Fannie Mae's DTS 2022 – 2024 Strategic Plan aims to expand support to communities and homeowners in America's most challenging markets.

OUR PRIORITIES:

- **Analyze:** Fannie Mae's data is a powerful tool. We will leverage our research and analytical capabilities to learn more about the toughest challenges facing our nation's underserved markets, which still lack the depth and breadth of insights available for well-served markets. When shared, these insights have the potential to improve understanding across the industry.
- **Test and learn:** We plan to build upon our set of offerings by designing and piloting new programs that result in more impactful market initiatives.
- **Partner and innovate:** We are committed to partnerships with organizations and individuals who understand the nuances of our targeted markets, and our ability to identify these opportunities for collaboration and innovation is a key component in reaching our goals.
- **Do what we do best:** Our commitment to affordable housing is more than just a series of regulatory requirements — it is a fundamental component of who we are as a company. By harnessing the power of the secondary market, we work to turn private capital into more affordable housing in all markets. Developing the standardization and scale necessary to leverage private capital in these markets is difficult, but we embrace the challenge. We are committed to finding new ways and new partners to offer more and better support to the communities that need it most.
- **Targeted income levels:** We will target homeowners and renters across three income levels (very low, low, and moderate) in all markets and all years of the Plan. See below:

Year	2022	2023	2024
Income levels	Very low-, low-, and moderate-income levels for all years		

These priorities touch every aspect of the 2022 – 2024 Plan. Over the next phase of our Duty to Serve efforts, we will continue the work we have already established and seek new opportunities to expand upon our impact. While underserved communities continue to face complex challenges, the DTS mandate ignites and inspires the people who work at Fannie Mae. We invite you to learn more about our DTS 2022 – 2024 Plan in the following market sections.

Introduction

Our DTS 2022 – 2024 Underserved Markets Plan outlines objectives to support communities in the three targeted DTS markets. We are working to:

- **Expand** access to sustainable and affordable homeownership and rental opportunities in manufactured housing.
- **Explore** and test new approaches to preserve and expand affordable housing preservation options.
- **Tackle** affordability obstacles in rural markets nationwide, including Appalachia, Native areas, and farmworker communities.

We are committed to expanding our support of homeowners and renters in each of these markets, and the activities laid out in our Plan capture and advance that commitment. As always, Fannie Mae's mission underscores our work and our efforts to create safe, affordable, and sustainable housing for more families in America.

Overview for Manufactured Housing

REGULATORY ACTIVITIES FOR MANUFACTURED HOUSING

Activities and Objectives	2022 Evaluation Factor	2023 Evaluation Factor	2024 Evaluation Factor	Page
A. Regulatory Activity: Support manufactured homes titled as real property (MHRP) (12 C.F.R. § 1282.33 (c) (1)).				
1. Acquire purchase money mortgage (PMM) loans secured by MHRP.	Loan Purchase	Loan Purchase	Loan Purchase	19
2. Explore opportunities to facilitate financing of loans secured by MHRP located in certain manufactured housing communities.	Outreach	Loan Product	Loan Product	20
3. Expand on prior efforts to facilitate financing of loans on homes secured by MHRP located in fee simple developments.	Loan Product	Loan Product	N/A	21
4. Maintain manufactured housing industry engagement through outreach, publication of research and resources, and consideration of policy changes and variances that respond to feedback.	Outreach	Outreach	Outreach	22
B. Regulatory Activity: Manufactured housing communities (MHCs) owned by a governmental entity, nonprofit organization, or residents (12 C.F.R. § 1282.33 (c) (3)).				
1. Increase loan purchases of MHCs owned by government entities, nonprofit organizations, or residents.	Loan Purchase	Loan Purchase	Loan Purchase	24
C. Regulatory Activity: Manufactured housing communities (MHCs) with certain pad lease protections (12 C.F.R. § 1282.33 (c) (4)).				
1. Increase the number of loan purchases of MHCs with tenant site lease protections.	Loan Purchase	Loan Purchase	Loan Purchase	25

LOAN PURCHASE TARGETS FOR MANUFACTURED HOUSING

Activities and Objectives		2022 Loan Purchase Target	2023 Loan Purchase Target	2024 Loan Purchase Target	Page
A. Regulatory Activity: Support manufactured homes titled as real property (MHRP) (12 C.F.R. § 1282.33 (c) (1)).					
1.	Acquire purchase money mortgage (PMM) loans secured by MHRP.	8,595 loans	9,025 loans	9,476 loans	19
B. Regulatory Activity: Manufactured housing communities (MHCs) owned by a governmental entity, nonprofit organization, or residents (12 C.F.R. § 1282.33 (c) (3)).					
1.	Increase loan purchases of MHCs owned by government entities, nonprofit organizations, or residents.	A. 3 properties B. 2 properties	A. 4 properties B. 2 properties	A. 4 properties B. 2 properties	24
C. Regulatory Activity: Manufactured housing communities (MHCs) with certain pad lease protections (12 C.F.R. § 1282.33 (c) (4)).					
1.	Increase the number of loan purchases of MHCs with tenant site lease protections.	20% of MHC properties financed	25% of MHC properties financed	30% of MHC properties financed	25

Overview for Affordable Housing Preservation

REGULATORY ACTIVITIES FOR AFFORDABLE HOUSING PRESERVATION

Activities and Objectives	2022 Evaluation Factor	2023 Evaluation Factor	2024 Evaluation Factor	Page
A. Statutory Activity: The project-based and tenant-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	38
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	39
2. Support technical assistance programs that facilitate the preservation of Section 515 properties.	Outreach	Outreach	Outreach	40
C. Statutory Activity: Low-Income Housing Tax Credits (LIHTC) 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	41
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	43
E. Regulatory Activity: HUD Rental Assistance Demonstration (RAD) program (12 C.F.R. § 1282.34 (d) (6)).				
1. Purchase loans for RAD properties.	Loan Purchase	Loan Purchase	Loan Purchase	44
F. Regulatory Activity: Finance 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 market awareness and understanding of energy and water efficiency improvements and financing through industry outreach, research, and evaluation.	Outreach	Outreach	Outreach	45

Activities and Objectives		2022 Evaluation Factor	2023 Evaluation Factor	2024 Evaluation Factor	Page
G. Regulatory Activity: Energy or water efficiency improvements on single-family, first lien properties that meet the FHFA Criteria (12 C.F.R. § 1282.34 (d) (3)).					
1.	Expand research and enhance data to better identify and track key characteristics for loans on properties that include energy and water efficiency improvements.	Loan Product	Loan Product	Loan Product	47
2.	Reduce homeowner utility costs through loan product enhancements that allow homeowners to finance or refinance energy and water improvements.	Loan Product	Loan Product	Loan Product	49
3.	Increase the purchase of mortgage loans that finance energy and water improvements or refinance existing energy debt.	N/A	Loan Purchase	Loan Purchase	50
H. Regulatory Activity: Shared equity programs for affordable housing preservation (12 C.F.R. § 1282.34 (d) (4)).					
1.	Promote best practices and standardization for shared equity programs through a model deed restriction and a certification system for shared equity programs.	Outreach	Outreach	Outreach	51
2.	Increase the purchase of mortgage loans that finance shared equity homes.	Loan Purchase	Loan Purchase	Loan Purchase	53
I. Regulatory Activity: Purchase or rehabilitation of certain distressed properties (12 C. F.R. § 1282.34 (d) (7)).					
1.	Improve the dispositioning of distressed properties through research and new product development specifically focusing on vacant and abandoned properties.	Loan Product	Loan Product	Loan Product	54
2.	Increase the acquisition of distressed properties by owner-occupants through outreach and new product development focused on purchasing distressed properties by shared equity programs.	Loan Product	Loan Product	Loan Product	55
J. Additional Activity: Residential Economic Diversity (RED) Activity (12 C.F.R. §§ 1282.32 (d)(3) and 1282.36(c)(3)).					
1.	Purchase affordable loans to add liquidity to the market in FHFA-determined, RED-eligible High Opportunity Areas.	Loan Purchase	Loan Purchase	Loan Purchase	57
2.	Create opportunity by conducting and supporting research and education related to affordable housing in High Opportunity Areas.	Outreach	Outreach	Outreach	57

LOAN PURCHASE TARGETS FOR AFFORDABLE HOUSING PRESERVATION

Activities and Objectives	2022 Loan Purchase Target	2023 Loan Purchase Target	2024 Loan Purchase Target	Page
A. Statutory Activity: The project-based and tenant-based rental assistance housing programs under Section 8 of the U.S. Housing Act of 1937, 42 U.S.C. § 1437f.				
1. Provide a steady source of capital and liquidity through the purchase of loans secured by Project-Based Section 8 properties.	153 loans	153 loans	153 loans	38
B. Statutory Activity: The rural rental housing program under Section 515 of the Housing Act of 1949, 42 U.S.C. § 1485.				
1. Promote greater preservation of USDA Section 515 properties through loan purchases.	6 loans	9 loans	13 loans	39
C. Statutory Activity: Low-Income Housing Tax Credits (LIHTC) under Section 42 of the Internal Revenue Code of 1986, 26 U.S.C. § 42.				
1. Increase liquidity to the LIHTC debt market by purchasing loans secured by LIHTC properties.	195 loans	200 loans	205 loans	41
D. Statutory Activity: Other comparable State or Local affordable housing programs.				
1. Purchase loans secured by properties under State or Local affordable housing programs.	64 loans	66 loans	68 loans	43
E. Regulatory Activity: HUD Rental Assistance Demonstration (RAD) program (12 C.F.R. § 1282.34 (d) (6)).				
1. Purchase loans for RAD properties.	12 loans	13 loans	14 loans	44
G. Regulatory Activity: Energy or water efficiency improvements on single-family, first lien properties that meet the FHFA Criteria (12 C.F.R. § 1282.34 (d) (3)).				
3. Increase the purchase of mortgage loans that finance energy and water improvements or refinance existing energy debt.	N/A	187 loans	196 loans	50
H. 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.	175 loans	200 loans	225 loans	53
J. Additional Activity: Residential Economic Diversity (RED) Activity (12 C.F.R. §§ 1282.32 (d)(3) and 1282.36(c)(3)).				
1. Purchase affordable loans to add liquidity to the market in FHFA-determined, RED-eligible High Opportunity Areas.	26 loans	30 loans	34 loans	57

Overview for Rural Housing

REGULATORY ACTIVITIES FOR RURAL HOUSING

Activities and Objectives	2022 Evaluation Factor	2023 Evaluation Factor	2024 Evaluation Factor	Page
A. 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	64
2. Acquire single-family purchase money mortgage (PMM) loans in high-needs rural regions.	Loan Purchase	Loan Purchase	Loan Purchase	64
3. Improve access to affordable financing for underserved homebuyers.	Loan Product	Outreach	Loan Product	66
B. Regulatory Activity: Housing for high-needs rural populations (12 C.F.R. § 1282.35 (c) (2)).				
1. Support technical assistance programs that enhance the development capacity of organizations serving high-needs rural populations.	Outreach	Outreach	Outreach	68
2. Create additional homeownership opportunities for high-needs populations by strengthening Native CDFIs' lending capacity and skill set to operate in the secondary mortgage market.	Loan Product	Loan Product	N/A	69
3. Champion efforts that promote or sustain homeownership for Native American populations.	Outreach	Outreach	Outreach	70
C. Regulatory Activity: Financing by Small Financial Institutions (SFIs) of rural housing (12 C.F.R. § 1282.35 (c) (3)).				
1. Acquire single-family purchase money mortgage (PMM) loans in rural areas from SFIs.	Loan Purchase	Loan Purchase	Loan Purchase	72
D. Additional Activity: Invest in Low-Income Housing Tax Credit (LIHTC) properties to facilitate the provision of affordable multifamily housing in rural areas (12 C.F.R. § 1282.35 (d)).				
1. Invest in LIHTC properties in rural areas.	Investments	Investments	Investments	73

LOAN PURCHASE TARGETS FOR RURAL HOUSING

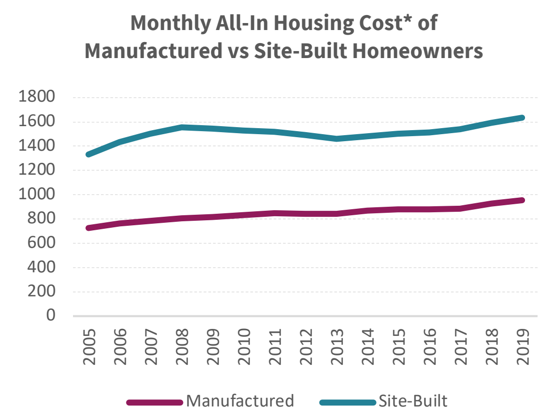
Activities and Objectives	2022 Loan Purchase Target	2023 Loan Purchase Target	2024 Loan Purchase Target	Page
A. Regulatory Activity: Housing in high-needs rural regions (12 C.F.R. § 1282.35 (c)(1)).				
1. Increase liquidity in high-needs rural regions through multifamily loan purchases.	48 loans	50 loans	52 loans	64
2. Acquire single-family purchase money mortgage (PMM) loans in high-needs rural regions.	6,516 loans	7,272 loans	8,116 loans	64
C. Regulatory Activity: Financing by Small Financial Institutions (SFIs) of rural housing (12 C.F.R. § 1282.35 (c) (3)).				
1. Acquire single-family purchase money mortgage (PMM) loans in rural areas from SFIs	6,037 loans	6,339 loans	6,656 loans	72
D. Additional Activity: Invest in Low-Income Housing Tax Credit (LIHTC) properties to facilitate the provision of affordable multifamily housing in rural areas (12 C.F.R. § 1282.35 (d)).				
1. Invest in LIHTC properties in rural areas.	42 properties	42 properties	42 properties	73

Manufactured Housing

Manufactured Housing Market

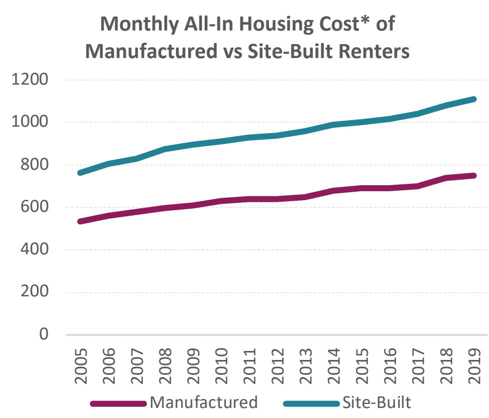
MARKET OVERVIEW

The Manufactured Housing market provides affordable housing to about 6.7 million households, approximately 4.8 million of which are owner-occupied and 1.9 million are renter-occupied homes,[1] including many households across the below-average income spectrum. The median monthly all-in cost to own or rent a manufactured home is $955, roughly $680 per month lower than for a site-built home. For renters of manufactured homes, the all-in cost is $360 less per month than for renters of site-built homes.



Source: *2019 American Community Survey.*

**** Note:*** *Excludes owners without mortgages.*



Source: *2019 American Community Survey.*

**** Note:*** *Excludes non-cash renters who may contribute services in place of rent or may not pay rent.*

The average sales price of a new manufactured home built and shipped in 2019 was less than half of the sales price of a new site-built home: $82,000 for the average new manufactured home (all types[2]) compared to almost $300,000 for the average new site-built home, excluding land costs. Excluding land costs, this translates to just under $60 per square foot for a manufactured home (all types) compared to $119 per square foot for a site-built home — nearly 50% lower.[3]

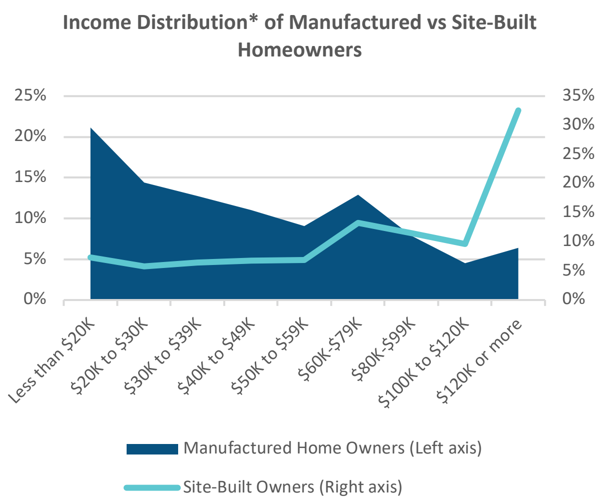
The difference between single-section manufactured versus similarly sized site-built homes was even wider, at just $50 per square foot for a single-section manufactured home compared to $125 per square foot for a similarly sized site-built home.[4]

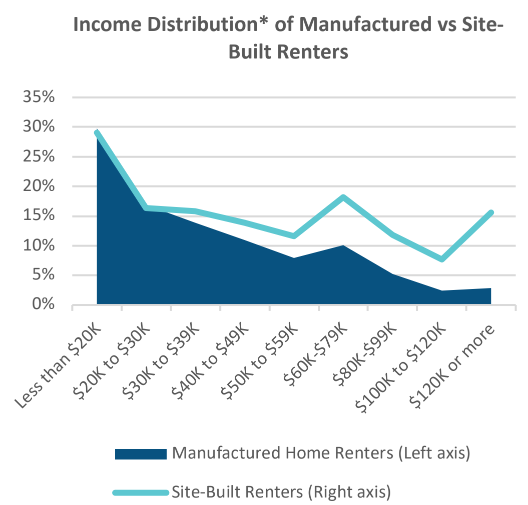
1 2019 American Community Survey, Tables B25032 and B25033.
2 "All types" refers to the weighted average of single- and multi-section homes.
3 U.S. Census Bureau Manufactured Housing Survey. Cost & Size Comparison: New Manufactured Homes and New Single-Family Site-Built Homes (2014 – 2019).
4 Ibid 3. RS Means construction cost data used to estimate the sales price for a new 1,072 square foot site-built home.

