



Fannie Mae 2020
Rural Housing
Loan Product

ACTIVITY:

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

OBJECTIVE:

4. Develop solutions to increase single-family loan purchases in high-needs rural regions (Analyze, 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"/> Continue to address the lack of affordable housing supply and an aging housing stock in high-needs rural areas by reviewing and updating Fannie Mae policies.	•Fannie Mae implemented a policy change to allow Single-width Manufactured Housing financing to bring competitive financing options and improve affordable supply in high-needs rural regions (HNRRs).	•N/A
<input checked="" type="checkbox"/> Create opportunity by exploring the potential for partnerships that could enhanced product offerings.	•We engaged a Federal Home Loan Bank (FHLB) to improve access to the secondary market for their approved Participating Financial Institutions via the Mortgage Partnership Finance Program.	•N/A
<input checked="" type="checkbox"/> Support an innovative model to increase the housing stability and economic mobility of low-income residents of rural communities.	•We partnered with Rural LISC to establish a Financial Opportunity Center to serve the Lower Mississippi Delta region. •We partnered with Habitat for Humanity International and their community development finance institution (CDFI) to provide access the secondary mortgage markets. By leveraging their national mortgage loan origination platform, Habitat affiliates will	•N/A



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	<p>deliver loans through a Fannie Mae approved lender partner.</p> <p>•We continued a three-year test and learn research plan launched in 2018 with Auburn University’s Rural Studio to research sustainable homes at an affordable price point in rural regions through the Front Porch Initiative.</p>	
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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:

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?

Product Development:

We expanded our property eligibility criteria to allow for the sale of loans secured by single-width manufactured home loans. Prior to this policy change, Fannie Mae did not purchase loans secured by single-width manufactured housing titled as real property unless the home was in an approved co-op, condominium, or PUD development project, which limited access to conventional mortgage credit for this critical segment of the HNRR market.



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According to Census Bureau data, single-width homes constituted 45 percent of manufactured housing in the first eight months of 2020. In addition, according to the latest iteration of Housing Assistance Council's "Taking Stock" publication, more than half of manufactured housing is in rural areas. More specifically, 20.7 percent of the occupied housing stock in Middle Appalachia is manufactured homes; that figure is 17 percent in the Lower Mississippi Delta; and is estimated at 19.2 percent in colonias along the United States border.

With single-width manufactured homes comprising approximately half of annual production according to Manufactured Housing Institute (MHI) public data, allowing financing for these homes is clearly valuable to regions where manufactured housing is already common. Furthermore, as a typical structure is estimated to cost only about \$46,700 for a new unit, according to MHI, a single width is an attractive opportunity to generate new housing supply in HNRRs.

Partnerships:

Fannie Mae partnered with Habitat for Humanity International and their CDFI, Habitat Mortgage Solutions, to address the lack of affordable housing supply in HNRRs. By leveraging their national mortgage loan origination platform, our efforts connected Habitat Mortgage Solutions, and select affiliates to the secondary mortgage market via an eligible Fannie Mae approved lender partner. We created a sustainable model for affiliates to increase their lending footprint by providing the needed capital and liquidity for expansion. The anticipated roll-out date was August 2020 with organizations in North Carolina, California, and Florida; however, the pandemic forced the lender partner to postpone efforts on new initiatives and shift all available resources to current origination and servicing efforts. In 2021, we will revisit the original lender partner or look for a new lender partner to revive this project.

In partnership with Rural LISC, we launched an additional Financial Opportunity Center (FOC) in the Lower Mississippi Delta, serving 12 parishes in Louisiana. This unique business model leverages free, long-term financial and employment coaching to help participants increase their net-income, credit score, wages, education level, and net worth. After a delayed launch this year in August related to COVID-19, their program transitioned to providing services remotely, serving 41 clients, 67 percent of whom increased their net worth.

Our partnership helped Rural LISC increase services throughout Appalachian communities. From October 2019 to October 2020, collectively, three Appalachian FOC's served 134 clients, 75 of them receiving at least five coaching sessions, producing the following outcomes, which make a strong case for the future impact of the Lower Mississippi Delta FOC once it's fully up and running:

- 59 percent increased their net income.



