

DIVISION OF HOUSING MISSION AND GOALS



Duty to Serve: Program Overview

February 2022

STATUTE AND REGULATION

- Under the Housing and Economic Recovery Act of 2008, Fannie Mae and Freddie Mac (the Enterprises) have a Duty to Serve three underserved markets:

- Manufactured Housing,
- Affordable Housing Preservation, and
- Rural Housing –

in a safe and sound manner for residential properties that serve very low-income families with incomes no greater than 50 percent of area median income (AMI), low-income families with incomes no greater than 80 percent of AMI, and moderate-income families with incomes no greater than 100 percent of AMI.

- FHFA published its Duty to Serve regulation on December 13, 2016. The rule requires each Enterprise to develop a three-year Underserved Markets Plan.

DUTY TO SERVE PROCESS TIMELINE



UNDERSERVED MARKETS PLAN STRUCTURE



EACH ENTERPRISE WRITES ITS OWN PLAN

- By statute, FHFA may not require the Enterprises to address specific activities in their Plans.
- FHFA may not establish specific quantitative targets for the Enterprises to put in their Plans.
- The Enterprises must “consider” a specified number of activities in each market. To consider an activity, an Enterprise must address that activity through proposed actions in its Plan or explain why it has declined to include it.
- FHFA allows the Enterprises to propose modifications to actions in their Plans during the three-year Plan cycle.

UNDERSERVED MARKETS PLAN STRUCTURE

Underserved Markets Plan

Manufactured
Housing

Affordable Housing
Preservation

Rural Housing

Within each market, an Enterprise must consider at least:

Four
Regulatory Activities

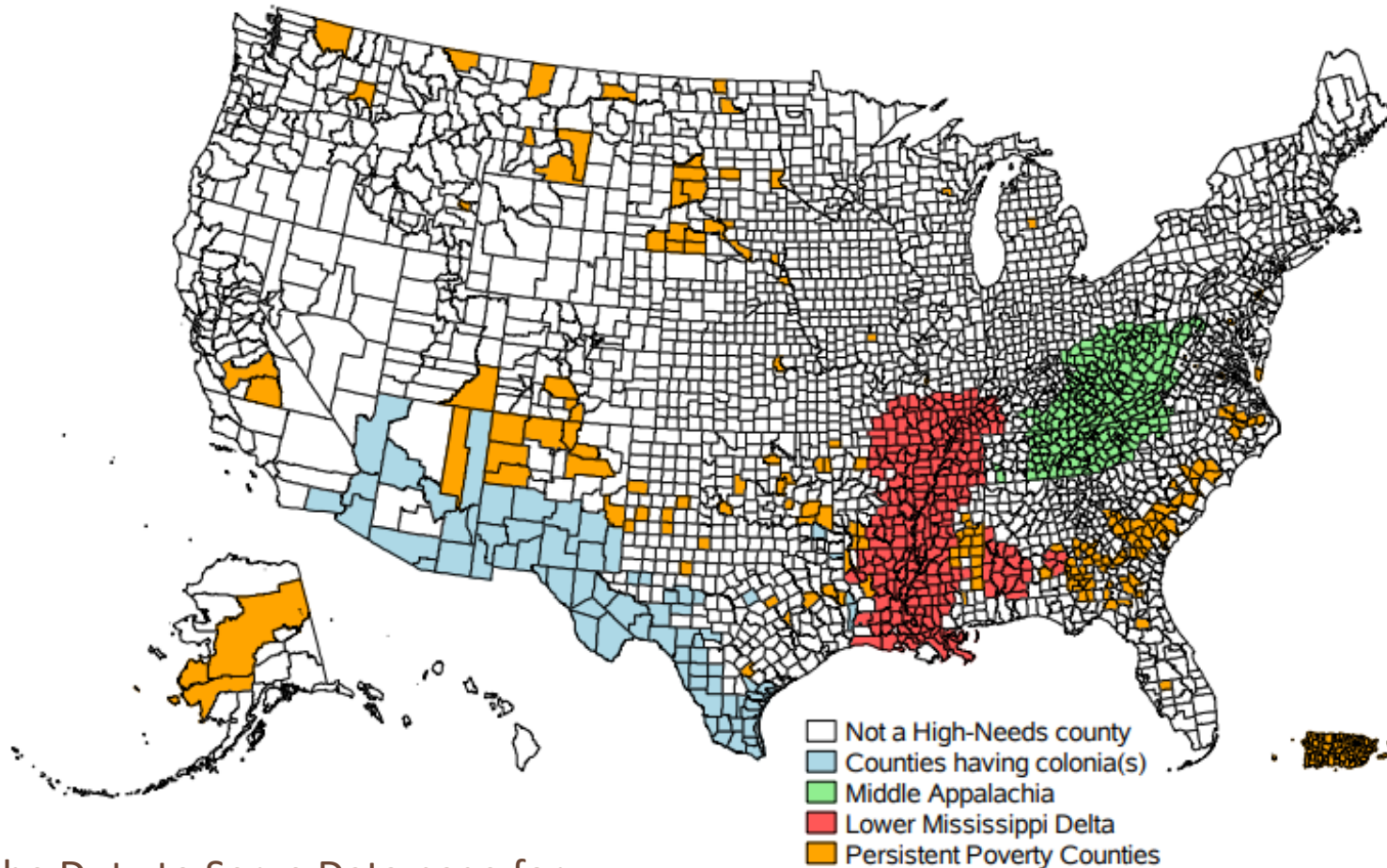
Seven
Statutory or
Regulatory Activities