MANUFACTURED HOUSING RESIDENTS

Residents of owner-occupied manufactured housing tend to have lower incomes than owners of site-built homes. The median annual household income of manufactured housing homeowners is about $40,000, half of the median annual income of site-built homeowners. More than one-fifth of manufactured housing homeowners earn less than $20,000 annually, and over half earn less than $50,000 annually. By contrast, about one-quarter of site-built homeowners earn less than $50,000 annually.

While the distribution of renter household incomes skews lower in all types of housing, manufactured home rentals are particularly important to lower-income renters. Around one-third of renters of manufactured homes earn less than $20,000 per year, and nearly three-quarters earn less than $50,000 per year.





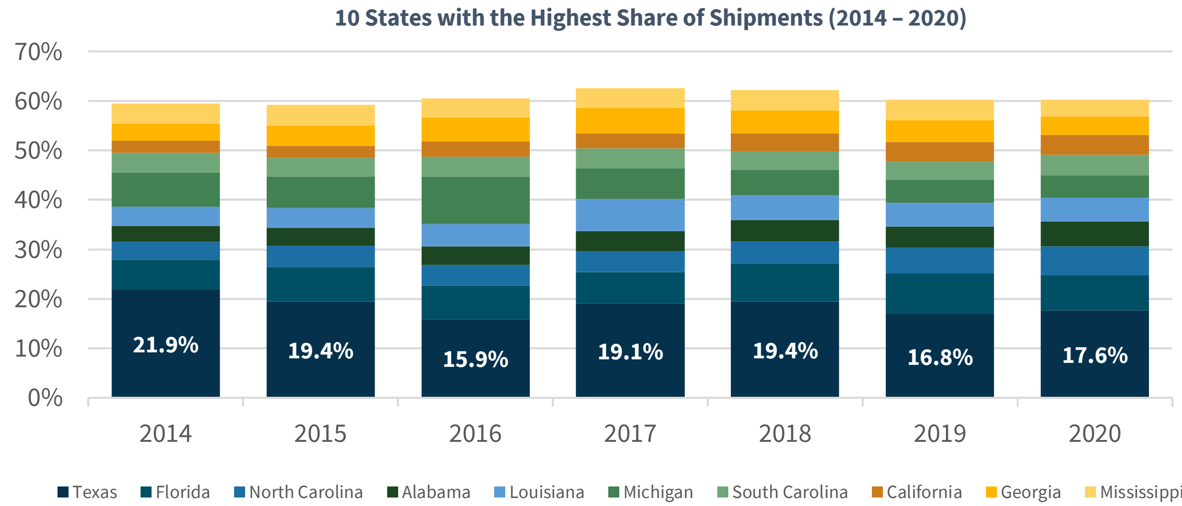
Source: *2019 American Community Survey; Note: Includes owners without mortgages. Both charts represent head of household income.*

**** Note:*** *K=$1,000 therefore $20K = $20,000*

GEOGRAPHIC DISTRIBUTION OF MANUFACTURED HOUSING

Manufactured housing makes up 6.1% of the nation's housing stock, but that share is higher in rural areas. While site-built single-family homes represent about 81% of housing stock in rural areas, manufactured housing constitutes approximately 13%. Apartments are a distant third, representing only about 5% of stock in rural areas.

From 2014 to 2020, shipments of new manufactured homes have been concentrated in southern states, with the exception of California and Michigan. Texas has received the largest share; its portion of new home shipments averaged 18.5% of all new homes shipped annually from 2014 to 2020. Although total concentration has declined very slightly since 2017, shipments to the top 10 states have grown more concentrated, accounting for 60% of annual shipments in 2020, up from 59% six years prior. Only one state in the top 10, Louisiana, saw a decline in shipments, receiving 160 fewer homes in 2020 than in 2014.



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

From 2014 to 2019, about one-third of new manufactured homes were shipped to manufactured housing communities (MHCs) on average annually.[5]

CHALLENGES AND NEEDS

Lack of mortgage financing options. Factory-built manufactured homes built to U.S. Department of Housing and Urban Development (HUD) Code may be titled as either personal property ("chattel") or real property. How manufactured homes are titled determines the available options for financing. Units titled as personal property (and not having a lien on underlying land owned by the unit owner) are only eligible for chattel financing, while structures titled as real property (meaning they are treated by local law as a part of the land on which they are placed) may be financed through conventional mortgage loans. 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, local zoning ordinances, and even the desire to leave recordation of the home and land separate. Most manufactured homes are only classified as personal property, which limits the owners of these homes to chattel financing, leaving the benefits of mortgage financing out of reach.

Local zoning restrictions. Local land use laws may also inhibit the installation of new manufactured homes. Some local zoning barriers for manufactured homes are rooted in municipalities' preference for the aesthetics of site-built homes and in negative historical perceptions regarding the quality and value of manufactured homes. However, recent innovative designs have made some manufactured homes conforming to the HUD Code visually indistinguishable from site-built homes. These types of manufactured homes may have high-pitched roofs, front porches, and decorative windows and trims. In addition, a recent report from FHFA suggests that manufactured homes affixed to land may appreciate at rates similar to site-built homes, better enabling low- and middle-income families to realize the potential wealth-building benefits of homeownership. Despite this progress, not all state and local regulations have kept up with recent developments.

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[5] www2.census.gov/programs-surveys/mhs/tables/tme-series/sitebuiltvsmh.xlsx.

Unique distribution model. Traditionally, manufactured homes are sold to consumers through retailers or dealers, who in many states must be licensed to sell manufactured housing. As a result, many consumers who may be interested in exploring manufactured housing 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 manufactured housing as an option when they are guiding individuals and families through the search process.

Limited production. The production of manufactured housing 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 a number of factors, including limited labor supply. Recently, several manufacturers have reported historically long lead times for a new manufactured home to be constructed, which limits the speed at which these homes can be built to address affordable housing shortages.

Declining number of MHCs. In recent years, the number of MHCs has been declining. In suburban areas, MHCs are in danger of being replaced by either traditional apartment buildings or other commercial properties.

Lack of standardized consumer protections for renters. Residents of MHCs face challenges due to the lack of consumer protections in the dual role they play as renter and owner. In an MHC, most residents own their manufactured homes and lease the pad or site upon which the home is permanently placed from the community owner. Termination of a pad lease by the community owner means the home must be moved, sold, or abandoned. These outcomes can be extremely costly and adversely impact the homeowner.

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 financing non-traditionally owned MHCs, and working with our partners to increase market adoption of FHFA's tenant site lease protections, 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. Fannie Mae has addressed and included three of the Regulatory Activities identified in the Duty to Serve Final Rule. We continue to work with our regulator to understand safety and soundness considerations and the viability of a chattel loan pilot program.

Activities and Objectives

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

In the Manufactured Housing market, most buyers rely on chattel, or personal property, loans to finance their homes.[6] Buyers leverage these loans when they do not own, or otherwise cannot mortgage, the land on which the manufactured home is located.[7] Personal property loans provide fewer origination and servicing consumer protections than do traditional mortgages and typically charge higher interest rates over shorter terms. Due to the dominance of personal property loans in the Manufactured Housing market, some homebuyers face difficulties obtaining real property manufactured home loans. Fannie Mae has sought to address these difficulties in recent years by clarifying its manufactured housing loan products to lenders in a position to serve the market, by making loan product changes in response to industry feedback, and, ultimately, by increasing the number of loans it finances that are secured by manufactured housing.

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

Fannie Mae has committed to supporting the expansion of MHRP in the past and will continue to do so during this three-year Plan period through increased loan purchases.

Unlike in the prior Plan cycle, we have decided to exclude refinance loans when planning our loan purchase targets, focusing exclusively on purchase money mortgage (PMM) loans. Fannie Mae will continue to support refinance loans for low- to moderate-income borrowers in this market, but these loans will not be included in our three-year Plan because of the inherent volatility of the refinance business in a volatile interest rate environment. In other words, we believe that including refinance loans would place more weight on market forces and monetary policy than on our own actions.

We believe that modest growth over the next three years is reasonable, even amid shifting market conditions. We considered the circumstances within the market to select the growth target. In manufactured housing, year-over-year growth has fluctuated. In fact, 2019 PMM purchases were slightly lower than in 2018. Between 2017 and 2020, annualized average growth has been about 13%. Because we do not expect this level of growth in perpetuity, and because we expect market conditions (like interest rates) to provide headwinds, we chose an annual growth rate of 5%. Therefore, our 2022 manufactured home target is 5% higher than the baseline, our 2023 target is 5% higher than 2022, and our 2024 target is 5% higher than 2023. By the third and final year of this Plan cycle, our target is 15.8% higher than the baseline.

Baseline: The baseline of 8,186 loans is the current three-year average of the number of MHRP loans purchased by Fannie Mae. Fannie Mae has set the below targets for 2022 – 2024. Similar to our approach when setting a baseline in the prior iteration of the Duty to Serve Plan, we reference actual loan purchases from a recent period. Our standard approach calculates the simple average of the three years spanning 2018 to 2020. However, 2020 loan purchases were anomalously high in certain markets, so we focused on determining whether it was reasonable to include or exclude 2020 from each baseline. In manufactured housing, purchases of PMM loans in 2020 were higher than any recent year. However, the year-over-year growth of 13% was generally in line with recent years and continued an

[6] 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 April 24, 2020).

[7] "Manufactured Homes Provide Housing for Working People," Manufactured Housing Institute, manufacturedhousing.org/affordablehousing (accessed April 24, 2020).

existing trend, so we included it in our baseline. Therefore, based on 2018 – 2020 performance, we set a manufactured homes baseline of 8,186 PMM loans for 2022 – 2024.

MHRP Historical Loan Purchases	2018	2019	2020
Loans	7,993	7,766	8,798

Year	Target and Implementation Steps	Evaluation Area
2022	Purchase 8,595 loans for conventional manufactured housing, which represents a 5% increase over baseline.	Loan Purchase
2023	Purchase 9,025 loans for conventional manufactured housing, which represents a 10% increase over baseline.	Loan Purchase
2024	Purchase 9,476 loans for conventional manufactured housing, which represents a 16% increase over baseline.	Loan Purchase

2. Objective: Explore opportunities to facilitate financing of loans secured by MHRP located in certain manufactured housing communities.

MHCs provide unsubsidized affordable housing for homeowners and renters in suburban and rural locations across the United States.[8] [9] MHCs are typically privately owned, in which case operators lease sites to homeowners. They can also be owned collectively by residents, potentially through a cooperative or condominium structure.

Fannie Mae has an opportunity to increase the ownership of MHRP located in MHCs by participating in existing industry efforts. One method is the expansion of Fannie Mae's support for single-family financing in resident-owned MHCs. Another potential method is purchasing loans secured in a leasehold structure. Any manufactured home leasehold lending product would be subject to at least the same conditions as site-built leasehold loans.

Baseline: Since 2018, Fannie Mae has financed single-family loans located in certain resident-owned MHCs in New Hampshire, due to New Hampshire's unique titling laws for such properties. The efforts in New Hampshire were limited in scale but will serve as the basis for Fannie Mae's expansion into this space. Additionally, Fannie Mae policy permits single-family manufactured housing leasehold lending in certain projects approved by Fannie Mae's Project Eligibility Review Service, but loan purchases to date related to this policy are limited.

[8] Jose Villarreal, "Innovative Solutions to Support Non-Traditional Ownership of Manufactured Housing Communities," Fannie Mae, July 2, 2019, fanniemae.com/research-and-insights/perspectives/innovative-solutions-support-non-traditional-ownership-manufactured-housing-communities.

[9] While the vast majority of MHCs are contiguous, according to the Fannie Mae Multifamily Selling and Servicing Guide, it is possible for an MHC to be made up of non-contiguous parcels. This Objective includes the possibility of financing loans on homes in non-contiguous MHCs.

Year	Target and Implementation Steps	Evaluation Area
2022	Determine scope and parameters to either expand financing of MHRP in resident-owned MHCs and/or introduce an initiative for financing MHRP in privately-owned MHCs. • Conduct legal, regulatory, quantitative, and policy analysis to determine opportunities to expand resident-owned MHC offerings and/or to introduce an initiative for financing homes in privately-owned MHCs. • Identify strengths and weaknesses of current product offerings by analyzing historical loan acquisitions. • Publish lessons learned to inform stakeholders of potential opportunities and challenges. • Engage internal stakeholders to assess operational capabilities, outline scope requirements, and obtain approvals to launch additional offerings.	Outreach
2023	Develop products and strategies that enable the future purchase of loans in MHCs. • In response to industry feedback, implement at least one policy change or variance to expand lending on MHRP located in MHCs. • Conduct analysis to identify MHCs where MHRP loan volumes are possible. • Develop a plan to promote MHC initiatives with lenders, MHC operators, and stakeholders who interact with residents. • Gauge market interest for MHRP in MHCs by engaging and gathering feedback from realtors, appraisers, and other relevant stakeholders.	Loan Product
2024	Launch a location-specific initiative to finance MHRP purchases in MHCs. • Select at least one target location where demand exists for lending on MHRP located in MHCs. • Report on plan progress throughout this initiative. • Include a summary of loan characteristics in our report if any purchases occur under this initiative.	Loan Product

3. Objective: Expand on prior efforts to facilitate financing of loans on homes secured by MHRP located in fee simple developments.

In recent years, Fannie Mae's MHRP loan purchases have surpassed stated goals and have generally trended upward. However, most of these loans were used to finance the purchase or refinance of existing manufactured housing properties. Fannie Mae understands that for manufactured housing to address the affordable housing supply shortage, we must identify opportunities to finance newly constructed manufactured homes.

Due to various factors, including traditionally poor consumer perception and lack of awareness from real estate developers, manufactured housing is uncommon in neighborhood settings, apart from MHCs. Fannie Mae believes that appropriate loan products paired with targeted outreach and education can drive demand for MHRP located in fee simple developments, which would drive new, affordable housing supply and expand the traditional market for manufactured housing.

Baseline: Fannie Mae's efforts in 2018 – 2021 supported the expansion of manufactured housing in fee simple development settings. Initial efforts included identifying potential target geographic markets and developer partners. Fannie Mae will build on this work to identify opportunities to expand manufactured housing in fee simple developments.

Year	Target and Implementation Steps	Evaluation Area
2022	Develop loan products and strategies that streamline lending on MHRP in fee simple developments. • In response to industry feedback, implement at least one policy change or variance to expand lending on MHRP located in fee simple developments. • Conduct analysis to identify geographies where fee simple manufactured housing developments exist or are most likely to thrive. • Develop a plan to promote MHRP financing products to lenders serving manufactured housing developments. • Gauge market interest for MHRP in fee simple developments by engaging and gathering feedback from realtors, appraisers, and other relevant stakeholders.	Loan Product
2023	Launch a location-specific initiative aimed at financing MHRP purchases in fee simple developments. • Select at least one target location where there is demand for lending on MHRP located in fee simple developments. • Report on plan progress and results. • Include a summary of loan characteristics in our report if any purchases occur under this initiative. • Conduct a market analysis to determine whether including a loan purchase target in 2024 is feasible. If deemed feasible, engage internal stakeholders to establish an appropriate loan purchase target.	Loan Product

4. Objective: Maintain manufactured housing industry engagement through outreach, publication of research and resources, and consideration of policy changes and variances that respond to feedback.

Fannie Mae's initial Underserved Market Plan for Manufactured Housing contained numerous examples of industry support separate from loan purchases. These included, but were not limited to, outreach to lenders, participation in major industry events, publication of research and other supporting resources, and policy changes. This Objective consolidates those activities (excluding activities that are clearly associated with either Objective 2 or Objective 3).

Baseline: This Objective extends and expands upon activities that were common throughout each year of the 2018 – 2021 Duty to Serve Plan.

