



Fannie Mae 2020
Affordable Housing Preservation
Loan Product

ACTIVITY:

K. Regulatory Activity: Purchase or rehabilitation of certain distressed properties (12 C. F.R. § 1282.34 (d) (7)).

OBJECTIVE:

1. Increase affordable capital through industry outreach and developing loan financing solutions (Analyze, Partner and Innovate, Do What We Do Best).

SUMMARY OF RESULTS:

Following are the 2020 Actions under this Objective per the January 1, 2021 Duty to Serve Plan:

<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"/> Based on lessons learned in 2018 and 2019 and to further increase knowledge through market outreach, research, analysis, and tests:	•N/A	•N/A
<input checked="" type="checkbox"/> Expand industry leadership by participating in two key conferences or seminars and speaking at two other events for purposes of informing the industry of research findings, product enhancements, and/or market insights. Facilitate one housing roundtable, incorporating feedback from 2019 and including new participants, in order to improve engagements and outcomes.	<ul style="list-style-type: none"> •Fannie Mae attended the Housing Matters! Conference presented by the National Alliance of Community Economic Development and Housing Action Illinois. •We attended the Opportunity Finance Network Annual Conference. •We participated in and presented to the Convergence working group formed by the Mortgage Bankers Association and focused on addressing housing challenges facing communities in Memphis, TN. •We gave a presentation to members of the National Association for County Community and Economic Development 	•N/A



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	<p>regarding Fannie Mae’s Community First distressed property acquisition platform.</p> <ul style="list-style-type: none"> •We hosted a roundtable of local and national stakeholders to discuss ongoing and emerging challenges and opportunities in the distressed property marketplace. •We initiated a research project to assess the efficacy of neighborhood stabilization interventions in stabilizing home prices in targeted geographies. 	
<p><input checked="" type="checkbox"/> Enhance and continue to execute the business-to-business marketing and outreach campaign focused on financing the purchase or rehabilitation of distressed properties with Fannie Mae mortgage loan products by incorporating learnings from outreach efforts into updated product materials and webinars or presentations. Target engagement with an additional five lenders (i.e., lenders not approached in 2018 or 2019). The additional lenders will be selected based on evaluation of 2019 activities and responses as well as an assessment of geographical and other needs.</p>	<ul style="list-style-type: none"> •We added the Distressed Assets Marketing Catalog to the Real Estate Professionals section of the HomePath website to provide greater access to this information for buyers’ agents and lenders. •We held five webinars to educate nonprofit, and public entities on the Community First distressed property acquisition platform. •We engaged with five new lenders and five new stakeholders to discuss our products applicable to distressed property acquisitions, and we gathered feedback to inform future activity. •We launched initial outreach efforts to shared equity programs regarding our Community First platform for nonprofit purchasers of Fannie Mae real estate owned properties. 	<p>•N/A</p>



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<p><input checked="" type="checkbox"/> Enhance and continue to execute the consumer outreach program, incorporating learnings from outreach efforts into updated materials. Target engagement with an additional five organizations (i.e., organizations not approached in 2018 or 2019) that provide assistance to consumers with purchase or rehabilitation of distressed properties. The focus of 2020 consumer outreach will be on helping homeowners to incorporate energy and water efficiency into their new homes and will leverage the results of Fannie Mae's activities within the related Regulatory Activity in our Plan. Two organizations selected will have experience in working with homeowners on this topic. An additional five relationships will provide learnings on how to expand engagement in following years.</p>	<ul style="list-style-type: none"> •We updated the Homebuyers section of HomePath to include more robust information on energy efficiency and financing, including an infographic addressing six energy efficiency upgrades which can help contribute to a healthier home. •We conducted outreach to five new entities, which assist consumers with the acquisition or rehabilitation of distressed properties. •We engaged with two entities focused on assisting consumers with making energy efficiency upgrades to their homes. 	<p>•N/A</p>
<p><input checked="" type="checkbox"/> Evaluate the outcomes of variance(s) executed in 2019 and introduce one new negotiated variance with terms for one additional change to Fannie Mae loan product parameters, or review credit and/or collateral policy identifying opportunities to enhance product parameters. One variance will focus on energy or water efficiency upgrade opportunities. If feasible and</p>	<ul style="list-style-type: none"> •We completed evaluations of variances executed in 2019, identifying lessons learned and opportunities for further product and/or policy enhancements. •We revised and published an updated HomeStyle Energy variance, which provided more flexibility with regard to home energy report requirements for distressed property energy improvements. 	<p>•N/A</p>



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depending on research, learnings, and analysis, publish credit and/or collateral policy updates.		
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SELF-ASSESSMENT RATING OF PROGRESS:

- Objective met
- Objective exceeded
- Objective partially completed: 75-99% (substantial amount)
- Objective partially completed: 50-74% (limited amount)
- Objective partially completed: 25-49% (minimal amount)
- Objective partially completed: 0-24% (less than a minimal amount)
- No milestones achieved

PARTIAL CREDIT JUSTIFICATION:

N/A

IMPACT:

- 50 – Substantial Impact
- 40 – Between Meaningful and Substantial Impact
- 30 – Meaningful Impact
- 20 – Between Minimal and Meaningful Impact
- 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?

