Fannie Mae
Affordable Housing Preservation
2019 – 2020

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

Objective: Objective #2: Increase the purchase of mortgage loans that finance the purchase or rehabilitation of certain distressed properties (Do What We Do Best).

Proposed Modification: Change the methodology by which Fannie Mae establishes its baseline and loan purchase targets to accord with actual market activity. Rather than utilizing a count-based methodology to derive the baseline and loan target for distressed property loan purchases, Fannie Mae proposes modifying the baseline and loan purchase methodology from a specific loan count figure to one which is based upon a percentage of total distressed property supply.

Justification for Proposed Modification:
Since establishing baselines for DTS targets in 2017, Fannie Mae has relied on a data series sizing the national REO inventory provided by Moody's Analytics. The series splices together quarterly historical observations with Moody's forecast for future quarters. Each quarter, Moody's updates the series, replacing one previously forecasted value with a newly-observed actual REO count, and revising the forecast for future quarters.

Based on the relationship between national REO inventory levels and our funding of distressed property transactions during the baseline period, we set targets for counts of future distressed acquisitions as a function of Moody's forecast of future REO inventory. However, we have found the Moody's forecast to be unacceptably volatile, exposing Fannie Mae to the risk of missing DTS targets due to downward revisions in the Moody's forecast, with no mechanism to allow these revisions to flow through to our count-based targets. The original forecast from 2017Q3 and the most recent update from 2019Q1 largely agree through 2017Q2, but the 2019Q1 series reflects substantially lower realized and expected future REO volume from then onward. REO inventories for 2019 in particular are now expected to be about half of what had been anticipated in 2017.

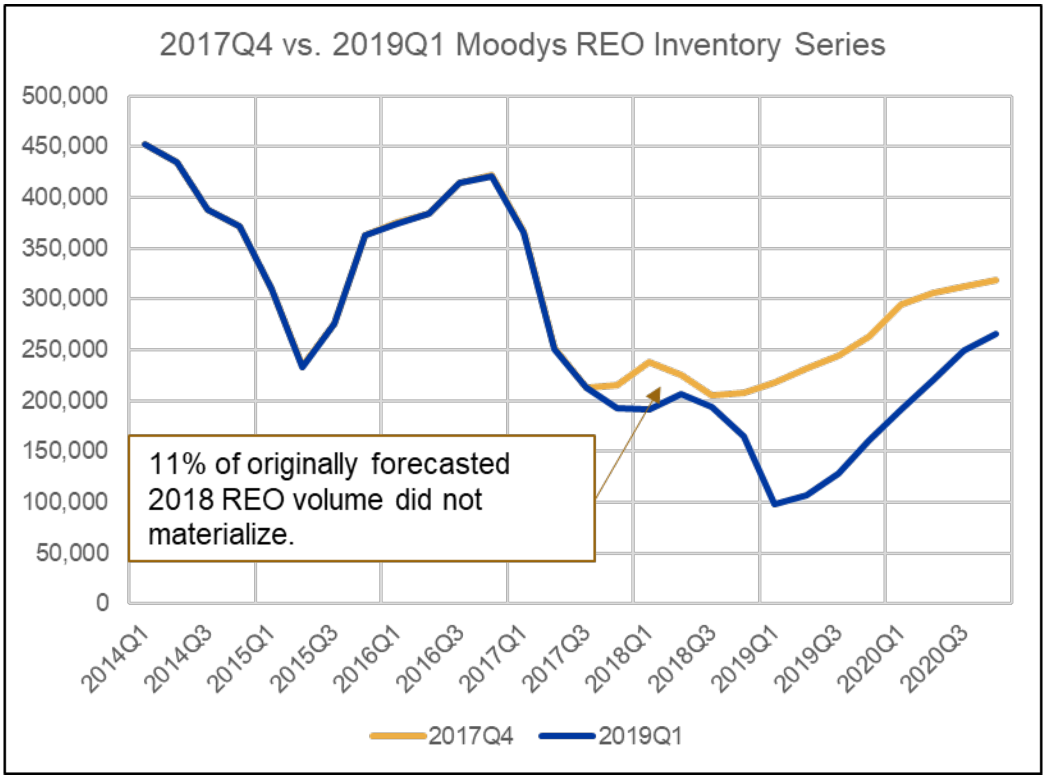
Even near-term REO inventory predictions are subject to large revisions. The grid below shows the average absolute value revision in the Moody's forecast, moving from an earlier version of the REO time series to a later one.[1] For example, the Moody's one-quarter-ahead forecasts average a 9% variation when compared with actual values that become available the following quarter (upper left cell). Forecasts of REO volume in two quarters get revised by an average of 16% in absolute value with the release of the next file update, as they become the one-quarter-ahead forecast.

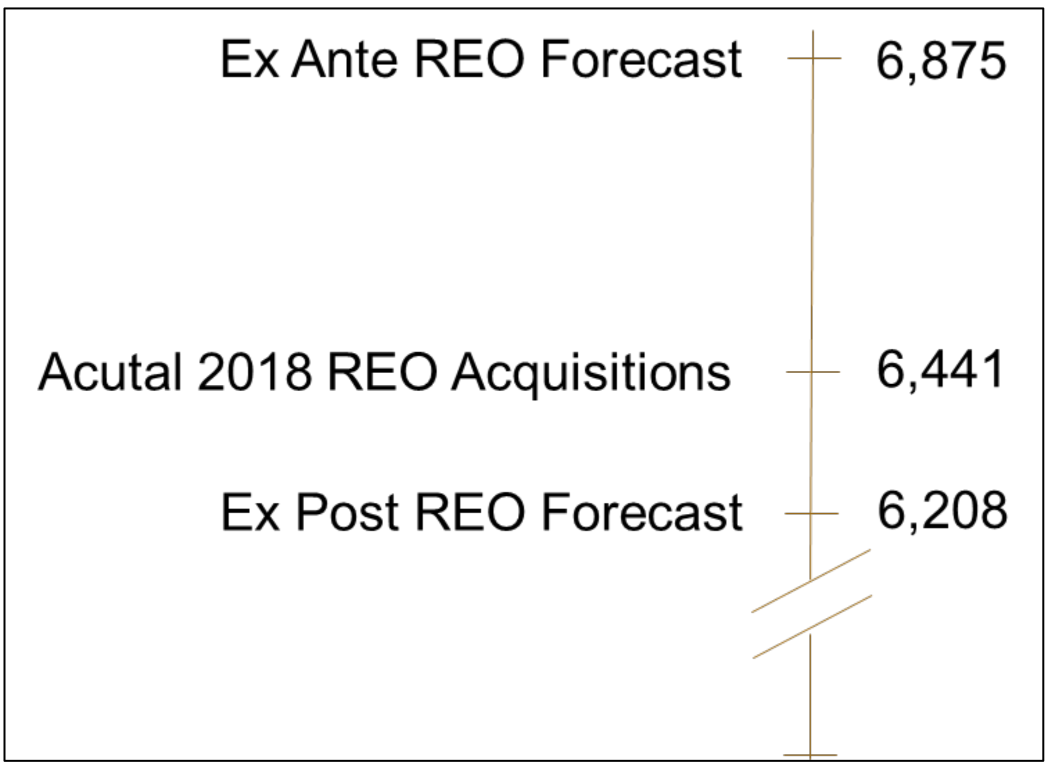
		Initial Prediction					
		Volume in 1 Qtr	Volume in 2 Qtrs	Volume in 3 Qtrs	Volume in 4 Qtrs	Volume in 5 Qtrs	Volume in 6 Qtrs
Updated Prediction	Actual Volume	9%	13%	11%	5%	14%	26%
	Volume in 1 Qtr		16%	16%	16%	20%	33%
	Volume in 2 Qtrs			12%	12%	16%	22%
	Volume in 3 Qtrs				12%	13%	17%
	Volume in 4 Qtrs					9%	13%
	Volume in 5 Qtrs						8%

Most revisions have been downward since we've began using the Moody's data. 74% of updates underlying the above table are downward revisions to the prior quarter's forecast value.

To assess the business impact of Moody's REO series updates, we used our DTS forecast logic to create two versions of the 2018 REO acquisitions target: one given the Moody's data available as of 2017Q4 (the "ex ante forecast"), and another given the Moody's data available as of 2019Q1 (the "ex post forecast"). Only the Moody's REO series input was changed.

[1] Based on Moodys forecasts delivered 2017Q3 through 2019Q1, using the latest available actual value, plus forecasts for the subsequent six quarters, from each file.


2017Q4 vs. 2019Q1 Moodys REO Inventory Series
500,000
450,000
400,000
350,000
300,000
250,000
200,000
150,000
100,000
50,000
0
11% of originally forecasted 2018 REO volume did not materialize.
2014Q1
2014Q3
2015Q1
2015Q3
2016Q1
2016Q3
2017Q1
2017Q3
2018Q1
2018Q3
2019Q1
2019Q3
2020Q1
2020Q3
2017Q4
2019Q1


Ex Ante REO Forecast
6,875
Acutal 2018 REO Acquisitions
6,441
Ex Post REO Forecast
6,208

To better account for the divergence in forecasted and actual distressed property inventory, Fannie Mae will establish a baseline that represents the number of loans it purchases which are used to finance the acquisition of distressed properties as a percentage of the total number of distressed properties available in the market. Utilizing this baseline, we will establish share targets for 2019 and 2020 which reflect the relative percent increases already presented in the plan, as follows:

- For 2019, the goal will be set at 10%-15% over the calculated baseline, and
- For 2020, the goal will be 15%-20% over calculated Baseline.

As an example, the baseline for 2019 is 2.70% of the total supply of distressed properties, and the 2019 target would be 2.97%-3.11%. For 2020, it would be 3.11%-3.24%.

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

2. Objective #2: Increase the purchase of mortgage loans that finance the purchase or rehabilitation of certain distressed properties (Do What We Do Best).

SMART Factors

Fannie Mae will undertake the following measurable Actions in the years indicated.

Year	Actions
2019	• Purchase ~~between 9,325 and 9,750~~ loans originated for the purchase or rehabilitation of a distressed property~~,~~ [2] representing a share of the estimated total distressed property inventory. The target will be approximately ~~a~~ 10 to 15 percent ~~increase over~~higher than the ~~expected~~ revised Baseline for 2019, or 2.97% to 3.11%. o **Baseline**: The 2019 revised Baseline is derived by performing a historical analysis of the percentage of total distressed inventory that was purchased by DTS-eligible owner-occupants using Fannie Mae financing. A review of inventory and loan purchase data for the years 2014 to 2018 (2014: 2.86%; 2015: 2.67%; 2016: 2.48%; 2017: 2.85%; 2018: 2.61%) is utilized to establish an average Fannie Mae market share, which then becomes the 2019 Baseline. This yields a 2019 Baseline of approximately 2.70% of national distressed property transactions.
2020	• Purchase ~~between 11,365 and 11,860~~ loans originated for the purchase or rehabilitation of a distressed property~~,~~ [3] representing a share of the estimated total distressed property inventory. The target will be approximately ~~a~~ 15 to 20 percent higher than~~increase over~~ the ~~expected~~ revised Baseline for 2020, or 3.11% to 3.24%.

~~2 Of this range, we will target between 100 and 105 loans in high-needs rural regions.~~

~~3 Of this range, we will target between 115 and 120 loans in high-needs rural regions.~~

Fannie Mae
Affordable Housing Preservation
2019 – 2020

Regulatory Activity: Finance improvements on multifamily properties: (a) which reduce energy or water consumption by tenant or property by at least 15 percent; and (b) where the savings generated over the improvement's expected life will exceed its cost (FHFA Criteria) (12 C.F.R. § 1282.34 (d)(2)).

Objective 1: Engage stakeholders and conduct research to increase awareness and understanding of energy or water efficiency improvements and financing needs (Analyze, Test and Learn).

Proposed Modification: Revise lender outreach tactics to better allow for flexibility to meet market needs. Change from roundtables to in-person lender meetings and allow for more flexibility for the 2020 proposed convening.

Justification for Proposed Modification: Fannie Mae chose to engage lenders one-on-one through in-person meetings to better offer training and technical assistance on Fannie Mae Green products, and to tailor the trainings to the lender and borrower needs. The in-person meetings were favored over a larger group roundtable approach in part due to changes in FHFA Green loan criteria that require more in-depth discussions.

G. Regulatory Activity: Finance improvements on multifamily properties: (a) which reduce energy or water consumption by tenant or property by at least 15 percent; and (b) where the savings generated over the improvement's expected life will exceed its cost (FHFA Criteria) (12 C.F.R. § 1282.34 (d)(2)).

1. Objective #1: Engage stakeholders and conduct research to increase awareness and understanding of energy or water efficiency improvements and financing needs (Analyze, Test and Learn).

SMART Factors
Fannie Mae will undertake the following measurable Actions in the years indicated.

Year	Actions
2019	• Participate in two key industry conferences and host one energy advisory council meeting with cross-functional industry representation to continue to increase Fannie Mae's understanding of the market and to ensure our work is correctly targeted over the previous year. • Continue to expand the outreach by ~~hosting roundtables~~ engaging in extensive in-person lender meetings and participating in industry conferences to increase awareness and access to energy and water efficiency savings and programs that help finance Improvements. • Continue to test and confirm actual energy savings on loans purchased through Fannie Mae's green finance programs. • Analyze lessons learned and make adjustments to the plan if necessary. • Draft work-plan for a white paper to educate key stakeholders on best practices in energy efficiency financing and affordable housing preservation, with the goal to publish during 2020.
2020	• Participate in two key industry conferences and host one energy advisory council meeting with cross-functional industry representation to build upon knowledge and information gained over the previous year. • Continue to participate in the outreach program developed in 2018 to increase multifamily owners'/operators' awareness of and access to energy and water efficiency savings and financing programs and to stay abreast of current industry trends. • ~~Host a 400+ person conference to b~~Bring together lending, housing energy audit, and green building stakeholders for discussions and to identify key lessons from last two years. • Continue to test and confirm actual energy savings on loans purchased through Fannie Mae's green finance programs. • Publish and distribute a white paper to key stakeholders in the industry through the web, outreach activities, industry conferences, and other potential means of distribution. • Plan for the 2021 – 2023 Duty to Serve Plan.

Fannie Mae
Affordable Housing Preservation
2019 – 2020

Activity: HUD Rental Assistance Demonstration (RAD) program (12 C.F.R. § 1282.34 (d) (6)).

Objective 1: Conduct outreach, review potential loan product enhancements, and purchase loans secured by RAD properties (Analyze, Test and Learn, Do What We Do Best).

Proposed Modification: Modify the RAD Objective to include product development activity to be completed in 2019 and change the evaluation area from a Loan Product, instead of Loan Purchase.

