



## Fannie Mae Rural Housing Loan Purchase

### ACTIVITY:

C. Regulatory 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).

### SUMMARY OF RESULTS:

Fannie Mae purchased 27,494 single-family rural loans from small financial institutions (SFIs) exceeding the target of 23,200.

Fannie Mae's outreach efforts and lender pilots, described in a separate narrative, supported this loan purchase growth.

In 2018, Fannie Mae also created an algorithm to better identify SFI loan purchases which led to an increased loan target (modified in 2018) and an increase in verified Duty to Serve (DTS)-eligible loan purchases. Over the last few years, a growing percent of our DTS-eligible rural loans from small financial institutions have come from aggregators. The new algorithm allows Fannie Mae to identify loans originated by an SFI and delivered through an aggregator.

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

Purchase between 23,200 and 23,400 single-family loans in rural areas from small financial institutions, representing an approximate five to six percent increase over the Baseline.

### 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)

### 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?

Significant time and resources were dedicated to developing a tracking mechanism that helps Fannie Mae better understand, and account for, loans originated by SFIs and delivered to us through aggregators. This tracking mechanism allows for more visibility into the SFI market and a better understanding of challenges and opportunities to support SFIs.



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.

Partnering with state housing finance agencies, Credit Union Service Organizations and other aggregators to reach additional small financial institutions is essential for our work as we move into 2019. We will also work to develop more direct seller relationships with SFIs.

3. (Optional): Are there any market factors that adversely impacted the actions under this objective? If so, describe.

Even though Fannie Mae exceeded the target in 2018, rising interest rates, the lack of affordable supply for lower income families, and persistent economic challenges severely limit homeownership opportunities in high needs rural regions.

4. (Optional): How did the actions under this objective contribute to increased or future loan purchases for the underserved market?

Increased outreach and product development efforts will support loan purchase growth in this market.



Fannie Mae

Rural Housing

Loan Purchase

First Quarter: January 1 - March 31, 2018

**ACTIVITY:**

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

**OBJECTIVE:**

1. Through outreach and developing solutions, Fannie Mae will increase loan purchases of single-family loans in rural areas from small financial institutions (Do What We Do Best).

**SUMMARY OF RESULTS:**

Following are the 2018 Actions under this Objective:

- Facilitate meetings with three regional wholesale lenders and one credit union service organization or one large aggregator to discuss the creation of an alternative business model allowing small financial institutions access into the secondary market – by Q3 end.
- Purchase between 18,000 and 18,250 single-family loans in rural areas from small financial institutions, representing an approximate five to six percent increase over the Baseline.
- Assist small financial institutions in meeting rural areas loan delivery requirements by engaging 25 small financial institutions to facilitate participation in a Fannie Mae training program on loan delivery and related requirements.

**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 18,000 loans. Our projected shortfall for 2018 is approximately 4,300 loans. We are conducting additional research to determine the cause and hope to discuss further with FHFA in June.



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

### **ACTIVITY:**

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

### **OBJECTIVE:**

1. Through outreach and developing solutions, Fannie Mae will increase purchases of single-family loans in rural areas from small financial institutions (Do What We Do Best).

### **SUMMARY OF RESULTS:**

Fannie Mae continues to purchase Single Family loans in rural areas from small financial institutions. Through June 30, 2018, we have purchased 7,174 loans from small financial institutions, but are off track in meeting our 2018 loan purchase target of 18,000 loans.

To close this gap, we are executing an outreach and pricing strategy with our lenders that we hope will increase loan purchase volume.

We have also prepared all year to roll out a "rural" marketing campaign, and this campaign will launch in September.

Additionally, we're executing an outreach and research strategy aimed at engaging small financial institutions. The goal is to better understand the communities they serve, their challenges, and how they are working to identify financing opportunities. This work will help Fannie Mae to create new products and increase loan deliveries in rural areas while supporting small financial institutions.

Following are the 2018 Actions under this Objective:

- Facilitate meetings with three regional wholesale lenders and one credit union service organization or one large aggregator to discuss the creation of an alternative business model allowing small financial institutions access into the secondary market – by Q3 end.
- Purchase between 18,000 and 18,250 single-family loans in rural areas from small financial institutions, representing an approximate five to six percent increase over the Baseline.
- Assist small financial institutions in meeting rural areas loan delivery requirements by engaging 25 small financial institutions to facilitate participation in a Fannie Mae training program on loan delivery and related requirements.

### **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 18,000 loans. We are currently working on a pricing strategy which we hope will drive up loan volume.



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

### **ACTIVITY:**

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

### **OBJECTIVE:**

1. Through outreach and developing solutions, Fannie Mae will increase purchases of single-family loans in rural areas from small financial institutions (Do What We Do Best).

### **SUMMARY OF RESULTS:**

We have purchased 12,287 single family loans in rural areas from small financial institutions, placing us off track to reach our loan purchase goal of 18,000 loans this year.

To close this gap, we continue to execute an outreach and pricing strategy with our small financial institution lenders, resulting in an increase in loan purchase volume. These efforts are in tandem with other engagement tactics that we have employed with small financial institutions previously, including a rural marketing campaign, as well as interviews and research to better understand the needs of our small financial institution partners.

Following are the 2018 Actions under this Objective:

- Facilitate meetings with three regional wholesale lenders and one credit union service organization or one large aggregator to discuss the creation of an alternative business model allowing small financial institutions access into the secondary market – by Q3 end.
- Purchase between 18,000 and 18,250 single-family loans in rural areas from small financial institutions, representing an approximate five to six percent increase over the Baseline.
- Assist small financial institutions in meeting rural areas loan delivery requirements by engaging 25 small financial institutions to facilitate participation in a Fannie Mae training program on loan delivery and related requirements.

### **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):**

Pending a Non-Objection response from FHFA for our modification submitted on September 19, 2018, we anticipate this Objective will change to a status of on- target.