



## Fannie Mae Rural Housing Loan Product

### **ACTIVITY:**

A. Regulatory 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)

### **SUMMARY OF RESULTS:**

In 2018, Fannie Mae built strong partnerships in a number of high-needs rural regions to better understand the challenges facing these markets. Through outreach and partnerships, we leveraged resources to address the barriers to lending in these communities. We launched a comprehensive marketing campaign to raise awareness about Fannie Mae's affordable loan products and the benefits they provide to rural borrowers.

Fannie Mae hosted roundtables, established the Fannie Mae Duty to Serve Rural Advisory Council (Rural Advisory Council) and subcommittees, sponsored multiple events and attended dozens of meetings across Middle Appalachia, the Lower Mississippi Delta, colonias and persistent poverty counties. Fannie Mae's senior management was included in several of these engagements, providing our partners with direct lines of communication to top decision-makers within the Single Family organization.

Recognizing that each region faces unique challenges, Fannie Mae deployed a full-time employee dedicated entirely to building expertise and partnerships in Middle Appalachia with the intention of replicating this model in other regions. In addition to creating multiple channels for external stakeholders to share challenges and ideas with Fannie Mae, we launched a comprehensive marketing campaign to raise awareness among lenders and realtors about the affordable products Fannie Mae offers.

As Fannie Mae deepened engagement in high-needs rural markets, we focused on responsible ways to expand access to credit. Stakeholders identified appraisals as a barrier to originating mortgages in rural communities, citing the shortage of appraisers and a lack of eligible comparable homes. Some appraisal challenges were rooted in misconceptions among rural appraisers about Fannie Mae's appraisal eligibility requirements. Accordingly, we created a series of trainings to ensure they had accurate information about our requirements.

Fannie Mae also modified its approach to appraisals in high-needs rural communities. In December 2018, we rolled out a policy change, allowing a home inspection alternative to appraisals in high-needs regions. This modification provides that for certain home purchase transactions in rural high-needs areas, Fannie Mae, at its discretion, may offer to waive the appraisal in exchange for a mandatory home property inspection. The rural high-needs appraisal waiver is limited to low- to moderate-income borrowers and is designed to help the borrower avoid unanticipated, potentially high-cost post-purchase repairs.

Fannie Mae initiated a comprehensive strategy to support Community Development Financial Institutions (CDFIs) in their work to provide access to credit in rural communities. We partnered with an independent vendor with secondary market experience to analyze the business model of multiple CDFIs serving high-needs rural regions, identifying the opportunity and mutual business fit for working directly with these financial institutions.

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

Facilitate one rural housing roundtable with 15 cross-functional industry representatives including lenders, mission based financial institutions, non-profit organizations, and housing counseling agencies focused on or located in a particular high-needs rural region. Topics for discussion may include opportunities to expand access to credit, regional needs, challenges in access to housing, and/or financing options, market trends, and potential solutions that addresses the housing challenges facing each high-needs rural region.



- Establish a Fannie Mae Rural Housing Advisory Council with subcommittees representing industry stakeholders from each high-needs rural region, and conduct one annual meeting. Responsibilities could include providing recommendations and strategic information, evaluating performance of an activity outlined in the Rural Housing Plan, serving as an advocate to promote Duty to Serve, assisting in the future development of the Plan, and gathering and presenting material when necessary.
  - Participate in two regionally based affordable housing conferences as a means to obtain rural housing market insight, share knowledge, gain visibility, communicate the "Duty to Serve" message, collaborate, and build and maintain relationships with important industry stakeholders. Information gathered will be shared and evaluated to highlight current policies that support the market that are underutilized, and to identify the need to develop new or enhance existing products, policies, or activities outlined in the Plan.
  - Obtain a comprehensive understanding of one high-needs rural region and customize appropriate solutions by dedicating staff or resources. In order to determine meaningful impact, Fannie Mae will perform due diligence around the target location and roles and responsibilities and create metrics to evaluate success. If expectations are exceeded, Fannie Mae may look to expand activity to other high-needs rural regions.
  - Expand availability of financial or housing counseling to households in a high-needs rural region by entering into a fee for service contract with two non-profit partners. Develop an outreach strategy to serve at least 100 households through these partnerships.
  - Identify opportunities to share detailed information around Fannie Mae technology with the U.S. Department of Housing and Urban Development and/or the USDA and collectively explore ways to deepen penetration into rural communities.
  - Establish a marketing campaign focused on affordable lending products and policies that address known challenges in rural areas with a focus on high-needs rural regions. Target 25 lenders and 10 additional stakeholders that could include appraisers, mortgage insurance companies, non-profit organizations, CDFI, Housing Finance Agencies (HFA), down payment assistance providers, and/or individual development account (IDA) program providers, and:
    - Produce and market material through social media, webinars, Fannie Mae's Rural Housing Advisory Council, and conferences.
    - Create a "rural specific" segment in Fannie Mae's appraiser newsletter that addresses issues unique to rural areas with a focus on high-needs rural regions.
    - Develop a training module focused on appraising in rural areas with a focus on high-needs rural regions and publish it in Fannie Mae's existing appraiser training curriculum.
  - Provide technical support such as educational training to stakeholders located in rural areas with a focus on high-needs rural regions to include three lenders, six community based non-profit agencies, and three appraisers to optimize homeownership opportunities for potential homebuyers.
    - Create and implement follow-up surveys to assess longer-term impact of service on client outcomes.
  - Review Fannie Mae's collateral policies and procedures to identify opportunities to streamline or enhance guidelines around appraisals in rural areas.
  - Work to create a beyond county-based definition of colonias; develop identification or database and a map of colonias including surrounding impact areas to enable accurate targeting and tracking.
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## SELF-ASSESSMENT RATING OF PROGRESS:

