



Fannie Mae Rural Housing Outreach

ACTIVITY:

A. 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).

SUMMARY OF RESULTS:

In 2018, Fannie Mae's efforts related to high-needs rural regions focused on learning about the challenges and market opportunities to develop products and strategies with the most scalable, meaningful, and sustainable impact.

Backed by research from the Housing Assistance Council (HAC) and Fannie Mae's economics team, we created work plans for the Lower Mississippi Delta, Middle Appalachia, and colonias. The Plans highlight the challenges in each region and the potential actions Fannie Mae could take to alleviate them, including potential product enhancements to support the creation or preservation of affordable rural units. Potential enhancements include changes to our Selling Guide and underwriting standards, as well as the integration of innovative features linked to proven rural housing strategies. The work plans seek roles for Fannie Mae outside of secondary market financing, such as supporting capacity building of rural Community Development Financial Institutions (CDFIs) and providing technical assistance for rural owners and potential investors.

Contributing to the work plans was HAC's assistance in understanding the mechanics of defining colonia investment areas, which may also inform future product development. We believe that generating a clearer understanding the needs of colonias regions can facilitate additional capital flow to these areas.

We also partnered with Rural Innovation Strategies, Inc. (RISI) to develop a mapping tool that allows for in-depth analysis of socioeconomic factors affecting rural housing in Middle Appalachia and the Lower Mississippi Delta. The tool bolsters our ability to act on potential roles listed in the work plans. We began exploring making this tool available to rural CDFIs on a pilot basis, as access to reliable, relevant market data could support additional investment in high-needs rural regions.

In addition, we established the Fannie Mae Rural Duty to Serve Advisory Council (Rural Advisory Council), a group of trusted rural housing practitioners with rich experience in both single-family and multifamily housing. The Council informs our Duty to Serve strategy, provides substantive feedback on our planned activities, such as those in the work plans, and offers valuable insight into the unique characteristics of rural regions. We also formed subcommittees within the Rural Advisory Council to allow us to dig deeper into the multifamily housing market features unique to each of the rural regions.

We attended affordable rural housing conferences, forums, bus tours, and roundtables across the country to share our Duty to Serve plans and identify potential partners and opportunities. In September, Fannie Mae employees traveled to McAllen, Texas for our rural roundtable. We met with a diverse group of housing professionals to analyze the state of affordable housing in rural communities for a day and a half of discussions, panels and presentations.

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

In conjunction with Fannie Mae Single-Family:

Facilitate one rural housing roundtable with cross-functional industry representation to discuss, analyze, and solve for the challenges facing high-needs rural regions.



Establish a Fannie Mae Rural Housing Advisory Council with subcommittees representing each of the high-needs rural regions to gain a deeper understanding of the market challenges affecting the high-needs rural regions and discuss how these challenges can be met.

Conduct one annual meeting of the Advisory Council and semi-annual meetings of each subcommittee to solicit guidance and information as Fannie Mae implements the activities outlined in the Plan.

Participate in two key conferences as a means to network with key industry stakeholders and to communicate the "Duty to Serve" message.

Based on research and outreach results, create one multifamily work-plan each for Middle Appalachia, the Lower Mississippi Delta, and the colonias that will address key multifamily affordable housing issues, including (1) identification of the three top multifamily housing issues that need to be addressed in these high-needs rural regions; (2) identification of two potential roles for Fannie Mae Multifamily in serving these high-needs rural regions (including an assessment of how potential LIHTC equity investments can facilitate liquidity to the market); and (3) two key actions that would enhance Fannie Mae's ability to serve these high-needs rural regions. The work-plan will also address customizing appropriate solutions by dedicating staff or resources to one or more specific high-needs rural regions which will include the determination of a full time employee, partnership or vendor relationship, definition of roles and responsibilities, and appropriate metrics to evaluate success.

Identify three potential product enhancements the purpose of which is to facilitate the provision of liquidity to Middle Appalachia, the Lower Mississippi Delta, and the colonias, to be submitted to Fannie Mae's internal product enhancement and development approval process during 2019.

Identify at least one strategy that could facilitate increased standardization for multifamily loans in the high-needs rural regions.

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?

Our 2018 actions under this Objective helped us gain a better understanding of the role that Fannie Mae can play in helping to increase private capital investment in rural communities. We formed partnerships, compiled research,



and developed tools that we can build on in the future. The work plans we completed will serve as our roadmap for implementing product enhancements and other actions that will facilitate more robust investment in rural regions.

Fannie Mae's rural mapping work with RISI is another endeavor with opportunity for future impact. While information exists about multifamily properties and their federal subsidies, not enough is known about the underlying socioeconomic factors that play a critical role in the success or failure of affordable housing, and providing this information to external rural stakeholders and potential investors could be hugely beneficial.

