Fannie Mae 2020
Rural Housing
Loan Purchase

ACTIVITY:

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

OBJECTIVE:

1. Fannie Mae will increase single-family loan purchases in high-needs rural regions (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:

Objective's components detailed in the Plan	*Corresponding actions taken*	*Explanation of any deviations from the Plan (if applicable)*
☒ Purchase between 13,000 and 13,500 single-family loans in high-needs rural regions, representing a 25 to 30 percent increase over the Baseline. This includes the loan purchases referenced in Objective #2.	•In 2020, Fannie Mae purchased 21,591 single-family loans in high-needs rural regions, representing a 66 percent increase over the 2020 target of 13,000 loans.	•N/A

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

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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?

High Needs Rural Region(s) Loan Breakout				
HNRR Region	**Lower Mississippi Delta**	**Middle Appalachia**	**Persistent Poverty Counties**	**Colonias**
Deliveries	6,767	10,136	7,454	191
% Increase Since 2019	+82%	+85%	+66%	+10%

	HNRR Income Breakout			**HNRR Small Balance**		**HNRR FTH**
	>80% & <=100% AMI	**>50% & <=80% AMI**	**<=50% AMI**	**<$85K**	**>=$150K**	**First Time Homebuyer**
Loan Count (Total: 21,591)	8,161	10,191	3,239	4,170	14,031	4,482

Loan purchases are the most direct measure of our success in providing affordable capital and liquidity in high needs rural markets. In 2020, we purchased 21,591 single-family loans in high-needs rural regions, representing a 66 percent increase over the 2020 target of 13,000 loans. As shown in the table above, nearly three-quarters of the 21,591 High Needs Rural DTS loans were made to low- or very low-income borrowers. 20 percent of the loans had loan balances less than $85,000, 65 percent had loan balances less than $150,000, and 21 percent of the loans were made to first-time homebuyers.

We deployed marketing and outreach efforts to support modest growth in purchase originations and a significant increase in refinance activity. For example, informed by our 2019 efforts, we launched a marketing campaign highlighting key benefits of the 97 percent loan-to-value (LTV) standard mortgage product, in part addressing concerns that the HomeReady(R) mortgage was no longer able to serve workforce households between 80 percent and 100 percent area median income (AMI). Between July and December of 2020, the campaign generated over 14 million impressions and targeted lenders clicked on our digital ads or social media posts over 53,000 times over the campaign's duration. Overall, digital advertising performed well above established industry benchmarks for click through rates.

Refinance transactions made up a significant share of our loan deliveries in 2020. Mortgage refinancing can provide several benefits of which varies from borrower to borrower, depending on their financial objective. When quantifying the impact of a refinance, we are unable to compare the terms of the refinance to the terms of the loan that was paid off, however, in instances where Fannie Mae was the investor for both transactions, we were able to calculate borrower savings. Of the 433,552 low- to moderate-income (LMI) borrowers who refinanced their Fannie Mae mortgage into a new Fannie Mae mortgage, 3,922 were in a high needs rural region. On average, these borrowers experienced a $38 decrease in monthly payments and 122 basis point decline in interest rates. Of these refinances:

·13 percent were very low-income borrowers.

·45 percent were low-income borrowers.

·42 percent were moderate-income borrowers.

Interest rate savings were similar across all three income segments, though very low-income and low-income borrowers saw the largest savings compared to moderate-income borrowers. Regarding purchase transactions, we financed 7,711 loans in 2020, a 16.6 percent increase over the prior year, aided by the marketing and outreach efforts noted above. Among these purchase transactions, 4,482 loans were to first-time home buyers, comprising 21 percent of our loan purchases.

Analysis of our marketing efforts suggests that content about credit scores drove the most engagement. Specifically, it was critical to note that a borrower needs a 620-credit score to qualify for a Fannie Mae loan.

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

While we are pleased to see high loan purchase volumes in high needs rural regions this year, we recognize how a historically low-interest rate environment factored into our success. Unsurprisingly, refinances saw stronger loan purchase increases than did purchases, though it’s notable that both products increased year-over-year. To ensure success in the future, when low-interest rates may or may not be available, we must remain focused on building a pipeline of lenders ready to serve rural communities and mortgage-ready borrowers in those communities. In 2021, we will work with a select group of mission-driven lenders, target low-income borrower financing mortgages in a high needs' rural region, and offer an incentive addressing affordability.

Serving the high needs rural regions market during a pandemic has also highlighted lending dynamics in a constrained labor market. With COVID-related employment challenges, we observed that consumers find credit scores hard to maintain and savings for upfront housing costs, such as the down payment, more difficult to achieve, especially for LMI households. Moreover, in our Mortgage Lender Sentiment Survey, lenders reported that tightening credit standards during the pandemic created additional housing challenges.

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

N/A

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First Quarter Report: January 1 - March 31, 2020
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OBJECTIVE:

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SUMMARY OF RESULTS:

Through March 31, 2020, we purchased 3,094 loans in high-needs rural regions and are slightly off track for this Objective. While the overall book of business has experienced a large surge in refinance applications especially in February and March, this has not been the case throughout high-needs rural regions. This pattern matches what we have seen in the past, with DTS populations (and rural regions in particular) tending to react less to interest rate changes than the population at large.

Purchase applications began falling in high-needs rural regions during the second half of March, and as more households lose income, we anticipate a further decline.

Following are the 2020 Actions under this Objective:

☐ Purchase between 13,000 and 13,500 single-family loans in high-needs rural regions, representing a 25 to 30 percent increase over the Baseline. This includes the loan purchases referenced in Objective #2.

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

ADDITIONAL INFORMATION (IF APPLICABLE):