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

## PARTIAL CREDIT JUSTIFICATION:

N/A

## IMPACT:

- 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's engagement and presence in high-needs rural regions proved to be impactful in a number of important ways. The creation of the Rural Advisory Council pulled together 12 reputable organizations from all high-needs rural regions to offer "boots on the ground" intelligence about the market that otherwise was not available. The members of the Council provide invaluable strategic direction and evaluate our rural performance.  
By dedicating a full-time staff person in Middle Appalachia, we've been able to maintain a constant presence, gaining the trust and respect of the community. Additionally, we've identified two key financial organizations with potential to become direct Fannie Mae sellers, supported multiple community events bringing together community stakeholders, and provided technical support and incentives to overcome barriers to homeownership.  
Fannie Mae's ability to address appraisal challenges through multiple channels not only proved to be impactful in 2018 but also set the foundation for future impact. In April 2018, Fannie Mae's Collateral Policy team published its first "Rural Roundup" in a quarterly newsletter that targets thousands of appraisers across the industry. This means of communication is not only highly effective but necessary as our policy centered on rural appraising tends to be misinterpreted, and as a result, impede mortgage lending.  
Fannie Mae facilitated three webinars on "Rural Appraisal Challenges: Relating Policy to Practice" that targeted appraisers and mortgage underwriters who work in high-needs rural regions. All three sessions yielded high attendance with numbers between 100-300 participants per session. We believe this will help mitigate the risk of delinquency and default due to future repair costs and will assist hundreds of families living in these high-needs communities.  
The rural marketing campaign exceeded expectations in building awareness and spurring engagement among rural lenders and realtors to promote affordable lending options to their customers. Significant statistics that denote impact are included below:
  - The campaign garnered 11 million impressions, which is noted by the number of times a page is located and loaded, indicating that we reached a large part of our target audience;
  - Nearly 20,000 clicks on our ads, surpassing industry benchmarks for click-through rates (CTRs);



- Nearly 400 toolkit downloads, the majority by lenders (roughly 80 percent) and realtors (20 percent); and
  - Our content advertising was the strongest performing tactic, registering a CTR that is 77 percent above industry benchmarks. Our target audience is also sharing our content with their colleagues and friends ("referral views" comprise 14 percent of total content views) – indicating that our audience finds our content valuable enough to pass along.
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.

The actions under this Objective support future actions in many ways. Fannie Mae will continue to have a presence and increase engagement in high-needs rural regions. Our work with our Rural Advisory Council and subcommittees is a long-term commitment, and we intend to meet multiple times annually during the ensuing years. In 2019, we will expand our marketing campaign and will look to deepen our support for small financial institutions, particularly CDFIs.

3. (Optional): Are there any market factors that adversely impacted the actions under this objective? If so, describe.  
N/A
4. (Optional): How did the actions under this objective contribute to increased or future loan purchases for the underserved market?

Each of the Actions undertaken for this Objective has the potential to support an increase in future single-family loan purchases. The direct impact of our home inspection alternative to appraisals in high-needs rural regions—which was rolled out in December 2018—has not yet been measurable, although we estimate that it could assist up to 1,000 borrowers in 2019.



