

2023 Rural Housing Loan Purchase

ACTIVITY:

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

OBJECTIVE:

1. Support rural small multifamily rental property activity.

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"/> Purchase 72 loans, approximately a 11% increase over the baseline.	In 2023, Fannie Mae purchased 73 loans secured by small rural multifamily properties, exceeding our target of 72 loans.	

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 2023, Fannie Mae purchased 73 eligible loans secured by small rural multifamily properties, exceeding our target of 72 loans. Although this number represents a year-over-year reduction in the number of loans acquired (down from 77 loans in 2022), we exceeded the loan purchase target despite challenges presented by elevated interest rates and lower multifamily market volume overall.

Our results highlight both our continued commitment to rural markets as well as our significant impact for renters who live in these communities. In 2023, the rural share of 5-to-50 unit multifamily properties financed was [redacted]%, down from the 15.9% share in 2022 but notably higher than the 10% share seen from 2017 to 2020, the time frame that set the baseline for the



current loan targets. This financing facilitated significant affordability for residents in rural communities, with 90% of units accessible to renters at or below 80% of the Area Median Income (AMI).

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

Feedback from lenders in 2023 reveals similar barriers to deploying capital in the small rural rental market consistent with what we've heard in recent years. These include economic challenges associated with smaller deal sizes (under \$2.2 million on average), lower household incomes in rural regions, less experienced deal sponsors and partners, challenging economic conditions in non-metro areas, and aging housing stock. New feedback in 2023 included the impact of higher cost of funds on prospective deals already challenged by the conditions listed above.

Outreach and dialogue with lenders throughout the year resulted in other key insights and observations, which will influence Fannie Mae's strategy to facilitate financing in this underserved market moving forward. Notably, lenders identified that the small rural market exhibited higher variability in time between initial quote and rate lock throughout the year than seen in the larger market, likely influenced by the higher relative sensitivity of smaller deals to changes in the mortgage note rate. Such inconsistency made deal flow difficult to predict, with some prospective deals transacting quickly and others waiting in the lender pipeline an opportune time to rate lock. Other lenders identified that the relative contraction in the multifamily market has prompted originators to examine the secondary and tertiary markets more closely, but that this contradictory outcome may be short lived.

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

N/A