Year	Target and Implementation Steps	Evaluation Area
2022	A. Maintain interaction with the broader manufactured housing industry using methods previously shown to be successful to inform research and loan product development activities. • Host one manufactured housing roundtable with cross-functional industry representation to capture diverse perspectives. • Participate in at least one key industry event in each quarter to remain current on activities and developments in the market and to inform future decisions and prioritization. • Engage with lenders that have been identified as reasonably likely to increase loan deliveries. B. Publish to the public at least one research paper, lender resource, or policy change or clarification. • Conduct research on manufactured housing zoning or another topic that is of interest to the manufactured housing industry. • Determine feasibility of publishing a research paper, lender resource, or policy change or clarification.	Outreach
2023	A. Maintain interaction with the broader manufactured housing industry using methods previously shown to be successful, to inform research and loan product development activities. • Host one manufactured housing roundtable with cross-functional industry representation to capture diverse perspectives. • Participate in at least one key industry event in each quarter to remain current on activities and developments in the market and to inform future decisions and prioritization. • Engage with lenders that have been identified as reasonably likely to increase loan deliveries. B. Publish to the public at least one research paper, lender resource, or policy change or clarification. • Consider and determine feasibility of releasing case study results that demonstrates how non-manufactured housing lenders can successfully enter this market.	Outreach
2024	A. Maintain interaction with the broader manufactured housing industry using methods previously shown to be successful, to inform research and loan product development activities. • Host one manufactured housing roundtable with cross-functional industry representation to capture diverse perspectives. • Participate in at least one key industry event in each quarter to remain current on activities and developments in the market and to inform future decisions and prioritization. • Engage with lenders that have been identified as reasonably likely to increase loan deliveries. B. Publish to the public at least one research paper, lender resource, or policy change or clarification. • Consider and determine feasibility of new product offerings that incent delivery of loans on energy-efficient manufactured housing.	Outreach

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

There are an estimated 800 non-traditionally owned MHCs around the country, most of which are resident-owned communities.[10] Some resident-owned communities are part of larger network organizations that provide support and assistance. Nonprofit and government ownership are also viable solutions to address affordability and stability challenges, bringing experienced management and a mission focused on affordability and sustainability for residents. Some nonprofit housing entities focus specifically on MHCs to help preserve affordability and improve physical conditions. In addition, in some jurisdictions, public housing authorities (PHAs) own and operate MHCs.

The number of non-traditionally owned MHCs has grown in recent years. Over the past few years, Fannie Mae has conducted market outreach and research to gain insights into the 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. However, a demand exists for additional funding sources and more flexible financing terms as these communities change ownership or refinance. To address this need, Fannie Mae released a product enhancement in 2019 targeting non-traditionally owned communities, and in 2020, Fannie Mae closed three transactions.

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

Fannie Mae has established two separate loan purchase targets under this Objective. Between 2022 – 2024, Fannie Mae will increase purchases of loans secured by MHC properties owned by government entities or nonprofit organizations and will continue its resident-owned community (ROC) loan purchase pilot.

Baseline — MHC owned by government entities or nonprofit organizations: The baseline of two properties represents the average number of properties financed between 2019 and 2020.

Historical Loan Purchases of MHC Owned by Government Entities or Nonprofit Organizations	2019	2020
Properties	0	3
Units	0	405

Baseline — ROC loan purchase pilot: Fannie Mae finalized the terms of the pilot program at the end of 2018, but we have not yet acquired any loans.

Year	Target and Implementation Steps	Evaluation Area
2022	A. Purchase loans secured by three MHC properties, comprising an estimated 405 units which are owned by government entities or nonprofit organizations, and representing a 50% increase from the baseline. • Perform an assessment of lender outreach and education efforts to identify opportunities to increase financing opportunities.	Loan Purchase

[10] Tanya Zahalak, "A Need for Non-Traditional Ownership of Manufactured Housing Communities," Fannie Mae, May 16, 2019, multifamily.fanniemae.com/news-insights/multifamily-market-commentary/need-non-traditional-ownership-manufactured-housing (accessed April 20, 2020).

Year	Target and Implementation Steps	Evaluation Area
2022	B. Purchase loans secured by two MHC properties, comprising an estimated 150 units, owned by residents.	
2023	A. Purchase loans secured by four MHC properties, comprising an estimated 540 units which are owned by government entities or nonprofit organizations, and representing a 100% increase from the baseline. • Perform an assessment of lender outreach and education efforts to identify opportunities to increase financing opportunities. B. Purchase loans secured by two MHC properties, comprising an estimated 150 units, owned by residents.	Loan Purchase
2024	A. Purchase loans secured by four MHC properties, comprising an estimated 540 units which are owned by government entities or nonprofit organizations, and representing a 100% increase from the baseline. • Perform an assessment of lender outreach and education efforts to identify opportunities to increase financing opportunities. B. Purchase loans secured by two MHC properties, comprising an estimated 150 units, owned by residents.	Loan Purchase

C. Regulatory Activity: Manufactured housing communities (MHCs) 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 do not own the land on which their homes sit. The property where the manufactured home stands, known as the pad or site, is rented by the owner from the MHC. Tenant site lease protections preserve the affordability and stability of MHCs across the country and are an important means to safeguard tenants from predatory practices. Some states have laws that provide mandatory site protections for tenants, but some do not.

Fannie Mae worked with consumer advocates, industry leaders, and lenders to design and launch the first program to encourage manufactured housing community borrowers to voluntarily provide additional consumer protections for the residents of their communities. In 2019, Fannie Mae launched a product enhancement to incentivize MHC borrowers to voluntarily implement FHFA's regulatory criteria for tenant site lease protections (TSLPs). The program has proven to be successful — the industry has been engaged, and we have met our unit targets for the previous two years. Fannie Mae recognizes the importance of protecting MHC residents, and our goal is to standardize tenant site lease protections across the manufactured housing industry.

1. Objective: Increase the number of loan purchases of MHCs with tenant site lease protections.

Over the course of the first three-year Duty to Serve Plan, Fannie Mae conducted outreach and market research to develop a product enhancement, which launched in early 2019. In this next Plan cycle, Fannie Mae is committed to increasing the number of properties we finance that provide these additional consumer protections to their residents.

Baseline: The baseline of 13% represents the average percentage of all MHC properties Fannie Mae financed between 2019 – 2020 that included the tenant site lease protections. To date, most of this business has come through our Credit Facility channel. As the program matures and the expected execution mix shifts, we believe setting the baseline — and therefore our Plan targets — as a percentage of MHC business will allow Fannie Mae to be more responsive to potential changes in the market.

MHC Properties Financed that Included TSLPs	2019	2020
Percentage	7%	19%
Units	3,502	12,456

Year	Target and Implementation Steps	Evaluation Area
2022	Increase the purchase of loans on MHC properties that include tenant site lease protections meeting the FHFA regulatory criteria, resulting in 20% of all Fannie Mae MHC properties financed including these protections. This represents a 54% increase over the baseline.	Loan Purchase
2023	Increase the purchase of loans on MHC properties that include tenant site lease protections meeting the FHFA regulatory criteria, resulting in 25% of all Fannie Mae MHC properties financed including these protections. This represents a 92% increase from the baseline.	Loan Purchase
2024	Increase the purchase of loans on MHC properties that include tenant site lease protections meeting the FHFA regulatory criteria, resulting in 30% of all Fannie Mae MHC properties financed including these protections. This represents a 131% increase from the baseline.	Loan Purchase

2022–2024

Affordable Housing Preservation

Affordable Housing Preservation Market

MARKET OVERVIEW

There is a persistent crisis in housing affordability across the nation, affecting both renters and homeowners. In 2019, approximately 9% of owner households, or 7.1 million households, spent more than half of their household income on housing payments and utilities. The situation is worse for renters, as just under a quarter of renters, representing 10.5 million renter households, spent more than half of their household income on rent and utilities the same year. Those 10.5 million households are considered severely cost-burdened, a designation that increases dramatically when focusing on lower-income renters.[11]

Rent growth has outpaced household income growth for almost two decades, resulting in increasing housing cost burdens for renters. After adjusting for inflation, from 2001 to 2019, median renter household income rose just 3.4%, while rents rose 15%.[12]

Like the rental housing market, the homeownership market has seen home price growth far outpace that of incomes. Some of the effects of this divergence have been muted due to low mortgage interest rates, but affordability challenges persist for low- and moderate-income (LMI) homeowners and buyers. While the homeownership rate has increased steadily from the low that followed the Great Recession, higher-income households account for *all* of the growth in homeowners from 2013 to 2019.[13]

Access to homeownership for LMI first-time buyers is particularly challenging. Continual growth in home prices requires buyers to contribute more money for down payments and closing costs, which often is an insurmountable obstacle. In addition, access to mortgage credit remains constrained for prospective buyers with lower credit scores, further limiting many households' ability to access homeownership.[14]

11 *The State of the Nation's Housing 2020* (Cambridge, MA: Joint Center for Housing Studies of Harvard University, 2020): Appendix Table A-2.
12 Erik Gartland, "2019 Income-Rent Gap Underscores Need for Rental Assistance, Census Data Show," Center on Budget and Policy Priorities, September 18, 2020, cbpp.org/blog/2019-income-rent-gap-underscores-need-for-rental-assistance-census-data-show.
13 *State of the Nation's Housing 2020*, Appendix Table A-2.
14 Laurie Goodman, Alanna McCargo, *et al.*, "Housing Finance at a Glance: A Monthly Chartbook, December 2020," Urban Institute, December 29, 2020, urban.org/research/publication/housing-finance-glance-monthly-chartbook-december-2020.

The Single-Family Affordable Housing Preservation Market

OVERVIEW OF THE SINGLE-FAMILY MARKET

The Duty to Serve Regulatory Activities in the single-family Affordable Housing Preservation (AHP) market include three distinct market segments:

- Energy or water efficiency improvements on single-family, first lien properties.
- Shared equity programs for affordable homeownership preservation.
- Purchase or rehabilitation of certain distressed properties.

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 Duty to Serve market must be credibly projected to reduce energy or water consumption in the home 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.
- Community Land Trusts.
- Shared Equity Cooperatives.

Purchase or rehabilitation of certain distressed properties

Distressed properties include those that are eligible for a short sale or foreclosure sale, or that were acquired through foreclosure (referred to as real estate owned or REO).

SINGLE-FAMILY MARKET SIZE AND DEMOGRAPHICS

Energy and water efficiency

Across the United States, the number of homes owned by those with very low to moderate incomes is estimated to be 36 million.[15] There is no comprehensive data, however, to determine how many of these are energy- and/or water-"efficient" or how many are in need of upgrades. Relative to those with higher incomes, populations of more modest means tend to live in older homes, and older homes are typically less energy- and water-efficient. However, there are nearly always opportunities to lower energy and/or water consumption regardless of income level, home age, or current energy efficiency certifications, like LEED or ENERGY STAR®. Unless a home operates under net-zero energy, the potential to reduce consumption and total housing costs remains.

According to the U.S. Bureau of Labor Statistics, the average household spends 6.4% of income on utilities, fuels, and public services, or about $4,000 per year, with households in the lowest 20% of income earners spending 8.8% of their income on these expenses.[16] A study on energy burdens from the American Council for an Energy-Efficient Economy (ACEEE), highlights that low-income households, as well as Black, Hispanic, Native American, and older-adult households, tend to experience proportionally higher energy costs even within the same region and metro area.[17]

Shared equity

It is estimated that there are more than 225,000 shared equity housing units in the United States.[18] Limited equity cooperative units are the largest contributor to this total, accounting for about 166,000 shared equity homeownership units, the majority of which are located in New York City.[19] Deed-restricted homeownership units account for another estimated 50,000 units nationwide.[20] Finally, there are approximately 12,000 community land trust homeownership units throughout the country. According to research conducted in 2019, an estimated 6.6 million potential homeowners could become homeowners through shared equity programs.[21]

Distressed property

The size of the distressed property market has declined substantially since the Great Recession. In 2014, there were more than 727,000 distressed property transactions. By 2019, that figure had declined to less than 280,000 transactions.[22] The foreclosure moratoria instituted in the early part of 2020 largely stopped the entry of new properties into this space. As a result, the number of transactions declined by 30% to 197,000 in 2020.[23] In April 2021, the Consumer Financial Protection Bureau proposed changes to servicing regulations that would generally bar the commencement of new foreclosure proceedings until 2022.

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[15] 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).

[16] U.S. Bureau of Labor Statistics, Consumer Expenditures Survey, 2019, https://www.bls.gov/opub/reports/consumer-expenditures/2019/pdf/home.pdf.

[17] Ariel Drehobl, Lauren Ross, and Roxana Ayala, "How High Are Household Energy Burdens?" American Council for an Energy-Efficient Economy (ACEEE), September 2020, aceee.org/sites/default/files/pdfs/u2006.pdf.

[18] Emily Thaden, "The State of Shared-Equity Homeownership," *Shelterforce*, May 7, 2018, shelterforce.org/2018/05/07/shared-equity.

[19] U.S. Census Bureau, American Community Survey 2015 – 2019.

[20] U.S. Census Bureau, American Community Survey 2015 – 2019.

[21] Kristin Perkins, Shannon Rieger, *et al.*, *The Potential for Shared Equity and Other Forms of Down Payment Assistance to Expand Access to Homeownership* (Cambridge, MA: Joint Center for Housing Studies of Harvard University, October 2019).

[22] Fannie Mae tabulation of data obtained from Moody's Analytics.

[23] Fannie Mae tabulation of data obtained from CoreLogic.

RECENT SINGLE-FAMILY MARKET TRENDS

The effects of the COVID-19 pandemic

The COVID-19 pandemic and resulting recession had a substantial impact on the single-family housing market. Due to mandated telecommuting and online schooling, there was strong demand for single-family homes from still-employed workers seeking larger living spaces and from renters-by-choice accelerating future home purchases. The increased demand resulted in a sudden run-up in home price appreciation. Fannie Mae's Economic and Strategic Research team estimates that 2020 home prices increased by approximately 10.3%, up from 5.4% in 2019.[24]

Energy efficiency

Financing choices for energy and water efficiency improvements are varied in terms of interest rates, payment methods, underwriting, and consumer protections. Each product type has benefits and drawbacks based on the condition of the equipment and the circumstances of the homeowner.

There are hundreds of equipment manufacturers, utility companies, energy programs, and financing agents, which creates a challenging environment for the standardization and support of products that finance energy and water upgrades. Consumers may choose not to use mortgage financing to pay for energy and water upgrades because the required time and effort does not align with the scope of improvements they wish to make, or they may be unaware of the best way to select or finance such improvements.

Shared equity

As communities seek ways to address housing affordability challenges, many are starting to look to shared equity structures as potential solutions. Recent research supported by Fannie Mae found that inclusionary housing programs administered by state and local entities, which set aside specified dwelling units in condominium and other housing projects for LMI purchasers, have yielded more than 31,000 affordable homeownership units, with 341 distinct programs offering shared equity homeownership opportunities that meet Duty to Serve (DTS) eligibility requirements.[25] Additionally, new community land trusts are being established in areas throughout the country.

Distressed property

Foreclosure moratoria served a much-needed and worthwhile purpose in protecting households from displacement during the COVID-19 pandemic. However, they also severely disrupted the normal flow of properties through foreclosure and asset disposition pipelines, preventing their transition to new buyers. At the end of 2020, the Mortgage Bankers Association estimated that approximately 2.7 million homeowners were in forbearance plans for their mortgages.[26] It is possible that a sizable number of the properties underlying these mortgages will enter the distressed property market once the forbearance and foreclosure moratorium periods expire. Developing strategies to facilitate purchases of portions of these properties by owner-occupant and mission-minded buyers may help supply critical affordable housing stock.

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[24] "Housing Forecast: January 2021," Fannie Mae, January 11, 2020, https://www.fanniemae.com/media/37951/display.

[25] *Inclusionary Housing in the United States: Prevalence, Practices, and Production in Local Jurisdictions as of 2019* (Washington, D.C.: Fannie Mae, December 2020), multifamily.fanniemae.com/media/14236/display?_ga=2.268655281.1939890698.1612476544-1077800143.1559048784.

[26] "Share of Mortgage Loans in Forbearance Remains Flat at 5.53 Percent," Mortgage Bankers Association, January 5, 2021, mba.org/2021-press-releases/january/share-of-mortgage-loans-in-forbearance-remains-flat-at-553-percent.

SINGLE-FAMILY CHALLENGES AND NEEDS

Energy and water efficiency

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, which these populations typically do not have. A study by the Lawrence Berkeley National Laboratory estimated comprehensive energy improvements for a home to cost between $5,000 and $15,000.[27]

Even smaller steps, such as purchasing insulation, weatherization materials, or using a rebate program to install a lower-cost smart thermostat, may pose enough of burden to outweigh potential benefit. Homeowners also may be challenged with understanding their best options for equipment and financing so that they may achieve meaningful savings. Lack of standardization and recognition of the value of improvements in the real estate market also deter some from making upgrades.

Shared equity

Inclusionary housing programs can be a valuable means of adding new shared equity inventory in markets where development is occurring. However, other mechanisms for growing the supply of shared equity units are also needed. For most shared equity programs, demand already outpaces supply, a trend expected to persist as home price appreciation continues to outpace income growth.[28]

Distressed properties

In the distressed property market, forbearance plans and foreclosure moratoria invoked to counter impacts of the pandemic will eventually terminate as the nation emerges from the COVID-19 crisis. While most homeowners will by then have seen their incomes recover and will be able to resume making mortgage payments, many, unfortunately, will not. In the years following the Great Recession, foreclosure backlogs and limitations of the distressed property disposition system impacted the ability of communities to recover from the recession.[29] Substantial research conducted on the impact of vacant and distressed properties on surrounding property values has demonstrated that foreclosures have significant negative impact on property values, with far-reaching effects on homeowners and communities.[30] Further, research has shown that the longer an REO property remains unsold, the greater the neighborhood price externalities become. Properties located in low-income, minority neighborhoods are slower to sell, making the challenge of distressed properties particularly acute for such neighborhoods.[31] In the aftermath of the pandemic, it will be important to develop strategies for the efficient disposition of properties to new owners likely to achieve positive outcomes for individuals and communities.

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[27] Mark Zimring, Merrian Goggio Borgeson, *et al.*, *Delivering Energy Efficiency to Middle Income Single Family Households* (Berkeley, CA: Lawrence Berkeley National Laboratory, December 2011).