Justification for Proposed Modification: Fannie Mae's experience with RAD transactions since 2016 has resulted in an increased understanding of the complex elements related to RAD transactions, and the need for a close, highly efficient working relationship with state and local housing authorities. We are modifying our RAD Objective to better capture our work to improve the RAD transaction process via product development and enhancement and to reflect a fuller picture of the external stakeholders involved in this process. Finally, we are modifying our 2020 loan purchase target to 15 properties, which still represents a 400% increase above the baseline, and reflects a more sound and stable business growth strategy, and reflects the popularity of transactions using forward commitments for RAD transactions, which are not delivered to Fannie Mae for 2-3 years after initial closing.

J. Regulatory Activity: HUD Rental Assistance Demonstration (RAD) program (12 C.F.R. § 1282.34 (d) (6))

1. Objective #1: Conduct outreach, review potential loan product enhancements, and purchase loans secured by RAD properties (Analyze, Test and Learn, Do What We Do Best).

SMART Factors

Fannie Mae will undertake the following measurable Actions in the years indicated.

Year	Actions
2019	• Work in conjunction with at least one State or Local Housing Finance Authority to develop and implement a framework for financing future RAD conversions in their respective market. This will allow Fannie Mae and its housing authority partner to come to agreement on common elements of RAD transactions in advance, which will reduce transaction times and increase certainty of execution. • Continue to conduct outreach to determine challenges and possible solutions to increase RAD business through ~~quarterly~~ PHA Advisory Council meetings, stakeholder outreach at RAD convenings and conferences, and individual meetings and discussions with HUD and State and Local Housing Authorities. • Purchase loans secured by 10 RAD properties, representing a 233 percent increase over the Baseline. • Review and adjust 2020 loan purchase goals as needed based on work completed in 2019.
2020	• Review impact of framework agreements executed in conjunction with State or local Housing Authorities, revise as needed and expand successful elements to additional communities with a large pipeline of RAD conversions. • Continue stakeholder outreach through meetings and conferences. • Purchase loans secured by ~~20~~ 15 RAD properties, representing a ~~567~~ 400 percent increase over the Baseline. • Review experiences with RAD program financing to inform the 2021 – 2023 Duty to Serve Plan.

Criteria	2018	2019	2020
Evaluation Factor:	Loan Purchase	~~Loan Purchase~~Loan Product	Loan Purchase
Income Levels:	Very Low-, Low-, and Moderate-Income Levels for all Years		

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Affordable Housing Preservation Market

2019 – 2020

Activity: Additional Activity: Residential Economic Diversity (12 C.F.R. § 1282.35 (d)(3) and 1282.36(c)(3)).

Objective: Establish a Residential Economic Diversity (RED) initiative to increase loan purchases relating to the Statutory Activity for the provision of debt for LIHTC under Section 42 of the Internal Revenue Code (Partner and Innovate, Do What We Do Best).

Proposed Modification: Modifying to focus objective primarily on the loan purchase target and to update the Baseline to include more recent historic transaction information.

Justification for Proposed Modification: To better focus on meeting the Residential Economic Diversity Loan Purchase targets, outreach activities have been strengthened and moved to a new objective.

M. Additional Activity: Residential Economic Diversity (12 C.F.R. § 1282.35 (d)(3) and 1282.36(c)(3)).

1. *Objective #1: Establish a Residential Economic Diversity (RED) initiative to increase loan purchases relating to the Statutory Activity for the provision of debt for LIHTC under Section 42 of the Internal Revenue Code (Partner and Innovate, Do What We Do Best).*

SMART Factors
Fannie Mae will undertake the following measurable Actions in the years indicated.

Year	Actions
2019	• ~~Commence work on a RED white paper on lessons learned from activities including LIHTC Debt transactions in order to educate and inform stakeholders.~~ (moved to Objective 4) • At least ~~17 percent~~ 10 of Fannie Mae's LIHTC Debt loan purchases will be secured by LIHTC properties that qualify as RED Transactions. This represents an approximate increase of 43 percent from our baseline of 7 loans~~a two percent increase in the percentage of Fannie Mae's LIHTC Debt purchased in 2016 that qualified as RED (15 percent)~~. o **Baseline:** Under FHFA's Draft Evaluation Guidance, activities that support financing of mortgages on affordable housing in ~~high opportunity~~ RED eligible areas qualify for ~~d~~Duty to ~~s~~Serve credit if they are undertaken in connection with a Statutory Activity, such as the financing of LIHTC Debt. Accordingly, to establish the Baseline for this Objective, Fannie Mae analyzed our portfolio to determine how many of our LIHTC Debt purchases were loans located in ~~high opportunity~~RED eligible areas. Between 2014 and 2018~~6~~, Fannie Mae acquired an average of ~~14 percent of the~~ 7 LIHTC Debt loans~~purchased by Fannie Mae was located in a high opportunity area and, therefore,~~ qualifying~~ied~~ as RED (2014: ~~14 percent~~6 loans; 2015: ~~14 percent~~6 loans; 2016: ~~15 percent~~7 loans; 2017: 4 loans; and 2018: 10 loans). ~~However, given that the percentage in 2016 was higher than the average,~~ Fannie Mae will use the five year average~~2016 percentage~~ (~~15 percent~~7 loans) as the Baseline for RED LIHTC Debt purchases. Even though our 2018 RED LIHTC Debt purchases were higher than this four year average we do not believe that this one year of activity is reflective of the historic trend. ~~Fannie Mae believes we have purchased LIHTC Debt on mixed income properties, however, we are not able to track these loans at this time. Part of the work completed during 2018 will be to confirm/refine the Baseline for this Objective. Currently, however, the Baseline is based solely on loans in high opportunity areas. As noted above, a Baseline for mixed income LIHTC Debt purchases will be established based on research and outreach completed in 2018.~~ • Confirm RED LIHTC Debt purchase goals for 2020.
2020	• At least ~~20 percent~~ 13 of Fannie Mae's ~~estimated~~ LIHTC Debt loan purchases will be secured by LIHTC properties that qualify as RED Transactions. This represents an approximate increase of 86 percent from our baseline of 7 loans. • ~~Review initiative for lessons learned to be included in the white paper.~~ • ~~Publish and distribute a white paper that includes Fannie Mae lessons learned regarding LIHTC Debt purchases secured by LIHTC properties qualifying as RED Transactions, so that other LIHTC stakeholders can use the information to increase awareness of and investment in RED Transactions.~~(moved to Objective 4) • Prepare for the 2021 – 2023 Duty to Serve Plan.

Criteria	2018	2019	2020
Evaluation Factor:	Loan Product	Loan Purchase	Loan Purchase
Income Levels:	Very Low-, Low-, and Moderate-Income Levels for all Years		

Fannie Mae

Affordable Housing Preservation

2019 – 2020

Activity: Additional Activity: Residential Economic Diversity (12 C.F.R. § 1282.35 (d)(3) and 1282.36(c)(3)).

Objective 2: Establish a Residential Economic Diversity (RED) initiative to increase loan purchases relating to the relating to the Statutory Activity for other comparable State or local affordable housing programs (Partner and Innovate, Do What We Do Best).

Proposed Modification: Modifying to focus Objective primarily on the loan purchase target.

Justification for Proposed Modification: To better focus on meeting the Residential Economic Diversity Loan Purchase targets, outreach activities have been strengthened and moved to a new Objective.

M. Additional Activity: Residential Economic Diversity (12 C.F.R. § 1282.35 (d)(3) and 1282.36(c)(3)).

2. Objective #2: Establish a RED initiative to increase loan purchases relating to the Statutory Activity for other comparable State or local affordable housing programs (Partner and Innovate, Do What We Do Best).

SMART Factors

Fannie Mae will undertake the following measurable Actions in the years indicated.

Year	Actions
2019	• ~~Commence work on a RED white paper on lessons learned from activities including other comparable State or local affordable housing programs in order to educate and inform stakeholders.~~ (Moved to Objective 4) • Purchase four loans that qualify as RED Transactions under the Statutory Activity of other comparable State or local affordable housing programs. o **Baseline:** Four loans represents 20 percent of the total 2019 loan purchases to be made by Fannie Mae in connection with Objective #1 of the Statutory Activity for other comparable State or local affordable housing programs. ~~As noted above, this Baseline may be adjusted based on research and outreach completed during 2018.~~ • Confirm loan purchase goals for 2020.
2020	• Purchase eight loans that qualify as RED Transactions under other comparable State or local affordable housing programs, representing approximately 30 percent of the total of loans to be purchased in 2020 in connection with Objective #1. • ~~Review the initiative for lessons learned to be included in the white paper with respect to RED and other comparable State or local affordable housing programs.~~ • ~~Publish and distribute a white paper that includes Fannie Mae lessons learned regarding RED Transactions associated with other State or local affordable housing programs so that other comparable State or local stakeholders can use the information to increase awareness of and investment in RED Transactions.~~ (Moved to Objective 4) • Plan for the 2021 – 2023 Duty to Serve Plan.

Fannie Mae
Affordable Housing Preservation
2019 – 2020

Activity: Additional Activity: Residential Economic Diversity (12 C.F.R. § 1282.35 (d)(3) and 1282.36(c)(3)).

Objective 4: [*New Objective].* Outreach and Stakeholder Engagement on the importance of Residential Economic Diversity in community-level, household and individual outcomes (Partner and Innovate).

Proposed Modification: Adding a new Objective to include increased emphasis on Residential Economic Diversity education and outreach.

Justification for Proposed Modification: Education and outreach activities are enhanced and consolidated into one Objective versus split between two, because the outreach efforts are largely the same across the activity.

M. Additional Activity: Residential Economic Diversity (12 C.F.R. § 1282.35 (d)(3) and 1282.36(c)(3)).

4. *Objective #4: Outreach and Stakeholder Engagement on the importance of Residential Economic Diversity in community-level, household and individual outcomes (Partner and Innovate).*

Meeting the Challenges
Preservation of affordable housing while promoting economic diversity in communities is a complicated undertaking. This challenge is made more difficult by the lack of standardized language and definitions used to discuss this problem. As Fannie Mae embarked on our RED efforts during the first year of the Duty to Serve plan and met with stakeholders from around the country, we discovered a wide information gap, including: • While many practitioners and stakeholders are aware of inclusionary zoning and mixed-income programs, the term Residential Economic Diversity itself was not something familiar to many stakeholders. • Internal to the Fannie Mae organization we also had a need for increased education and capacity building related to Residential Economic Diversity terms and concepts. Given these knowledge gaps, Fannie Mae decided to combine and enhance stakeholder education and outreach efforts related to RED. Fannie Mae will: • Develop written materials for internal and external use designed to train practitioners on the definitions, guidelines, and importance of Residential Economic Diversity, both in areas of high opportunity and areas of concentrated poverty. • Promote these materials through our networks and through the networks of our partners and will develop online webinars as well as in-person presentations and trainings to further amplify the message.

SMART Factors
Fannie Mae will undertake the following measurable Actions in the years indicated.

Year	Actions
2019	• Commence work on developing Case Studies of State and Local affordable housing projects focused on residential economic diversity, to ultimately be included in a public-facing white paper or report, including lessons learned in order to educate and inform stakeholders. • Develop RED educational materials for lenders, borrowers, State HFA and other State and Local stakeholders, and the general public. • Hold at least two webinars to disseminate RED educational information.
2020	• Finalize and publish white paper/s • Hold in-person panels or roundtable meetings with stakeholders, including State HFAs, developers/borrowers, and lenders to discuss and disseminate Fannie Mae's RED lessons learned.

The opportunity available in this market is to increase the knowledge of RED through outreach and education. Fannie Mae plays an active role within the industry to set standards in many areas, including collateral value, data, and property valuation. Based on this experience, coupled with the available resources, Fannie Mae has determined that this Objective is realistic and may be achieved within the time periods described. Any product enhancements that create changes in credit parameters and product guidelines will be supported by thorough economic, risk, and operational analysis, will be subject to Fannie Mae's governance and approval processes, and will only be made consistent with safety and soundness concerns.

Criteria	2018	2019	2020
Evaluation Factor:	n/a	Outreach	Outreach
Income Levels:	Very Low-, Low-, and Moderate-Income Levels for all Years		

Fannie Mae

Affordable Housing Preservation

2019 – 2020

Activity: Additional Activity: Residential Economic Diversity (12 C.F.R. § 1282.35 (d)(3) and 1282.36(c)(3)).

Objective 5: [*New Objective].* Support Affordable Housing in High Opportunity Areas and Mixed-Income Housing in areas of concentrated poverty through technical assistance and capacity building for State and Local community development organizations (Partner and Innovate).

Proposed Modification: Adding a new Objective to reflect increased technical assistance and capacity building efforts with State and Local community development organizations.

Justification for Proposed Modification: We are proposing to add an additional Objective to capture the unique partnerships that Fannie Mae is developing with State and Local entities to further Residential Economic Diversity.

M. Additional Activity: Residential Economic Diversity (12 C.F.R. § 1282.35 (d)(3) and 1282.36(c)(3)).

5. ***Objective #5: Support Affordable Housing in High Opportunity Areas and Mixed-Income Housing in areas of concentrated poverty through technical assistance and capacity building for State and Local community development organizations (Partner and Innovate).***

Meeting the Challenges
States and Localities hold much of the ability to preserve affordable housing as communities grow and change. Local jurisdictions understand varied and dynamic local conditions and social and economic factors more thoroughly than federal or national organizations. As we learned from our outreach in 2018, local jurisdictions from Baltimore to Seattle are testing and learning and putting into practice exciting and innovative programs designed to improve diversity and minimize concentrations of poverty. However, these States and localities often lack the financial resources and capacity to execute these programs at scale and/or evaluate the results with rigor. In other cases, local areas are building truly cutting edge, innovative programs, but lack the ability in drive to share those experiences with others. To meet this challenge, Fannie Mae will: • Partner with state and/or local entities to bolster capacity at a local level, share and lift up highlights and lessons learns, and in doing so gain a stronger understanding of the financial products and tools needed in State and Local areas for purposes of residential economic diversity.

SMART Factors

Fannie Mae will undertake the following measurable Actions in the years indicated.

Year	Actions
2019	• Support RED housing development and preservation through at least one state and local partnership, including technical assistance and contract awards to affordable housing organizations seeking to improve residential economic diversity in housing at the State and local level. • Explore partnerships and sponsorships of organizations developing tools and resources designed to more easily enable financing of RED-eligible properties. • Publicize and disseminate the results of these partnerships.
2020	• Continue to support RED housing development and preservation through at least two state and local partnerships, including technical assistance and contract awards to affordable housing organizations seeking to improve residential economic diversity in housing at the State and local level. • Continue to partner with organizations developing tools and resources • Publicize and disseminate the results of these partnerships.

Fannie Mae has significant experience in outreach, market engagement, data collection and analysis, consumer research, and product development. Accordingly, we believe this Objective is realistic and can be achieved within the time periods described. Any product enhancements that create changes in credit parameters and product guidelines will be supported by thorough economic, risk, and operational analysis, will be subject to Fannie Mae's governance and approval processes, and will only be made consistent with safety and soundness concerns. The relevant market opportunity is to bolster RED capacity at a local level.