The Rural Advisory Council is similar in that its impact will grow as our plan progresses. Establishing subcommittees and a foundation of shared knowledge allowed us to delve into deeper topics as the year progressed. We will continue engaging with our Council and subcommittees in future years under the Plan, as their expertise and feedback will remain valuable as we consider product enhancements aimed at rural regions.

Loan product development and support for locally-based rural practitioners and stakeholders will be a focus in 2019. Laying the groundwork this year – in terms of information, data and relationships – will allow Fannie Mae to create the most meaningful, lasting solutions possible.

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.

Fannie Mae will utilize the learnings, insights, data and information obtained through the Rural Advisory Council and subcommittees, rural roundtable, HAC research, RISI rural mapping tool, and other supplemental research and industry engagement to feed future actions that will impact rural regions.

For instance, research and data tools pertaining to high-needs rural regions will provide greater transparency and knowledge about the markets, thereby reducing barriers to private capital investment. These developments also help us build our knowledge about the Lower Mississippi Delta, Middle Appalachia, and colonias and better understand how our secondary market presence can make an impact.

We learned a great deal from our partners throughout the year, informing our 2019 product development work and supporting the execution of product pilots that require strong, committed collaborators. Additionally, these relationships will support capacity building for rural CDFI and technical assistance for rural owners and investors.

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?

Industry conferences, the Rural Advisory Council and subcommittee meetings, and the rural roundtable allowed us to build knowledge necessary for product development that will contribute to future loan purchases under the Plan. We worked to learn not only about rural regions at large, but also, about the unique needs of high-needs submarkets, and we will leverage our insight as we continue exploring potential product enhancements.

Research and data tools pertaining to high-needs rural regions, developed through our partnerships with HAC and RISI, also provide knowledge about the markets. We will use the great wealth of information provided by these tools to develop potential loan products we can use to increase loan purchases in the high-needs rural regions beginning in 2020.



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

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A. 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).

SUMMARY OF RESULTS:

We established and held the inaugural meeting of Fannie Mae's Rural Housing Advisory Council, bringing together key stakeholders across the Duty to Serve (DTS) rural submarkets, providing thought leadership and strategic direction relating to Fannie Mae's goals in rural America, and building connections among like-minded leaders.

We developed a work plan for DTS rural region submarkets that describes the considerable challenges in the regions and the actions and roles we will undertake in addressing them.

Our team was active in industry conferences across the country, communicating the DTS message to potential partners and collaborators while engaging internal and external stakeholders in creative problem solving for possible product enhancements focused on rural regions.

Also, we have embarked on a strategic partnership with the Center on Rural Innovation that will provide us valuable insight on social and economic conditions in Middle Appalachia and the Lower Mississippi Delta, as well as visualization tools that channel the power of that strategic data in a meaningful platform. The results of this partnership will bolster our efforts to identify opportunities and areas of need in underserved communities, by informing and focusing our strategic approach using in-depth analysis of factors that affect housing in rural geographies. Our goal is to harness the power of data to have the most significant and scalable impact possible in the targeted regions.

Following are the 2018 Actions under this Objective:

- In conjunction with Fannie Mae Single-Family:
 - Facilitate one rural housing roundtable with cross-functional industry representation to discuss, analyze, and solve for the challenges facing high-needs rural regions.
 - Establish a Fannie Mae Rural Housing Advisory Council with subcommittees representing each of the high-needs rural regions to gain a deeper understanding of the market challenges affecting the high-needs rural regions and discuss how these challenges can be met.
 - Conduct one annual meeting of the Advisory Council and semi-annual meetings of each subcommittee to solicit guidance and information as Fannie Mae implements the activities outlined in the Plan.
 - Participate in two key conferences as a means to network with key industry stakeholders and to communicate the "Duty to Serve" message.
- Based on research and outreach results, create one multifamily work-plan each for Middle Appalachia, the Lower Mississippi Delta, and the colonias that will address key multifamily affordable housing issues, including (1) identification of the three top multifamily housing issues that need to be addressed in these high-needs rural regions; (2) identification of two potential roles for Fannie Mae Multifamily in serving these high-needs rural regions (including an assessment of how potential LIHTC equity investments can facilitate liquidity to the market); and (3) two key actions that would enhance Fannie Mae's ability to serve these high-needs rural regions.



The work-plan will also address customizing appropriate solutions by dedicating staff or resources to one or more specific high-needs rural regions – by Q2 end – which will include the determination of a full time employee, partnership or vendor relationship, definition of roles and responsibilities, and appropriate metrics to evaluate success.

- Identify three potential product enhancements the purpose of which is to facilitate the provision of liquidity to Middle Appalachia, the Lower Mississippi Delta, and the colonias, to be submitted to Fannie Mae's internal product enhancement and development approval process during 2019.
- Identify at least one strategy that could facilitate increased standardization for multifamily loans in the high-needs rural regions.

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):