[28] Clare Trapasso, "What to Expect in 2021's Housing Market: This Is How Much Home Prices Will Rise," *realtor.com*, December 2, 2020, realtor.com/news/trends/housing-market-2021-forecast.

[29] Joe Light, "Foreclosure Backlog Slows Housing Recovery in Some States," *The Wall Street Journal*, November 14, 2014, wsj.com/articles/foreclosure-backlog-slows-recovery-in-some-states-1415989098.

[30] James Alm, Robert D. Buschman, and David L. Sjoquist, "How Do Foreclosures Affect Property Values and Property Taxes?" *Land Lines*, Lincoln Institute of Land Policy, January 2014.

[31] Lei Zhang, Tammy Leonard, and Resha Dias, "Foreclosed and Sold: An Examination of Community and Property Characteristics Related to the Sale of REO Properties," *Urban Affairs Review* (2017), p. 53.

MEETING THE CHALLENGES IN SINGLE-FAMILY

Building upon the work we have done to date, this Underserved Markets Plan sets forth an ambitious agenda to further mature and refine our impact on the AHP market. Having identified where we can add the most value, we will expand our efforts to provide liquidity, resources, leadership, and partnership to support the energy efficiency, shared equity, and distressed property segments of the single-family housing market. Through the promotion of market standardization, increased loan purchases, and innovations born of collaboration with industry stakeholders, we will seek to address the growing need for affordable, efficient, and sustainable homeownership throughout the country.

The Multifamily Affordable Housing Preservation Market

OVERVIEW OF THE MULTIFAMILY MARKET

The multifamily AHP market includes properties that, because of a federal, state, or local subsidy, or a combination thereof, are subject to a regulatory agreement or recorded restriction that limits rents, imposes maximum income restrictions on tenants, or places other affordability restrictions on the use or occupancy of the property.

In all, there are nine programs that are Statutory Activities and seven programs that are Regulatory Activities in the Final Duty to Serve Rule, in addition to allowable Additional Activities that serve segments of the AHP market.[32]

Some examples of programs that fall under this definition include:

- The Federal Low-Income Housing Tax Credit (LIHTC) Program.
- Section 8 and Project-Based Rental Assistance (PBRA) and Project-Based Vouchers
- U.S. Department of Agriculture (USDA) Rural Rental Housing Loans under Section 515 (RD 515).
- Inclusionary zoning programs and/or resale restrictions.
- 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 Credit

The federal Low-Income Housing Tax Credit (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 60% of Area Median Income (AMI) than the federal minimums. According to a report published by HUD in 2019, an estimated 44% of LIHTC households have incomes at or below 30% of AMI.[33] States can also determine different demographic groups to be served, such as seniors or people with disabilities.

[32] "Enterprise Duty To Serve Underserved Markets," Federal Housing Finance Industry, 2016, govinfo.gov/content/pkg/FR-2016-12-29/pdf/2016-30284.pdf.

[33] *Understanding Whom the LIHTC Program Serves* (Washington, D.C.: U.S. Department of Housing and Urban Development Office of Policy Development and Research, December 2019), https://www.huduser.gov/portal/sites/default/files/pdf/LIHTC-TenantReport-2017.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. Under the tenant-based program, eligible households receive Housing Choice Vouchers that subsidize a portion of their rent, and they can choose any housing that meets program requirements. The Section 8 Project-Based Rental Assistance (PBRA) programs 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 of the units in their housing developments to low-income families.[34]

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 380,000 rental units across the United States, Section 515 is a principal source of rental housing finance in rural areas.[35] Most households living in 515 units are seniors and people with disabilities, and the average income of Section 515 renters is $13,600.[36]

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 alone cannot fill the need for affordable housing, they are well-positioned to understand their communities' specific needs and design and administer programs that meet them. Local programs can be tailored to serve certain populations, neighborhoods, and income groups, and can adapt to changing needs over time. Inclusionary Housing programs are a type of state or local program that require or incentivize the inclusion of affordable units in newly constructed properties, and though it is difficult to accurately size this market (not all identified programs track the number of units created), inclusionary housing programs are an important source of new affordable units in many jurisdictions across the U.S.

Rental Assistance Demonstration Program

Over the course of decades of under-funding, public housing has physically deteriorated due to lack of capital financing. The Rental Assistance Demonstration (RAD) Program was established in 2012 to allow PHAs and owners of other HUD-assisted properties to convert their properties from their original HUD financing to project-based Section 8 contracts. This change allows owners to access private sources of capital financing, with a vital goal of improving the quality of this affordable housing and addressing deferred maintenance. Without new capital, these properties are at risk of demolition and disposition; in fact, about 10,000 units are lost from the public housing inventory each year.[37] Properties that undergo a RAD conversion enter into long-term, project-based Section 8 contracts, ensuring affordability for low-income residents and financing sustainability for the properties.

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[34] "Policy Basics: Section 8 Project-Based Rental Assistance," Center for Budget and Policy Priorities, 2017, cbpp.org/research/housing/section-8-project-based-rental-assistance.

[35] Properties provided via file to Fannie Mae from the Public and Affordable Housing Research Corporation based on data from the National Housing Preservation Database.

[36] *Rental Housing for a 21st Century Rural America: A Platform for Preservation* (Washington, D.C.: Housing Assistance Council, September 2018) ruralhome.org/storage/documents/publications/rrreports/HAC_A_PLATFORM_FOR_PRESERVATION.pdf.

[37] "RAD Program Details for Residents," U.S. Department of Housing and Urban Development, hud.gov/RAD/program-details-residents.

MULTIFAMILY MARKET SIZE AND DEMOGRAPHICS FOR FEDERALLY ASSISTED PROGRAMS

The market opportunity varies greatly by AHP program. In 2019, approximately 81,000 properties,[38] containing about 4.9 million affordable rental homes,[39] received federal project-based assistance to serve low-income families. The share of federally assisted rental units represented approximately one-tenth of all rental stock in 2019.

As shown in the table below, just two programs fund most apartments receiving federal assistance: 49% of rental units are supported by LIHTC and 29% 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[40] 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 2019, another 8% of units were assisted by the Section 515 Rural Rental Program, administered by the USDA.

Market Size of Select Programs Identified by Statute Under Duty to Serve (2019)

Program	Number of Properties	Number of Low-Income Units	Share of Federally Assisted Homes
Low-Income Housing Tax Credits (LIHTC)	34,000	2.4 million	49%
Section 8 Project-Based Rental Assistance	22,000	1.4 million	29%
Section 515 Rural Rental	12,000	380,000	8%

Source: *2020 Picture of Preservation, Number of Unique Properties provided via file from the Public and Affordable Housing Research Corporation.*

RECENT MULTIFAMILY MARKET TRENDS

The Effect of the COVID-19 Pandemic

The COVID-19 pandemic has been devastating for many individual renters. The U.S. Census Bureau's Household Pulse Survey from August 2020 indicates that many renters reported missing a rent payment or worried about next month's payment, while 1 in 6 households reported not paying August rent on time.[41] At the same time, other renters exchanged more expensive, densely populated urban submarkets for less expensive suburban submarkets. As a result, the COVID-19 pandemic's overall impact on the multifamily rentals market was smaller than expected.[42] Fannie Mae's Multifamily Economic and Strategic Research team estimates that the multifamily vacancy rate grew by only one half of 1% in 2020 to 6%, bringing it back to its long-term average, while rents overall declined by less

[38] *2020 Picture of Preservation* (Washington, D.C.: National Low-Income Housing Coalition and Public and Affordable Housing Research Corporation, 2020).

[39] *2020 Picture of Preservation*, National Low-Income Housing Coalition and Public and Affordable Housing Research Corporation, 2020. Note: The 4.9 million unit estimate include properties assisted by LIHTC, HUD Section 8 Project-Based Rental Assistance, Section 202 direct loans, HUD insurance programs, State Housing Finance Agency (HFA) Funded Section 236, Section 515 rural rental housing loans, Section 514 direct loans, rural development Section 538, HOME Assistance, and Public Housing.

[40] *2018 State HFA Factbook* (Washington, D.C.: National Council of State Housing Finance Agencies, 2018).

[41] *huduser.gov/portal/pdredge/pdr-edge-spotlight-article-092820.html*.

[42] *huduser.gov/portal/pdredge/pdr-edge-spotlight-article-092820.html*.

than one percent in 2020.[43] As a result, the pandemic-induced recession has not reversed the long-term affordability issues affecting renters and has even exacerbated it in some instances.

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 recent survey, in 2019, 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.[44] 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.[45]

MULTIFAMILY CHALLENGES AND NEEDS

Based on the most recently available data, there are 7.7 million renter households that pay more than one-half of their income for rent, live in severely inadequate conditions, or both.[46] To keep this figure from rising further, it is important to preserve existing and increase new supply of federally assisted affordable rentals, particularly the rentals under the LIHTC and Section 8 programs, which together assist over 3 million units.

However, challenges remain. Financing affordable properties does not always coincide with the expiration of federal assistance, as refinancing is generally dependent on prevailing interest rates, among other factors. In addition, the Section 8 program is subject to appropriations through the annual federal budget, which can, and does, vary from year to year. Furthermore, the number of properties in these programs grows very slowly. For example, on net, the LIHTC programs added only about 63,000 units from 2018 to 2019, with the Project-Based Section 8 program adding only about 11,000 units,[47] many of which are former Public Housing units that converted to the Section 8 and LIHTC platforms.

Another priority is energy efficiency measures that can help limit housing costs for renters. While green building, sustainability, and energy efficiency (collectively "green") principles have become increasingly integrated into the multifamily housing sector in the past five years, obstacles remain, most notably that a property owner must decide whether to make efficiency improvements that result in increased affordability for tenants yet yield little financial benefit for the owner.

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43 Fannie Mae Multifamily Economic and Strategic Research Estimates as of January 20, 2021.
44 *Inclusionary Housing in the United States: Prevalence, Practices, and Production in Local Jurisdictions as of 2019* (Washington, D.C.: Fannie Mae, December 2020), multifamily.fanniemae.com/media/14236/display.
45 *Inclusionary Housing in the United States: Prevalence, Practices, and Production in Local Jurisdictions as of 2019* (Washington, D.C.: Fannie Mae, December 2020), multifamily.fanniemae.com/media/14236/display.
46 *Worst Case Housing Needs: 2019 Report to Congress* (Washington, D.C.: U.S. Department of Housing and Urban Development Office of Policy Development and Research, June 2020).
47 Public and Affordable Housing Research Corporation tabulations of the National Housing Preservation Database provided to Fannie Mae.

MEETING THE CHALLENGES IN MULTIFAMILY

Fannie Mae will continue to provide reliable and affordable financing to preserve multifamily properties with federal subsidies as well as those assisted by state and local programs. We will work with partners in the industry to address the changing needs of the market through training and product development and will continue to conduct outreach and research that identifies and leverages the work of state and local governments to address their affordable housing needs. We are committed to creating and maintaining partnerships, innovating to meet the challenges of this market, and ultimately serving households around the country.

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 seven of the Statutory and Regulatory Activities identified for this market. Fannie Mae has addressed and included four Statutory Activities and five Regulatory Activities, as well as one Additional Activity in the Affordable Housing Preservation Market.

Activities and Objectives

A. Statutory Activity: The project-based and tenant-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)).

Many Section 8 PBRA units are at risk of losing their affordability status in coming years. According to data from the Public and Affordable Housing Research Corporation, between 2022 and 2024, 65,152 PBRA units will reach expiration. For developments in high-opportunity neighborhoods, when the housing assistance payments (HAP) contract expires, there is risk of the owner not renewing and converting the units to market-rate rents or converting to condominiums. When this happens, those affordable units are permanently lost to the affordable housing supply. In addition, the stock of development with PBRA is aging and in need of capital investment to make physical improvements so that properties do not deteriorate to the point where they are not safe.

Preserving affordable units is more-cost effective than building new ones, and units with PBRA maintain their deep subsidy. Section 8 PBRA properties need reliable and affordable financing sources to ensure their physical and financial sustainability. Preserving Section 8 properties is an important part of Fannie Mae's affordable business, and we remain committed to serving this market, which provides stable housing to so many LMI households.

1. Objective: Provide a steady source of capital and liquidity through the purchase of loans secured by Project-Based Section 8 properties.[48]

Fannie Mae provides a stable source of liquidity for preserving Section 8 PBRA housing. We have developed products that work efficiently and effectively for this type of subsidized affordable housing and will continue our partnerships with lenders and housing practitioners in this market.

Baseline: As is shown in the chart below, from 2017 to 2019, Fannie Mae purchased an average of 140 Project-Based Section 8 loans. The number of loans purchased annually declined each year over this three-year period due to general market fluctuations, a declining number of properties with expiring Section 8 contracts, and the partial U.S. government shutdown at the beginning of 2019. In 2020, Fannie Mae acquired a record number of Section 8 loans, 229 in total. However, due to the COVID-19 pandemic, we saw a significant shift in investment and financing toward "safer" properties with Section 8 contracts. With skyrocketing unemployment rates and job loss, there was significant uncertainty about investments in the multifamily housing market. Because properties with Section 8 contracts are not wholly dependent on tenant rent payment and instead have a guaranteed income in the form of Section 8 HAP payments, they were seen as a safer investment in 2020, leading to record acquisitions. In light of these unique and temporary market conditions in 2020, Fannie Mae is proposing to continue to use the baseline of 143 loans developed for the 2021 Section 8 target, which we believe is a better reflection of normal market activity. We will continue to monitor the Section 8 pipeline and will update the baseline as appropriate.

Section 8 Loan Purchases	2017	2018	2019
Loans	158	141	129
Rental units	18,803	25,290	16,826

Year	Target and Implementation Steps	Evaluation Area
2022	Purchase 153 Section 8 loans, which represents a 7% increase over the baseline.	Loan Purchase
2023	Purchase 153 Section 8 loans, which represents a 7% increase over the baseline.	Loan Purchase
2024	Purchase 153 Section 8 loans, which represents a 7% increase over the baseline.	Loan Purchase

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

Fannie Mae's work in the Section 515 space focuses on preserving the affordability of these units by developing financing solutions in partnership with industry leaders and the USDA, as well as supporting technical assistance (TA) programs that educate owners, developers, and mission-oriented buyers about Section 515 preservation. Our goal is to preserve Section 515 units at risk of exiting the program.

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

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

Fannie Mae will purchase loans secured by Section 515 properties at risk of exiting the program. Our ability to purchase loans secured by Section 515 properties is contingent upon reaching an agreement with the USDA on a loan subordination agreement that would enable financing and issuance of mortgage-backed securities for these loans. Without this agreement, a threshold issue exists for Fannie Mae.

From 2018 – 2021, Fannie Mae partnered with USDA Rural Development (RD) to work toward an agreement on subordination terms for Fannie Mae to finance Section 515 properties in the secondary market. To this end, we engaged with lenders to learn more about their 515 preservation portfolios and loan characteristics. We made meaningful progress in the development of a loan financing solution to allow Fannie Mae to finance the preservation of 515 properties; however, we did not reach an agreement with the USDA over the course of the 2018 – 2020 Plan. Our 2021 Plan includes a loan product enhancement developed in partnership with the USDA that will enable us to purchase these loans. We are committed to leveraging our relationships with the USDA and our Delegated Underwriting and Servicing (DUS®) lenders to facilitate the loan purchase targets outlined below.

Baseline: From 2022 – 2024, Fannie Mae plans to purchase 28 loans secured by Section 515 properties at risk of exiting the program. This will contribute an estimated $14 million to $56 million of liquidity to the Section 515 program and support approximately 700 households. The baseline was determined by analyzing data provided by the USDA of Section 515 properties expected to exit the program. The USDA estimates that 183 properties, or 3,822 units, are set to exit the program from 2022 – 2024. Fannie Mae applied a factor of 15% to the expected maturities, by year, to reflect our projected market share. This factor is based on our expected 515 pipeline through the DUS network, the uncertainty involved in generating a consistent pipeline, and the complexity of operationalizing the product.

Section 515 Loan Purchases	2022	2023	2024
Properties with expiring subsidy	39	60	84
Proposed target	6	9	13

Year	Target and Implementation Steps	Evaluation Area
2022	Purchase six loans that finance the preservation of Section 515 properties, which represents 15% of the properties with expiring subsidy for the year.	Loan Purchase
2023	Purchase nine loans that finance the preservation of Section 515 properties, which represents 15% of the properties with expiring subsidy for the year.	Loan Purchase
2024	Purchase 13 loans that finance the preservation of Section 515 properties, which represents 15% of the properties with expiring subsidy for the year.	Loan Purchase

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

Once properties exit the Section 515 program, they lose RD affordability restrictions. As a result, residents are no longer eligible to receive USDA Rental Assistance. The USDA provides paths for 515 owners to remain in the 515 program (or sell properties to owners who will remain in the 515 program), thereby retaining rental assistance eligibility. However, the 515 refinance and transfer process can be cumbersome and complex. Owners and potential buyers can benefit from TA programs to understand how to successfully navigate the process. TA programs deliver industry best practices and expert knowledge about the USDA's refinance and transfer process to organizations interested in preserving the affordability of RD housing. By supporting TA programs that target these efforts, Fannie Mae assists TA recipients to deploy their development resources effectively and efficiently. Moreover, the support maximizes the probability of a property successfully remaining in the 515 program, which is the element most important to maintaining affordability.