Outreach:

Despite the challenges of the pandemic, we continued to engage with market participants to educate them on Fannie Mae offerings and garner feedback and information to inform future activities. In addition to typical engagements such as attending and giving presentations at conferences and events, we also made substantial efforts to acquaint current and potential nonprofit and public entity partners with the Community First platform, through which they can acquire Fannie Mae real estate owned (REO) properties before they are listed for sale to the general public. Two hundred twenty-one buyers were approved to use the system in 2020, and an additional 40 buyers are under review. In 2020, Fannie Mae sold 79 properties and entered into sales contracts on an additional 36 properties through the Community First program. We took initial steps conducting targeted outreach to shared equity programs to encourage their use of the platform to grow their inventory of properties. This outreach resulted in the participation of some of these entities in Community First educational webinars



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and the registration of two such programs as Community First buyers. We will build upon these efforts in 2021 and hope to see continued growth in the number of non-profit, public entity, and shared equity programs utilizing the system to acquire REO properties.

We also engaged with two organizations focused on assisting consumers with energy efficiency upgrades to their properties, Action Inc. and DTE Energy. These conversations provided new ideas for encouraging energy efficiency upgrades by homebuyers and homeowners, including equipping housing counseling agencies with information on the benefits of energy efficiency and available financing products for them to share with consumers. In addition, we also identified some potential opportunities for collaboration to market energy efficiency financing products to consumers by leveraging the existing outreach activities of energy companies.

Marketing:

In concert with our outreach efforts related to energy efficiency upgrades, we also updated the consumer page of the HomePath website to provide information on the benefits of energy efficiency improvements and available financing options. This update included adding an infographic for consumers, which describes the benefits of six specific types of upgrades.

We added a new HomePath page to the Know Your Options consumer information website, which serves as the primary source of relevant Fannie Mae information for homebuyers and homeowners. The site received more than 4.8 million pageviews in 2020. Providing information on HomePath homes in the “Buy” section of the Know Your Options site will enable more buyers to consider a Fannie Mae REO property as they explore purchase options.

Finally, we made the Distressed Assets Marketing Catalog available for lenders and real estate professionals on the HomePath site. This resource, developed in 2019, offers information useful for assisting consumers in purchasing Fannie Mae REO properties. Since posting this document to HomePath, it has been accessed more than 300 times.

Taken together, these materials are important resources for consumers and industry partners regarding the purchase and improvement of distressed properties through Fannie Mae offerings.

HSE Variance Update:

In accordance with our outreach and marketing efforts related to energy efficiency improvements, we made changes to the HomeStyle Energy Loans variance to provide added flexibilities for use of this product to upgrade distressed properties. Because it is often difficult to obtain home energy usage information on distressed properties, this modification provides a higher threshold for improvements before an energy report is required. All lenders that currently have the HomeStyle Energy Loans variance are being transitioned to this new variance at time of renewal. We will conduct targeted outreach to lenders that currently have this variance, and which have also delivered loans used to purchase distressed properties, encouraging them to consider using HomeStyle Energy loans for buyers of distressed properties.



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

In contemplating how we might best leverage Fannie Mae resources and offerings to assist in the economic recovery following the COVID-19 pandemic, we learned that there is very little research that evaluates the effectiveness of neighborhood stabilization initiatives in achieving their stated goals. We found that most of the existing research in this area focused on the harm to neighborhoods resulting from macro-economic events rather than on the efficacy of specific proactive interventions in limiting these adverse impacts. Even in communities where significant effort is made to stabilize neighborhoods, the success of the programs implemented is rarely evaluated. As a result of this discovery, we are pursuing research that will consider the effectiveness of particular interventions in quantifiably stabilizing home values in a target geography. This information will be significant both to our efforts to make meaningful contributions to recovery following the pandemic, as well as to government and non-profit stakeholders seeking to address the neighborhood stabilization and recovery needs facing their communities.

We also learned that partnerships with shared equity programs for the sale of REO properties may offer valuable avenues to grow their property portfolios while adding to a community's permanently affordable housing stock. In addition, sales of REO properties offer yet another means of providing homeownership opportunities to low- and moderate-income homebuyers. We are encouraged at the early interest of shared equity programs in the potential use of Community First to acquire new properties and will undertake more robust targeted outreach to these stakeholders in the coming year.

3. (Optional): If applicable, why were all components of this objective not completed?

N/A



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OBJECTIVE:

1. Increase affordable capital through industry outreach and developing loan financing solutions (Analyze, Partner and Innovate, Do What We Do Best).