Criteria	2018	2019	2020
Evaluation Factor:	n/a	Outreach	Outreach
Income Levels:	Very Low-, Low-, and Moderate-Income Levels for all Years		

Fannie Mae

Fannie Mae

Affordable Housing Preservation

2019 – 2020

Activity: Additional Activity: Residential Economic Diversity (12 C.F.R. § 1282.35 (d)(3) and 1282.36(c)(3)).

Objective 6: [*New Objective].* Develop and approve product enhancements designed to improve affordable housing preservation and development in High Opportunity Areas (Analyze, Test and Learn).

Proposed Innovation Modification: Adding a new Objective to reflect increased technical assistance and capacity building efforts with State and Local community development organizations.

Justification for Proposed Innovation Modification: We are proposing to add an additional Objective to capture the unique partnerships that Fannie Mae is developing with State and Local entities to further Residential Economic Diversity. In 2018, Fannie Mae began research examine local strategies for improving the economic diversity of communities and individual buildings. From that research we became aware of several innovative financing strategies for the inclusion of affordable housing in existing properties in high opportunity areas. In 2019 and 2020, Fannie Mae is working to partner with some of these innovative organizations, and is developing products to more easily facilitate those partnerships.

M. Additional Activity: Residential Economic Diversity (12 C.F.R. § 1282.35 (d)(3) and 1282.36(c)(3)).

6. *Objective #6: Develop and approve product enhancements designed to improve affordable housing preservation and development in High Opportunity Areas (Analyze, Test and Learn).*

Meeting the Challenges
In 2018, Fannie Mae partnered with the National Housing Trust to research and document innovative Residential Economic Development programs around the country and highlight best practices. One part of that research uncovered a nascent program designed to create affordable units in strong housing markets (areas of opportunity) through the use of low-cost mezzanine debt for developers purchasing and preserving existing housing stock. The low-cost debt is offered in exchange for guaranteeing a percentage of units in the properties remain affordable for a determined period of time. Fannie Mae is working to meet the needs of affordable housing programs such as the one described above, and others in early stages across the country, by researching, developing, and approving a product enhancement such as a framework for subordinate debt or mezzanine agreements with stakeholders working to preserve affordable housing in High Opportunity areas. When these agreements are complete, Fannie Mae lending partners and developers can be assured of greater certainty of execution and faster closing, which will be a major boost to affordable housing developers who face stiff competition in strong housing markets.

SMART Factors
Fannie Mae will undertake the following measurable Actions in the years indicated.

Year	Actions
2019	• Research, develop, and approve at least one product enhancement or partnership agreement, such as a framework for subordinate or mezzanine debt agreements with stakeholders offering low-cost second mortgages in exchange for the inclusion of affordable housing units High Opportunity areas.
2020	• Review and analyze product enhancement performance from 2019 and consider expansion of products to additional geographic areas and partnerships. • If program has produced promising results, amplify the results via webinars, lender calls and/or in-person presentations.

Fannie Mae has significant experience in outreach, market engagement, data collection and analysis, consumer research, and product development. Accordingly, we believe this Objective is realistic and can be achieved within the time periods described. Any product enhancements that create changes in credit parameters and product guidelines will be supported by thorough economic, risk, and operational analysis, will be subject to Fannie Mae's governance and approval processes, and will only be made consistent with safety and soundness concerns. The relevant market opportunity is preserving affordable housing in High Opportunity areas.

Criteria	2018	2019	2020
Evaluation Factor:	n/a	Loan Product	Loan Product
Income Levels:	Very Low-, Low-, and Moderate-Income Levels for all Years		

Fannie Mae

Fannie Mae

Affordable Housing Preservation

2019 – 2020

Activity: The supportive housing program for the elderly under Section 202 of the Housing Act of 1959, 12 U.S.C. § 1701q.

Objective 1: Consider loan product changes, prepare work-plan, and purchase Section 202 loans (Analyze, Do What We Do Best).

Proposed Modification: Establish a baseline based on analysis of historical loan acquisition data and recalculate goal to reflect updated baseline information. Reformat goal to count loan purchases instead of unit counts to better align with other AHP loan acquisition targets.

Justification for Proposed Modification: Prior to 2019, Fannie Mae did not track delivery of Section 202 loans. When we finalized our Duty to Serve Plan in 2017, we used an estimate of our historic Section 202 production. Fannie Mae assumed that four percent of Fannie Mae's historic Section 8 loan purchases would be Section 202 loans, which would match the percentage reflected in the marketplace as a whole. In reality, the large majority of Section 202 refinances were completed with FHA financing. In early 2019, Fannie Mae reviewed the National Housing Preservation Database and HUD source data to cross reference the properties included in Fannie Mae's book of business with properties with active Section 202 subsidy. We determined that Fannie Mae acquired loans for just two Section 202 properties. We have updated our 2019 and 2020 loan purchase targets to reflect the revised baseline.

B. Statutory Activity: The supportive housing program for the elderly under Section 202 of the Housing Act of 1959, 12 U.S.C. § 1701q.

1. ***Objective #1: Consider loan product changes, prepare work-plan, and purchase Section 202 loans (Analyze, Do What We Do Best).***

SMART Factors

Fannie Mae will undertake the following measurable Actions in the years indicated.

Year	Actions
2019	• Finance ~~1,300~~two Section 202 ~~units~~loans, representing a 100 percent increase over the historical baseline~~4.1 percent of Fannie Mae's Section 8 unit goal in 2019~~. o **Baseline**: Between 2016 and 2018, Fannie Mae acquired two loans secured by Section 202 properties, both in 2017, for an average acquisition of less than one loan per year. We therefore will set the historical baseline for this Objective at one loan. ~~Fannie Mae does not operationally track Section 202 unit financings so it is unable to identify our previous Section 202 unit financings over the last three years to establish a Baseline. Section 202 financing requests that lenders bring to Fannie Mae are delivered as "Section 8 preservation" loans that meet Fannie Mae's Section 8 underwriting guidelines; in other words, these loans are not identified as Section 202 properties which is why Fannie Mae does not have information regarding the historic number of Section 202 properties in our book. In order to estimate a proxy Baseline for Section 202 loans, Fannie Mae reviewed the Preservation Database (2017 update) to determine the proportion of Section 8 loans that are Section 202 properties and apply that ratio to Fannie Mae's targeted Section 8 loan purchase goals. While not perfect, as it infers that the expiring 202 units are a uniform percentage of expiring Section 8 units each year, it gives Fannie Mae a reasonable order of magnitude for estimating initial loan purchase goals. The 2017 Preservation Database indicates that Section 202 loans are approximately 4.1 percent of all Section 8 loans. Accordingly, Fannie Mae is establishing our Section 202 unit financing goal as 4.1 percent of our 2019 Section 8 unit financing goal (31,730 units), or 1,300 Section 202 units. As noted above, Fannie Mae will confirm the estimated Baseline and loan purchase goals as part of our product development work in 2018.~~ • Continue to conduct outreach to key stakeholders in Section 202 to update and adjust strategy as needed. • Confirm 2020 loan purchase goals.
2020	• Finance ~~1,238~~three Section 202 ~~units~~loans, representing a 200 percent increase over the historical baseline~~4.1 percent of Fannie Mae's Section 8 unit goal in 2020~~.

Fannie Mae

Fannie Mae

Rural Housing Market

2019 – 2020

Activity: Statutory Activity: The rural rental housing program under Section 515 of the Housing Act of 1949, 42 U.S.C. § 1485.

Objective 1: Work with the USDA and other stakeholders to adopt an approach resulting in increased liquidity for preservation of Section 515 properties and purchase Section 515 loans (Partner and Innovate, Do What We Do Best).

Proposed Modification: Change the 2019 Objective Evaluation Criteria to outreach and eliminate the loan purchase action item. Replace the loan purchase action item with support for technical assistance provided to owners of RD properties, and mission-oriented organizations seeking to preserve the expiring affordability of units currently in the RD program. Additionally, change the 2020 Objective Evaluation Criteria to loan product.

Justification for Proposed Modification: In 2018 and 2019, Fannie Mae engaged with lenders in our network, affordable property owners and developers with a rural and RD focus and the Rural DTS Advisory Council, reviewed research from the Housing Assistance Council and attended conference sessions about the rural rental preservation crisis. This engagement and research surfaced that USDA RD's process for properties in the 515 program to retain RD subsidy, coupled with the organizational capacity of rural owners and mission-oriented entities to execute the process, creates a substantial need in the market for capacity building and technical assistance provided to these organizations, thereby allowing them to maintain rental assistance. Fannie Mae is embarking on a multi-year partnership with a non-profit with significant expertise in providing this type of technical assistance. This strategy's impact is comparable to that of financing because without technical assistance, many of these properties would simply be taken out of the program and may lose their affordability and rental assistance. In addition, we are financing a replicable, sustainable model that could be brought to scale with the right continued support and partnerships. Fannie

Mae is also adding research that we are supporting to advance strategies for preservation of affordable rural units. This addresses a significant hurdle in the market.

During 2018 and 2019, Fannie Mae engaged with USDA RD in earnest attempts to collaborate with RD and an affordable lender in our network on a partnership to finance RD properties at risk of exiting the 515 program. We have not yet been able to agree to a subordination structure that satisfied both organizations' goals and Fannie Mae's charter, despite good faith efforts and considerable outlay of resources. Additionally, negotiating programmatic features that align with both organizations' credit risk policies is challenging and requires significant resources and subject matter expertise across Fannie Mae. These efforts are taking longer than anticipated. While Fannie Mae remains strongly committed to reconciling both the appropriate subordination structure and the programmatic features with RD through 2019 and 2020, it is not realistic that a loan product enhancement would be approved in 2019.

C. Statutory Activity: The rural rental housing program under Section 515 of the Housing Act of 1949, 42 U.S.C. § 1485.

1. *Objective #1: Work with the USDA and other stakeholders to adopt an approach resulting in increased ~~liquidity for~~ preservation of Section 515 properties and purchase Section 515 loans (Partner and Innovate, Do What We Do Best).*

SMART Factors
Fannie Mae will undertake the following measurable Actions in the years indicated.

Year	Actions
2019	• Partner with a non-profit organization with deep experience and expertise with USDA RD subsidy programs to deliver a robust technical assistance program to mission-oriented organizations focused on acquiring properties at risk of exiting the Section 515 program. The program activities will include a convening of existing owners and nonprofits focused on preservation, with a goal to match aligned parties. • Support research focusing on taxation barriers that limit transfers of subsidized properties to non-profits, that can be used to inform tax policy and highlight the structural challenges to preserving affordable multifamily housing in rural areas. • Continue to execute the Section 515 work-plan developed during 2018 by developing a product enhancement that will drive the preservation of properties at risk of exiting the USDA Section 515 program through refinancing and/or loan purchases. ~~Obtain internal product development approval and FHFA approval as required.~~ • Conduct outreach to the three DUS and special affordable lenders identified in 2018 that have experience with Section 515 properties to ~~market and train lenders on the product enhancement, and to~~ obtain feedback on the product enhancement. • ~~Purchase at least six loans secured by Section 515 properties at risk of exiting the program.~~ o ~~**Baseline:** While Fannie Mae has refinanced a small number of Section 515 properties in the past, operationally they have not been formally identified and tracked by Fannie Mae and therefore, their numbers cannot be ascertained. Fannie Mae has determined that establishing a Baseline as a percentage of the total number of Section 515 properties with maturing or prepayment eligible loans is an acceptable initial estimate. As noted above, Fannie Mae has set an initial target of at least 10 percent of expiring Section 515 properties during the Plan (a total of 12 loans). However, a Baseline will be reviewed in conjunction with the product development process during 2018 and cannot be determined at this time.~~ • Confirm loan purchase goals for 2020.
2020	• Finalize execution of the Section 515 work-plan by obtaining internal product development approval and FHFA approval as required. • Conduct outreach to the three DUS and special affordable lenders identified in 2018 to market and train lenders on the product enhancement and to obtain feedback on the product enhancement. • Purchase at least six loans secured by Section 515 properties at risk of exiting the program. • Through the feedback obtained during 2019 outreach, identify changes to the Section 515 product enhancement that will improve the product's effectiveness in the market. Obtain

	internal product development approval as required. • Develop loan purchase goals for the 2021 – 2023 Duty to Serve Plan.

Criteria	2018	2019	2020
Evaluation Factor:	Loan Product	~~Loan Purchase~~Outreach	Loan ~~Purchase~~Product
Income Levels:	Very Low-, Low-, and Moderate-Income Levels for all Years		

Fannie Mae

Affordable Housing Preservation

2019 – 2020

Activity: Energy or water efficiency improvements on single-family, first lien properties that meet the FHFA Criteria (12 C.F.R. § 1282.34 (d) (3))

Objective 2: Increase liquidity for energy or water efficiency improvements that meet the FHFA Criteria by facilitating the adoption of enhanced industry standards and purchasing loans (Partner and Innovate, Do What We Do Best, Test and Learn).

Proposed Modification 1: Clarify language on second bullet item in 2019 to align with industry timeline: "Evaluate the Uniform Loan Delivery Dataset to determine which energy and water efficiency Improvements can be supported with existing ULDD fields."

Proposed Modification 2: Clarify language on third bullet action item in 2019 to align with industry timeline: "To inform the redesign of the Uniform Appraisal Dataset and forms specified in the 2019 Scorecard for Fannie Mae, Freddie Mac and Common Securitization Solutions, work with the Uniform Data Committee to gain consensus for updating the appraisal form to include identified fields for property-level information about energy and water efficiency features."

Proposed Modification 3: Clarify language in first bullet point action item in 2020 to align with industry timeline: "Based on the 2019 evaluation of the Uniform Loan Delivery Data dataset, implement support for selected energy and water efficiency Improvements in the current version of ULDD and inform the ULDD committee as appropriate."

Proposed Modification 4: Clarify language in second bullet point action item in 2020 to align with industry timeline: "To inform the redesign of the Uniform Appraisal Dataset and forms specified in the 2019 Scorecard for Fannie Mae, Freddie Mac and Common Securitization Solutions, continue to work with the Uniform Data Committee on updating the appraisal form to include identified fields for property-level information about energy and water efficiency features."

Justification for Proposed Modifications 1-4: Uniform Loan Delivery Data (ULDD) and the Uniform Appraisal Document (UAD) and forms are GSE-aligned documents. Revisions to the ULDD and UAD follow a multi-year cycle. The next version of the UAD specification based on the MISMO 3.x version is still a work in progress, timelines have not yet been communicated other than this is a multi-year initiative. As timelines develop, further communication regarding these timelines can be shared. We are requesting modifications to the Duty to Serve plan in light of these revision cycles.

Proposed Modification 5: Reduce the 2019 and 2020 loan purchase targets and change evaluation area in 2020 to Loan Product.