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- 67 percent increased credit scores.
- 75 percent increased their net worth.
- 36 FOC clients placed in jobs with an average hourly wage of \$15.23.
- 44 FOC clients increased their earnings.

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

In preparation for the Single-width Manufactured Housing policy change, it became apparent that publicly available data specific to financing of single-width homes was limited. While some information on single-width home construction, placement, and residency was available, data on borrower characteristics and loan performance was generally not. Even though a considerable number of single-width manufactured homes are likely to be ineligible for conventional mortgage financing because they are titled as personal property or do not meet Fannie Mae's collateral requirements, exploratory research with select lenders suggests there is demand for this eligibility change. Because this product was only announced on December 16, 2020, we have not gathered any learnings from actual loan purchases. Once lenders begin delivering loans secured by single width manufactured housing, we will closely track their performance and ensure that the product is appropriately positioned to serve borrowers in HNRRs.

Our work with the FHLB validated the need to continue supporting the adoption of various technologies across several functions (committing through servicing) to support their modernization efforts. We believe this will afford FHLB the best opportunity to efficiently manage current PFIs participation and to provision for future growth of the Mortgage Partnership Finance program.

Through our work with Rural LISC since 2019, we have come to understand rural organizations' struggle with implementing innovative programs swiftly due to staffing constraints and technology limitations. We believe it is critical to build proper organizational structures and provide technical support for data tracking. Strong partnerships, as leveraged in the FOC launched in Louisiana, also provide critical support to resource-constrained organizations.

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

N/A



**Fannie Mae
Rural Housing
Second Quarter Report: April 1 - June 30, 2020
Loan Product**

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

OBJECTIVE:

4. Develop solutions to increase single-family loan purchases in high-needs rural regions (Analyze, Do What We Do Best).

SUMMARY OF RESULTS:

Fannie Mae is on target to meet this objective by the end of the year. Through second quarter, we've sought opportunities to increase the supply of affordable housing in high-needs rural markets. Single-wide manufactured housing (MH) comprises a large segment of the MH market, particularly in high-needs rural regions. Today, Fannie Mae does not purchase loans of real-property single-wide MH unless located in an approved co-op, condo, or PUD development project and therefore access to credit for buyers and owners of single-wide MH is challenged. We aim to accomplish this objective in part by updating our Selling Guide to allow for real-property single-wide MH. To date, one of the greatest challenges we encountered is the lack of quantitative data and qualitative information for this type of housing. The next phase of this work will be the continuation of our risk assessment.

In partnership with the Federal Home Loan Bank (FHLB), Fannie Mae provides affordable capital via the Mortgage Partnership Finance Program (MPF). Since inception, MPF has proven to be an effective source of liquidity for small financial institutions. Loan volume has significantly increased due to the overall market and rate environment and FHLB strategic position to shift loans off their balance sheet. In 2020, the partnership has placed a strong focus on the continued support of MPF, managing current volume levels and ensuring an uninterrupted and optimal experience. Through June 30, 2020, approximately 1,900 loans have been delivered. Long-term opportunities include improvement of operational efficiencies such as platform modernization, utilization of digital tools and the approval new small financial institutions.

Fannie Mae extended the partnership with Rural LISC supporting financial opportunity centers. Located in the Delta, a nonprofit, employment counseling organization will begin offering an integrated package of financial coaching, supplemental income support and employment services to under-resourced populations. Recent data documents these integrated or "bundled" services lead to concrete gains in net income and job retention increasing economic mobility.



**Fannie Mae
Rural Housing
Second Quarter Report: April 1 - June 30, 2020
Loan Product**

Following are the 2020 Actions under this Objective:

- Continue to address the lack of affordable housing supply and an aging housing stock in high-needs rural areas by reviewing and updating Fannie Mae policies.
- Create opportunity by exploring the potential for partnerships that could enhanced product offerings.
- Support an innovative model to increase the housing stability and economic mobility of low-income residents of rural communities.

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):