

2022 Rural Housing Outreach

REGULATORY ACTIVITY:

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

OBJECTIVE:

4. Conduct outreach in high-needs rural regions to improve knowledge of local market conditions.

INFEASIBILITY:

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"/> Conduct outreach to local housing experts specializing in high-needs rural regions	The implementation steps that follow, collectively, constitute completion of this target.	N/A
<input checked="" type="checkbox"/> Engage at least five lenders specializing in each of Middle Appalachia, Lower Mississippi Delta, and the Colonias, to promote relevant lending products and resources and to continue to gather information about local market conditions	Fannie Mae engaged 27 lenders: nine in Appalachia, eight in the Mississippi Delta, six in colonias, and four across all Regions. Lenders include community banks, regional Lenders and larger (national) with direct and correspondent lending relationships. These meetings provided valuable insights, described in more detail below.	N/A
<input checked="" type="checkbox"/> Engage at least one Housing Finance Agency and/or CDFI specializing in each of Middle Appalachia, Lower Mississippi Delta, and the Colonias, to promote HFA Preferred and HomeReady and to continue to gather information about local market conditions	Fannie Mae met with seven housing finance agencies (HFAs) and community development financial institutions (CDFIs) operating in the high needs rural regions (HNRRs). These meetings provided valuable insights, described in more detail below.	N/A
<input checked="" type="checkbox"/> Engage at least one nonprofit organization specializing in each of Middle Appalachia, Lower Mississippi Delta, and the Colonias to continue to gather information about local market conditions.	Fannie Mae met with six nonprofits operating in the HNRRs. These meetings provided valuable insights, described in more detail below.	N/A



<input checked="" type="checkbox"/> Conduct research to explore opportunities for and challenges to lending in HNRRs.	The implementation steps that follow, collectively, constitute completion of this target.	N/A
<input checked="" type="checkbox"/> For example, research may focus on the performance of loans originated by CDFIs with regional expertise; or research may focus on titling issues encountered by homeowners who inherited property as heirs. In the example of heirship, we might conduct outreach with subject matter experts, nonprofits, and other organizations that play a key role in addressing heirs' property legal issues to determine how Fannie Mae can have an impact in high-needs rural regions. That research might result in a white paper that we publish to the public in 2022. We would develop a plan informed by our outreach and analysis to identify opportunities for the following two years.	<p>Fannie Mae scoped and funded an operational analysis of best practices for conventional loan servicing conducted by a CDFI. This information can be used for future outreach to CDFIs, particularly those interested in establishing a business retaining the servicing of conventional loans.</p> <p>Additionally, Fannie Mae initiated a multiyear effort to scope, analyze, and potentially address challenges related to heirs' property issues.</p>	N/A

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?

Regular engagement with lenders, HFAs, CDFIs, and nonprofits in HNRRs provided critical support for our HNRR loan purchase objective. We far exceeded the number of targeted engagements listed in our plan. Fannie Mae through these engagements demonstrated its commitment to understanding the needs in this market as well as our desire to collaborate. We identified information gaps about our products, technology, and selling policy and were able to respond directly to customers through informational webinars.

In addition to outreach to market participants, we also contributed new resources to support lending in the HNRRs. Specifically, we funded research by Fahe to document best practices for CDFIs entering the market for servicing-retained conventional lending, which Fannie Mae can utilize to support other CDFIs in the future.

Fannie Mae also continued to provide support to partners it collaborated with in prior years. Fannie Mae supported Rural Local Initiatives Support Corporation (LISC) by hosting an Appalachia and Lower Mississippi Delta Regional Financial Opportunity Center (FOC) event that offered training, development, and peer-to-peer learning and opportunities to share collective FOC stories with funders. During this event, Fannie Mae conducted a roundtable discussion and successfully gathered feedback from the organizations that are working with consumers in the rural markets. Fannie Mae's support allowed Rural Studio to provide technical assistance to four housing provider partners serving DTS high-needs areas, with a specific focus on improving supply by building affordable and resilient homes in these communities.

