

## 2023 Rural Housing Outreach

**ACTIVITY:**

D. Support small multifamily rental properties financing (12 C.F.R. § 1282.35 (d))

**OBJECTIVE:**

2. Small rural multifamily rental outreach.

**SUMMARY OF RESULTS:**

| <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"/> Conduct outreach to support the attainment of small rural multifamily rental loan purchase goals in 2023 and to expand loan pipelines for future years.   | Target met through 2023 actions; see subsequent implementation steps.   |  |
| <input checked="" type="checkbox"/> Continue to engage with DUS lenders to explore specific rural opportunities.  | Fannie Mae prepared customized materials for targeted discussions with all DUS® lenders and enabled early flagging to identify individual pipeline deals as eligible for the small rural purchase objective prior to quote. |  |
| <input checked="" type="checkbox"/> Participate in at least one event with industry stakeholders to promote Fannie Mae's focus on this area of the market.  | Fannie Mae Multifamily staff prepared customized DTS reporting with a rural market focus for each lender at the 2023 Annual DUS Conference.   |  |
| <input checked="" type="checkbox"/> Analyze whether there is a market need for targeted credit policy updates and, if so, which ones would be economically viable and sustainable; test and learn updates with select lenders as appropriate. | We analyzed DUS lender feedback and market conditions and remain committed to current pricing and credit strategies that have supported above-average performance in this market segment.                                   |  |

**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?**

As part of Fannie Mae’s effort to successfully meet a small rural purchase goal, the Multifamily business committed resources to a dedicated outreach strategy supporting pipeline and acquisition targets in future years. In 2023, we acquired 73 small rural loans, surpassing our purchase goal of 72 loans despite a challenging interest rate environment and lower multifamily market volume overall. While meeting this purchase objective represents the most tangible measure of our commitment to an underserved market, our outreach efforts included broadening awareness of the small rural objective and lender resources available to best target this business, implementing technical and data solutions to remain competitive for eligible deals in future years, and monitoring pricing and credit practices in an effort to refine our strategies to support the rural market in 2024.

Fannie Mae built on previous outreach efforts in 2023 by offering lender specific demonstrations of Duty to Serve (DTS) tools to all DUS partners in private breakout sessions at the annual DUS Conference. While virtual lender demonstrations were down from the previous year, Fannie Mae’s ongoing commitment to engagements around DTS programs and tools resulted in markedly increased web traffic to DTS-specific resources. The DTS objectives page for the rural market showed an increase in web traffic of 23% over 2022, while use of the AMI Lookup Tool, specifically used in DTS to gauge property eligibility to rural purchase objectives and prominently featured in lender trainings, increased 40% over the previous year.

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

Outreach in 2023 presented new findings compared with previous years, largely impacted by the market’s changing attitudes in a new interest rate environment. Lenders corroborated our internal observation that rate locks in the small rural market exhibited inconsistent patterns throughout the year, likely influenced by fluctuations in the cost of funds, thereby affecting our deal flow in this market and making targets difficult to achieve. Despite these irregular patterns, small rural-eligible loans and properties appeared to be an area of relative strength in 2023. While lenders acknowledged elevated interest rates as particularly challenging to transact on smaller loans, some also observed that the relative contraction in the multifamily market has prompted originators to examine the secondary and tertiary markets more closely. Our new quote volume through 2023 supports this observation, but the duration of this trend remains uncertain, and early data suggests it may not carry into 2024.

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

N/A