Four
Regulatory Activities

MENU OF ACTIVITIES

Activities	Manufactured housing	Affordable housing preservation	Rural housing
Statutory Activities	None.	<ol style="list-style-type: none"> 1. Section 8 2. Section 236 3. Section 221(d)(4) 4. Section 202 5. Section 811 6. Homelessness assistance 7. Section 515 8. LIHTC-debt 9. Comparable state and local programs 	None.
Regulatory Activities	<ol style="list-style-type: none"> 1. Manufactured homes titled as real estate 2. Manufactured homes titled as personal property 3. Manufactured housing communities owned by government instrumentalities, nonprofits, or residents 4. Manufactured housing communities with specified tenant pad lease protections 	<ol style="list-style-type: none"> 1. Small multifamily rental properties financing 2. Multifamily energy or water efficiency improvements financing 3. Single-family energy or water efficiency improvements financing 4. Affordable homeownership preservation 5. HUD’s Choice Neighborhoods Initiative 6. HUD’s Rental Assistance Demonstration 7. Purchase and rehabilitation financing of distressed properties 	<ol style="list-style-type: none"> 1. Housing in high-needs rural regions 2. Housing for high-needs rural populations 3. Rural small financial institution financing of rural housing 4. Rural small multifamily rental properties
Additional Activities	The Enterprises may propose Additional Activities for each underserved market.		
Extra Credit (2022-2024 Plans)	<ol style="list-style-type: none"> 1. Manufactured homes titled as personal property 2. Manufactured housing communities owned by government instrumentalities, nonprofits, or residents 	<ol style="list-style-type: none"> 1. Residential economic diversity 	<ol style="list-style-type: none"> 1. High-needs rural regions 2. High-needs rural populations

DTS-ELIGIBLE HIGH-NEEDS RURAL AREAS (2021)



[Visit the Duty to Serve Data page for interactive maps and dashboards](#)

DTS ACTIVITY STRUCTURE

Statutory, Regulatory, or Additional Activity

Objective

Evaluation Area

Loan Purchase, Loan Product,
Investment, or Outreach

“SMART” Criteria,

including **baseline**, if applicable

Information on
impact and rationale

EVALUATION PROCESS



ANNUAL EVALUATION

- Statute requires the Director to conduct an annual evaluation of each Enterprise regarding compliance with the Duty to Serve statute.
- Specifically, the Director shall... “evaluate such compliance and rate the performance of each Enterprise as to the extent of compliance.”
- Director shall include rating in Annual Housing Report

Annual Housing Report 2018

Table 1: Summary of Preliminary Housing Goals Determinations 2017

	Fannie Mae		Freddie Mac	
	Benchmark	Market	Benchmark	Market
<i>Single-family goals</i>				
Low-Income Home Purchase Goal	✓	✓	✗	✗
Very Low-Income Home Purchase Goal	✗	✓	✗	✗
Low-Income Areas Home Purchase Goal	✓	✓	✓	✗
Low-Income Areas Home Purchase Subgoal	✓	✓	✓	✗
Low-Income Refinance Goal	✓	✗	✓	✗
	n/a	✓	n/a	
	n/a	✓	n/a	
	n/a	✓	n/a	

...t or benchmark results in meeting a goal.
...et and benchmark results in missing a goal.

...d provide the detailed performance

Single-Family

...7 are expressed as percentages of
...owner-occupied properties. FHFA

...an Enterprise achieves a goal if its

...s September 3, 2015 final rule; or
...mortgage market that qualified for the
...Disclosure Act (HMDA) data.