Baseline: From 2019 – 2021, 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 and two Buyer-Seller Conferences, as well as direct TA to over 30 recipients.

Year	Target and Implementation Steps	Evaluation Area
2022	Partner with nonprofit organizations to deliver TA to 20 organizations working to preserve the affordability of Section 515 properties. • 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 2021 and identify opportunities and strategies to strengthen the program's effectiveness and increase its scale in 2022. • Plan the 2022 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 2022 TA program. • Analyze results of the 2022 TA program at the property level to determine success of the program and inform future work.	Outreach
2023	Partner with nonprofit organizations to deliver TA to 20 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 2022 and incorporate opportunities and strategies to strengthen the program's effectiveness and increase its scale in 2023. • Plan the 2023 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).	Outreach

Year	Target and Implementation Steps	Evaluation Area
2023	• Execute the 2023 TA program. • Analyze results of the 2023 TA program at the property level to determine success of the program and inform future work.	Outreach
2024	Partner with nonprofit organizations to deliver TA to 20 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 2023 and identify opportunities and strategies to strengthen the program's effectiveness and increase its scale in 2024. • Plan the 2024 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 2024 TA program. • Analyze results of the 2024 TA program at the property level to determine success of the program. and inform future work.	Outreach

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

Fannie Mae provides affordable financing to properties within the LIHTC program. We have done product development work to ensure that our products work efficiently and effectively within the framework of LIHTC properties, including our M.TEB (MBS as Tax-Exempt Bond Collateral) product, which works very well for LIHTC deals financed with tax-exempt bonds. We will continue to conduct market outreach and stakeholder education to ensure that we are meeting the needs of this important market.

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

Loan purchases secured by LIHTC properties are essential to the preservation of affordable rental units for very low-, low-, and moderate-income families across the country. Fannie Mae will serve this market through our annual loan purchase goals and by continuing to innovate on our LIHTC-compatible loan and bond collateral products.

We will also conduct research and outreach to the LIHTC market to identify LIHTC properties that are at higher risk of exiting the program. Risk factors may include ownership type, location, and lack of recent capital subsidy. More work is needed to determine which properties are most in need of preservation financing.

Baseline: Over the past three years, we have increased our LIHTC loan purchase targets through concentrated stakeholder outreach and product development. We have focused efforts on M.TEB, a product that works well with 4% LIHTC credits. In previous plans, we have reported only on LIHTC loans with at least seven years remaining in the initial compliance period. For this Plan, and going forward, we will track and report all loans with active LIHTC contracts, including those in the extended use period. From 2018 – 2020, based on the updated methodology, Fannie Mae averaged 190 loan acquisitions annually, which is our baseline, representing a total of 78,753 units.

We plan to build on our success by conservatively increasing loan purchase targets year over year, with careful consideration of risk and market conditions.

LIHTC Loan Purchases	2018	2019	2020
Loans	165	203	202
Rental units	24,723	27,330	26,700

Year	Target and Implementation Steps	Evaluation Area
2022	Purchase 195 loans that meet the Fannie Mae LIHTC definition, which represents a 3% increase over the baseline.	Loan Purchase
2023	Purchase 200 loans that meet the Fannie Mae LIHTC definition, which represents a 5% increase over the baseline.	Loan Purchase
2024	Purchase 205 loans that meet the Fannie Mae LIHTC definition, which represents an 8% increase over the baseline.	Loan Purchase

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

Fannie Mae provides financing for affordable developments that are part of State or Local programs through our Multifamily Affordable Housing (MAH) business. Liquidity through the secondary mortgage market is vital to the availability of affordable financing for these developments. We have conducted outreach to learn about the various programs around the country and identify and share best practices. Our outreach and research efforts included partnering with researchers to identify inclusionary housing programs administered by states and localities. As the affordable housing crisis continues and potentially worsens in the years following the COVID-19 pandemic, affordable housing practitioners at all levels will be working to meet the needs of low- and moderate-income households, and inclusionary housing programs will be an important component of creating new affordable housing supply.

As we move into the 2022 – 2024 Plan, it is important to acknowledge that local government budgets have been strained due to the COVID-19 pandemic, and many programs could continue to face budget cuts in the coming years. According to The Brookings Institution, state and local governments are expected to face revenue shortfalls for many years, with a projected decline in revenue of 5.7% in 2021 and 4.7% in 2022.[49] While we cannot predict how this will affect funding to housing programs over the three-year Plan cycle, this is a factor we will consider in our work in this market for 2022 – 2024.

[49] Louise Sheiner and Sophia Campbell, "How much is COVID-19 hurting state and local revenues?" *Brookings*, September 24, 2020, brookings.edu/blog/up-front/2020/09/24/how-much-is-covid-19-hurting-state-and-local-revenues.

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

Fannie Mae will purchase loans secured by properties that are a part of State or Local affordable housing programs. Fannie Mae has developed criteria for including loans in this objective and will continue to conduct research and determine best practices for tracking as new State and Local programs are created.

Baseline: Fannie Mae began tracking and reporting State or Local affordable housing programs for Duty to Serve purposes in 2019, and the baseline is the average of the State or Local loan purchases in 2019 and 2020.

State or Local Loan Purchases	2018	2019	2020
Loans	N/A	51	72
Rental units	N/A	8,328	10,140

Year	Target and Implementation Steps	Evaluation Area
2022	Purchase 64 loans secured by properties under Fannie Mae-approved State or Local affordable housing program, which represents a 5% increase over the baseline.	Loan Purchase
2023	Purchase 66 loans secured by properties under Fannie Mae-approved State or Local affordable housing program, which represents an 8% increase over the baseline.	Loan Purchase
2024	Purchase 68 loans secured by properties under Fannie Mae-approved State or Local affordable housing program, which represents an 11% increase over the baseline.	Loan Purchase

E. Regulatory Activity: HUD Rental Assistance Demonstration (RAD) program (12 C.F.R. § 1282.34 (d) (6)).

Over the past few years, Fannie Mae has expended considerable effort developing product enhancements and stakeholder engagement with a continued goal of providing affordable financing for properties undergoing RAD conversions. Between 2018 and 2020, Fannie Mae purchased 33 loans secured by RAD properties. These deals are complicated — there are multiple counterparties involved and various approval processes and site inspections to complete — and they take a high degree of coordination. We have developed relationships with PHAs to better understand the needs and challenges of owners of public housing properties so that we can be a reliable source of financing as more deals enter into and move through the RAD pipeline.

As of 2020, seven years after the first RAD conversion, 140,000 affordable units have been improved and preserved through RAD.[50] HUD continues to support the conversion of properties from the PHA platform, so we expect there to be a large pipeline of PHAs and multifamily properties seeking third-party financing opportunities over the next

[50] "$10 Billion Invested in RAD-Converted Public Housing," U.S. Department of Housing and Urban Development Rental Assistance Demonstration (RAD) Office of Recapitalization, 2020, hud.gov/sites/dfiles/Housing/documents/RAD_10B_Flyer_10-2020.pdf.

few years. The deals that come through the pipeline will likely be challenging to execute due to the complex nature of RAD transactions. While difficult, those property conversions completed in the early years of RAD may have been more straightforward and financially viable than those that remain.

1. Objective: Purchase loans for RAD properties.

Fannie Mae will continue to purchase loans secured by RAD properties in 2022 – 2024. Third-party financing is essential to the preservation of these affordable units. Fannie Mae will meet the needs of this market by providing financing that is affordable, efficient, and scalable for RAD properties. Fannie Mae will continue outreach and capacity-building efforts, as well as explore product enhancements and partnerships that enable the scalability of RAD conversions, even for small- to medium-sized PHAs.

Baseline: The baseline is a three-year average of 11 loans. Prior to the current Plan cycle, Fannie Mae tracked and reported to FHFA based on the number of RAD properties. Beginning with this Plan, Fannie Mae will track and report on RAD loans to ensure greater consistency across Affordable Housing Preservation Plan objectives. A three-year average is appropriate given the relatively small size of the program, which can cause large fluctuations in loan counts from year to year. Fannie Mae's goal reflects a meaningful increase in loan purchases over the baseline in the context of an overall shrinking market of eligible PHA conversion opportunities.

RAD Loan Purchases	2018	2019	2020
Loans	14	5	14
Rental units	2,261	1,307	3,391

Year	Target and Implementation Steps	Evaluation Area
2022	Purchase 12 loans for RAD properties, which represents a 9% increase over the baseline.	Loan Purchase
2023	Purchase 13 loans for RAD properties, which represents an 18% increase over the baseline.	Loan Purchase
2024	Purchase 14 loans for RAD properties, which represents a 27% increase over the baseline.	Loan Purchase

F. Regulatory Activity: Finance 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)).

Over the last decade, green building, sustainability, and energy efficiency have become increasingly integrated into the multifamily housing sector. Energy and water costs contribute substantially to the overall housing cost burden for many families. For low-income households, utilities costs can amount to more than 7% of total household earnings.[51] Providing financing for energy efficiency improvements reduces household expenses, freeing up income for other household needs such as education, transportation, health care, and saving for the future. In addition to reducing utility costs, green building practices also create healthier homes, providing long-term benefits for those who live in them.

We issued our first Multifamily Green Mortgage-Backed Security (MBS) in 2012, after launching our Green initiative in 2010. Over time, we have refined our product offerings in response to market and investor needs. Our Green business is focused on improving the environmental footprint, operational efficiency, and longevity of multifamily properties.

Fannie Mae has become a leader in the green financing market. We will continue to be a reliable source of liquidity to this market, educate lenders and property owners on the benefits of green financing, and evaluate our products to increase impact and meet the emerging needs and opportunities of the market.

1. Objective: Increase market awareness and understanding of energy and water efficiency improvements and financing through industry outreach, research, and evaluation.

While the level of knowledge about multifamily green financing and green improvements among our borrower and lender partners has risen dramatically in the last few years, there is still significant opportunity to educate the market about the benefits of our Green Mortgage Loans. Fannie Mae has been in the green multifamily finance business since 2010 and will build on the progress we have made to increase industry stakeholders' understanding of energy and water efficiency improvements and financing needs. We will continue to educate through conferences, trainings, roundtables, and published reports. Based on our experiences, these forums are an effective way to communicate, learn, and build industry consensus. In addition, we will conduct research and analyses to continuously improve our product offerings, outreach materials, and industry reports. These activities will encourage lenders and borrowers to take advantage of Fannie Mae's Green Financing incentives.

Baseline: Over the course of the first Duty to Serve Plan, Fannie Mae executed significant outreach to lenders and borrowers to raise awareness about our Green Mortgage Loans. We conducted trainings, participated in conferences, held one-on-one meetings with lenders, and hosted events to facilitate the exchange of information across the industry. We believe this targeted outreach and education remains essential to our success in green financing, as the green building landscape is ever evolving. In our 2022 – 2024 Plan, we will build upon our strong foundation of expertise and partnerships we have built with lenders and borrowers in the industry to continue providing leadership to this market.

[51] Drehobl and Ross, *Lifting the High Energy Burden*, Energy Efficiency for All and American Council for an Energy-Efficient Economy, April 2016.

<table>
<tr><th>Year</th><th>Target and Implementation Steps</th><th>Evaluation Area</th></tr>
<tr><td>2022</td><td>Enhance stakeholder knowledge of energy and water efficiency and financing opportunities through convenings, trainings, and published reports.
Design a workplan for a research study focused on increasing the environmental impact of green financing and/or tenant affordability through utility cost savings. Potential study areas include:
Gain an accurate understanding of the impact of specific efficiency improvements in multifamily housing, as much of the currently available data focuses on single-family housing.
Research billing practices to improve understanding of how savings accrue to tenants and owners.
Evaluate data on energy and water efficiency measure installation costs to standardize and improve third-party cost estimates, to increase accuracy and understanding of payback for efficiency measures.
Participate in two key energy efficiency/green building industry conferences.
Improve existing and/or develop new resources to support lenders and encourage borrowers to incorporate cost-effective and practical energy and water efficiency improvements.
Interview lenders and borrowers to identify knowledge gaps around green financing products and benefits.
Develop and publish resources to promote market awareness.
Publish one web-based training, making it available to lenders and borrowers.</td><td>Outreach</td></tr>
<tr><td>2023</td><td>Increase stakeholder knowledge on energy efficiency financing and capacity building. Continue Fannie Mae's leadership efforts in financing, measurement, and verification.
Conduct a research study according to the workplan developed in 2022, which was focused on increasing the environmental impact of green financing and/or tenant affordability through utility cost savings.
Continue to show industry presence and leadership by participating at energy efficiency/green building industry conferences. Improve existing and/or develop new resources to support lenders and encourage borrowers to incorporate cost-effective and practical energy and water efficiency improvements.
Interview lenders and borrowers to identify knowledge gaps around green financing products and benefits. Develop and publish resources to promote market awareness.
Expand access to web-based training, providing availability on demand to a broader audience of industry stakeholders.</td><td>Outreach</td></tr>
</table>

Year	Target and Implementation Steps	Evaluation Area
2024	Drive innovation in energy efficiency financing by continuing the dissemination of knowledge, best practices, and new opportunities to industry stakeholders. • Develop and publish a white paper based on the research study conducted in 2023, which was focused on increasing the environmental impact of green financing and/or tenant affordability through utility cost savings. o Evaluate the results of the research study to determine whether there are opportunities to utilize research findings and increase program impact through product development or policy enhancements. • Continue to incorporate new innovative findings into conference presentations and/or white papers to demonstrate industry thought leadership. • Continue to improve existing and/or develop new resources to support lenders and encourage borrowers to incorporate cost-effective and practical energy and water efficiency improvements. • Publish one new web-based training, making it available to industry stakeholders.	Outreach

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

Families across the nation spend more than $230 billion each year on energy to heat, cool, light, and live in their homes. As a result, residential energy consumption accounts for more than 20% of the nation's total energy consumption.[52] Addressing energy and water efficiency is particularly important for low- and moderate-income homeowners, as utility bills constitute a large portion of these families' monthly expenses.

Quantifying the value of components in a home categorized as green, renewable, or energy-efficient and/or water efficient continues to be a challenge for the single-family housing industry. Currently, many green components are not yet standard data fields in appraisals, making it difficult to compare home values or estimate any value impact of water or energy efficient features on home sales prices. To increase demand for energy and water improvements, it is important to prove the value of these features to homeowners, lenders, and other stakeholders.

1. Objective: Expand research and enhance data to better identify and track key characteristics for loans on properties that include energy and water efficiency improvements.

The first step to understanding the value of green components is to identify and track these elements in home purchase and financing processes, as well as to quantify their impact on homeownership costs. By understanding the value of these components, utilities, retailers, lenders, and other industry stakeholders can improve and develop tailored, energy-efficient products and services to decrease homeownership costs. In addition to improved tracking, data collection from local markets requires improvements to adapt existing water and energy solutions and identify cost-saving opportunities. For example, ResStock — an analysis tool developed by the U.S. Department of Energy

52 *Energy Efficiency in Affordable Housing* (Washington, D.C.: U.S. Environmental Protection Agency, 2018), p. 1.

that models energy efficiency potential — can be leveraged to identify opportunities for energy and water efficiency for cost savings. Enhancing data and tracking of energy and water efficiency components is a critical step in lowering energy costs for low- and moderate-income families.

Baseline: Currently, property level data is not easily identified or collected. To help increase data quality and standardization, Fannie Mae is part of the Uniform Mortgage Data Program. This joint effort between Fannie Mae and Freddie Mac aims to improve mortgage data collection efforts throughout the home purchasing process (e.g., loan origination, underwriting, closing, acquisition), including information on energy and water efficiency. Under the Duty to Serve 2022 – 2024 Plan, Fannie Mae aims to develop innovative solutions to source and capture energy and water efficiency data as outlined below.

Year	Target and Implementation Steps	Evaluation Area
2022	Continue to build foundational data capabilities that drive the growth of energy and water improvements in real estate transactions. • Continue research and data analysis efforts aimed at exploring how energy efficiency, water efficiency, and renewables can make homeownership more sustainable through lower utility costs, improved health, and indoor air quality. • Evaluate application of energy modeling exercise as a potential component in Desktop Underwriter. • Review stakeholder feedback gathered from roundtables or surveys to identify opportunities to expand and improve data-capturing efforts. Publish lessons learned or a best practices document. • Participate in at least three key industry events.	Loan Product
2023	Synthesize learnings from industry outreach and analyze data to build a rigorous knowledge base on how energy and water improvements can support sustainable homeownership. • Continue to build foundational data capabilities. • Continue research and data analysis efforts that explore how energy efficiency, water efficiency, and renewables can make homeownership more sustainable through lower utility costs, improved health, and indoor air quality. • If feasible and depending on timing of new Uniform Appraisal Dataset (UAD) rollout, assist with training and continue outreach efforts to ensure energy/green fields are included in new UAD. • Participate in at least three key industry events.	Loan Product Loan Product
2024	Use learnings from data analysis and research efforts to promote data standardization in measuring energy and water improvements in real estate transactions. • Develop and publish paper summarizing lessons learned from data analysis and research from 2022 and 2023. • Participate in at least three key industry events. • If feasible and depending on timing of new UAD rollout, assist with training and continue outreach efforts to ensure energy/green fields are included in new UAD.	Loan Product

2. Objective: Reduce homeowner utility costs through loan product enhancements that allow homeowners to finance or refinance energy and water improvements.