Justification for Proposed Modification 5: Year-to-date, Fannie Mae has confirmed the purchase of 106 mortgage loans that qualify for this DTS Objective as they financed at least one ENERGY STAR®-certified improvement. However, that is only 21% of the annual target. Several factors are contributing to the lower-than-expected loan purchase volumes:

1) Lenders' underwriting and loan delivery systems do not provide a means of easily identifying loans on homes that have installed ENERGY STAR-certified appliances or products. Fannie Mae has been working with lenders to review and identify loans that would meet requirements. However, this process of identifying program-qualifying loans is time-consuming and has slowed the volume Fannie Mae expected at this point in the year. To support this effort, Fannie Mae is implementing a special initiative with lenders which will be in effect October 1, 2019, however as this date is late in the year its ability to significantly contribute to the target is limited.
2) The new variance which we issued in Q2 2019 to our HomeStyle® Energy product is building momentum but has not yet produced the loan volume Fannie Mae anticipated since it launched in April.
3) A key program between Fannie Mae, a lender, and an energy technology company, which would increase the potential pool of eligible loans to purchase, has been delayed due to ongoing contract and programmatic negotiations between the lender and the technology company. Fannie Mae cannot speculate when the program terms will be finalized by the other parties and when the program will commence, however Fannie has executed on our portion of the needed variance.

In addition, in Fannie Mae's originally proposed Plan dated May 8, 2017, lower purchase goals in Year 2 (50 to 100) and Year 3 (100 to 200) were established based solely on projected Homestyle Energy volume, and no baseline was established given that Fannie Mae had not required the FHFA Criteria to be met and our acquisitions had not been tracked for this purpose. Upon the request of FHFA to increase our targets, Fannie Mae conducted additional analysis and determined that HomeStyle Renovation deliveries may include eligible improvements for this target. This formed the foundation our new baseline and the targets for 2019 and 2020. The revised 2019 target was a tenfold increase from 2018. This year, however, we have faced delays in lender adoption of delivering HomeStyle Renovation loans for this target.

Given these factors, we believe a revision to the 2019 target is warranted at this time. Therefore, we propose changing the 2019 loan product goal from 500 to 550 to a new target of 150 to 200 loans. In addition, we will adjust the baseline to reflect the loan purchases made in 2018, which was 69 loans. While we will use the new baseline of 69 and the new targets for 2019 and 2020, we will also continue to drive lenders to adopt our initial approach of delivering HomeStyle Renovation loans to meet our targets. We recognize this could eventually result in a potential increase in loan deliveries beyond our new targets.

Additionally, some of the conditions impacting the 2019 loan product forecast, including the pipeline of eligible loans and the uncertainty of other programs to significantly contribute to the loan purchase volume, will continue to impact 2020 targets. Although we remain hopeful that certain programs will come on line in late 2019 and early 2020, we anticipate a more moderate increase over the revised 2019 loan product target compared to the original 2020 loan purchase forecast. Based on these conditions, we are requesting a revised 2020 loan purchase target range of 200 to 250 loans. This is a measurable increase from the revised 2019 loan product target and considers some of the constraints we are experiencing that are limiting the pool of eligible loans to purchase.

H. Regulatory Activity: Energy or water efficiency improvements on single-family, first lien properties that meet the FHFA Criteria (12 C.F.R. § 1282.34 (d) (3))

2. Objective #2: Increase liquidity for energy or water efficiency improvements that meet the FHFA Criteria by facilitating the adoption of enhanced industry standards and purchasing loans (Partner and Innovate, Do What We Do Best, Test and Learn).

SMART Factors

Fannie Mae will undertake the following measurable Actions in the years indicated.

Year	Actions
2019	▪ Based on outcomes in 2018 and to further accelerate industry standardization efforts and liquidity for Improvements, the following will be undertaken: • ~~Depending upon the outcome of the evaluation of loan product standards and guidelines, and if a plan is completed in 2018, update Fannie Mae's delivery data requirements to incorporate the identification of Improvements, or continue evaluation and development of standards and guidelines.~~ • Evaluate the Uniform Loan Delivery Dataset to determine which energy and water efficiency Improvements can be supported with existing ULDD fields. • ~~Work with the Uniform Data Committee to gain consensus for updating the appraisal form to include identified fields for property-level information about energy and water efficiency features. If feasible based on the outcome of joint Uniform Data Committee efforts, update Fannie Mae's appraisal policy to incorporate the updated appraisal~~. • To inform the redesign of the Uniform Appraisal Dataset and forms specified in the 2019 Scorecard for Fannie Mae, Freddie Mac and Common Securitization Solutions, work with the Uniform Data Committee to gain consensus for updating the appraisal form to include identified fields for property-level information about energy and water efficiency features. • Continue to work with the industry to drive efforts for standardization on the MLS. Assess progress and required actions to address challenges. • Launch the lender and realtor training program. • Purchase between 150 and 200 ~~500 and 550~~ mortgage loans that meet the FHFA Criteria. o **Baseline**: Fannie Mae was unable to establish a Baseline in 2018, and instead used a proxy Baseline based on estimations. After a year of purchases under this Objective, Fannie Mae is establishing a Baseline based on 2018 loan purchases, which is 69 loans.
2020	Based on outcomes in 2018 and 2019 and to further accelerate and sustain industry standardization efforts and liquidity for Improvements: • ~~If not fully established in 2019, update Fannie Mae's delivery data requirements to incorporate the identification of Improvements.~~ • Based on the 2019 evaluation of the Uniform Loan Delivery Data dataset, implement support for selected energy and water efficiency Improvements in the current version of ULDD and inform the ULDD committee as appropriate. • ~~Continue to work with the Uniform Data Committee on updating the appraisal form to include identified fields for property-level information about energy and water efficiency features, if the industry has not~~

Year	Actions
	~~completed efforts in prior years. If feasible based on the outcome of joint Uniform Data Committee efforts, update Fannie Mae's appraisal policy to incorporate the updated appraisal if not completed in prior years.~~ • To inform the redesign of the Uniform Appraisal Dataset and forms specified in the 2019 Scorecard for Fannie Mae, Freddie Mac and Common Securitization Solutions, continue to work with the Uniform Data Committee on updating the appraisal form to include identified fields for property-level information about energy and water efficiency features. • Continue to lead industry meetings to evaluate the status of implementation of appraisal, MLS, and delivery data standards and identify additional changes. Assess progress and required actions to address challenges. • Purchase between 200 and 250 ~~550 and 650~~ mortgage loans that meet the FHFA Criteria.~~ This represents a 14 to 35 percent increase over the Baseline[1].~~

The ultimate opportunity available in this market is to finance increased numbers of Improvements meeting the FHFA Criteria for the target markets and having standards is a critical part of ensuring sources of capital will participate. Fannie Mae plays an active role within the industry to set standards in many areas, including collateral value, data, and property valuation. Based on this experience, coupled with the available resources, Fannie Mae has determined that this Objective is realistic and may be achieved within the time periods described in a safe and sound manner. In addition, underwriting standards and credit guidelines that are simplified and consistent with safety and soundness will continue to be applied to improve acquisition of this product.

Criteria	2018	2019	2020
Evaluation Factor:	Loan Product	Loan Product	~~Loan Purchase~~Loan Product
Income Levels:	Very Low-, Low-, and Moderate-Income Levels for all Years		

~~1 Of this range, we will target 25 loans to be in high-needs rural regions.~~

Fannie Mae

Fannie Mae

Affordable Housing Preservation

2019 – 2020

Activity: Shared equity programs for affordable housing preservation (12 C.F.R. § 1282.34 (d) (4))

Objective 1: Increase the purchase of mortgage loans that finance shared equity programs (Do What We Do Best).

Proposed Modification: Change the 2019 and 2020 Shared Equity Objective Evaluation Criteria from loan purchase to loan product. Remove the loan purchase action items.

Objective 2: Increase liquidity for shared equity homeownership through outreach, research, and loan product solutions (Analyze, Partner and Innovate, Test and Learn).

Proposed Modification: Change the 2020 Shared Equity Objective Evaluation Criteria from loan purchase to loan product. Remove the loan purchase action items.

Justification for Proposed Objective 1 and Objective 2 Modifications: Based upon lessons learned during the first two years of execution of Fannie Mae's 2018-2020 Duty to Serve Plan, it has become clear that the greatest obstacles to providing liquidity to the shared equity market are associated with particular processes and policy challenges. As has been shared previously, identification of DTS-eligible shared equity loans is difficult – both for lenders and for Fannie Mae. For lenders, validation of shared equity program compliance is a departure from their standard origination and underwriting processes, and therefore, they are hesitant or unwilling to take on the burden and added risk associated with performing program evaluations and providing representations and warranties regarding DTS eligibility.

In addition to lender reluctance to ensure that shared equity programs and loans meet DTS requirements, Fannie Mae underwriting, and loan delivery systems do not provide a means of easily identifying the specific shared equity program associated with a loan delivered to us. This makes it difficult for us to track and validate shared equity loans delivered and forces us to devote substantial time and resources to manual identification and validation processes.

Moreover, particular areas of the Fannie Mae Selling Guide governing shared equity programs are considered to be unclear, or present outdated or cumbersome requirements for lenders. This lack of clarity and/or additional burden further exacerbate lender reluctance to participate in shared equity programs.

Rather than continuing to invest in resource intensive and manual processes to expand our share of what is today a very small market, we believe that addressing the policy and process challenges which inhibit growth and liquidity in this market will have more lasting and far-reaching impact. Put simply, the most promising path forward for the shared equity market is to develop the policy and process infrastructure necessary for lenders to consider these loans standard product options. Therefore, we propose changing the 2019 and 2020 shared equity loan purchase goal to a product development objective, composed of the following activities:

- Fannie Mae will identify and stand up a system for determining and communicating DTS-eligibility of shared equity programs to lenders. Such a system would eliminate the need for lenders to independently review and validate programs, decreasing the underwriting complexity associated with shared equity loans and reducing perceived rep and warrant risk.

- Equally as important, Fannie Mae will support the creation of a model deed restriction for shared equity programs. Nowhere in the shared equity market is standardization more needed than in programs which use a deed restriction to preserve affordability. Unlike community land trusts, there is currently no standard deed restriction instrument utilized by these programs. As a result, program criteria and stipulations vary widely from jurisdiction to jurisdiction. This variation impedes the ability of lenders to establish nationwide origination efforts for deed restricted mortgage programs. The creation and dissemination of a model deed restriction will contribute to increased liquidity for these programs by enabling more lenders to compete for this business. In turn, this sector will be able to shift from a niche geographically restricted market to a more competitive nationwide marketplace.

- Modifications to shared equity requirements in the Fannie Mae Selling Guide. In response to lender and stakeholder feedback, we will identify and execute a number of changes to our Selling Guide to provide greater clarity and simplicity for lenders in the origination, delivery, and servicing of shared equity loans.

I. Regulatory Activity: Shared equity programs for affordable housing preservation (12 C.F.R. § 1282.34 (d) (4)).

1. Objective #1: Increase the purchase of mortgage loans that finance shared equity programs (Do What We Do Best).

SMART Factors

Fannie Mae will undertake the following measurable Actions in the years indicated.

Year	Actions
2019	• Explore options for determining DTS eligibility of shared equity programs, with the goal of providing clarity to lenders and program providers .~~Purchase between 350 and 400 shared equity loans, representing a 137 to 171 percent increase over the proxy Baseline. These loan purchases may include new program types which Fannie Mae was not able to identify in its proxy Baseline.~~ • Initiate work to create a model deed restriction for use by shared equity programs.
2020	• ~~Purchase between 500 and 600 shared equity loans, representing a 239 to 307 percent increase over the proxy Baseline. This includes the loan purchases referenced in Objective #2. These loan purchases may include new program types which Fannie Mae was not able to identify in its proxy Baseline.~~ • Fannie Mae will stand up a system for determining and communicating to lenders DTS-eligibility for shared equity programs. • Publish a model deed restriction for use in Fannie Mae programs, marketing it to shared equity programs and encouraging adoption.

The ultimate opportunity available in this market is to finance increased numbers of shared equity loans for affordable housing preservation. Fannie Mae has significant experience purchasing various loans with deed-restrictions and under inclusionary housing programs. Based on this experience, coupled with the help of industry stakeholders, we believe this Objective is achievable within the time periods described. Underwriting standards and credit guidelines that are consistent with safety and soundness will be applied to acquisition of this product.

Criteria	2018	2019	2020
Evaluation Factor:	Loan Product	Loan ~~Purchase~~Product	Loan ~~Purchase~~Product
Income Levels:	Very Low-, Low-, and Moderate-Income Levels for all Years		

Objective #2: Increase liquidity for shared equity homeownership through outreach, research, and loan product solutions (Analyze, Partner and Innovate, Test and Learn).

SMART Factors

Fannie Mae will undertake the following measurable Actions in the years indicated.

Year	Actions
2019	Based on lessons learned in 2018 and to further increase knowledge through market outreach, research, analysis, and tests: • If determined in 2018 the housing database will be created, assess the status of data collection, analyze preliminary available information, and evaluate accessibility and presentation of data to stakeholders. • Leverage market outreach, policy evaluation, and outcome of variance(s) executed in 2018 to contribute to loan product and policy development. Introduce one new product variance. If feasible, and depending on learnings, announce one policy update. • Evaluate progress and continue analysis of the case study begun in 2018, making appropriate adjustments to the approach, engaging additional stakeholders, and determining preliminary findings; publish results to the public. • Continue and expand industry outreach activities started in 2018 to maintain engagement and inform product activities by participating in two key conferences or seminars and speaking at one other event. Facilitate one roundtable, incorporating feedback from 2018 and including two 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 shared equity properties by incorporating learnings from outreach efforts into updated product materials and webinars or presentations. Target engagement with five additional lenders and five additional stakeholders (i.e., lenders and stakeholders not approached in 2018). The additional lenders and stakeholders will be selected based on evaluation of 2018 activities and responses as well as an assessment of geographical and other needs. In particular, we will target three lenders and one program provider who are new to shared equity programs. Ten additional relationships over the ones established in 2018 will be a significant commitment of time and will provide substantial learnings on how to expand engagement in following years. • Based on lessons learned in 2018, identify process and policy changes necessary to remove obstacles to lender origination and delivery of shared equity loans.
2020	Based on lessons learned in 2018 and 2019 and to further increase knowledge through market outreach, research, analysis, and tests: • ~~Purchase between 50 and 100 shared equity program loans, an approximate 10 to 15 percent of the total purchases in 2020 from Objective #1. These loans are included in the total shared equity loan purchases in Objective #1, where the Baseline has been described.~~ • Execute targeted policy changes to increase clarity and reduce obstacles for lenders in the origination of shared equity loans. • If determined in 2018 the housing database will be created, assess its final compilation and presentation and/or enhancements; contribute to a working paper that will use the data to discuss findings and insights that will help communities, lenders, and the public to learn about the growth and dynamics of program characteristics, trends, and policy impact. • Continue and expand industry outreach activities started in 2018 and 2019 to maintain engagement and inform product activities by participating in two key conferences or seminars and speaking at one other event. Facilitate one roundtable, incorporating feedback from prior years and including two 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 shared equity properties by incorporating learnings from outreach efforts into updated product materials and webinars or presentations. Target engagement with five additional lenders and five additional stakeholders (i.e., lenders and stakeholders not approached in 2018 or 2019). The additional

Year	Actions
	lenders and stakeholders will be selected based on evaluation of 2018 and 2019 activities and responses as well as an assessment of geographical and other needs. In particular, we will target three lenders and one program provider who are new to shared equity programs. Ten additional relationships over the ones established in 2018 and 2019 will be a significant commitment of time and will provide learnings on how to expand engagement in following years.