...lating the share of home purchase or
...ket that qualified for the goal in that
...ed conventional loans on owner-

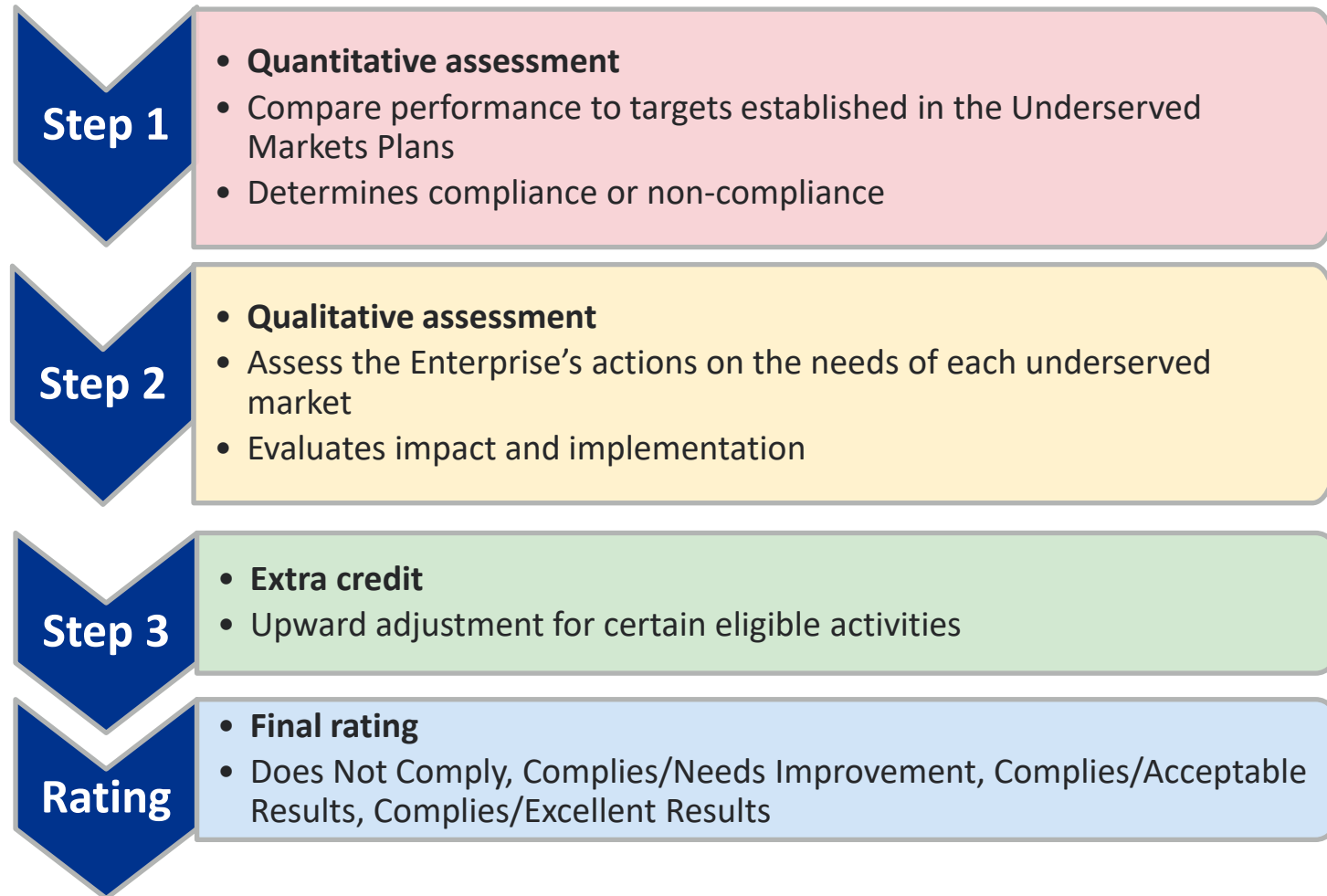
ANNUAL HOUSING REPORT
2018

October 2018

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EVALUATION PROCESS



STEP ONE: QUANTITATIVE ASSESSMENT

FHFA compares the Enterprise's performance to its targets for each objective in its Plan to determine compliance with the Duty to Serve.

Assign a score to each objective

- Possible scores: 0-10
- Assign partial credit for incomplete objectives



Calculate market level scores

- Average scores for objectives in an underserved market
- Results in one score for each underserved market



Determine compliance

- Passing rating: underserved market score of 6.5 or above*

* Beginning in 2022

STEP TWO: QUALITATIVE ASSESSMENT

FHFA evaluates the impact of each objective in a Plan to assess overall impact on liquidity in each underserved market.

Assign an impact score to each objective

- Possible scores: 10, 20, 30, 40, or 50
- Scores based on factors such as contribution to liquidity, level of difficulty, effectiveness of implementation



Calculate market level impact score

- Average impact scores for objectives in an underserved market
- Results in one score for each underserved market
- Greatest weight given to loan purchase and loan product objectives

STEP THREE: EXTRA CREDIT AND RATINGS

FHFA adjusts Step Two scores for eligible markets and then converts scores to ratings.