Understanding of energy- and water-efficient products and their financial impact is limited for both homeowners and homebuyers. Utility companies lead programs to address energy and water usage in homes to increase conservation and reduce monthly costs. Retailers also develop energy-efficient and affordable products to help homeowners increase monthly cost savings. Despite these offerings, there remains significant opportunity to increase program participation and product awareness for homebuyers and homeowners. Fannie Mae is well-positioned to bridge the divide between buyers and energy efficiency programs and products. By connecting low- and moderate-income buyers and owners to existing energy and water conservation programs, Fannie Mae can promote a reduction in energy costs and lower monthly expenses for families.

Baseline: Throughout 2018 – 2021, Fannie Mae engaged utility companies and manufacturers of energy-efficient products to promote energy efficiency programs and home improvements. Utility companies in Massachusetts, Minnesota, and New Jersey have collaborated with Fannie Mae on incentive programs for borrowers. We plan to continue these efforts and expand to additional markets and utilities through 2021. In addition, we formed partnerships to increase adoption of smart thermostat products among low- and moderate-income families. Fannie Mae plans to explore partnerships with retailers to provide low- and moderate-income families access to products and enhance energy and water consumption in their homes, while reducing the upfront cost of these improvements.

Year	Target and Implementation Steps	Evaluation Area
2022	Develop or launch a product enhancement(s) aimed at decreasing homeowner energy and water costs while increasing DTS Energy loan purchases. • Based on research with lender and non-lender stakeholders, develop and/or enhance product(s) for homeowners that reduce energy and water costs and address health hazards. • Engage at least 10 lenders to promote products for energy and water improvements.	Loan Product
2023	Leverage lessons learned from test-and-learn(s) and/or product enhancements to increase DTS Energy loan purchases. • Evaluate the effectiveness of new and/or product enhancement(s) launched in 2022 and share results. • Engage 10 new industry stakeholders. • Develop a marketing campaign to promote awareness around new product(s) and/or enhancement(s).	Loan Product
2024	Leverage lessons learned from test-and-learn(s) and/or product enhancements to increase DTS Energy loan purchases. • Include DTS-eligible loans in at least one green, social, or sustainable bond offering. • Implement one policy change or variance that streamlines energy and/or water improvement financing. • Launch a marketing campaign to promote awareness around new product(s) or enhancement(s). • Engage lenders to inform them of new product(s) and/or enhancement(s).	Loan Product

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

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

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

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

Fannie Mae has collected data on Duty to Serve eligible purchase and refinance loans with energy improvement components from 2018 through 2020. We have also aggregated refinances used at least in part to pay off a homeowner's debt obligation under an existing PACE agreement. There are no discernable trends from 2018 – 2020 among either loan counts in aggregate or among any of the sub-categories (purchase, refinance, and PACE refinance), and the loan counts over those years are highly variable. Therefore, it would be inappropriate to impute a trend into the future or to use a methodology that implies a trend, such as straight-line growth from a previous year. Instead, we believe that a reasonable goal for 2023 would be to exceed the baseline loan acquisition count, or 178 loans, by at least 5%. In 2024, building upon the foundational work described in the objectives, we aspire to grow such acquisitions by at least 10% above the baseline, or 196 loans. These loan acquisition targets balance two competing considerations — the considerable growth opportunities we see for consumers to make energy improvements and the highly volatile loan delivery history of the market to date.

Year	Target and Implementation Steps	Evaluation Area
2022	N/A	N/A
2023	Purchase 187 loans used to purchase or refinance homes with energy, water, or energy debt refinance, which represents a 5% increase over the baseline.	Loan Purchase
2024	Purchase 196 loans used to purchase or refinance homes with energy, water, or energy debt refinance, which represents a 10% increase over the baseline.	Loan Purchase

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

Deed-restricted shared equity programs help maintain long-term affordability by subsidizing homeownership. Typically operated by local governments or nonprofits, requirements and underwriting processes for these programs vary widely depending on the region. As a result of the lack of standardization across programs, lenders providing financing for units in these bear increased underwriting burdens for these loans. Nationwide standardization of program requirements based on industry best practices would allow lenders to scale their lending to include multiple geographies and programs.

In addition, shared equity program requirements vary significantly by jurisdiction, making it challenging for lenders to confirm compliance with Fannie Mae and Duty to Serve requirements. These challenges are serious deterrents to large-scale lender participation in shared equity programs and can result in limited financing options for consumers.

1. Objective: Promote best practices and standardization for shared equity programs through a model deed restriction and a certification system for shared equity programs.

Model Deed Restriction:

As two of the primary sources of liquidity for deed-restricted shared equity mortgage loans, Fannie Mae and Freddie Mac are well-positioned to encourage much-needed standardization for these programs. In partnership with Freddie Mac, Fannie Mae is supporting a leading affordable housing nonprofit organization in the creation of model documents and practices that will promote alignment with industry best practices and enable lenders to scale their participation more easily across multiple programs. By communicating the resulting enhanced business opportunity for this market to our network of lending partners, Fannie Mae hopes to increase lender participation in this market and provide homebuyers with additional mortgage financing options.

Baseline: Following the creation of the model documents in 2021, Fannie Mae will leverage its experience with the model community land trust ground lease to evaluate and inform the possible implementation and utilization of the model deed restriction documents in the Fannie Mae *Selling Guide*. Our efforts will include outreach, marketing, and solicitation of feedback to promote and assess the utilization and benefit of the model documents in expanding liquidity for deed-restricted affordable homeownership programs.

Shared Equity Certification Program:

Fannie Mae will proactively enhance underwriting support and increase efficiency in the shared equity market. We will deploy a shared equity certification program designed to identify to lenders programs that meet Fannie Mae and Duty to Serve requirements, bolstering standardization, promoting best practices across programs, and reducing lender risk and burden. Leveraging this certification, Fannie Mae will ease origination processes to increase simplicity for lenders on shared equity loans. Finally, we will review our shared equity policies and assess opportunities to make revisions that support or codify these newly developed resources and processes. By addressing both program improvements and policy changes, Fannie Mae will streamline the underwriting process and mitigate real and perceived risk for lenders that originate and deliver shared equity loans. These efforts will contribute to increased liquidity and consumer choice for shared equity financing.

Baseline: Fannie Mae is in a unique position to undertake these novel efforts. Through the work completed under the previous Underserved Markets Plan, Fannie Mae oversaw the completion of a certification framework and underlying validation systems and processes. As a result of this work, a small number of programs were certified, with results shared with lenders to permit testing and feedback on the certification program. Fannie Mae will work with partners to further evaluate the certification and promote broad participation of shared equity programs and lenders, leading to a more efficient and profitable loan origination process for shared equity loans.

Year	Target and Implementation Steps	Evaluation Area
2022	A. Expand model deed restriction to additional programs and encourage broader lender participation in programs utilizing model documents. • Document and gather feedback through focus groups, surveys, or interviews to gain an understanding of benefits realized through the implementation of the model deed restriction and solicit recommendations for improvements. • Engage lenders actively participating in shared equity lending to encourage expansion to new programs that have adopted the model documents. B. Develop a certification system for shared equity programs. • Execute the full public launch of the certification system. • Engage shared equity programs and lenders to promote awareness around the certification system. • Execute policy and/or process changes necessary to incorporate the certification system into Fannie Mae's loan origination and delivery processes.	Outreach
2023	A. Evaluate usage of model deed restriction and identify other barriers to standardization. • Evaluate the effectiveness of model documents in expanding lender participation in the programs that adopt them. • Document and gather feedback to understand benefits and inform enhancements to documents or processes. • Continue marketing and outreach efforts with lenders and stakeholders to expand the usage of model documents and participation in programs. B. Evaluate the effectiveness of the certification system and continue to promote awareness to new partners. • Obtain feedback from lenders and shared equity programs to evaluate the efficiencies and usefulness of the certification system. • Update certification systems and processes based upon lender and practitioner feedback. • Conduct targeted outreach to shared equity programs and lenders not yet participating in the certification system.	Outreach
2024	A. Based upon the evaluation conducted in 2023, identify and execute enhancements to model deed restriction initiative. • If determined to be necessary, make enhancements to model documents. • Determine if additional outreach efforts are needed. • Evaluate documents for non-adopting programs to identify discrepancies with model documents and provide remedies to enable eligibility of non-adopting programs.	Outreach

Year	Target and Implementation Steps	Evaluation Area
2024	B. Continue to promote the certification system to new partners and prepare for re-certification of programs. • Analyze evaluation data to identify trends in program adoption and utilization. • Survey lenders and shared equity practitioners to assess satisfaction with system and associated processes. • Continue to conduct targeted outreach to shared equity programs and lenders not yet participating in the certification system. • Initiate outreach efforts to raise awareness of the re-certification process.	

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

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

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

Shared Equity Loan Purchases	2020
Loans	155

Year	Target and Implementation Steps	Evaluation Area
2022	Purchase 175 loans used to finance shared equity properties, which represents a 13% increase from the baseline.	Loan Purchase
2023	Purchase 200 loans used to finance shared equity properties, which represents a 29% increase from the baseline.	Loan Purchase
2024	Purchase 225 loans used to finance shared equity properties, which represents a 45% increase from the baseline.	Loan Purchase

I. Regulatory Activity: Purchase or rehabilitation of certain distressed properties (12 C. F.R. § 1282.34 (d) (7)).

Distressed properties include homes eligible for foreclosure, short sales, and real estate-owned properties (REO). In the period preceding the COVID-19 pandemic, the inventory of distressed properties was decreasing annually,[53] and the foreclosure moratoria enacted to protect homeowners impacted by pandemic-related economic disruptions resulted in further drastic declines in the inventory of distressed properties. It is anticipated that in the aftermath of the pandemic and the expiration of foreclosure moratoria, the market will experience a sizable expansion of the number of distressed properties. However, owner-occupants often face competition in purchasing these homes from for-profit investors who typically repair the properties to resell at higher prices or hold them as rentals, both of which reduce the stock of affordable homeownership housing.

1. Objective: Improve the dispositioning of distressed properties through research and new product development specifically focusing on vacant and abandoned properties.

As one of the largest sellers of foreclosed properties in the U.S., Fannie Mae is well-positioned to support efforts to facilitate the acquisition of distressed properties by owner-occupants and entities focused on providing affordable housing for low- and moderate-income households. In addition to providing affordable stock for buyers, these efforts can improve distressed neighborhoods, eliminate blight, and increase investment in targeted communities.

Baseline: Fannie Mae offers a program to facilitate REO property sales to public entities and nonprofit organizations. In 2019, we launched a proprietary platform, Community First, to provide public entity and nonprofit buyers the ability to purchase properties before they are listed for sale publicly. The platform provided various benefits to Fannie Mae in the disposition of its REO assets. In 2021, we conducted research on interventions undertaken to promote neighborhood stabilization and recovery, sharing the findings of this analysis with stakeholders and practitioners. As various cities across the country launch independent strategies to address their vacant and distressed property inventories, Fannie Mae will leverage its expertise and resources to expand collaboration and develop a comprehensive strategy to assist communities across the country.

[53] *REO & Vacant Properties* (Federal Reserve Banks of Boston and Cleveland and the Federal Reserve Board, 2010), p. 6.

Year	Target and Implementation Steps	Evaluation Area
2022	Based on outcomes of research and outreach, launch test-and-learn program(s) to promote neighborhood stability and increase distressed property acquisition by owner-occupants. • Create and launch one or more test-and-learn activity(ies) employing or contributing to interventions determined to be effective at stabilizing or promoting growth in neighborhoods. • Evaluate the success rate of previous efforts to facilitate growth in owner-occupant purchases of distressed properties. Depending on analysis, develop additional policy or programmatic enhancements to further increase distressed property acquisitions by LMI borrowers.	Loan Product
2023	Expand neighborhood stabilization and owner-occupant distressed property purchase initiatives to additional markets or partners. • If successful in the prior year, explore opportunities to expand neighborhood stabilization initiatives to additional markets or areas. • Evaluate ways to permanently incorporate effective strategies into standard distressed property disposition processes to facilitate an increase in the number of distressed properties purchased by LMI borrowers.	Loan Product
2024	Evaluate and determine the feasibility of expanding the reach and effectiveness of neighborhood stabilization and distressed property purchase initiatives. • Evaluate the effectiveness of strategies to stabilize and promote growth in neighborhoods and to increase the purchase of distressed properties by owner-occupants. Publish the results of these evaluations to inform other practitioners. • Based upon evaluation findings, make enhancements to strategies to increase the effectiveness in achieving desired outcomes.	Loan Product

2. Objective: Increase the acquisition of distressed properties by owner-occupants through outreach and new product development focused on the purchase of distressed properties by shared equity programs.

The sale of foreclosed properties provides an opportunity to increase the supply of affordable housing for families across the country. However, to properly leverage these properties for owner-occupants, both proper financing and assistance in the purchase, renovation, and repair of these properties are necessary. Fannie Mae possesses substantial experience and product offerings that can contribute to the facilitation of owner-occupant purchases of distressed properties in need of repair.

Baseline: From 2018 – 2020, Fannie Mae successfully repaired 13,726 properties, of which approximately 90% were purchased by owner-occupants. We plan to build on this ongoing momentum by expanding partnerships with third-party stakeholders, such as nonprofit organizations, to facilitate renovations and increase owner-occupant purchases of distressed properties.

Year	Target and Implementation Steps	Evaluation Area
2022	Continue to partner with shared equity programs and other interested partners to increase owner-occupant purchases of distressed properties. • Continue to work with shared equity programs and other partners to facilitate the acquisition and/or renovation of distressed properties to support subsequent owner-occupant purchases. • Develop a place-based strategy in at least two target geographies to facilitate the acquisition and rehabilitation of Fannie Mae REO properties by mission-focused nonprofits or public entities, and/or owner-occupants.	Loan Product
2023	Refine and expand strategies to facilitate purchases of distressed properties by shared equity and other partners for subsequent sale to owner-occupant end buyers. • Use lessons learned in prior years to continue and expand work to facilitate sales to programs that subsequently enable owner-occupant purchases of distressed properties. • Evaluate the success of place-based strategies and expand to at least two additional areas.	Loan Product
2024	Evaluate and codify strategies to leverage shared equity programs and other partners to facilitate owner-occupant end buyer acquisition of distressed properties. • Based upon evaluation findings, incorporate permanently successful asset disposition strategies into standard processes and offerings. • Evaluate place-based strategies and publish results to inform and guide practitioners in similar pursuits.	Loan Product

J. Additional Activity: Residential Economic Diversity (RED) 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 RED communities. In the Final Duty to Serve Rule, FHFA defines a RED activity as one that involves either affordable housing in a High Opportunity Area, or mixed-income housing in an area of concentrated poverty. Fannie Mae's Duty to Serve work from 2022 – 2024 will focus on the first of those two criteria: affordable housing in High Opportunity Areas.

Preserving affordable rental housing in High Opportunity Areas can be very challenging. As neighborhood demographics shift, housing becomes more expensive, and existing affordable housing with expiring affordability restrictions are at risk of converting to market rate rents. Housing in these areas needs reliable and affordable capital in order to refinance, make physical improvements, and continue to serve low- and moderate-income households. When families can rent in these areas, they have better access to quality schools, jobs, and neighborhood amenities.

Within the RED Activity, we will focus loan purchases on deals in the AHP market that have subsidies from the Section 8 program, LIHTC program, and/or State or Local Affordable programs, as these properties are at higher risk of converting to market rate once their affordability restrictions expire. It is essential that these owners have access to affordable capital to refinance and further preserve affordability for renters.

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. As an update to RED loan purchases in the previous Duty to Serve Plan, we have expanded the criteria to include Section 8 properties and will focus on affordable housing in High Opportunity Areas.

Baseline: The baseline of 20 loans is the three-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.

RED Loan Purchases	2018	2019	2020
Loans	11	18	31
Rental units	1,315	2,262	3,878

Year	Target and Implementation Steps	Evaluation Area
2022	Purchase 26 RED-eligible loans in High Opportunity Areas secured by LIHTC, Section 8, and/or properties supported by State or Local affordable housing programs, which represents a 30% increase from the baseline.	Loan Purchase
2023	Purchase 30 RED-eligible loans in High Opportunity Areas secured by LIHTC, Section 8, and/or properties supported by State or Local affordable housing programs, which represents a 50% increase from the baseline.	Loan Purchase
2024	Purchase 34 RED-eligible loans in High Opportunity Areas secured by LIHTC, Section 8, and/or properties supported by State or Local affordable housing programs, which represents a 70% increase from the baseline.	Loan Purchase

2. Objective: Create opportunity by conducting and supporting research and education related to affordable housing in High Opportunity Areas.

While the COVID-19 pandemic challenged our ability to work with state and local stakeholders, it also served to further highlight income and racial disparities and the need for equitable housing options in high-opportunity communities for low- and moderate-income families. In this Plan, Fannie Mae will continue our efforts to seek out and illuminate best practices from states, local entities, and borrowers related to increasing RED-eligible housing options in High Opportunity Areas.

Baseline: During the initial Plan period from 2018 – 2021, Fannie Mae, along with our partners, conducted research and outreach related to RED aims and best practices. That research included white papers on RED-focused State and Local affordable housing programs and case studies highlighting some innovative best practices. Fannie Mae also hosted interactive roundtable discussions for external and internal stakeholders. Finally, Fannie Mae analyzed lessons learned from product enhancements designed to increase RED-eligible loan acquisitions. This Plan continues to build on these accomplishments and aims to expand outreach efforts with external partners.