Fannie Mae has significant experience in outreach, market engagement, data collection and analysis, consumer research, and product development. Accordingly, we believe this Objective is realistic and can be achieved within the time periods described. The ultimate opportunity available in this market is to work with lenders to increase liquidity in the shared equity market. Any variances that create changes in credit parameters and product guidelines will be supported by thorough economic, risk, and operational analysis, will be subject to Fannie Mae's governance and approval processes, and will only be made consistent with safety and soundness concerns.

Criteria	2018	2019	2020
Evaluation Factor:	Outreach	Loan Product	Loan Product~~Purchase~~
Income Levels:	Very Low-, Low-, and Moderate-Income Levels for all Years		

Fannie Mae

Fannie Mae

Manufactured Housing

2019 – 2020

Activity: Manufactured homes titled as real property (12 C.F.R. § 1282.33 (c) (1)).

Objective 2: Increase liquidity for manufactured housing titled as real property through industry outreach and increasing purchases (Analyze, Partner and Innovate, Do What We Do Best).

Proposed Modification 1: Clarify language on second action item around homebuyer education in 2019: "Provide training and resource support to housing counselors on the topic of manufactured housing so that they are better equipped to provide counseling to manufactured home buyers."

Justification for Proposed Modification 1: To expand the scope and availability, we need to provide additional training and resources to housing counselors on manufactured housing. This is how we get buy-in from the industry, to then be able to add in manufactured housing into counseling and education efforts that face consumers.

Proposed Modification 2: Reduce loan purchase target in 2020 from 450 to 100. **"**Purchase at least 100 manufactured housing loans titled as real property directly resulting from Objective #1. These loan purchases will result from variances and policy changes issued in 2018 and 2019 and are included in the total manufactured housing purchases in Objective #1."

Justification for Proposed Modification 2: Fannie Mae made several policy changes and variances to its MH products in response to industry feedback. These include expanded offerings related to construction-to-permanent financing structures, renovation loans, energy-efficiency loans and loans on homes in condominium projects. To date, industry adoption of these variances and products appear lower than anticipated, but Fannie Mae remains committed to promoting these options for lenders.

A. Regulatory Activity: Manufactured homes titled as real property (12 C.F.R. § 1282.33 (c) (1)).

2. *Objective #2: Increase liquidity for manufactured housing titled as real property through industry outreach and increasing purchases (Analyze, Partner and Innovate, Do What We Do Best).*

SMART Factors
Fannie Mae will undertake the following measurable Actions in the years indicated.

Year	Actions
2019	• Evaluate the outcomes of variance(s) and policy change(s) executed in 2018 as well as findings from industry and customer engagement to identify, validate, and prioritize opportunities to enhance, simplify, clarify, and expand our manufactured housing policies and product offering. Introduce one new negotiated variance with terms for at least one additional change to Fannie Mae loan product parameters, or depending on research, learnings, and analysis, publish at least one policy update. • ~~Expand the scope and availability of homebuyer education and financial counseling based on diverse industry perspective and collaboration, identifying areas targeted to benefit manufactured housing homebuyers and homeowners because education and counseling are equally important for manufactured housing homebuyers as they are for any affordable housing.~~ • Provide training and resource support to housing counselors on the topic of manufactured housing so that they are better equipped to provide counseling to manufactured home buyers. • Continue to engage appraisers via webinars, Fannie Mae Appraiser Update newsletter, or presentations at appraisal roundtables, seminars, workshops, or panel discussions to provide information and education about Fannie Mae policies, including policy changes. • Continue industry outreach activities started in 2018 to maintain engagement and inform product activities. o Host one manufactured housing roundtable with cross-functional industry representation and discuss new challenges facing the market. Feedback and engagement will inform future decisions and prioritizations. o Participate in two key industry conferences to remain current on activities and developments in the market and to inform future decisions and prioritizations.
2020	• Purchase ~~between 450 and 500~~at least 100 manufactured housing loans titled as real property~~, an approximate five percent of the total purchases in 2020 from Objective #1~~. These loan purchases will directly result from variances and policy changes issued in 2018 and 2019 and are included in the total manufactured housing purchases in Objective #1. • Continue industry outreach activities started in 2018 to maintain engagement and inform product activities. o Host one manufactured housing roundtable with cross-functional industry representation to capture diverse perspectives. o Participate in two key industry conferences to remain current on activities and developments in the market and to inform future decisions and prioritizations.

Year	Actions
	• To promote transparency and describe progress made to increase access to credit for manufactured housing, publish to the public a summary of learnings since 2018 including items such as qualitative market information, trended data for Fannie Mae's manufactured housing loan portfolio, and performance data about variances or policy changes issued.

Fannie Mae

Fannie Mae

Manufactured Housing

2019 – 2020

Activity: Manufactured homes titled as real property (12 C.F.R. § 1282.33 (c) (1)).

Objective 3: Develop an enhanced manufactured housing loan product for high - quality manufactured housing (Partner and Innovate, Do What We Do Best).

Proposed Modification 1: Add language to first action item in 2019 to account for policy updated in 2018: "If enhancements or clarifications were delivered prior to 2019, engage with industry participants to assess the value of those enhancements or clarifications and seek input on additional areas that may affect appraisal policy."

Justification for Proposed Modification 1: Policy was updated in 2018*.*

Proposed Modification 2: Clarify language on second sub-bullet under first action item in 2019: "Assess appraisals for loans delivered in 2018 or 2019 under the variance or product offering."

Justification for Proposed Modification 2: There were no deliveries in 2018 because much of that year was spent reengaging with industry after the initial launch of MH Advantage and revising the product accordingly. Given the long lead time associated with building, selling, and financing these homes, purchases in 2018 and 2019 became unlikely.

Proposed Modification 3: Switch 2019 evaluation area from Loan Purchase to Loan Product, remove loan purchase target for 2019, and add the following action items:

- "Identify opportunities to market loan product and disseminate key information to manufactured home retailers and other key industry stakeholders. Launch campaign and evaluate success."

- “Conduct foundational research to gauge consumer perception of manufactured housing, and leverage findings to build out consumer-facing education campaign. Launch campaign and evaluate success.”
- “Support consumer and lender product adoption by promoting the installment of manufactured homes in subdivisions.”

These actions are necessary to address the reality that introducing a new manufactured housing finance product that involves commitment from participants across the industry is difficult. Fannie Mae’s role as product developer is not limited to introducing a product in its Selling Guide, it also entails significant outreach and education to lay the groundwork for future success, in the form of loan purchases.

Justification for Proposed Modification 3: 2019 has been and will continue to be a critical year for promoting MH Advantage through product development, marketing, and engagement with industry partners. As such, the most appropriate markers of success are not loan purchases, but tangible efforts to increase the product’s viability and long-term success.

- Retailers are the lynchpin of MH sales, and in spite of significant effort to secure their support for MH Advantage, there remain significant awareness gaps at this time. We recognized this and worked with Marketing to build out a retailer marketing campaign, which will launch in 6 markets in Q3.
- MH Advantage is intended to attract homebuyers who are priced out of site-built, but buyers seeking site-built don't know about manufactured home options or the loan products to finance them. We recognized this and produced a consumer-facing campaign which targets consumers in 6 high-volume MH states.
- First loans were purchased through homes in a subdivision development, and all of the top 3 manufacturers are making this a priority in 2020 and beyond. Fannie Mae will remain focused on potential volumes through this channel.
- MH C2P was asked for by prominent MH lenders for at least a year, and we modified the Selling Guide in August 2019 to accommodate this request. Fannie Mae will continue to promote this offering as a key feature available to lenders interested in MH Advantage, and MH generally.

Proposed Modification 4: Switch 2020 evaluation area from Loan Purchase to Loan Product, remove existing loan purchase target, and add the following action items:

- As appropriate, continue product development activities initiated in prior years.
- Build upon consumer awareness created with 2019 campaign by continuing to target consumers in high-volume MH markets, and extending into new markets if feasible.
- Develop outreach strategy aimed at educating and promoting product adoption amongst non-traditional MH stakeholders.
- Purchase 25 loans. These loans are included in the total manufactured housing purchases in Objective #1.

Continued product development work that builds on initiatives begun in prior years is critical for the long-term success of this product, which is worthwhile because it addresses a need in the affordable housing market.

Further, this is a meaningful loan purchase target and, in fact, represents a significant increase in purchase volumes as compared to 2018 and 2019. The target is derived from ambitious projections of 2020 loan purchases as reported by lenders that have expressed commitment to growing this product. It is based on both homes sold through the traditional MH retail channel as well as the real estate developer channel, each of which require distinct support strategies from Fannie Mae and its customers.

Justification for Proposed Modification 4: Very few loan deliveries in 2019; delayed communication timelines from manufacturers; limited consumer visibility of manufactured home options; fragmentation in distribution model and lack of meaningful support from industry trade groups.

A. Regulatory Activity: Manufactured homes titled as real property (12 C.F.R. § 1282.33 (c) (1)).

3. Objective #3: Develop an enhanced manufactured housing loan product for quality manufactured housing and purchase loans (Partner and Innovate, Do What We Do Best).

SMART Factors

Fannie Mae will undertake the following measurable Actions in the years indicated.

Year	Actions
2019	• Explore opportunities to enhance or clarify policy to support appraisals that account for the value of distinguishing construction features or property characteristics specific to the variance or policy change implemented in 2018. If enhancements or clarifications were delivered prior to 2019, engage with industry participants to assess the value of those enhancements or clarifications and seek input on additional areas that may affect appraisal policy. o Engage appraisers about Fannie Mae requirements and acquire feedback to establish best appraisal practices. o Assess appraisals for loans delivered in 2018 or 2019 under the variance or product offering. • Enhance, modify, or simplify product offering as needed based on customer feedback and performance of the product. • The following actions are necessary to address the reality that introducing a new manufactured housing finance product that involves commitment from participants across the industry is difficult. Fannie Mae's role as product developer is not limited to introducing a product in its Selling Guide, it also entails significant outreach and education to lay the groundwork for future success, in the form of loan purchases. o Identify opportunities to market loan product and disseminate key information to manufactured home retailers and other key industry stakeholders. Launch campaign and evaluate success. o Conduct foundational research to gauge consumer perception of manufactured housing, and leverage findings to build out consumer-facing education campaign. Launch campaign and evaluate success. o Support consumer and lender product adoption by promoting the installment of manufactured homes in subdivisions. • ~~Purchase between 250 and 500 loans, representing an approximate three to five percent of the total manufactured housing purchases in Objective #1. These loans are included in the total manufactured housing purchases in Objective #1.~~
2020	• Enhance, modify, or simplify product offering as needed based on customer feedback and performance of the variance or product. • As appropriate, continue product development activities initiated in prior years. • Build upon consumer awareness created with 2019 campaign by continuing to target consumers in high-volume MH markets, and extending into new markets if feasible.

Year	Actions
	• Develop outreach strategy aimed at educating and promoting product adoption amongst non-traditional MH stakeholders. • Purchase 25 loans. These loans are included in the total manufactured housing purchases in Objective #1. o Continued product development work that builds on initiatives begin in prior years is critical for the long-term success of this product, which is worthwhile because it addresses a need in the affordable housing market. Further, this is a meaningful loan purchase target and, in fact, represents a significant increase in purchase volumes as compared to 2018 and 2019. The target is derived from ambitious projections of 2020 loan purchases as reported by lenders that have expressed commitment to growing this product. It is based on both homes sold through the traditional MH retail channel as well as the real estate developer channel, each of which require distinct support strategies from Fannie Mae and its customers. • ~~Purchase between 500 and 750 loans, representing an approximate five to seven percent of the total manufactured housing purchases in Objective #1. These loans are included in the total manufactured housing purchases in Objective #1.~~

Criteria	2018	2019	2020
Evaluation Factor:	Loan Product	Loan ~~Purchase~~Product	Loan ~~Purchase~~Product
Income Levels:	Moderate-Income Level for all Years		

Fannie Mae
Rural Housing
2019 – 2020

Activity: Housing for high-needs rural populations (12 C.F.R. § 1282.35 (c) (2)).

Objective 1: Rebrand and market Fannie Mae's Native American Conventional Lending Initiative (NACLI) and purchase single-family loans (Analyze, Partner and Innovate, Do What We Do Best).

Proposed Modification 1: Split the aforementioned Objective into an Objective addressing outreach and an Objective addressing product development.

- Outreach Objective: "Rebrand and market Fannie Mae's Native American Conventional Lending Initiative (NACLI) via homebuyer counseling, lender outreach, and technical assistance to native CDFIs."
- Loan Product Objective: "Purchase single-family NACLI and/or HUD Section 184 loans and produce loan products via supply variance and appraisals."

Justification for Proposed Modification 1: Separating out the outreach and loan product components into separate Objectives adds clarity to our work. The outreach Objective modification derives from extensive interviews and meetings held with native CDFIs informing best practices for outreach. Additional actions have been added for to support outreach, which continues to be a critical component of our strategy to increase loan production.

The loan product Objective is a shift from the loan purchase focus of the original Objective to best address the supply challenges faced by Native populations. Additional actions have been added to support loan product development continues to be a critical component of our strategy to increase loan production.

Proposed Modification 2: Clarify language around the policy action item in 2019: "Use the information gathered in 2018, develop or enhance policy around appraisals on tribal trust lands; revise the existing variance and notify lenders as appropriate."

Justification for Proposed Modification 2: Fannie Mae allows conventional financing for Native Americans on trust land via a variance; eligibility guidelines and policy updates are outlined within this variance and not published within the standard selling guide, thus requiring inclusion of this modification. The variance was instituted following an analysis of credit and collateral policy as well as substantial research around the 'cost approach" method completed this year and documented within the variance. The Lenders with the variance were notified.

Proposed Modification 3: Modify language around Native American credit and/or collateral policy action item in 2019 to read as follows: "…conduct research about the availability of affordable housing inventory on Native American lands."