## **Fannie Mae Rural Housing Second Quarter Report: January 1 - June 30, 2018 Outreach**

### **ACTIVITY:**

A. Regulatory 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 (Analyze, Partner and Innovate, Do What We Do Best).

### **SUMMARY OF RESULTS:**

In the second quarter of 2018, Fannie Mae sponsored the 2018 MAFO - National Partnership of Farmworker and Rural Organizations Conference. During this conference we hosted a booth and facilitated a roundtable discussion with approximately 50 diverse and multi-cultural rural community leaders and organizations, gaining an understanding of the challenges facing today's agricultural workers.

Fannie Mae dedicated one full-time staff person to obtain a comprehensive understanding of Middle Appalachia. A business plan was created to measure success and identify roles and responsibilities along with some standards for key performance metrics.

We published the first "rural" component ("Rural Roundup") in Fannie Mae's quarterly Appraiser Newsletter which addressed appraising properties with agricultural attributes. The topics covered address issues unique to rural areas.

We hosted three webinars for rural appraisers designed to dispel myths which often make it difficult to secure the appraisals that are a prerequisite to rural financing.

We partnered with a third party vendor to analyze the business model of five community development financial institutions serving high needs rural regions and to identify opportunities to work with these institutions directly.

A group of Fannie Mae senior executives took a one-day tour of the Mississippi Delta region, viewing affordable housing projects and meeting with not-for-profit community development organizations to stimulate innovative thinking about opportunities for Fannie Mae to affect change.

Fannie Mae held two roundtables (one in a persistent poverty county in Florida and one with a group of Middle Appalachia housing finance agencies) to explain the significance of Duty to Serve and solicit ideas on how best to work in these areas.

Following are the 2018 Actions under this Objective:

- Facilitate one rural housing roundtable with 15 cross-functional industry representatives including lenders, mission based financial institutions, non-profit organizations, and housing counseling agencies focused on or located in a particular high-needs rural region – by Q4 end. Topics for discussion may include opportunities to expand access to credit, regional needs, challenges in access to housing, and/or financing options, market trends, and potential solutions that addresses the housing challenges facing each high-needs rural region.
- Establish a Fannie Mae Rural Housing Advisory Council with subcommittees representing industry stakeholders from each high-needs rural region, and conduct one annual meeting – by Q4 end. Responsibilities could include providing recommendations and strategic information, evaluating performance of an activity outlined in the Rural Housing Plan, serving as an advocate to promote Duty to Serve, assisting in the future development of the Plan, and gathering and presenting material when necessary.



- Participate in two regionally based affordable housing conferences as a means to obtain rural housing market insight, share knowledge, gain visibility, communicate the “Duty to Serve” message, collaborate, and build and maintain relationships with important industry stakeholders – by Q4 end. Information gathered will be shared and evaluated to highlight current policies that support the market that are underutilized, and to identify the need to develop new or enhance existing products, policies, or activities outlined in the Plan.
- Obtain a comprehensive understanding of one high-needs rural region and customize appropriate solutions by dedicating staff or resources – by Q2 end. In order to determine meaningful impact, Fannie Mae will perform due diligence around the target location and roles and responsibilities and create metrics to evaluate success. If expectations are exceeded, Fannie Mae may look to expand activity to other high-needs rural regions.
- Expand availability of financial or housing counseling to households in a high-needs rural region – by Q3 end – by entering into a fee for service contract with two non-profit partners. Develop an outreach strategy to serve at least 100 households through these partnerships and monitor progress towards homeownership.
- Identify opportunities to share detailed information around Fannie Mae technology with the U.S. Department of Housing and Urban Development and the USDA and collectively explore ways to deepen penetration into rural communities – by Q4 end.
- Establish a marketing campaign focused on affordable lending products and policies that address known challenges in rural areas with a focus on high-needs rural regions – by Q2 end. Target 25 lenders and 10 additional stakeholders that could include appraisers, mortgage insurance companies, non-profit organizations, CDFI, Housing Finance Agencies (HFA), down payment assistance providers, and/or individual development account (IDA) program providers, and:
  - Produce and market material through social media, webinars, Fannie Mae’s Rural Housing Advisory Council, and conferences.
  - Create a “rural specific” segment in Fannie Mae’s appraiser newsletter that addresses issues unique to rural areas with a focus on high-needs rural regions.
  - Develop a training module focused on appraising in rural areas with a focus on high-needs rural regions and publish it in Fannie Mae’s existing appraiser training curriculum – by Q3 end.
- Provide technical support such as educational training to stakeholders located in rural areas with a focus on high-needs rural regions to include three lenders, four non-profit housing counseling agencies, two down payment assistance and/or IDA program providers, and three appraisers to optimize homeownership opportunities for potential homebuyers.
  - Create and implement follow-up surveys to assess longer-term impact of service on client outcomes.

### **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):**