SUMMARY OF RESULTS:

While the impacts of COVID-19 introduced notable disruptions to the distressed property market, we have continued to advance existing activities while making progress on the pursuit of new opportunities for outreach and product development. Building upon changes made to the High Combined Loan-to-Value Community Revitalization Initiative in 2019, we continued to work with partners in Cleveland, Detroit, and Baltimore. The initial project in Cleveland experienced delays in construction and marketing of units, but we still anticipate some loan deliveries in 2020 for properties in the development. In Detroit, in spite of interested partners and funders it has been a challenge for the developer to procure funding for the second mortgage loans which the program requires. Promising conversations that occurred early in the year were paused as funders re-evaluated funding priorities in light of COVID-19. Likewise, while the City of Baltimore has expressed interest in the program, the timetable for its incorporation into their plans and activities is uncertain. We have also partnered with the Mortgage Bankers Association and other partners to provide expertise and assistance to interested stakeholders seeking to promote targeted neighborhood recovery in Memphis, TN. This work has included roundtable conversations and brainstorming sessions related to the appraisal gap facing some areas of the city, as well as virtual training on the HomeStyle Renovation product and tapping into other potential Fannie Mae resources available to support local goals and initiatives.

Leveraging changes made in 2019 to the HomeStyle Renovation for Nonprofit Borrowers program, as well as feedback from potential nonprofit partners, we explored possible additional changes to the program. We ultimately determined that the modifications to borrower eligibility suggested by some nonprofits did not accord with our risk limitations and continued to identify other partners that fit within the existing eligibility parameters. Simultaneously, we worked with the lender that has executed the variance for the program to equip them to operationalize the product. Unfortunately, although the lender had expended significant time and resources to train and prepare their staff, COVID-19 manifested at



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precisely the time they were prepared to go to market. As a result, the lender chose to cease all non-standard lending for a period of time. It remains to be seen if they will have the willingness or ability to offer this product prior to the expiration of the pilot at the end of 2020.

In addition to our work with the existing variances, we have also made significant progress in the creation of a new variance via enhancements to the HomeStyle Energy Loans variance for loans on distressed properties. Specifically, we propose to provide greater flexibility with regard to energy report requirements for loans for which the subject property is distressed. We hope that the additional flexibilities afforded by this variance will increase the appetite of owner-occupant purchasers of distressed properties to make energy upgrades to their homes at the time of purchase.

Additionally, we continued our outreach and engagement efforts with both industry partners and consumers. We have conducted extensive outreach to nonprofit and public entity partners regarding our new proprietary public entity REO sales platform, Community First. Through Community First, approved buyers are afforded early access to Fannie Mae REO properties. As a component of this outreach, we are also beginning to incorporate outreach to shared equity programs to evaluate the interest and capability of these programs to expand their property inventories through the purchase of REO properties.

We also continue to engage with industry partners in targeted lender outreach and communication with distressed property stakeholders and practitioners. These efforts serve to solicit ideas and feedback that can inform future product development. Moreover, although many conferences have been impacted by COVID-19, we continue to work with partners to participate in virtual events in this space. These efforts provide invaluable ideas and feedback that can inform future product development.

Finally, we have initiated work on new consumer marketing collateral regarding the benefits of energy efficiency upgrades. This material will be made available on Fannie Mae's consumer REO sales website, HomePath®.com, and is intended to contribute to our product development efforts related to the HomeStyle Energy Loans variance.

Following are the 2020 Actions under this Objective:

Based on lessons learned in 2018 and 2019 and to further increase knowledge through market outreach, research, analysis, and tests:



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Expand industry leadership by participating in two key conferences or seminars and speaking at two other events for purposes of informing the industry of research findings, product enhancements, and/or market insights. Facilitate one housing roundtable, incorporating feedback from 2019 and including new participants, in order to improve engagements and outcomes.

Enhance and continue to execute the business-to-business marketing and outreach campaign focused on financing the purchase or rehabilitation of distressed properties with Fannie Mae mortgage loan products by incorporating learnings from outreach efforts into updated product materials and webinars or presentations. Target engagement with an additional five lenders (i.e., lenders not approached in 2018 or 2019). The additional lenders will be selected based on evaluation of 2019 activities and responses as well as an assessment of geographical and other needs.

Enhance and continue to execute the consumer outreach program, incorporating learnings from outreach efforts into updated materials. Target engagement with an additional five organizations (i.e., organizations not approached in 2018 or 2019) that provide assistance to consumers with purchase or rehabilitation of distressed properties. The focus of 2020 consumer outreach will be on helping homeowners to incorporate energy and water efficiency into their new homes and will leverage the results of Fannie Mae's activities within the related Regulatory Activity in our Plan. Two organizations selected will have experience in working with homeowners on this topic. An additional five relationships will provide learnings on how to expand engagement in following years.

Evaluate the outcomes of variance(s) executed in 2019 and introduce one new negotiated variance with terms for one additional change to Fannie Mae loan product parameters, or review credit and/or collateral policy identifying opportunities to enhance product parameters. One variance will focus on energy or water efficiency upgrade opportunities. If feasible and depending on research, learnings, and analysis, publish credit and/or collateral policy updates.

SELF-ASSESSMENT RATING OF PROGRESS:

- On-target to meet or exceed the objective
 - 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):