Adjust Step Two scores for extra credit where appropriate

Adjust scores upward by 5% where Enterprise has met criteria for eligible activities*

* Beginning in 2021



Convert scores to ratings

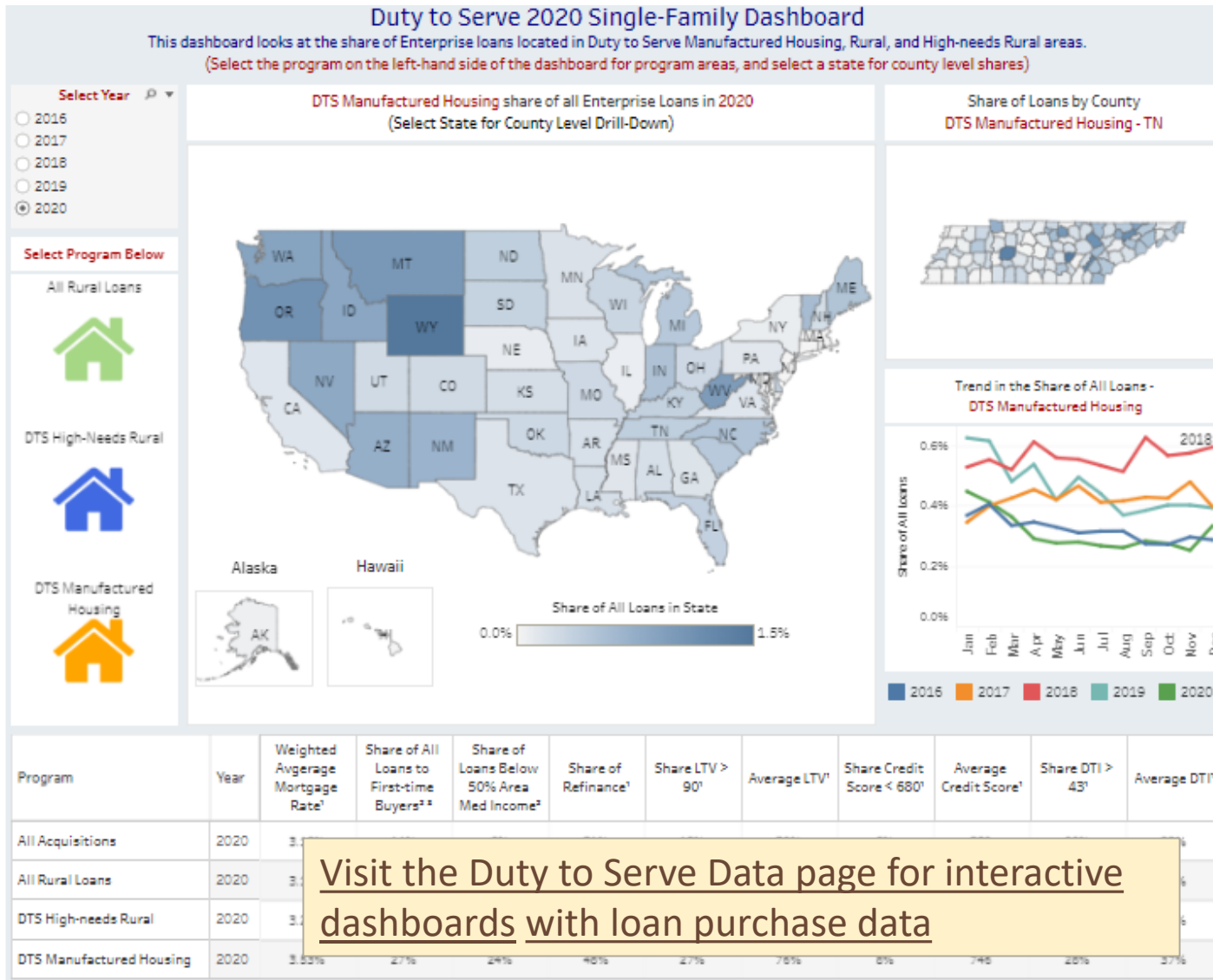
Ratings are:

- Does Not Comply
- Complies/Needs Improvement
- Complies/Acceptable Results
- Complies/Excellent Results

MORE INFORMATION



INTERACTIVE DATA DASHBOARDS



Visit the Duty to Serve Data page for interactive dashboards with loan purchase data

OTHER RESOURCES

- [Duty to Serve webpage](#)
- [Duty to Serve Evaluation Guidance](#) – Detailed guidance on procedures the Enterprises follow in preparing Plans, the standard for FHFA Non-Objection to the Plans, and the annual evaluation process
- [Modified Plans](#) – Links to the Enterprises' Plans and previous versions, including redline versions showing modifications made during the Plan cycle