

2022 Rural Housing Loan Purchase

REGULATORY ACTIVITY:

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

OBJECTIVE:

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

INFEASIBILITY:

Please check here if the Enterprise is submitting an infeasibility request for the objective.

SUMMARY OF RESULTS:

Objective’s components detailed in the Plan	Corresponding actions taken	Explanation of any deviations from the Plan (if applicable)
<input checked="" type="checkbox"/> Purchase 48 loans on multifamily properties in the high-needs rural regions, which represents a 12% increase over the baseline.	<p>Fannie Mae purchased 52 loans secured by properties in high-needs rural regions (HNRRs), exceeding the 2022 target.</p> <p>These loans financed 6,327 units affordable to renters earning at or below the area median income. Notably, the number of units financed increased by 28% as compared to 2021.</p>	<p>N/A</p>
<input checked="" type="checkbox"/> 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.	<p>Fannie Mae held meetings and trainings with 10 DUS® lenders to discuss and promote HNRR lending. These outreach engagements proved crucial in meeting the 2022 goal, and Fannie Mae also collected valuable market intelligence, some of which affirm past findings, such as the value of geographic indicators in DUS Gateway and the inherent challenges in sourcing these deals, and some of which provide insight into the current market dynamics.</p>	<p>N/A</p>



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 2022, Fannie Mae purchased 52 loans totaling \$408 million in unpaid principal balance (UPB), supporting 6,327 units. Even in a challenging lending environment driven by higher interest rates, these volumes rose 11%, 30%, and 28%, respectively, over 2021. Part of this year-over-year growth is driven by a commitment to outreach and communication to participating DUS® lenders. In 2022, Fannie Mae specifically engaged with 10 DUS lenders on the topic of high-needs rural regions (HNRRs), affirming its commitment to this market and providing resources to drive more awareness of loan eligibility, such as its rural lookup tool.

Loans purchased in 2022 served a disparate market and included small buildings, manufactured housing communities (MHCs), bond transactions, and transactions utilizing tax credits. The median transaction size was under \$4 million, supported by 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 17 states. Over 90% of the units financed are affordable, serving residents at or below 80% of the area median income (AMI), which is considered deeply affordable.

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

In general, Fannie Mae learned that DUS lenders remain committed to HNRRs and other underserved markets despite challenging economic conditions. However, Fannie Mae ensured it met its 2022 goals by communicating with DUS lenders regularly about its targets and about each lender's eligible pipeline of loans. We learned that without regular communication and support through resources, Fannie Mae would likely have fallen short of its goal.

Fannie Mae also collected valuable market intelligence, some of which affirm past findings:

- Rural loans generally, but HNRR loans in particular are more expensive to originate because of the cost of dedicated lender staff as well as higher costs for other necessary services, such as appraisals and inspections.
- Lenders note challenges that stem from the economies of many HNRRs, including less diversity of industry and fewer employers, which introduces risk.
- These 2022 deals tended to be small, both in terms of units and UPB, which are harder make economically viable.



In spite of these challenges, many lenders expressed their commitment to this market. They requested that Fannie Mae continue to provide tools, originator training, and communication to support their efforts in the future.

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

Not Applicable



**Fannie Mae
Rural Housing
First Quarter Report: January 1 - March 31, 2022
Loan Purchase**

ACTIVITY:

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

OBJECTIVE:

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

SUMMARY OF RESULTS:

As of the end of the first quarter, we have acquired 11 HNRR loans. Given the current trajectory, we believe we are at moderate risk of missing the target of 48 loans.

Fannie Mae saw a strong pipeline of HNRR-eligible multifamily deals at the beginning of 2022 but since then, the transaction pipeline has slowed considerably, and we have classified this objective as off-track with a potential to fall short of the 2022 target. The off-track status is partly related to the overall slowdown in multifamily business but is also impacted by slower manufactured housing business, which is a meaningful contributor to HNRR loan purchases. While this loan purchase Objective is currently off-track, we believe that concerted efforts by various Fannie Mae teams dedicated to supporting this market is likely to move us back on-track in the latter part of 2022.

Following are the 2022 Actions under this Objective:

- 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.

SELF-ASSESSMENT RATING OF PROGRESS:

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



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ADDITIONAL INFORMATION (IF APPLICABLE):