



Fannie Mae Affordable Housing Preservation Loan Purchase

ACTIVITY:

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

OBJECTIVE:

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

SUMMARY OF RESULTS:

Our Duty to Serve Plan (the Plan) includes a 2018 Baseline of 8,102 loan purchases for distressed properties. In 2018 we purchased 8,266 distressed property loans against our target of 8,510.

Also, as indicated in the 2018 the Plan, we focused on the purchase of loans originated for the rehabilitation of distressed properties. As a result, we increased liquidity for renovations when a low- to moderate-income (LMI) borrower purchased a distressed property. While the overall population of distressed properties shrank from 2017 to 2018, the use of our HomeStyle[®] Renovation mortgage product grew from 5.5 percent of distressed properties financed in 2017 to 7.1 percent in 2018.

Following are the 2018 Actions under this Objective as published in the December 14, 2018 Duty to Serve Plan:

Purchase between 8,510 and 8,915 loans originated for the purchase or rehabilitation of a distressed property, representing approximately a five to 10 percent increase over the expected Baseline for 2018 as noted below.

SELF-ASSESSMENT RATING OF PROGRESS:

- Objective met
- Objective exceeded
- Objective partially completed: 75-99% (substantial amount)
- Objective partially completed: 50-74% (limited amount)
- Objective partially completed: 25-49% (minimal amount)
- Objective partially completed: 0-24% (less than a minimal amount)

- 50-Substantial Impact
- 40
- 30-Meaningful Impact
- 20
- 10-Minimal Impact
- 0-No Impact



IMPACT EXPLANATION:

1. How and to what extent were actions under this objective impactful in addressing underserved market needs or laying the foundation for future impact in addressing underserved market needs?
Fannie Mae made substantial impact in providing liquidity to help LMI homeowners finance the purchase and rehabilitation of REO properties.
Our mortgage loan products provided these families an affordable housing option instead of the home being sold to an investor.
2. (Optional): How do actions under this objective support future actions detailed in the Plan for the underserved market? If there have been any changes in the planned next steps or timeline for work under or related to this objective, describe the changes and provide a brief explanation.
Loan purchases in this market, and related forecasts, are reliant upon the inventory of distressed properties. Because of this Fannie Mae analyzed third-party forecast data in relation to our historical purchases and developed a model to establish Baselines and goals for each year of the Plan. We monitored quarterly forecast data and made goal adjustments to reflect a more rapid decline in inventory than when the Plan was developed. We will develop more frequent data and model monitoring reviews to keep stakeholders abreast of forecast changes.
3. (Optional): Are there any market factors that adversely impacted the actions under this objective? If so, describe.
Steadily decreasing inventory of distressed properties adversely impacted our ability to meet our target for purchases of loans funding distressed properties. The most recent OCC Mortgage Metrics Report published by the Office of the Comptroller of the Currency indicated that, among the large servicers surveyed, completed foreclosure sales, short sales, and deed-in-lieu-of-foreclosure actions in 2018 through Q3 decreased 30.3 percent from the same period a year earlier, with short sales in particular down 36 percent. That is, the decline in short sale activity outpaced the decline in overall foreclosures and other home forfeiture actions, making short sale targets particularly challenging in 2018.
4. (Optional): How did the actions under this objective contribute to increased or future loan purchases for the underserved market?
N/A



Fannie Mae

Affordable Housing Preservation

Loan Purchase

First Quarter: January 1 - March 31, 2018

ACTIVITY:

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

OBJECTIVE:

2. Increase the purchase of mortgage loans that finance the purchase or renovation of distressed properties (Do What We Do Best).

SUMMARY OF RESULTS:

Following are the 2018 Actions under this Objective:

Purchase between 11,000 and 11,540 loans originated for the purchase or rehabilitation of a distressed property, representing approximately a five to 10 percent increase over the expected Baseline for 2018 as noted below.

SELF-ASSESSMENT RATING OF PROGRESS:

- On-target to meet or exceed the objective
- Progress delayed and/or partial completion of the objective expected
- Unlikely to achieve any milestones of the objective

ADDITIONAL INFORMATION (IF APPLICABLE):

We are currently off track on our loan purchase target of 11,000 loans. Our projected shortfall for 2018 is approximately 2,200 loans. We are conducting additional research to determine the cause and hope to discuss further with FHFA in June.



**Fannie Mae
Affordable Housing Preservation
Second Quarter Report: January 1 - June 30, 2018
Loan Purchase**

ACTIVITY:

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

OBJECTIVE:

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

SUMMARY OF RESULTS:

Through June 30, 2018, we have purchased 4,545 loans and are currently off track on our loan purchase target of 11,000 loans. Although we are executing an outreach strategy among our lenders and agents, updated industry forecasts now project sharply lower distressed property inventories than when baselines were developed. Accordingly, Fannie Mae has requested a modification to this loan purchase objective to 8,505 mortgage loans, which reflects a continued decline in REO inventory in the market this year.

Following are the 2018 Actions under this Objective:

- Purchase between 11,000 and 11,540 loans originated for the purchase or rehabilitation of a distressed property, representing approximately a five to 10 percent increase over the expected Baseline for 2018 as noted below.

SELF-ASSESSMENT RATING OF PROGRESS:

- On-target to meet or exceed the objective
- Progress delayed and/or partial completion of the objective expected
- Unlikely to achieve any milestones of the objective

ADDITIONAL INFORMATION (IF APPLICABLE):

We are currently off track on our loan purchase target of 11,000 loans. Updated industry forecasts now project sharply lower distressed property inventories than when the Baseline was developed.



**Fannie Mae
Affordable Housing Preservation
Third Quarter Report: January 1 - September 30, 2018
Loan Purchase**

ACTIVITY:

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

OBJECTIVE:

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

SUMMARY OF RESULTS:

We have purchased 6,530 single family REO/distressed property loans, placing us off track to reach our loan purchase goal of 11,000 loans this year.

While we continue to execute an outreach strategy among our lenders and agents intended to purchase additional REO/distressed property loans, updated industry forecasts have noted sharply lower distressed property inventories than when we initially developed our baseline loan purchase target. Accordingly, we have requested a modification to 8,505 loans to meet this loan purchase objective this year, which reflects a continued decline in available inventory.

Following are the 2018 Actions under this Objective:

- Purchase between 11,000 and 11,540 loans originated for the purchase or rehabilitation of a distressed property, representing approximately a five to 10 percent increase over the expected Baseline for 2018 as noted below.

SELF-ASSESSMENT RATING OF PROGRESS:

- On-target to meet or exceed the objective
- Progress delayed and/or partial completion of the objective expected
- Unlikely to achieve any milestones of the objective

ADDITIONAL INFORMATION (IF APPLICABLE):