Year	Target and Implementation Steps	Evaluation Area
2022	Conduct outreach activities to identify new potential partners, provide market intelligence, and evaluate opportunities to increase volume of RED-eligible loans in High Opportunity Areas. • Examine results from 2021 stakeholder outreach and develop a work plan for RED-eligibility research. • Improve RED-eligibility mapping tools for lender and borrower use. • Finalize analysis of existing RED product enhancements and develop a plan for lender outreach to highlight the enhancements.	Outreach
2023	Conduct outreach activities to identify new potential partners, provide market intelligence, and evaluate opportunities to increase volume of RED-eligible loans in High Opportunity Areas. • Publish a white paper on financing models for affordable housing in High Opportunity Areas. Maintain and continue to improve mapping and analysis tools for lender and borrower use. • Conduct lender outreach on product enhancements identified in previous years.	Outreach
2024	Conduct outreach activities to identify new potential partners, provide market intelligence, and evaluate opportunities to increase volume of RED-eligible loans in High Opportunity Areas. • Publicize white paper on financing models for affordable housing in High Opportunity Areas. • Review progress and plan for next DTS Plan cycle. • Continue lender outreach on available product enhancements.	Outreach

Rural Housing

2022–2024

Rural Housing Market

MARKET OVERVIEW

The Rural Housing market includes an estimated 74 million people in the United States, or 23% of the U.S. population.[54] Rural areas in the U.S. exhibit a combination of housing and socio-demographic attributes that require a focused approach from Fannie Mae and Freddie Mac ("the Enterprises") in order to meet housing finance needs like increased liquidity, strategic partnerships, and technical assistance.

FHFA defines a rural area as: (1) a census tract outside of a metropolitan statistical area (MSA) as designated by the Office of Management and Budget; or (2) a census tract in an MSA but outside of the MSA's Urbanized Areas and outside of tracts with a housing density of more than 64 housing units per square mile as designated by the U.S. Department of Agriculture.[55] FHFA additionally defines high-needs rural regions as rural tracts located in: Middle Appalachia, the Lower Mississippi Delta, colonias, and persistent poverty counties.

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 formal education; and less likely to be employed or participate in the labor force.
- Rural residents are more likely to be white. However, in the Lower Mississippi Delta, rural persistent poverty counties, and the colonias, the population is as or more diverse than the U.S. population.

Table A1 Summary Information for the American Community Survey (ACS) Five-Year Summary Tables, 2015 – 2019

		RURAL	HIGH-NEEDS RURAL	RURAL MIDAPP	RURAL LMD	RURAL PERPOV	RURAL COL**	U.S.
Race	Asian Non-Hispanic Population	1%	1%	0%	0%	1%	-	5%
	Black Non-Hispanic Population	7%	15%	3%	25%	22%	-	12%
	Hispanic Population	10%	11%	3%	3%	17%	-	18%
	White Non-Hispanic Population	78%	68%	92%	70%	53%	-	61%
	Other Race Non-Hispanic Population	4%	5%	2%	2%	8%	-	4%
Population Age	Median Population Age*	41.7	40.4	43.2	40.5	38.4	-	38.1
Poverty Status	% Poverty Rate	15%	22%	19%	21%	26%	-	13%
Income	Median Homeowner Income*	$64,783	$51,838	$51,941	$53,042	$48,555	-	$79,270
	Median Renter Income*	$33,416	$26,422	$27,106	$25,590	$24,878	-	$40,505

* Median reported in table is the average median from census tract-level data.
** Analysis for the Rural Colonias is forthcoming when proposed census tract definition is finalized. Access our 2020 Colonias Investment Areas research at https://www.fanniemae.com/about-us/what-we-do/homeownership/duty-serve/colonias-investment-areas-research.

Source: Computations from the ACS 2015 – 2019 five-year estimates at the census tract level.

[54] These estimates use FHFA's DTS rural definition, Census 2010 tract land area information, and the American Community Survey (ACS) 2015 – 2019 five-year estimates of the population.
[55] According to the USDA's Rural-Urban Commuting Area Codes #1 and #2. See www.fhfa.gov/DataTools/Downloads/Pages/Duty-to-Serve-Data.aspx.

RURAL HOUSING CHARACTERISTICS

With higher rates of manufactured housing and homeownership, housing in rural areas is distinct from housing nationwide. Single-family ownership comprises 81% of property type in rural regions versus 76% nationwide. Single-family homes are also more affordable in rural areas, where the median home value of owner-occupied homes is $166,344 versus $217,500 nationwide. Manufactured housing represents a greater share of housing type in rural areas and is especially prevalent in high-needs rural regions for both owners and renters. Rural households are less likely to rent than households in metro areas. However, in high-needs, rural-persistent poverty areas, the rental occupancy rate is significantly closer to the national average.

Table A2 Summary Information for the American Community Survey (ACS) Five-Year Summary Tables, 2015 – 2019

		RURAL	HIGH-NEEDS RURAL	RURAL MIDAPP	RURAL LMD	RURAL PERPOV	RURAL COL*	U.S.
	Number of Units	35,219,860	7,229,526	2,636,143	2,433,568	3,828,234	-	137,428,986
	Number of Occupied Units	28,357,561	5,770,143	2,115,926	1,963,500	3,014,699	-	120,756,048
Property Type	**% Single-Family 1-4 unit**	81%	76%	75%	78%	73%	-	76%
	% Manufactured Housing	13%	19%	20%	18%	21%	-	6%
	% Multifamily 5+ unit	5%	5%	5%	4%	5%	-	18%
Owner Occupancy	**Owner Occupied Units**	20,858,245	4,069,727	1,558,902	1,389,214	2,038,736	-	77,274,381
	% of Occupied Owner Occupancy	74%	71%	74%	71%	68%	-	64%
Property Type for Owner Occupied	**% Single-Family 1-4 unit**	86%	80%	81%	81%	77%	-	90%
	% Manufactured Housing	13%	20%	19%	19%	22%	-	6%
	% Multifamily 5+ unit	0%	0%	0%	0%	0%	-	3%
Renter Occupancy	**Renter Occupied Units**	7,499,316	1,700,416	557,024	574,286	975,963	-	43,481,667
	% of Occupied Renter Occupancy	26%	29%	26%	29%	32%	-	36%
Property Type for Renter Occupied	**% Single-Family 1-4 unit**	66%	65%	60%	70%	65%	-	52%
	% Manufactured Housing	14%	19%	23%	16%	18%	-	4%
	% Multifamily 5+ unit	20%	16%	17%	14%	16%	-	44%
Median House Value of Owner-Occupied Units	**Manufactured Housing**	$82,747	$51,902	$57,497	$45,278	$47,641	-	$48,400
	All Single-Family 1-4 unit (Site-Built+MH)	$166,344	$116,706	$123,665	$110,209	$106,537	-	$217,500

* Analysis for the Rural Colonias is forthcoming when proposed census tract definition is finalized. Access our 2020 Colonias Investment Areas research at https://www.fanniemae.com/about-us/what-we-do/homeownership/duty-serve/colonias-investment-areas-research.

Source: Computations from the ACS 2015 – 2019 five-year estimates at the census tract level.

CHALLENGES AND NEEDS

Lack of affordable multifamily capital. Rural housing markets are underserved by the traditional mortgage finance system due to a lack of access to affordable capital, which constricts the supply of rental housing that is available to low- and moderate-income (LMI) households. Many properties face significant obstacles as they pursue sufficient debt financing for development and preservation, owing largely to challenging economic characteristics of rural communities. Additionally, characteristics of multifamily rental financing in rural markets, which are generally smaller properties, increase the cost and difficulty of originating, underwriting, and securitizing loans. This results in fewer options to access affordable capital through primary and secondary market competition.

These challenges are especially pronounced among high-needs rural regions and high-needs rural populations. Many properties in high-needs areas are unable to support any conventional debt financing.

Lack of affordable single-family capital. Affordable homeownership opportunities are similarly limited by the lack of affordable mortgage capital and liquidity in rural communities. Loans originated in rural and high-needs rural communities are more likely to be held in portfolio than in metro areas. Loans originated in rural communities may not conform to secondary market standards, requiring lenders to often retain these loans within their portfolio. With limited access to the secondary market, lenders are unable to efficiently replenish capital and sometimes unable to offer low-cost, fixed-rate loans.

Lower credit scores. Rural mortgage borrowers have lower credit scores on average and are more likely to have a credit score below 680 than the overall population of borrowers. This pattern of lower credit scores is even more pronounced for rural borrowers in high-needs areas.[56]

Higher denial rates. Denial rates are higher for mortgage applicants in rural and high-needs rural areas based on an analysis of HMDA 2019 owner-occupant applications with applicant income under 100% of AMI.

Limited mortgage finance options on Native American trust lands. Even as incomes have risen and credit scores have improved, mortgage financing opportunities for potential homebuyers on Native American trust lands remain limited, as it is difficult to attract lenders. Each tribe has a unique structure of governance, culture, history, and identity. Native American land also has legal complexities that can include federally restricted trust land and allotted lands. Conventional lending is nearly non-existent, and only a small share of government loans are originated on Native American trust land. There is growing demand for homeownership among Native American households and an opportunity for lenders and investors to meet this demand.

MEETING THE CHALLENGES

Fannie Mae will remain proactive in both the rural rental and rural homeownership markets, building strategies and solutions that meet the unique needs and challenges of the rural regions, including underserved rural markets, high-needs rural regions, and Native American communities. We will direct tax credit equity into rural and high-needs rural markets, work with our lender network to drive more debt capital into underserved rural markets, and partner with industry leaders to improve the supply of affordable housing. In high-needs rural regions, we'll pursue strategic investments to expand the capacity of community development financial institutions (CDFIs). In Native American communities, we will support and build secondary market capacity of Native CDFIs.

[56] See www.fhfa.gov/DataTools/Tools/Pages/Duty-to-Serve-2019-Single-Family-Dashboard.aspx.

Statutory and Regulatory Activities Considered but Not Included

Under the Duty to Serve Evaluation Guidance, the Enterprises are required to consider and address all four of the Regulatory Activities identified for this market. Fannie Mae has addressed and included three of the Regulatory Activities identified in the Duty to Serve Final Rule, as well as an Additional Activity. Fannie Mae has considered the Activity for small multifamily rental properties in rural areas. While Fannie Mae will continue to finance small multifamily rental properties in rural areas through debt transactions, we have chosen to not include a specific target in the Plan. Despite the considerable effort expended by Fannie Mae in prior Plan years to purchase small loans in rural areas, many factors remain outside of our control. These factors include generally less experienced deal sponsors and property owners, fluctuations in non-metro economies, and fewer available conventional debt financing sources. For these reasons, we do not have the ability to set a numeric loan purchase target for this Plan cycle with a high degree of confidence. We will continue to address especially challenging rural market needs with impactful Multifamily Objectives, including technical assistance and lender outreach in the high-needs rural regions and with high-needs rural populations.

Activities and Objectives

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

In the Final Duty to Serve Rule, FHFA identified four specific high-needs rural regions that experience severe economic challenges and affordable housing obstacles: Middle Appalachia, the Lower Mississippi Delta, colonias, and rural tracts in persistent poverty counties.

Households in high-needs rural regions have lower incomes than those of their urban counterparts. According to the ACS 2015 – 2019 five-year data, the median renter household income in high-needs rural regions is $24,878, approximately $16,000 lower than the national median renter income; homeowner income in high-needs rural regions is $48,555, approximately $31,000 lower than the national median homeowner income.[57] In addition, more rural households live below the poverty line than in the U.S. as a whole.[58] Lower incomes lead to higher cost burdens for renters: In the rural areas of Middle Appalachia, for example, almost 49% of renter households are cost-burdened, compared to 29% of owner households.[59]

Commercial lenders are less likely to provide meaningful debt capital to properties in high-needs rural regions due to the smaller project sizes, lower renter incomes, less density, and valuation challenges because of the lack of comparable properties. Significant subsidy or rental assistance is required for multifamily deals to be viable. These challenges limit the affordable housing supply for renters. As a result, multifamily properties in the high-needs regions are typically older and in greater need of maintenance and renovation. These properties, many built through

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[57] Computations from the ACS 2015 – 2019 five-year estimates at the census tract level.

[58] 26% poverty rate in high-needs rural regions compared to 13% in the U.S. overall; computations from the ACS 2015 – 2019 five-year estimates at the census tract level.

[59] Tatyana Zahalak, “Multifamily Challenges and Opportunities in Middle Appalachia,” Fannie Mae, October 2018, www.fanniemae.com/media/23401/display.

the USDA Direct Rural Loan Program — Rural Development (RD) Section 515 — are in dire need of preservation resources to ensure affordability for tenants.

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 more granular geographic information to identify and target business in eligible areas.

Baseline: From 2018 – 2020, Fannie Mae encouraged business in the high-needs rural regions through targeted outreach to our DUS lender network and introduced a loan product enhancement to facilitate and incent this business. In addition, we increased transparency of eligible deals in the high-needs rural regions by increasing lender engagement and providing lenders with instantaneous insight on DTS-eligibility based on property addresses. As a result, we realized a 25% increase in loan purchases in 2019 and a further increase in 2020. For 2022 – 2024, our baseline is set to 43 loans, the three-year average of loan purchases from 2018 – 2020.

Multifamily High-Needs Rural Regions Loan Purchases	2018	2019	2020
Loans	33	47	50
Units	3,564	5,076	5,400

Year	Target and Implementation Steps	Evaluation Area
2022	Purchase 48 loans on multifamily properties in the high-needs rural regions, which represents a 12% increase over the baseline. • Conduct outreach with active lenders in rural areas to share Fannie Mae's interest in qualifying business and provide data to encourage production from lenders.	Loan Purchase
2023	Purchase 50 loans on multifamily properties in the high-needs rural regions, which represents a 16% increase over the baseline. • Conduct outreach with active lenders in rural areas to share Fannie Mae's interest in qualifying business and provide data to encourage production from lenders.	Loan Purchase
2024	Purchase 52 loans on multifamily properties in the high-needs rural regions, which represents a 21% increase over the baseline. • Conduct outreach with active lenders in rural areas to share Fannie Mae's interest in qualifying business and provide data to encourage production from lenders.	Loan Purchase

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

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

FOCUSING ON PURCHASE MONEY MORTGAGE (PMM) PURCHASES

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

IDENTIFYING A GROWTH TARGET

We believe that continued growth over the next three years is reasonable, even amid shifting market conditions. As with the baseline, we considered the circumstances within each market to select appropriate growth targets. In high-needs rural regions, recent average annual growth has been 19%, and each year of the first Duty to Serve Plan resulted in higher loan purchases than the year prior. Due to changing market conditions, we do not expect to sustain this same growth rate, but we believe it is reasonable to set an annual growth expectation of approximately 12% each year. Therefore, by the third and final year of this Plan cycle, our target is about 39% higher than the baseline.

Baseline: The 5,838-loan baseline represents the three-year average of the number of loans purchased by Fannie Mae from 2017 – 2019. Fannie Mae has set the below targets for 2022 – 2024. Similar to our approach when setting a baseline in the prior iteration of the Duty to Serve Plan, we reference actual loan purchases from a recent period. Our standard approach calculates the simple average of the three years spanning 2018 to 2020. However, because 2020 loan purchases were anomalously high in certain markets, we focused on determining whether it was reasonable to include or exclude 2020 from each baseline. In high-needs rural regions, we noted that PMM loan purchases in 2020 were historically high. Unlike other markets (such as Manufactured Housing), in which 2020 growth was in line with recent years' growth, high-needs rural regions displayed 29% year-over-year growth in 2020 — a clear outlier compared to recent years. Because 2020 appears to be an anomaly, we set a high-needs rural regions baseline of 5,838 PMM loans based on our 2017 – 2019 loan purchases.

Single-Family High-Needs Rural Regions Loan Purchases	2017	2018	2019
Loans	5,006	5,893	6,616

Year	Target and Implementation Steps	Evaluation Area
2022	Purchase 6,516 single-family mortgage loans in high-needs rural regions, which represents a 12% increase over the baseline.	Loan Purchase
2023	Purchase 7,272 single-family mortgage loans in high-needs rural regions, which represents a 24% increase over the baseline.	Loan Purchase
2024	Purchase 8,116 single-family mortgage loans in high-needs rural regions, which represents a 39% increase over the baseline.	Loan Purchase

3. Objective: Improve access to affordable financing for underserved homebuyers.

Many Americans rely on homeownership as a means of wealth-building. While homeownership can be an effective asset-building mechanism, lack of financing options, credit and down payment challenges, and rural geographical locations potentially restrict opportunity for underserved households. Moreover, racial inequality in housing and mortgage markets over many decades also continues to exacerbate a wealth gap, resulting in lower homeownership rates for households of color.

We will address one or more of the primary barriers that have limited homeownership opportunities for borrowers and communities that have been historically denied access to mainstream sources of credit.

Baseline: Under the Duty to Serve 2018 – 2021 Plan, Fannie Mae expanded access to credit for underserved borrowers in high-needs rural regions by changing our guide to allow conventional financing for single-width manufactured homes; allowing buyers to submit an inspection in lieu of an appraisal in geographies where appraisals are limited; and supported two CDFIs serving underserved borrowers (Fahe, servicing Appalachia, and Cdcb | Come dream. come build., serving colonias) through Fannie Mae's seller and servicer approval process.

