



Fannie Mae 2021  
Rural Housing  
Loan Purchase

**ACTIVITY:**

C. Regulatory Activity: Financing by small financial institutions of rural housing (12 C.F.R. § 1282.35(c) (3)).

**OBJECTIVE:**

1. Fannie Mae will increase purchases of single-family loans in rural areas from small financial institutions (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 between 8,950 and 9,000 loans in rural areas from small financial institutions, representing an approximate 26 to 27 percent increase over Baseline.	Fannie Mae purchased 18,699 loans originated by small financial institutions in rural areas, surpassing its goal by 109%.	

**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?**

Fannie Mae exceeded our loan purchase goal for small financial institutions (SFIs) in rural areas by funding 18,699 mortgages. This volume represents a 101% increase over the 2021 target of 8,950 loans.



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As shown in the table below, 68% of the 17,000 High Needs Rural Duty to Serve loans were made to low- or very low-income borrowers, a higher percentage than in 2020. Additionally, 24% of the loans had loan balances less than \$85,000, 65% had loan balances less than \$150,000, and 20% of the loans were made to first-time homebuyers, all of which are similar percentages to 2020. Rural SFIs serve high-needs rural regions (HNRRs), and 9% of 2021 SFI loans Fannie Mae purchased were made in HNRRs.

Delivery Year	Total	SFI Income Breakout			Deliveries with UPB				SFI FTH	Delivery Breakout		
		>80 and <=100 % AMI	>50 and <=80 % AMI	<=50 % AMI	With UPB >\$0 and <\$85K	With UPB >=\$85K and <\$100K	With UPB >=\$100K and <\$150K	With UPB >=\$150K	First Time Home buyer	Purchase	Rate/ Term Refi	Cash-Out Refi
2020	21,520	7,357	10,523	3,640	4,854	2,097	7,078	7,491	4,245	7,227	8,829	5,464
2021	18,699	5,355	8,056	3,097	3,890	1,654	5,228	5,736	3,459	5,816	6,178	4,514

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

The low-interest rate environment contributed to a higher than typical proportion of refinance loans in 2020 (68% in 2021 vs. 66% in 2020). Even so, acquisition volumes of purchase money mortgage loans, which are typically less influenced by interest rates, have remained atypically high. In meeting our objective, Fannie Mae averaged 571 loans purchases per month in 2021, above the average of 486 per month over the preceding four years. Given that this strong performance has come in an environment with limited housing supply and historically high home prices, we consider this to be a sign of a healthy business with room to grow. We cannot be certain of the precise drivers of this success but believe some of it can be attributed to the sustained focus on SFI lenders over the first four years of Duty to Serve, including some of the activities supporting SFIs described under in SFI Objective #2.

However, 2021 overall loan volumes were roughly 16% lower than in 2020. This drop was roughly evenly spread across most characteristics, though the drop was more severe for relatively higher-income borrowers and for loans with relatively larger balances. Most notably, 80% of the year-over-year drop came from fewer refinance loans, as purchase money mortgage lending was relatively stable. SFI refinance volumes can be relatively volatile, which factored into our analysis for the 2022-2024 Duty to Serve goal-setting process. Between 2014 and 2020, refinances ranged between 35% and 66% of rural SFI loans. Thus, the unpredictability of refinance loans led us to select a loan target that included only purchase money mortgage loans.

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

N/A