

**2022
Rural Housing
Loan Purchase**

REGULATORY ACTIVITY:

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

OBJECTIVE:

1. Support rural small multifamily rental property activity.

INFEASIBILITY:

Please check here if the Enterprise is submitting an infeasibility request for the objective.

SUMMARY OF RESULTS:

Objective’s components detailed in the Plan	Corresponding actions taken	Explanation of any deviations from the Plan (if applicable)
<input checked="" type="checkbox"/> Purchase 68 loans, approximately a 5% increase over the baseline	In 2022, Fannie Mae purchased 77 loans secured by small rural multifamily properties, exceeding our target of 68 loans.	N/A

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?

As noted in prior descriptions of Fannie Mae's work in rural small multifamily financing, market challenges include small deal sizes (under \$2.5 million on average), lower household incomes, less experienced deal sponsors and partners, economic conditions in non-metro areas, and aging housing stock. As a result, a need remains for more liquidity to support affordable rentals in these communities. In 2022, Fannie Mae engaged in targeted outreach to promote small multifamily lending in rural communities (described in more detail in Objective 2 under this same Activity).

Ultimately, Fannie Mae purchased 77 eligible loans that qualify under this Objective. More than 97% of the units financed by the 77 eligible loans that qualify under this objective are affordable at or below 80% of the area median income (AMI). Most properties are located outside of metropolitan areas, where financing is sorely needed. Many of the properties we financed in 2022 were developed or preserved using Low-Income Housing Tax Credits (LIHTC).

Notably, the rural share of small multifamily rental loans that Fannie Mae purchased in 2022 was substantially higher than in past years. In 2022, 16% of all 5-50 unit loan purchases were in rural areas. In 2017 to 2020, the years that set the baseline for this target, that ratio was never higher than 10%. Fannie Mae's prioritization of small rural rental financing across the country was rewarded in 2022, despite challenges in the small loan market overall.

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

Fannie Mae exceeded its small rural rental loan purchases by sustaining a focused outreach to lenders throughout the entire calendar year. Continued engagement with DUS® lenders is necessary to grow this business in future years.

As noted in the narrative summary of Objective 2 under this same activity, we observed that:

1. Serving remote rural geographies is resource intensive, as lender staff and support services need to spend more time to actively engage in rural deals. However, those lenders committed to serving these markets can do so by, for example, hiring originators, appraisers, and inspectors willing to travel as necessary to serve these markets.
2. There has been increased competition in the 5-50 market, both from established players and from new entrants in the market. Many of those new entrants do not qualify for Fannie Mae's Chapter 9 product, which can limit the attractiveness of a Fannie Mae execution for some.
3. There is uncertainty as to how and to what degree the economic environment, and interest rates specifically, will affect loan deliveries in the future. On the one hand, interest rate increases intuitively result in more challenging economics for borrowers and hinder the volume of deals available for financing. On the other hand, the reduction in sources of private debt might theoretically make Fannie Mae's products more attractive. One lender identified the non-metropolitan economies as more susceptible to economic recession, which limits financing opportunities. It will be informative to see how loan volumes, generally, and small rural loan volumes specifically, perform in 2023 and beyond.
4. Multiple lenders reiterated their appetite for continued meetings and training sessions on Duty to Serve goals, including helpful resources that might draw their attention to eligible deals.

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

Not Applicable



**Fannie Mae
Rural Housing
First Quarter Report: January 1 - March 31, 2022
Loan Purchase**

ACTIVITY:

C. Regulatory Activity: 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:

Through March 31, 2022, we have acquired 13 loans and are On Track to meet our target by year end.

Following are the 2022 Actions under this Objective:

- Purchase 68 loans, approximately a 5% increase over the 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):