



Fannie Mae 2021
Rural Housing
Loan Purchase

ACTIVITY:

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

OBJECTIVE:

3. Create a work-plan and increase multifamily loan purchases in Middle Appalachia, the Lower Mississippi Delta, rural tracts in persistent poverty counties, and the colonias (Analyze, Test and Learn, Do What We Do Best).

SUMMARY OF RESULTS:

Following are the 2021 Actions under this Objective per the [January 1, 2021 Duty to Serve Plan]:

<i>Objective's components detailed in the Plan</i>	<i>Corresponding actions taken</i>	<i>Explanation of any deviations from the Plan (if applicable)</i>
<input checked="" type="checkbox"/> Purchase 45 multifamily loans in the high-needs rural regions, which represents approximately 4,275 units, an 18 percent increase over the Baseline.	Fannie Mae purchased 47 loans, modestly surpassing the 2021 target. These loans financed 4,948 units affordable to renters earning at or below the area median income.	N/A
<input checked="" type="checkbox"/> Conduct outreach with active lenders in rural areas to share Fannie Mae's interest in qualifying business and provide eligibility data to stimulate production.	Fannie Mae held calls with DUS® lenders to promote our High Needs Rural Regions (HNRR) offering, provide training, clarify pricing, and answer questions. During many of these meetings, we promoted the use of FHFA's Duty to Serve eligibility map with lenders to verify eligibility and clarify our goals.	N/A
<input checked="" type="checkbox"/> Evaluate the loan product enhancement to encourage increased production from lenders through the analysis of historical metrics and consultation with the DUS lender network and rural partners.	Fannie Mae revised its High Needs Rural Regions offering, launched in 2019, by doubling the associated pricing incentive in response to feedback from our lender partners.	N/A



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SELF-ASSESSMENT RATING OF PROGRESS:

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

IMPACT:

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

IMPACT EXPLANATION:

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

In 2021, Fannie Mae purchased 47 loans totaling \$314 million in UPB, supporting 4,948 units. These loans served a disparate market, and included small buildings, Manufactured Home Communities (MHCs), bond transactions, and transactions utilizing tax credits. The average transaction was under \$7 million, for which we have a dedicated Small Loan team with expertise in this area. The deals were spread throughout Appalachia, the Mississippi Delta, and persistent-poverty counties, and covered 16 states. The majority of units financed are affordable, serving residents at 80 percent of area median income (AMI), which is considered deeply affordable.

In an effort to increase loan deliveries this year, Fannie Mae updated its HNRR offering by doubling the pricing incentive. Unfortunately, when comparing average monthly deliveries prior to and after the pricing change, it does not appear to have driven incremental volume. Several lenders told us that, while the pricing incentive was attractive, it was typically not enough to drive the lender’s choice of execution. We will continue to work with our lender partners to refine the offering in the future, which could expand beyond pricing incentives.

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

Unfortunately, as in 2020, Fannie Mae observed several pandemic-related challenges: More deals than usual were delayed due to sponsor difficulties such as securing financing from other sources, obtaining approvals from state and local governments, and working with contractors.

Lenders also continued to note perceived barriers to HNRR lending. For example, lenders shared that these remote geographies presented challenges, such as difficulty hiring inspectors willing to serve properties in HNRRs. Staffing challenges such as this may have been exacerbated by a large number of competing transactions in non-rural areas.



Fannie Mae 2021 Rural Housing Loan Purchase

Lenders continued to ask for more clarity on the geographic characteristics that make a loan eligible as HNRR, in accordance with the regulation. To address this, Fannie Mae met with lenders to raise awareness of functionality in our DUS Gateway® system that automatically highlights eligible HNRR loans for lenders and directed lenders to resources made available by both Fannie Mae and FHFA. In addition to lender meetings, we promoted HNRR lending in our Multifamily Wire communication to DUS lenders. Our promotion showcased a handful of resources, including the MAE, the various FHFA maps, and our Duty to Serve homepage. We have also provided lenders with ad hoc support when needed.

Throughout 2021, Fannie Mae stayed in close contact with lenders, working with them to close rural deals and provide financing where possible. Because our pipeline became more robust as these outreach efforts took place in the latter part of the year, we believe sustained outreach throughout the entirety of 2022 will be productive.