Justification for Proposed Modification 3: Fannie Mae has developed relationships with multiple tribes; however, the supply shortage and the tribe's inability to access construction capital has caused Fannie Mae to expand its focus to understanding the supply shortage on Native American lands. HUD 2017 research indicates the need for 68,000 housing units needed to meet housing needs in Indian Country.

Proposed Modification 4: Reduce loan purchase target in 2020 from purchasing between 125 and 200 NACLI and/or HUD Section 184 loans to 10 NACLI and/or HUD Section 184 loans on tribal trust lands.

Justification for Proposed Modification 4: The timeline Fannie Mae originally constructed to reach a threshold of 125-200 hinged upon greater lender participation and a broader availability of homes for purchase than has materialized to date. The adjusted target, if achieved, will represent significant progress since Fannie Mae re-entered this market and set the groundwork for significant future impact working with tribal trust lands, where the need is greatest.

As Fannie Mae re-enters this space, more time is needed to build relationships with lenders, tribal leadership and to support the development of affordable supply before a sizeable increase in loan deliveries can be expected.

Proposed Modification 5: Update language around MOU action item to provide clarity and read as follows…" Facilitate a training to educate tribes and appraisers on the challenges of appraisals on tribal trust land; if feasible, develop a partnership to pilot a solution."

Justification for Modification 5: The modified language is a clarification. The MOU is a legal binding document and cannot be enhanced; nor does the MOU address appraisal issues. As a result of our appraiser and lender engagement around appraisals, leading to a successful policy change in 2018 allowing appraisal alternatives, Fannie Mae believes bringing tribes and appraisers together for a training and discussion could be more impactful towards developing solutions. We believe this, in large part, due to the flexibility afforded with such engagement, flexibility not found in the MOU.

B. Housing for high-needs rural populations (12 C.F.R. § 1282.35 (c) (2)).

Note: Fannie Mae seeks extra credit for this Activity.

1. ***Objective #1: Rebrand and market Fannie Mae's Native American Conventional Lending Initiative (NACLI) ~~and purchase single-family loans~~ (Analyze, Partner and Innovate~~, Do What We Do Best~~).***

SMART Factors

Fannie Mae will undertake the following measurable Actions in the years indicated.

Year	Actions
2019	~~• Purchase between 15 and 40 NACLI and/or HUD Section 184 purchase money or refinance loans.[1]~~ ~~o **Baseline**: The Baseline is the current three-year average of the number of loans purchased by Fannie Mae, which is four loans (2016, 1; 2017, 7; 2018, 4). Fannie Mae acknowledges 2017 is higher than the most current three-year average, however, 2017 purchases consisted of targeted refinances and does not accurately represent the market.~~ • Expand lender outreach to an additional two lenders geographically located near Native American land (i.e., lenders not approached in 2018). ~~• Use the information gathered in 2018 to develop or enhance policy around appraisals on tribal trust lands and share best practices.~~ ~~• Because of known barriers such as lack of affordable supply for high-needs populations, Fannie Mae will review credit and/or collateral policy to identify opportunities to customize, enhance, or simplify products such as construction loans or HomeStyle® Renovation and establish a test and learn approach issuing one negotiated variance to select lenders working with high needs populations.~~ • Explore opportunities to bring a culturally specific homebuyer or financial literacy curriculum to an online platform. • Provide technical assistance or identify other opportunities for lenders, Native CDFI or tribe to enhance homeownership opportunities or access affordable capital and liquidity on tribal trust lands. • Explore the opportunity of a Native CDFI becoming a Fannie Mae seller. • Support post-purchase housing counseling for Native borrowers. • Interview at least 10 lenders and/or tribal stakeholders about the challenges and opportunities associated with mortgage lending on tribal trust land and document findings.
2020	• Facilitate a training to educate tribes and appraisers on the challenges of appraisals on tribal trust land; if feasible, develop a partnership to pilot a solution. ~~Publish one piece of guidance related to credit or collateral policy regarding tribal trust land.~~ • Expand lender outreach to an additional two lenders geographically located near Native American land (i.e., lenders not approached in 2018 or 2019).

~~1 In Fannie Mae's proposed Plan dated 5/8/17, significantly higher loan purchase goals for Year 2 (75–125) and Year 3 (200–275) and baseline numbers (31) were proposed. This was a result of our original analysis being completed manually without the application of the "rural" filter and the "< 100% AMI" filter which limit the number of historical loan purchases identified. In addition, the analysis uncovered a number of loans delivered with a transposed identifier code, erroneously increasing the NACLI Baseline. These errors were corrected to establish the correct figures presented in this Plan.~~

Year	Actions
	• • Continue to provide technical assistance to a ~~or identify other opportunities for lenders,~~ Native CDFI or tribe to enhance homeownership opportunities or access affordable capital and liquidity on tribal trust lands. ~~Purchase between 125 and 200 NACLI and/or HUD Section 184 purchase money or refinance loans.~~ ~~Enhance NACLI and the MOU with the tribe to incorporate lessons learned as a result of appraiser and lender engagement.~~ ~~Publish one piece of guidance related to credit or collateral policy regarding tribal trust land. Expand lender outreach to an additional two lenders geographically located near Native American land (i.e., lenders not approached in 2018 or 2019).~~

Criteria	2018	2019	2020
Evaluation Factor:	Loan Product	~~Loan Product~~Outreach	~~Loan Purchase~~Outreach
Income Levels:	Very Low-, Low-, and Moderate-Income Levels for all Years		

4. *Objective #4: Purchase single-family NACLI and/or HUD Section 184 loans and produce loan products via supply variance and appraisals. (Do What We Do Best).*

~~Meeting the Challenges~~
Native American tribes are one of the most underserved, impoverished minority populations in the country. The Native American Indian Housing Council (NAIHC) estimates that the homeownership rate in Indian country is about 33 percent, substantially below the national average, and Native Americans are four times more likely than the average American family to live in substandard housing. Potential homebuyers wanting to purchase homes on Native American land are faced with substantial challenges making it difficult to attract investors and lending products. These challenges include: • Each tribe has a unique structure of governance, culture, history, and identity. • There are legal complexities involving Native American land (e.g., federally restricted trust land and allotted lands). • Housing located on reservations can be in substandard condition; overcrowding is common due to a high level of unemployment, persistent poverty, and lack of affordable rental housing. • The mortgage lending process on Native American land is confusing and can be overwhelming, compounded by a general lack of understanding of the home purchase and ownership process. • Conventional lending is nearly non-existent, leaving Native American tribes to rely on government lending programs to finance home purchases and refinance transactions. • In order to determine effective ways to finance housing on tribal lands, a better understanding is required of Native American culture, history, and identity as it relates to home ownership. To address these challenges, Fannie Mae will:

Meeting the Challenges
• Partner with tribal leadership and Tribally Designated Housing Entities (TDHE) to establish a Memoranda of Understanding (MOU) adopting the necessary procedures to participate in Fannie Mae's NACLI loan program, resulting in the provision of increased liquidity. • Increase lending opportunities on Native American lands by fostering collaboration between tribes and Fannie Mae approved lenders. • Collect and analyze mortgage data and loan performance; this information will be made available on Fannie Mae's website, through the use of targeted email campaigns and other highly visible mechanisms to bring clarity to the market. Providing factual information addressing misconceptions about Native American lending, which will help provide additional liquidity to the market. Promoting Fannie Mae's presence in this market and ultimately providing critical information will support and encourage capital sources to venture into lending and investing in this market where they may not have done so previously. • Employ a test and learn approach to enhance a loan product or policy to reach more very low-, low- and moderate-income families. Evaluate the success and aim to develop affordable lending best practices. • Strengthen homeownership knowledge of tribal members by building partnerships with anchor institutions, housing counseling organizations, and financial capability service providers. This collaboration will provide potential homebuyers with assistance to overcome credit and budget barriers, thus improving financial stability for increasing access to affordable rental housing and homeownership opportunities.

SMART Factors

Fannie Mae will undertake the following measurable Actions in the years indicated.

Year	Actions
2019	• Purchase between 15 and 40 NACLI and/or HUD Section 184 purchase money or refinance loans.[2] o **Baseline**: The Baseline is the current three-year average of the number of loans purchased by Fannie Mae, which is four loans (2016, 1; 2017, 7; 2018, 4). Fannie Mae acknowledges 2017 is higher than the most current three-year average, however, 2017 purchases consisted of targeted refinances and does not accurately represent the market. • Using the information gathered in 2018, develop or enhance policy around appraisals on tribal trust lands, revise the existing variance and notify lenders as appropriate. • Because of known barriers such as lack of affordable supply for high-needs populations, Fannie Mae will c~~C~~onduct and document research about the availability of affordable housing inventory on Native American lands.
2020	• Purchase at least 10~~between 25 and 50~~ NACLI and/or HUD Section 184 purchase money or refinance loans on tribal trust land. It should be noted 2020 target of 10 ~~NACLI~~ is lower than the 2019 target because we have shifted our focus to only include loans delivered on tribal trust ~~landsfosThis target~~

2 In Fannie Mae's proposed Plan dated 5/8/17, significantly higher loan purchase goals for Year 2 (75–125) and Year 3 (200–275) and baseline numbers (31) were proposed. This was a result of our original analysis being completed manually without the application of the "rural" filter and the "< 100% AMI" filter which limit the number of historical loan purchases identified. In addition, the analysis uncovered a number of loans delivered with a transposed identifier code, erroneously increasing the NACLI Baseline. These errors were corrected to establish the correct figures presented in this Plan.

~~Year~~	~~Actions~~
	~~represents a 7084 percentl increase over our baseline; however it should be noted baseline . Because we are solely focused on tribal r and a 40 percent increase over the 2018 target.~~lands. • Publish one piece of guidance or an enhancement within the variance as it relates to credit or collateral policy regarding tribal trust land. ~~and identifingidentifyingy opportunities to enhance the Native American lending variance guidance's ,~~

Fannie Mae has a long history of demonstrated commitment to finding ways to create affordable housing opportunities for Native American families living on tribal trust lands since as early as 1994 and launched our first rendition of NACLI in 1999. Yet today, NACLI is an existing refinance-only product, and an underutilized product in the Fannie Mae Selling Guide and we purchase very few HUD 184 loans. In order to better support mortgage lending among Native Americans, we are committed to providing more liquidity for government-backed loans and to reviving the NACLI product.

Fannie Mae will establish legal agreements, MOUs, with tribes in order to allow for conventional financing. The MOU is a critical piece to the NACLI product and requires updating before new loan acquisitions can be made. Under a MOU, the tribe agrees to maintain certain legal standards supporting mortgage lending—primarily laws permitting land leasing, pledging of leaseholds, mortgage foreclosures, and evictions. Without a legal framework of this type, Fannie Mae cannot safely and soundly purchase mortgages on Native American lands. The MOU also sets forth Fannie Mae's offer to purchase loans secured by Native American lands and to respect tribal sovereignty through the acknowledgment of tribal court jurisdiction. The legal structure is similar with the HUD Section 184. Based on these significant factors along with our prior knowledge of working with Native American tribes, Fannie Mae has determined that this Objective is realistic and may be achieved within the time periods described. Achieving these goals, while maintaining safety and soundness, requires substantial effort and use of Fannie Mae resources. The ultimate opportunity available in this market is to finance more conventional Native American mortgages. To this end, Fannie Mae will conduct loan product work and loan purchases in a safe and sound manner. Activities supporting this Objective require a different paradigm designed to reach disparate communities in a scalable way and, therefore, the work is difficult.

~~Criteria~~	~~2018~~	~~2019~~	~~2020~~
Evaluation Factor:	N/A	Loan Product	Loan Product~~urchase~~
Income Levels:	Very Low-, Low-, and Moderate-Income Levels for all Years		

Fannie Mae
Rural Housing Market
2019 – 2020

Activity: Regulatory Activity: Housing for high-needs rural populations (12 C.F.R. § 1282.35 (c) (2)).

Objective 3: Create and implement work-plans and purchase loans secured by multifamily housing for Native Americans and agricultural workers (Analyze, Do What We Do Best).

Proposed Modification: Update Objective title. Remove the loan product enhancement and loan purchase actions from the 2019 and 2020 Actions, respectively. Replace them with support for technical assistance provided to developers of agricultural worker properties and Native American properties on Indian land. Change the Objective's Evaluation Areas to Outreach in 2019 and 2020.

Justification for Proposed Modification:
In 2018 and 2019, Fannie Mae met with industry stakeholders with expertise and deep experience in multifamily development for Native American communities and agricultural workers, including members of the Rural DTS Advisory Council and their staff, as well as Native and agricultural worker housing advocates, developers, and several tribal housing entities. We also reviewed research conducted by the Housing Assistance Council and Enterprise. Our outreach revealed that, in addition to the lack of financing available for the development of rental housing for agricultural workers and Native communities, the cumbersome and complex process for developing such housing, coupled with the organizational capacity of affordable developers and mission-oriented entities to execute the process, creates a substantial need in the market for capacity building and technical assistance provided to these organizations. This Action addresses a significant hurdle in the market.

Fannie Mae is embarking on a multi-year partnership with three non-profits with significant expertise in providing this type of technical assistance, using a model that could potentially be replicated across the country by multiple providers. This strategy's impact is comparable to that of financing because without technical assistance, many of these properties are not even able to apply for tax credits and USDA RD funding. In addition, we are financing a replicable, sustainable model that could be brought to scale with the right continued support and partnerships.

Additionally, our outreach taught us that most multifamily rental properties under this Objective are more in need of equity financing than debt financing. The debt financing required is often relatively small and provided by government sources.

B. Regulatory Activity: Housing for high-needs rural populations (12 C.F.R. § 1282.35 (c) (2)).
Note: Fannie Mae seeks extra credit for this Activity.

3. *Objective #3: Create and implement work-plans and advance strategies that support development of affordable~~purchase loans secured by~~ multifamily housing for Native Americans and agricultural workers (Analyze, Do What We Do Best).*

SMART Factors
Fannie Mae will undertake the following measurable Actions in the years indicated.

Year	Actions
2019	Based on the work completed in 2018: • ~~Process at least one product enhancement identified in the work-plan through the internal product enhancement and development approval process that will facilitate the provision of liquidity to housing for Native Americans and agricultural workers, and implement the product enhancement(s).~~ • Partner with a non-profit organization with deep experience and expertise with developing affordable rental housing for agricultural workers to deliver a robust technical assistance program to affordable developers who focus on agricultural worker housing. The assistance will provide training and consultation on the comprehensive process for multifamily financing and development, including the use of the USDA 514/516 Farmworker Housing Programs and Low--Income Housing Tax Credits. • Partner with two non-profit organizations with deep experience and expertise with developing affordable rental housing for Native American communities to deliver a robust technical assistance program to tribes, tribal housing departments, and Tribally Designated Housing Entities. The assistance will provide training and consultation on the comprehensive process for multifamily financing and development, including the use of the HUD funding programs and Low--Income Housing Tax Credits. • Implement the two identified key actions from the work-plan that will enhance Fannie Mae's role and ability to serve the affordable housing needs of both Native Americans and agricultural workers. • Revise and document updated work-plans including considering proposing additional product enhancements or key actions and confirming loan purchase Baselines and goals for 2020. • Facilitate one rural housing roundtable with cross-functional industry representation to continue to discuss, analyze, and solve the challenges facing high-needs rural populations. • Conduct one annual meeting of the Advisory Council to continue to solicit guidance and information as Fannie Mae implements the activities outlined in the Plan. • Participate in two key conferences as a means to continue to network with key industry stakeholders and to communicate the "Duty to Serve" message.