Year	Target and Implementation Steps	Evaluation Area
2022	Deploy an initiative that will improve access to affordable financing for underserved homebuyers. • Leverage research conducted in 2021 to develop and implement at least one initiative aimed at improving access to down payment assistance. • Collaborate with internal stakeholders to ensure strategy aligns with enterprise objectives, and determine feasibility of improving access to down payment assistance and obtain approval. • Develop and implement an outreach strategy aimed at identifying and selecting an external partner(s) who specializes in providing down payment assistance. • Define success measures and develop a performance monitoring system to track progress and identify future enhancement or expansion opportunities.	Loan Product
2023	Enhance or expand the initiative while working to remove barriers impeding success. • Assess the down payment assistance initiative's results from 2022 and identify opportunities to strengthen the program's effectiveness and increase its scale. • Document lessons learned and share best practices. • Continue outreach efforts to promote awareness about the down payment assistance initiative. • Conduct a market analysis to determine if gaps exist and whether expanding or replicating initiative in other high-needs rural regions is feasible. If feasible, engage internal and external stakeholders to determine scope requirements, and obtain necessary approvals.	Outreach

Year	Target and Implementation Steps	Evaluation Area
2024	Analyze potential policy changes with a focus on increasing borrowers homeownership opportunities in high-needs rural regions and ensuring initiative(s) aligns with enterprise objectives. • Continue to assess the down payment assistance initiative's results from 2023 to identify if additional opportunities exist to further strengthen the program's effectiveness and increase its scale. • Conduct market research to determine if new barriers exist that impede borrowers from leveraging down payment assistance programs. • Review and assess policies to determine if opportunities exist to enhance or create new guidelines that improves a borrower's ability to access homeownership.	Loan Product

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

In the Final Duty to Serve Rule, FHFA identified two specific high-needs rural populations that face significant barriers to obtaining affordable housing: Native Americans in Indian areas and agricultural workers.

According to the Housing Assistance Council (HAC), the aggregated poverty rate for Native American trust lands is 29.2%, considerably higher than the 15.5% national average. Mortgage lending on Native American trust lands is virtually non-existent. While 9.5% of Native Americans live on trust lands, they account for only a 2% share of Native American mortgage loan activity. Compared to the 22.3 loans originated per 1,000 U.S. residents, only 1.9 loans were originated per 1,000 Native American trust land residents.[60]

A major study of Native American housing needs conducted for the U.S. Department of Housing and Urban Development (HUD) estimated that as of 2015, a total of 68,000 new units were needed in tribal areas "to replace severely inadequate units and eliminate overcrowding."[61] It also concluded that 30,000 units required rehabilitation. These figures include both owner-occupied and rental housing.

Agricultural workers in the U.S. face similar challenges. Approximately one-third of agricultural workers are cost-burdened.[62] In addition, HAC estimates that 17% of agricultural worker housing units are severely substandard, and 16% are moderately substandard. Residents of those substandard units often include children. Moreover, crowding (more than one person per room) is common for agricultural workers, particularly migrants. Almost 31% of agricultural workers live in crowded conditions, according to a 2013 – 2014 Department of Labor National Agricultural Workers' Survey. The stock of USDA Section 514/516 Housing serving agricultural workers is aging, and rehabilitation financing is sorely needed. According to HAC, the development of new units of Section 514/516 Farm Labor Housing has been steadily dropping since 1980. This decrease in housing unit development is partially attributed to development funding not matching rising costs. As a result, the majority of units are over 25 years old.

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[60] *Exploring the Challenges and Opportunities for Mortgage Finance in Indian Country* (Washington, D.C.: Housing Assistance Council, April 2018), ruralhome.org/storage/documents/publications/rrreports/rrr-native-american-mortgage-white-paper.pdf.

[61] *Housing Needs of American Indians and Alaska Natives in Tribal Areas: A Report from the Assessment of American Indian, Alaska Native, and Native Hawaiian Housing Needs* (Washington, D.C.: U.S. Department of Housing and Urban Development Office of Policy Development and Research, January 2017), huduser.gov/portal/sites/default/files/pdf/HNAIHousingNeeds.pdf.

[62] *Rural America's Rental Housing: Federal Strategies to Preserve Access to Affordable Rental Housing in Rural Communities* (Washington, D.C.: National Rural Housing Coalition, 2014), novoco.com/sites/default/files/atoms/files/nrhc_rural_america_rental_housing_crisis_071114.pdf (accessed April 24, 2020).

For both Native American and agricultural worker populations, conventional mortgage financing is not typically a viable option for development or preservation, as many properties are unable to support traditional debt. LIHTC, while quite competitive, is a valuable source of funding — and one to which Fannie Mae will continue to contribute over the course of the 2022 – 2024 Plan.

1. Objective: Support technical assistance programs that enhance the development capacity of organizations serving high-needs rural populations.

Technical assistance (TA) programs deliver industry best practices and expert knowledge about developing housing to serve high-needs rural populations. By supporting TA programs for these markets, Fannie Mae is helping organizations deploy development resources effectively and maximize the likelihood of securing competitive funding. This is a critical element to generate affordable units. Building the capacity of community-focused organizations offers long-term benefits, as those local entities grow and change with their communities.

Baseline: From 2019 – 2021, Fannie Mae 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 targeting agricultural communities resulted in the submission of two applications for the USDA Section 514 Farm Labor Housing Direct Loan program in 2019 and led to significant development milestones for 18 multifamily properties in 2020. The TA targeting Native American communities resulted in direct TA for 10 organizations and the delivery of TA through an instructor-led institute for a cohort of 7 tribal housing entities.

Year	Target and Implementation Steps	Evaluation Area
2022	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 2021 and incorporate opportunities and strategies to strengthen the program's effectiveness and increase its scale in 2022. • Plan the 2022 TA program and identify organizations for TA delivery (developers of farm labor housing and Native American housing). • Execute the 2022 TA program. • Analyze results of the 2022 TA program at the property level to determine success of the program and inform future work.	Outreach
2023	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 2022 and incorporate opportunities and strategies to strengthen the program's effectiveness and increase its scale in 2023. • Plan the 2023 TA program and identify organizations for TA delivery (developers of farm labor housing and Native American housing). • Execute the 2023 TA program. • Analyze results of the 2023 TA program at the property level to determine success of the program and inform future work.	Outreach

Year	Target and Implementation Steps	Evaluation Area
2024	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 2023 and incorporate opportunities and strategies to strengthen the program's effectiveness and increase its scale in 2024. • Plan the 2024 TA program and identify organizations for TA delivery (developers of farm labor housing and Native American housing). • Execute the 2024 TA program. • Analyze results of the 2024 TA program at the property level to determine success of the program and inform future work.	Outreach

2. Objective: Create additional homeownership opportunities for high-needs populations by strengthening Native CDFIs' lending capacity and skill set to operate in the secondary mortgage market.

Native American communities have some of the greatest barriers to accessing capital and basic financial services in the nation. Native CDFIs are specialized, mission-driven organizations that help Native communities grow by increasing their access to credit, capital, and financial services. Native CDFIs support homeownership opportunities providing a range of financing products for Native borrowers and communities that have been historically denied access to mainstream sources of credit.

Lack of quality and affordable housing for Native American communities has been exacerbated by the land tenure status of trust land. Due to the complex and unique challenges facing high-needs populations, most traditional lenders are unfamiliar with and unable to serve these markets, further increasing financing challenges. Moreover, reliable and accessible data for this market is scarce. As a result, providing Native CDFIs with resources and access to the secondary market is important to capture opportunities for market growth. Fannie Mae plans to create or enhance product offerings to better serve high-needs rural populations and reduce the challenges faced by these regions.

Baseline: Under the Duty to Serve 2018 – 2021 Plan, Fannie Mae provided technical assistance to multiple Native CDFIs and tribal entities to enhance their mortgage-lending capacity. Most recently, in partnership with Oweesta Corporation, a Native CDFI Intermediary, the Native CDFI Mortgage Lending Cohort was created to address the lack of traditional mortgage lenders. These Native CDFIs will work to advance their mortgage-lending capabilities with the intent of becoming mortgage brokers capable of working in the secondary market.

Year	Target and Implementation Steps	Evaluation Area
2022	Provide TA and access to training resources to a Native CDFI, tribal government, or tribal-designed housing entity. • Evaluate the Native CDFI lending cohort's 2021 progress and, if feasible, provide TA and training resources to further build cohort's capacity to access the secondary mortgage market and the whole loan conduit. • Identify a lender partner to provide access to the secondary market and provide TA and training resources needed to improve their expertise of Native American mortgage origination and servicing. • Define expected impact measures and develop a performance monitoring and tracking system. Establish reporting protocols and implement a feedback mechanism for stakeholders.	Loan Product
2023	Align Fannie Mae's Native American Lending Conventional Initiative (NACLI) to effectively serve Native American homebuyers on trust lands. • Solicit industry engagement by participating in at least two industry forums. • Perform mortgage origination and servicing research to simplify trust land lending. • Execute and publish a programmatic change in compliance with Duty to Serve and Fannie Mae eligibility. • Promote enhancements by hosting an online seminar targeting vested stakeholders. • Define expected impact measures and develop a performance monitoring and tracking system. Establish reporting protocols and implement a feedback mechanism for stakeholders. • Conduct a market analysis to determine whether including a loan purchase target in 2024 is feasible. • If deemed feasible, work with internal and external business partners to determine an impactful and appropriate loan purchase target.	Loan Product

3. Objective: Champion efforts that promote or sustain homeownership for Native American populations.

Homebuyer education and counseling are critical to expanding the pool of mortgage-ready homebuyers and preparing Native Americans for sustainable homeownership on trust lands; however, these areas historically have lacked adequate access to these services. Many Native American prospective homebuyers have little familiarity with the homebuying or mortgage process. In addition, purchasing a home on trust land often means securing a ground lease, which can be a challenging process for a homebuyer. Homeownership counseling can help families' efforts to work with their tribe and the Bureau of Indian Affairs to secure the ground lease and Title Status Report in addition to preparing homebuyers for sustainable homeownership.

Baseline: Under the Duty to Serve 2018 – 2021 Plan, Fannie Mae collaborated with three Native American organizations to accomplish multiple activities, including: making significant updates to an existing Native homebuyers curriculum and creating an online platform for these resources; addressing the impact of the COVID-19 pandemic on Native American communities; and supporting the Native American CDFI Intermediary's efforts to become a HUD Housing Counseling Intermediary.

Year	Target and Implementation Steps	Evaluation Area
2022	Develop a pipeline of qualified homebuyers via a partnership(s) with a tribe, tribal-designated housing entity, or national or local nonprofit organization to deliver homebuyer readiness or financial capability servicers. • Identify opportunities to enhance financial capability or homebuyer readiness programmatic services through industry outreach. Create or update available resources for public consumption. • Define success measures and develop a performance monitoring system to assess progress towards achieving goals. • Launch a financial capability or homebuyer readiness initiative. • Determine the feasibility of establishing targets, starting in 2023, with a focus on expanding borrower reach. • If deemed feasible, update Plan for 2023 and 2024 to include targets for the number of borrowers reached through financial capability or homebuyer readiness programmatic services.	Outreach
2023	Evaluate the effectiveness of initiative(s) launched in 2022 and identify opportunities to improve and/or expand access to financial capability or homebuyer readiness programmatic services to Native American populations. • Continue industry outreach and research efforts to assess opportunities to enhance financial capability or homebuyer readiness programmatic services. Create or update available resources for public consumption. • Define success measures and develop a performance monitoring system to assess progress towards achieving goals. • Deploy TA, and if applicable, other resources to support financial capability or homebuyer readiness programmatic services. • Assess the initiative's results in 2022 and 2023 and identify opportunities to strengthen the program's effectiveness and increase its scale in 2024.	Outreach
2024	Evaluate the effectiveness of initiative(s) launched in 2023 and identify opportunities to improve and/or expand access to financial capability or homebuyer readiness programmatic services to Native American populations. • Continue industry outreach and research efforts to assess opportunities to enhance financial capability or homebuyer readiness programmatic services. Create or update available resources for public consumption. • Define success measures and develop a performance monitoring system to assess progress towards achieving goals. • Deploy TA, and if applicable, other resources to support financial capability or homebuyer readiness programmatic services. • If applicable, establish progressive targets that expand borrower reach in the program's next three-year Underserved Markets Plan.	Outreach

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

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

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

FOCUSING ON PMM PURCHASES

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

IDENTIFYING A GROWTH TARGET

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

Baseline: The baseline of 5,749 loans is the three-year average of the number of loans purchased by Fannie Mae from 2018 – 2020. Fannie Mae has set the below targets for 2022 – 2024. Similar to our approach when setting a baseline in the previous Duty to Serve Plan, we reference actual loan purchases from a recent period. Our default approach calculated the simple average of the three years spanning 2018 to 2020. However, 2020 loan purchases were anomalously high in certain markets, so we focused on determining whether it was reasonable to include or exclude 2020 from each baseline. In SFIs, we noted that PMM loan purchases in 2020 were historically high. Unlike other markets (such as Manufactured Housing), in which 2020 growth was in line with recent years' growth, we observed year-over-year growth of 33% in 2020. This rate of growth was clearly an outlier compared to recent years and suggests that 2020 SFI volumes were an anomaly. Therefore, we set an SFI baseline, according to 2018 – 2020, of 5,749 PMM loans.

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

Year	Target and Implementation Steps	Evaluation Area
2022	Purchase 6,037 single-family mortgage loans in rural areas from SFIs, which represents a 5% increase over the baseline.	Loan Purchase
2023	Purchase 6,339 single-family mortgage loans in rural areas from SFIs, which represents a 10% increase over the baseline.	Loan Purchase
2024	Purchase 6,656 single-family mortgage loans in rural areas from SFIs, which represents a 16% increase over the baseline.	Loan Purchase

D. Additional Activity: Invest in Low-Income Housing Tax Credit (LIHTC) 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. The affordable rural rental housing industry recognizes the LIHTC program as the most meaningful tool to develop and preserve affordable multifamily housing in underserved rural markets.

Projects supported by the LIHTC program placed nearly 10,000 low-income units in rural communities annually from 2005 – 2014. The non-metro share of all LIHTC projects placed in-service averages between 15% and 25%. Non-metro LIHTC projects have averaged between 40 and 45 units between 2005 and 2014.[63] LIHTC is prevalent in projects serving high-needs rural regions and populations and can be paired with the Loan Guarantee programs from USDA RD to obtain financing on rural properties. It is one of the few affordable rental housing programs to realize increased funding over the past few years.[64]

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. We partnered with HAC to perform research on the effectiveness of the LIHTC program across the country. As a result, we provided significant equity investments to the development and preservation of affordable multifamily projects in rural markets.

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

Fannie Mae will invest in LIHTC properties in rural areas. Fannie Mae is committed to remaining a reliable and consistent source of equity.

Baseline: We partnered with syndicators to invest in 42 rural properties in 2018, 98 in 2019, and 65 in 2020. As a result of the carry-over investment cap from 2018, our 2019 investments yielded a higher number of total investments than we would expect to see in future years. As such, the 2018 production is more indicative of expected future rural deal production. In determining our 2022 – 2024 investment goal, we considered risk limits, investment

[63] Andrew M. Dumont, "Rural Affordable Rental Housing: Quantifying Need, Reviewing Recent Federal Support, and Assessing the Use of Low Income Housing Tax Credits in Rural Areas," Finance and Economics Discussion Series 2018-077, Board of Governors of the Federal Reserve System, July 19, 2018, doi.org/10.17016/FEDS.2018.077 (accessed April 24, 2020).

[64] Donna Kimura, "LIHTC Increase Included in Spending Bill," Affordable Housing Finance, March 22, 2018, housingfinance.com/policy-legislation/lihtc-increase-included-in-spending-bill_o (accessed April 24, 2020).

targets, the regulatory investment limit, and the amount of that limit used annually. Considering the characteristics of DTS-eligible markets and safety and soundness standards is paramount.

Year	Target and Implementation Steps	Evaluation Area
2022	Make equity investments in 42 LIHTC projects in rural areas. • Plan and execute a balanced portfolio and investment strategy that effectively manages risk. • Work with our syndicator partners to achieve the goal by investing equity in both proprietary and multi-investor funds. • Continue industry engagement through a presence in key networks. • Maintain expertise in high-needs rural regions and high-needs rural populations.	Investments
2023	Make equity investments in 42 LIHTC projects in rural areas. • Evaluate portfolio and investment strategy based on lessons learned from 2022 and market conditions. • Strengthen syndicator partnerships to achieve the goal by investing equity in both proprietary and multi-investor funds. • Continue industry engagement through a presence in key networks and exploring new relationships. • Maintain expertise in high-needs rural regions and high-needs rural populations.	Investments
2024	Make equity investments in 42 LIHTC projects in rural areas. • Evaluate portfolio and investment strategy based on lessons learned from 2023 and market conditions. • Continue to strengthen syndicator partnerships to achieve the goal by investing equity in both proprietary and multi-investor funds. • Continue industry engagement through a presence in key networks and expanding presence in new networks. • Maintain expertise in high-needs rural regions and high-needs rural populations.	Investments