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

N/A



**Fannie Mae
Rural Housing
Second Quarter Report: April 1 - June 30, 2021
Loan Purchase**

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

OBJECTIVE:

3. Create a work-plan and increase multifamily loan purchases in Middle Appalachia, the Lower Mississippi Delta, rural tracts in persistent poverty counties, and the colonias (Analyze, Test and Learn, Do What We Do Best).

SUMMARY OF RESULTS:

As in prior years, our customer engagement teams continue to stress our commitment to high-needs rural regions (HNRR) in discussions with participants in these markets, including lenders and borrowers. In April, we doubled our multifamily HNRR pricing incentive from five to 10 basis points, in response to feedback from our lender partners. This incentive applies to HNRR loans with an unpaid principal balance (UPB) less than \$6 million.

Despite these efforts, we have seen fewer deal submissions than we anticipated. Against a backdrop of uncertainty and pandemic-related concerns, some lenders have shifted focus away from what they perceive are higher risk segments. Some lenders have also expressed that HNRR transactions, which tend to be smaller, are less appealing in the current lending environment because they carry the same or higher base costs as compared to larger transactions.

As of the end of the second quarter, we have acquired 16 HNRR loans. Given the current trajectory, we believe we are at risk of missing the target of 45 HNRR loans.

Following are the 2021 Actions under this Objective as published in the December 14, 2018 Duty to Serve Plan:

Purchase 45 multifamily loans in the high-needs rural regions, which represents approximately 4,275 units, an 18 percent increase over the Baseline.

Evaluate the loan product enhancement to encourage increased production from lenders through the analysis of historical metrics and consultation with the DUS lender network and rural partners.

Conduct outreach with active lenders in rural areas to share Fannie Mae's interest in qualifying business and provide eligibility data to stimulate production.



**Fannie Mae
Rural Housing
Second Quarter Report: April 1 - June 30, 2021
Loan Purchase**

SELF-ASSESSMENT RATING OF PROGRESS:

- On-target to meet or exceed the objective
- Progress delayed and/or partial completion of the objective expected
- Unlikely to achieve any milestones of the objective

ADDITIONAL INFORMATION (IF APPLICABLE):



**Fannie Mae
Rural Housing
Third Quarter Report: July 1 - September 30, 2021
Loan Purchase**

ACTIVITY:

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

OBJECTIVE:

3. Create a work-plan and increase multifamily loan purchases in Middle Appalachia, the Lower Mississippi Delta, rural tracts in persistent poverty counties, and the colonias (Analyze, Test and Learn, Do What We Do Best).

SUMMARY OF RESULTS:

As noted in the Q2 report, we have pursued the purchase of loans in high-needs rural regions (HNRR) aggressively through a pricing enhancement and robust engagement with DUS lenders. In Q3, we heavily promoted the use of FHFA's Duty to Serve eligibility map to determine a potential property's eligibility before it would be entered into our systems, providing early insight for lenders searching for deals. In addition, we joined lender calls to promote our HNRR product, provide training, and answer questions. These efforts, combined with the pricing enhancement that began in April, increased the number of deals in the pipeline between July and September 2021. These deals represent a range of HNRR-eligible regions and across property types, including Affordable, MHC, and small Loans. In general, lenders have been proactive in seeking lending opportunities following these outreach efforts.

As of the end of the third quarter, we have purchased 25 loans in HNRR. We would meet the 2021 goal if all HNRR loans currently in the pipeline were to be delivered before the end of the year, but if a number of these loans were to be delivered in early 2022, for example, we would expect to miss the target.

Following are the 2021 Actions under this Objective:

Purchase 45 multifamily loans in the high-needs rural regions, which represents approximately 4,275 units, an 18 percent increase over the Baseline.

Evaluate the loan product enhancement to encourage increased production from lenders through the analysis of historical metrics and consultation with the DUS lender network and rural partners.

Conduct outreach with active lenders in rural areas to share Fannie Mae's interest in qualifying business and provide eligibility data to stimulate production.



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Third Quarter Report: July 1 - September 30, 2021
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SELF-ASSESSMENT RATING OF PROGRESS:

- On-target to meet or exceed the objective
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- Unlikely to achieve any milestones of the objective

ADDITIONAL INFORMATION (IF APPLICABLE):