2020	Based on the work completed in 2018 and 2019: • Partner with a non-profit organization with deep experience and expertise with developing affordable rental housing for agricultural workers to deliver a robust technical assistance program to affordable developers who focus on agricultural worker housing. The assistance will provide training and consultation on the comprehensive process for multifamily financing and development, including the use of the USDA 514/516 Farmworker Housing Programs and Low--Income Housing Tax Credits. • Partner with two non-profit organizations with deep experience and expertise with developing affordable rental housing for Native American communities to deliver a robust technical assistance program to tribes, tribal housing departments, and Tribally Designated Housing Entities. The assistance will provide training and consultation on the comprehensive process for multifamily financing and development, including the use of the HUD funding programs and Low--Income Housing Tax Credits. • Implement additional key actions and/or product enhancements that were potentially identified as part of the updated work-plans. • Revise and document updated work-plans including considering proposing additional product enhancements or key actions. • ~~Purchase one loan for multifamily housing serving Native American populations and three loans for multifamily housing serving agricultural worker populations.~~ ◦ ~~**Baseline:** Over the last three years, Fannie Mae has not purchased any multifamily loans on rental housing for Native Americans or agricultural workers. Until such time as Fannie Mae completes the outreach and research described for this Objective, it cannot reasonably determine a more accurate Baseline than zero.~~ • Facilitate one rural housing roundtable with cross-functional industry representation to continue to discuss, analyze, and solve the challenges facing high-needs rural populations. • Conduct one annual meeting of the Advisory Council to continue to solicit guidance and information as Fannie Mae implements the activities outlined in the Plan. • Participate in two key conferences as a means to continue to network with key industry stakeholders and to communicate the "Duty to Serve" message. • Conduct a survey of key stakeholders to assess the impact of each of Fannie Mae's work-plans for these high-needs rural populations. • Identify and document at least four key lessons learned from the work completed under each of the work-plans and use those findings, as well as the survey results, in the planning process for the 2021 – 2023 Duty to Serve Plan – in Q4.

Criteria	2018	2019	2020
Evaluation Factor:	Outreach	~~Loan Product~~ Outreach	~~Loan Product~~ Outreach
Income Levels:	Very Low-, Low-, and Moderate-Income Levels for all Years		

Fannie Mae
Rural Housing
2019 – 2020

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

Objective 2: Increase affordable capital through industry outreach and developing solutions to increase single-family loan purchases in high-needs rural regions (Analyze, Partner and Innovate, Do What We Do Best).

Proposed Modification 1: Split the aforementioned Objective into an Objective addressing outreach and an Objective addressing product development. Add in a new action item for each Objective (i.e., outreach and loan product) in 2019.

- Outreach Objective: "Increase affordable capital through industry outreach in high-needs rural regions."
- Loan Product Objective: "Develop solutions to increase single-family loan purchases in high-needs rural regions."

Justification for Proposed Modification: Separating the outreach and loan product components into separate Objectives adds clarity to our work. The new proposed outreach action item stems from a highly successful 2018 marketing campaign that would be beneficial to continue in order to address a persistent lack of awareness about low down payment loan products available in high-needs rural regions.

The new proposed loan product development action item would address the need for greater high-quality housing supply in high-needs rural regions, which contains a higher than average portion of substandard housing (i.e., overcrowded and lacking in indoor plumbing and connection to public sewer systems).

Proposed Modification 2: Continue product development work in 2020 by adding new action items (in the new Loan Product Objective) and removing the 500 loan purchase goal referenced in Objective 2, which is a subset of the overall goal in Objective 1.

Justification for Proposed Modification 2: Our focus will be on making additional changes to our policies in 2020 to help support the rural market and the existing supply constraints.

Proposed Modification 3: Clarify language for the loan product action item in 2019: "Because of known barriers such as a lack of affordable supply and an aging housing stock in need of updates and renovation in high-needs rural regions, Fannie Mae will review credit and/or collateral policy to identify opportunities to customize, enhance, or simplify products. We will revise policy or establish a test and learn approach issuing one negotiated variance to select lenders in high-needs rural regions."

Justification for Proposed Modification 3: The language in its current state restricts Fannie Mae to one test and learn pilot. The proposed modification gives credit for additional policy changes that can affects a broader swath of rural lenders.

Proposed Modification 4: Clarify language in last action item around CDFI investment opportunities in 2019: "Engage CDFIs or other mission driven lenders to identify innovative homeownership or lending models and to identify capacity challenges that can be addressed through technical assistance."

Justification for Proposed Modification 4: Fannie Mae is not permitted by FHFA to make equity investments in CDFIs and therefore extensive work to create an impactful alternative is needed for this activity.

Proposed Modification 5: Continue outreach efforts in 2020 by adding new action items in the newly separated Outreach Objective

Justification for Modification 5: Our focus will be to build new and nurture existing partnerships identifying the mutual business fit to serve high needs rural regions

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

Note: Fannie Mae seeks extra credit for this Activity.

2. *Objective #2: Increase affordable capital through industry outreach ~~and developing solutions to increase single-family loan purchases~~ in high-needs rural regions (Analyze, Partner and Innovate~~, Do What We Do Best~~).*

SMART Factors

Fannie Mae will undertake the following measurable Actions in the years indicated.

Year	Actions

2019	• Develop and make available market research and/or rural housing data sets. Fannie Mae will define topics that (1) have meaningful impact on high-needs rural regions and (2) are chosen to work toward a solution to a problem. Some topics could include challenges of originating low balance loans or appraising properties in high-needs rural regions. This information will be made available to the public and industry stakeholders on Fannie Mae's website, through the use of targeted email campaigns, and other highly visible mechanisms. This activity of market research promotes transparency, educates the public and housing industry stakeholders, and provides insights and solutions to potential challenges.
	• ~~Because of known barriers such as a lack of affordable supply and an aging housing stock in need of updates and renovation in high-needs rural regions, Fannie Mae will review credit and/or collateral policy to identify opportunities to customize, enhance, or simplify products and establish a test and learn approach issuing one negotiated variance to select lenders in high-needs rural regions.~~
	• Provide technical assistance such as resources to assist lenders serving high needs rural regions to become approved sellers.
	• Facilitate innovative partnerships between two lenders to increase availability of conventional mortgage financing in high needs rural regions.
	• Identify opportunities to educate the industry to widely accept the definition of "colonias" developed in 2018.
	• Continue to expand the capacity of homebuyer readiness providers, including those who provide homebuyer education, housing counseling and/or financial counseling:
	  o ~~Monitor the participants' progress towards homeownership~~ Provide cumulative reporting on metrics of households served to achieve homeownership of the two partnerships created in 2018.
	  o Create, ~~E~~enhance or expand two partnerships targeting certain high-needs rural regions creating one documented business plan to reach and engage households in need of housing assistance.
	  o Increase homeownership opportunities by identifying and engaging two potential anchor institution partners in high-needs rural regions.
	  o Support two partners with ~~developing~~ models to teach those living in high-needs rural regions and document best practices to reach and engage households needing financial coaching or counseling. ~~literacy.~~
	  o Enhance and expand one test and learn ~~service learning~~service-learning program model and training curriculum.
	• Work with the industry to promote access to appropriate types of products, resources, and financing that will help very low-, low-, and moderate-income families access appropriate financing and assistance, including third-party grants for renovations and energy and water efficiency improvements.

Year	Actions
	• Expand and enhance the high--needs rural marketing campaign developed in 2018 and document measurements of success. ~~Engage CDFI or other mission driven lenders, identifying potential innovative homeownership, lending, or investment opportunities that have the potential to meet FHFA approval and are consistent with Fannie Mae's Charter Act.~~ • Engage CDFIs or other mission driven lenders to identify innovative homeownership or lending models and to identify capacity challenges that can be addressed through technical assistance.
2020	• Analyze, assess, document, and publish results on success metrics of the work completed in 2019 with the one test and learn service-learning program model. • Support homebuyer readiness services or programs in high--needs rural regions. • Engage housing counselors in high--needs rural regions identifying capacity challenges that can be addressed through technical assistance. • Continue engaging CDFIs or other mission driven lenders identifying innovative homeownership or lending models; identify capacity challenges that can be addressed through technical assistance. • Establish a targeted marketing campaign(s) focused on raising awareness, or highlight an initiative in conjunction with other activities to support an increase in loan deliveries.
~~2020~~	• ~~Analyze, assess, document, and publish quantitative data on clients served against the target outcome of the work completed in 2019 with the one test and learn service learning program model.~~ • ~~As a result of the outreach and product development activities outlines in 2018 and 2019, purchase between 500 and 550 single-family loans in high-needs rural regions, an approximate four percent of the total loan purchases in 2020 from Objective #1. These loans are included in the total loan purchases in Objective #1 where the Baseline has been described.~~

Criteria	2018	2019	2020
Evaluation Factor:	Loan Product	~~Loan Product~~Outreach	~~Loan Purchasen/a~~Outreach
Income Levels:	Very Low-, Low-, and Moderate-Income Levels for all Years		

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

Meeting the Challenges

High-needs rural regions face substantial challenges that make it difficult to attract lenders, investors, and real estate developers. These challenges include:

- Economic obstacles such as declining populations, unemployment, high housing cost burdens, persistent poverty, and limited access to lenders providing affordable capital.
- Potential borrowers have lower incomes, affecting affordability, are more likely to be self-employed, increasing their risk of unstable and unreliable income, and are less likely to be a first time homebuyer, a criterion often required to receive down payment or matched savings dollars assistance.
- Existence of geographic market differentiation; rural loans should not be viewed as one homogenous group.
- Lack of quality housing stock; older homes may be in substandard condition and in need of rehabilitation, or could benefit from energy or water efficiency improvements.
- Appraising rural properties tends to be more challenging.
- Rural properties are more likely to be manufactured homes and have larger lot sizes.
- Rural properties have smaller loan balances, and note rates are marginally higher than those for urban loans.
- Housing demand is weak, and housing is not highly promoted and does not receive an adequate amount of attention given small, dispersed populations as compared to urban areas.
- Homeownership can be less expensive than renting in high-needs rural regions, however, poor credit history, financial barriers, and a lack of knowledge about homeownership limit opportunity.

To address these challenges, Fannie Mae will:

- Perform outreach and market research; use the information gathered to identify appropriate product enhancements that, when implemented, will increase borrower and property eligibility and simplify loan requirements, resulting in the provision of increased liquidity.
- Analyze and share the information gathered by publishing and distributing findings to the public. Providing transparency to the industry will encourage new capital sources to venture into or invest in mortgage lending. This activity will provide additional affordable capital to high-needs rural regions.
- Employ a test and learn approach to enhance a loan product or policy to reach more very low-, low-, and moderate-income families. Evaluate the success and develop affordable lending best practices.
- Strengthen the housing demand by building partnerships with anchor institutions, housing counseling organizations, and financial capability service providers. This collaboration will provide homebuyers with the necessary knowledge to overcome credit and budget barriers, thus improving financial stability and facilitating access to affordable rental housing and homeownership opportunities.
- Address the lack of housing supply by advocating for manufactured housing as an affordable option. Approximately 67 percent of all manufactured homes are located in rural communities. Across the nation manufactured housing makes up about 10.3 percent of occupied, single-family detached housing, however it is much more prevalent in high-needs rural regions. For example, manufactured housing makes up nearly 21 percent of the single-family detached housing in Middle Appalachia and approximately 17 percent in the Lower Mississippi Delta.

SMART Factors

Fannie Mae will undertake the following measurable Actions in the years indicated.

Year	Actions
2019	• Because of known barriers such as a lack of affordable supply and an aging housing stock in need of updates and renovation in high-needs rural regions, Fannie Mae will review credit and/or collateral policy to identify opportunities to customize, enhance, or simplify products. We will revise policy or ~~and~~ establish a test and learn approach issuing one negotiated variance to select lenders in high-needs rural regions. • Identify an innovative approach to address housing affordability, the inventory shortage or the replacement of substandard homes. This work could include but not limited to, development of an innovation, work to scale the opportunity, revise policy or produce at least one protype home.
2020	• 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.

The long term activities in this Objective are challenging. Activities supporting this Objective require a different paradigm designed to reach communities in a scalable way and, therefore, the work is difficult. Achieving these goals, while maintaining safety and soundness, requires substantial effort and use of Fannie Mae resources. Fannie Mae has significant experience evaluating, developing, and enhancing loan products and policy. Accordingly, Fannie Mae believes this Objective is reasonable and can be achieved within the time periods described. Product changes will be critical to increasing access to affordable capital and reducing limitations and requirements while opening access to Fannie Mae financing to those who otherwise do not meet eligibility requirements. Any variances, which create changes in credit parameters and product guidelines, will be supported by thorough economic, risk, and operational analysis, will be subject to Fannie Mae's governance and approval processes, and will only be made consistent with safety and soundness concerns. The ultimate opportunity available in this market is to finance an increased number of single-family loans in high-needs rural regions.

Criteria	2018	2019	2020
Evaluation Factor:	N/A	Loan Product	Loan Product
Income Levels:	Very Low-, Low-, and Moderate-Income Levels for all Years		

Fannie Mae

Fannie Mae

Rural Housing Market

2019 – 2020

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

Objective 3: Create a work-plan and increase multifamily loan purchases in Middle Appalachia, the Lower Mississippi Delta, and the colonias (Analyze, Test and Learn, Do What We Do Best).

Proposed Modification: Update Objective title. Add rural tracts in persistent poverty counties to the high needs rural regions served in this Objective. Add loan purchase targets to the Actions in this Objective. Combine loan purchase goals across high needs rural regions. Change the Objective's Evaluation Area to Loan Purchase in 2019.

Justification for Proposed Modification: Rural tracts in persistent poverty counties face similar economic, demographic, and affordable rental housing challenges as the other high needs rural regions currently being served in this Objective (Middle Appalachia, Lower Mississippi Delta, colonias). In line with our affordable housing mission to be in every market, and our Duty to Serve mission to address challenges in the most underserved rural markets, it is appropriate to include rural tracts in persistent poverty counties.

Aggregating loan purchase goals across the four high-needs rural regions ensures that Fannie Mae continues to focus on all high-needs regions. During the recurring loan product development/redevelopment process noted in the Plan, Fannie Mae will work to ensure that the product is effective for each high-needs rural region.