In another contribution to relevant research, we initiated a long-term effort to address challenges for rural borrowers facing heirs' property title issues. Through the Heirs' Property Roundtable, we convened local partners with deep expertise working directly with individuals and families in high needs rural regions, including the Federation of Southern Cooperatives, Florida Housing Coalition, Housing Assistance Council, Louisiana Appleseed Center for Law & Justice, Money Management International and the Auburn University Rural Studio to engage in a peer-to-peer exchange of research strategies, data collection techniques, and methodologies employed to identify heirs' properties and mitigate property loss. Fannie Mae conducted an extensive literature review and determined that the lack of uniformity in recording and coding title information across counties or states has resulted in a patchwork of estimates and various approaches to identify potential heirs' properties. We selected the Housing Assistance Council (HAC) as our research partner to develop a methodology informed by practitioners' community-grounded research to estimate the size of the heirs' property dilemma in high-needs rural regions and the greater U.S.

In the Plan, we committed to contributing to the publication of research and fulfilled this commitment by supporting the publication of research by the Florida Housing Coalition in 2022, which will be followed by more research published in 2023. In addition, the Fannie Mae team engaged external partners, including the Federal Home Loan Bank of Atlanta and the Asset Funders Network, to strengthen collaborative efforts to support further research and community engagement activities. The Duty to Serve team has also taken an active role in the National Community Law Center's Tangled Title working group to disseminate tangled title research and coordinate best practices for mortgage loan servicers.

Finally, to support existing borrowers, Fannie Mae continued marketing efforts to educate HNRR homeowners on available mortgage assistance relief options where needed. More traditional, non-digital communications showed strong performance results in 2021, so we utilized radio channels to reach homeowners in 2022. We leveraged a phased approach starting with radio spots in West Virginia and expanded the campaign to select Lower Mississippi Delta MSAs in February-May of 2022. The campaign effectiveness was measured by message response rate via a unique 800 number, and we generated over 1,000 calls from vulnerable homeowners.

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

Outreach work to understand the dynamics and needs of the HNRR market involves significant time to listen to, understand, and document the perspective of lenders and other stakeholders. There were several themes that highlight persistent challenges in addressing the needs of HNRRs.

- Feedback from trainings we conducted suggests future trainings should provide guidance to lenders on updates to credit underwriting, pricing, and enhancements to Homestyle[®] Renovation, Homestyle Energy, and other products. Keeping customers and stakeholders informed and aware of our product and technology improvements and enhancements to



our credit policies should increase their ability to operate more efficiently, grow their business, and grow the pipeline of eligible homebuyers.

- This outreach enlightened us on the impact of the COVID-19 pandemic on high needs rural markets. The impact was uneven depending on proximity to urban areas. Exurban areas, rural small towns, and retirement communities saw a run-up in house prices, decreasing affordability for lower-income residents. Borrowers experiencing pandemic-related financial distress were less likely to refinance because of the economic environment and were at greater risk of losing their homes.
- Some challenges are structural. Lack of employment opportunities, low incomes, inadequate infrastructure, poor quality housing stock, and fluctuating economic conditions together make improving the housing conditions of rural residents and increasing access to credit difficult to achieve, but not impossible.
- We need to stay engaged in providing continuing education on appraisal modernization and how new tools can be applied to make it easier, simpler, and less costly to appraise rural properties. In 2023 and 2024, we will explore ways to address some barriers in appraising rural properties through appraisal modernization opportunities and conduct outreach to appraisers and others as appropriate.
- Market factors, including higher mortgage interest rates, tightening credit markets, and inflationary pressures on household budgets, have led to increased housing instability for vulnerable households residing in HNRR and have highlighted the need to identify and support heirs' property owners demonstrate clear ownership – especially as unscrupulous market players accelerate the pursuit of 'forced sales' of such properties and contribute to a long history of wealth depletion in HNRRs.
- The inability to access clear title inhibits many potential rural borrowers from accessing traditional mortgage financing. The production of a comprehensive qualitative and quantitative analysis of the scope of the national heirs' property dilemma, including its prevalence in HNRRs, will expand Fannie Mae's capacity to provide critical mortgage financing in underserved high needs rural markets. Absent a clear title, property owners are unable to access traditional mortgage financing to build a new home or repair an existing home, access disaster relief funds, or leverage equity. The coordination of community-grounded heirs' property identification techniques across HNRRs, along with the development of a methodology to identify similar properties using deed and assessment data across the United States, will enable Fannie Mae to prioritize regions for proactive community engagement, evaluate potential revisions to existing loan products, provide the impetus to develop new loan products to expand access to traditional financing to heirs' property owners, and inform the development of best practices for mortgage loan servicers.

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

Not Applicable