Fannie Mae

Fannie Mae 2020
Rural Housing
Loan Purchase

ACTIVITY:

C. Regulatory Activity: Financing by small financial institutions of rural housing (12 C.F.R. § 1282.35(c) (3)).

OBJECTIVE:

1. Fannie Mae will increase purchases of single-family loans in rural areas from small financial institutions (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 8,200 and 8,500 loans in rural areas from small financial institutions which are also a certified community development financial institution, insured depository institution, or federally insured credit union, as defined under the Regulation, representing an approximate five to eight percent increase over Baseline.	•Fannie Mae purchased 21,522 Small Financial Institution (SFI) mortgages, representing a 162 percent increase over the 2020 target of 8,200 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

Fannie Mae 2020
Rural Housing
Loan Purchase

☒ 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?

Fannie Mae exceeded our loan purchase goal for SFIs in rural areas by funding 21,521 mortgages. This volume represents a 162 percent increase over the 2020 target of 8,200 loans and a 128 percent increase over the 2019 loan volume of 9,435 loans. SFIs also more than doubled their deliveries of loans secured by homes in high-needs rural regions (1,771 loans in 2020 compared to 784 loans in 2019). As shown in the table below, nearly three-quarters of the 21,522 SFI rural DTS loans were made to low- or very low-income borrowers. Of the loans with balances, 23 percent were less than $85,000, 77 percent had loan balances less than $150,000, and 20 percent were made to first-time homebuyers. Thirty-four percent of loans were for purchase, and 66 percent were for a limited cash out refinance.

	SFI Income Breakout			SFI Small Balance		Deliveries with UPB		SFI FTH	Delivery Breakout	
	>80% and <=100% AMI	>50 and <=80% AMI	<=50% AMI	<100K	>=100K	With UPB<= $85K	With UPB> $150K	First Time Home buyer	Purchase	Refinance
Loan Count (Total: 21,522)	7,361	10,524	3,637	6,949	14,572	4,853	16,668	4,243	7,228	14,293

When quantifying the impact of a refinance on a borrower, we cannot compare the refinance's terms to the paid off loan terms. However, we can do so in instances where Fannie Mae was the investor for both transactions. In 2020, we were able to identify 433,552 low- to moderate-income borrowers who refinanced an existing Fannie Mae mortgage into a new Fannie Mae mortgage. For the 8,832 borrowers who refinanced into a Duty to Serve rural loan, the borrower’s monthly payment declined by an estimated average of $28, and the interest rate decreased by an average of 134 basis points. Overall interest rate savings were similar across all three income segments; however, very low-income borrowers experienced the largest monthly payment savings followed by low-income borrowers.

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Fannie Mae 2020
Rural Housing
Loan Purchase

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

Early in the pandemic, aggregators suspended purchasing loans from correspondent sellers due to unprecedented market conditions, leaving many SFIs without their traditional execution channels. Other large lenders priced themselves out of the market. This retreat in capital posed a threat to SFIs.

Many responded by delivering directly to Fannie Mae, recognizing our established reputation for high performance, effective execution, and clear communication. However, most SFIs are not aware of our strong regulatory commitment to SFIs in our Duty to Serve (DTS) underserved market Plan. Our future engagements will increase awareness of our DTS commitments and the relevance and utility of these efforts for SFIs.

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

•N/A

Fannie Mae
Rural Housing
First Quarter Report: January 1 - March 31, 2020
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OBJECTIVE:

1. Fannie Mae will increase purchases of single-family loans in rural areas from small financial institutions (Do What We Do Best).

SUMMARY OF RESULTS:

Through March 31, 2020, we purchased 2,227 loans in rural areas from small financial institutions and are on track for this loan purchase objective.

While this target is currently on track, we believe it may be in jeopardy as we anticipate purchase declines across markets.

Following are the 2020 Actions under this Objective:

☐ Purchase between 8,200 and 8,500 loans in rural areas from small financial institutions which are also a certified community development financial institution, insured depository institution, or federally insured credit union, as defined under the Regulation, representing an approximate five to eight percent increase over Baseline.

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):