Fannie Mae Small Multifamily Loan pricing and definition changes enacted in 2018, the buildout of our Small Multifamily Loan platform, and our consistent lender outreach about Fannie Mae's commitment to rural business have all contributed to increased Fannie Mae loan purchases in 2019.

A. Regulatory Activity: Housing for high-needs rural populations (12 C.F.R. § 1282.35 (c) (2)).
Note: Fannie Mae seeks extra credit for this Activity.

3. Objective #3: Create a work-plan and increase multifamily loan purchases in Middle Appalachia, the Lower Mississippi Delta, rural tracts in persistent poverty counties, and the colonias (Analyze, Test and Learn, Do What We Do Best).

Meeting the Challenges

The multifamily housing markets in Middle Appalachia, the Lower Mississippi Delta, rural tracts in persistent poverty counties, and the colonias, respectively, face substantial challenges, including:
• Economic challenges such as declining rural populations and employment, higher housing cost burdens, persistent poverty, and limited access to lenders that can provide affordable capital.
• High construction costs and operating expenses.
• Rents, which when affordable to low-income residents, undermine the ability of multifamily properties to support debt.
• Small rural communities which lack appropriate multifamily underwriting information, including market comparables, analyses of economic health, and supply/demand indicators.
• Rural loans that cannot be viewed as one homogeneous group but require geographic market differentiation.
• Much of the housing is in substandard condition and needs renovation and energy or water efficiency improvements.
• There is little to no standardization across the rural multifamily debt market which results in a significant barrier to reliable liquidity.
• Traditional lenders cannot attain “economies of scale” in lending in these areas due to the small project sizes coupled with the lack of readily available market information.
• Community Reinvestment Act (CRA) investors are not necessarily interested in these markets based on the size of and geographic distance between communities in these and other rural markets.
 	
To address these challenges, Fannie Mae will:
• Work to establish a deeper understanding of the subject rural markets/submarkets through outreach and research activities in order to determine the most impactful multifamily housing strategy for these high-needs rural regions.
• Upon completion of the identified outreach and research activities, create a work-plan and develop key loan products and enhancements that will provide a foundation for the future purchase of loans secured by housing in these high-needs rural regions.
• Based on the outreach and research activities completed, create a multifamily work-plan and complete updates and/or product enhancements that will provide a foundation for the purchase of loans secured by housing in these high-needs rural regions in the future. Elements to be addressed in the work-plans include the following:
  o Collaborating with partners that have strength in and knowledge of rural markets.
  o Identifying opportunities for standardization of multifamily debt in rural markets.
  o Identifying providers of non-debt capital, including Fannie Mae, subject to FHFA’s approval of Fannie Mae’s participation in the Low Income Housing Tax Credits (LIHTC) equity market.

Meeting the Challenges
o Determining how Fannie Mae can serve as a catalyst to facilitate the provision of reliable capital based on the specific needs of each high-needs rural region. o Finding workable strategies to address economies of scale issues faced by financial institutions active in these high-needs rural regions. • Purchase multifamily loans in Middle Appalachia, the Lower Mississippi Delta, rural tracts in persistent poverty counties, and the colonias.

SMART Factors

Fannie Mae will undertake the following measurable Actions in the years indicated.

Year	Actions
2019	▪ Based on the work completed in 2018: • Process at least one product enhancement and one standardization element identified in the work-plan through the product enhancement and development approval procedure, and implement the product enhancement(s) and standardization element. • Purchase 43 multifamily loans in high needs rural regions. o **Baseline**: Between 2014 and 2018, Fannie Mae's multifamily loan purchase totals in the high needs rural regions were 23, 20, 34, 34, and 34, respectively. For purposes of the Baseline, Fannie Mae will use the highest and most common purchase level of 34 loans. Fannie Mae's initial loan purchase goal of 45 multifamily loans will be based on increasing multifamily loan purchases by 25 percent over the Baseline. • Implement the two identified key actions that will enhance Fannie Mae's role in and ability to serve the multifamily market in Middle Appalachia, the Lower Mississippi Delta, rural tracts in persistent poverty counties, and the colonias. • Revise and document updated work-plans including considering proposing additional product enhancements or key actions. • Facilitate one rural housing roundtable with cross-functional industry representation to continue to discuss, analyze, and solve the challenges facing high-needs rural regions. • Conduct one annual meeting of the Advisory Council to continue to solicit guidance and information as Fannie Mae implements the activities outlined in the Plan. • Participate in two key conferences as a means to continue to network with key industry stakeholders and to communicate the "Duty to Serve" message. • Confirm 2020 multifamily loan purchase goals.
2020	▪ Based on the work performed in 2018 and 2019, increase loan purchases as follows: • Purchase 54 multifamily loans in high needs rural regions, a 25 percent increase over the 2019 target. • ~~Purchase nine multifamily loans in rural areas in Middle Appalachia.~~ o ~~**Baseline**: The three year average of Fannie Mae's multifamily loan purchases in Middle Appalachia is five loans (2014: 4; 2015: 5; 2016: 6). For purposes of the Baseline, Fannie Mae will use the higher purchase level of six loans as reflected in the 2016 purchases.~~

Year	Actions
	~~Fannie Mae's initial loan purchase goal of nine multifamily loans will be based on increasing multifamily loan purchases by 50 percent over the Baseline.~~ • ~~Purchase 17 multifamily loans in rural areas in the Lower Mississippi Delta.~~ o ~~**Baseline**: The three-year average of Fannie Mae's multifamily loan purchases in the Lower Mississippi Delta is nine loans (2014: 13; 2015: 4; 2016: 11). For purposes of the Baseline, Fannie Mae will use the higher purchase level of 11 loans as reflected in the 2016 loan purchases.~~ o ~~Fannie Mae's initial loan purchase goal of 17 multifamily loans will be based on increasing multifamily loan purchases by 50 percent over the Baseline.~~ • ~~Purchase five multifamily loans located in the colonias.~~ o ~~**Baseline**: Because the colonias have not been sufficiently defined and tracked by Fannie Mae, there are no previous loan purchases to be used to establish a Baseline. In addition, Fannie Mae needs to better understand the market in order to establish an acceptable Baseline. As such, the initial Baseline will be set at five multifamily loan purchases. This Baseline may be adjusted as Fannie Mae's research and outreach better defines the market.~~ • Implement additional key actions and/or product enhancements that were potentially identified as part of the updated work-plans. • Revise and document updated work-plans including considering proposing additional product enhancements or key actions. • Facilitate one rural housing roundtable with cross-functional industry representation to continue to discuss, analyze, and solve the challenges facing high-needs rural regions. • Conduct one annual meeting of the Advisory Council to continue to solicit guidance and information as Fannie Mae implements the activities outlined in the Plan. • Participate in two key conferences as a means to continue to network with key industry stakeholders and to communicate the "Duty to Serve" message. • Conduct one survey of key stakeholders in Middle Appalachia, the Lower Mississippi Delta, and the colonias to assess the impact of Fannie Mae's work-plan. • Identify and document at least four key lessons learned from the work completed during the three years of the Plan and use this information as well as the research results to prepare the 2021 – 2023 Duty to Serve Plan.

Criteria	2018	2019	2020
Evaluation Factor:	Outreach	Loan ~~Product~~Purchase	Loan Purchase
Income Levels:	Very Low-, Low-, and Moderate-Income Levels for all Years		

Fannie Mae

Rural Housing Market

2019 – 2020

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

Objective 5: [*New Objective]*. Develop a data visualization tool to provide rural affordable housing practitioners better insight into the social and economic conditions of high-needs rural regions.

Proposed Innovation Modification: Adding new Objective to support capacity building for rural affordable housing practitioners.

Justification for Proposed Modification: During 2018 and 2019, Fannie Mae developed relationships and a presence in the rural housing community, particularly with organizations focused on the most underserved areas. We attended industry conferences and events, and sought feedback and counsel about market challenges from a variety of mortgage originators, community organizations, nonprofits, rural housing advisers, Fannie Mae sellers and lenders, and affordable developers and property owners.

As a result, two challenges became very apparent:

1. Key data that impacts affordable housing outcomes in rural America either does not exist, is scattered among many sources, or is unreliable in some cases; and

2. Rural affordable housing practitioners are typically smaller, not profit-focused, and have access to fewer tools and resources to support their data analysis capabilities than their peers who are either profit-focused or located in less rural areas.

In response, we developed a strategy that directly addresses these challenges by truly harnessing the power of data innovation through partnership. We are partnering with a market leader in geospatial technology, data analysis, and consulting in rural economies to develop a data visualization and analysis tool focused on rural America.

We designed and built the tool to strengthen the organizational capacity of rural affordable housing practitioners to achieve their goals of advancing affordable homeownership and rental opportunities in the communities they serve.

The initial phases of the product strategy (currently underway) include testing the tool internally and externally, with a focus on the Lower Mississippi Delta and Middle Appalachia. The communities in the high-needs regions face the most severe affordable housing challenges and therefore are the primary market for the product.

We believe this strategy is a new opportunity that has the potential for a positive impact on the needs of rural markets, especially in the high-needs rural regions. Therefore, we are submitting this Innovation Modification request in the rural housing market.

A. Regulatory Activity: Housing for high-needs rural populations (12 C.F.R. § 1282.35 (c) (2)).
Note: Fannie Mae seeks extra credit for this Activity.

5. Objective #5: Develop a data visualization tool to provide rural affordable housing practitioners better insight into the social and economic conditions of high needs rural regions (Analyze, Test and Learn.

Meeting the Challenges
The high-needs rural regions are areas that have been underserved by the traditional mortgage finance system due to economic and demographic challenges of rural cities and towns, higher construction costs, small deal sizes, and less readily available underwriting information. These hurdles have led to limited access to lenders that can provide affordable capital and mortgage solutions, as traditional lenders cannot attain "economies of scale" in lending there. Smaller financial institutions, CDFIs, nonprofits, and state housing agencies in the high-needs rural regions are dedicated to serving the needs of their communities, including providing and supporting affordable homeownership and rental opportunities to the families they serve. However, they are burdened by the following challenges: • Key data that impacts affordable housing outcomes in rural America either does not exist, is scattered among many sources, or is unreliable in some cases (including market comparables, economic health, and supply/demand indicators). • Rural affordable housing practitioners are typically smaller, not profit-focused, and have access to fewer tools and resources to support their data analysis capabilities, than their peers who are either profit-focused or located in less rural areas. While community-focused institutions do have access to publicly available information, such information is scattered across many sources, presented in incompatible formats, and may require a fee. In addition, deeper market analysis is not typically available in rural communities. Lastly, current real estate data is often unavailable, incomplete, or inaccurate. To address these challenges, Fannie Mae will develop and implement a strategy that directly addresses market challenges by truly harnessing the power of data innovation through partnership with the goal of supporting the capacity of our affordable housing partners in rural America, and creating impact that will help them to achieve our shared affordable homeownership and rental housing goals.

SMART Factors
Fannie Mae will undertake the following measurable Actions in the years indicated.

Year	Actions
2019	• Develop a customizable mapping platform that visualizes a wide array of data indicative of successful housing outcomes in communities in the high-needs rural regions. Execute the development in partnership with a technology vendor with deep expertise in data-driven solutions and economic development in rural America. • Provide access to the rural visualization tool on a test basis to a small group of affordable housing practitioners in rural America who serve communities in the high-needs regions, which may include smaller financial institutions, CDFIs, nonprofits, and state housing agencies. Determine use cases for

Year	Actions
	each organization, implement mapping solutions for each organization, provide support for the tool, and obtain feedback on the effectiveness and value of the tool. • Determine how the technology solution could sustainably impact the market, and develop a market strategy for enhancement, use, and implementation of the tool for use by affordable housing organizations in the high-needs rural regions.
2020	• Enhance the tool based on learnings and insights obtained during 2019. • Provide access to the rural visualization tool on a test basis to a second small group of affordable housing practitioners in rural America who serve communities in the high-needs regions, which may include smaller financial institutions, CDFIs, nonprofits, and state housing agencies. Determine use cases for each organization, implement mapping solutions for each organization, provide support for the tool, and obtain feedback on the effectiveness and value of the tool. • Execute the market strategy for enhancement, use, and implementation of the tool for use by affordable housing organizations in the high-needs rural regions. o Implement broader rollout of the tool, as planned in the market strategy.

Fannie Mae has significant experience in outreach, market engagement, data collection and analysis, consumer research, and product development. Accordingly, we believe this Objective is realistic and can be achieved within the time periods described. Any work done will factor in appropriate safety and soundness standards. The relevant market opportunity is to provide in-depth rural market analysis and tools to rural affordable housing practitioners.

Criteria	2018	2019	2020
Evaluation Factor:	n/a	Outreach	Outreach
Income Levels:	Very Low-, Low-, and Moderate-Income Levels for all Years		

Fannie Mae

Rural Housing

2020

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).

Proposed Modification: Increase loan purchase target in 2020 from purchasing between 7,500 and 7,700 loans to purchasing between 8,200 and 8,500 loans.

Justification for Proposed Modification: Fannie Mae remains committed to improving liquidity among the SFIs that serve rural communities, and as such, is increasing its commitment to purchases in 2020, regardless of whether they are acquired through flow or bulk transactions.

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

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

SMART Factors
Fannie Mae will undertake the following measurable Actions in the years indicated.

Year	Actions
2020	• Purchase between ~~7,500 and 7,700~~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
Rural Housing
2020

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

Objective 2: Purchase single-family rural loans through bulk transactions from small financial institutions (Analyze, Innovate and Do What We Do Best).

Proposed Modification 1: Eliminate loan target in 2020 and replace with a test & learn action item.

Justification for Modification 2: Experience during 2018 and the first half of 2019 indicates that, demand among SFIs for bulk transactions varies significantly, possibly due to market conditions, business models and resources. In 2020, Fannie Mae will take a more targeted approach to SFI bulk transactions, focusing efforts and resources toward the areas of the market where such transactions may have the most impact.

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

2. Objective #2: Purchase single-family rural loans through bulk transactions from small financial institutions (Analyze, Innovate and Do What We Do Best).

SMART Factors

Fannie Mae will undertake the following measurable Actions in the years indicated.

2020	Subject to internal approval, Fannie Mae will: • ~~Purchase between an additional 700 and 800 single-family rural loans through bulk transactions.~~ • If analysis of portfolios indicates a viable opportunity with seller servicers or non-seller servicers, conduct 2-4 test and learn transactions and document learnings. • Pursue partnerships with CDFIs, CUSOs, HFAs and credit unions for the test and learn transactions. • Continue to expand lender outreach to an additional 10 small financial institution lenders (i.e., lenders not approached in 2018 or 2019).

Criteria	2018	2019	2020
Evaluation Factor:	Loan Product	Loan Purchase	~~Loan Purchase~~Outreach
Income Levels:	Very Low-, Low-, and Moderate-Income Levels for all Years		