

Exhibit H:  
**Annual Outreach Narrative Reporting Template**

FREDDIE MAC

RURAL HOUSING

2018 REPORT

EVALUATION AREA: OUTREACH

**ACTIVITY:**

*Activity 5 – Single-Family Rental in rural markets: Additional Activity*

**OBJECTIVE:**

*Objective A: Research rural SFR market characteristics and opportunities*

**ACTIONS:**

*In 2018, Freddie Mac published our industry leading white paper on the Single-Family Rental (SFR) market and the prevalence of SFRs in rural America. This paper was released as part of our “Spotlight on Underserved Markets” series,<sup>1</sup> which highlighted the needs of various underserved markets across the country and laid a strong foundational understanding to attract national attention and investment to the rural SFR market. In this paper, we analyzed the market size, geographic distribution, and affordability of SFRs, as well as demand factors that make this an important asset class. We also highlighted the different tiers of investors and how they access financing and investment capital. By focusing on SFRs in rural areas, we filled a gap in research that had previously been limited to the overall SFR market.*

*Beyond the actions described in our plan with respect to the paper, we also provided in-depth analysis on the performance of Freddie Mac’s SFR pilot. We included this analysis because we believe that an understanding of our activity and the pilot’s successes have the potential to be instructive for other market participants and analysts. Furthermore, we believe it will promote liquidity for affordable SFRs should other institutions choose to reference the model we developed. Sharing this vital information demonstrates leadership and our commitment to serving this underserved market.*

*Through this analysis, we laid a clear foundation not just for understanding the market, but also for deliberate action by SFR owner/operations, localities, and lenders who are now well-positioned to support a growing market of SFRs. This is especially important because SFRs are home to nearly 23 million renter households, 5 million of which are in rural markets. SFRs represent the single largest source of rental housing in the country, yet the market for financing is fragmented, inefficient and without uniform standards. Furthermore, it was profoundly understudied. Our paper will help the industry coalesce around standards, loan terms and affordability metrics that can benefit renters nationwide and in rural markets.*

*Our research received press coverage from many real estate outlets, including National Mortgage Professional Magazine; National Mortgage News; Mortgage News Daily; DS News; Realtor Magazine; Globe Street; and Inside MBS & ABS—publications that generally do not have rural markets as their primary focus. With this coverage, even more industry participants have a better understanding of the SFR market and its importance in rural areas.*

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<sup>1</sup> <https://mf.freddie.com/research/insight/20181023-duty-to-serve-series.html>

<b>Planned Actions</b>	<b>2018 Actions</b>
Identify and aggregate data on the SFR and rural markets from the Census Bureau and other sources we identify in our research	In conducting this research, we leveraged data from the Census Bureau, House Canary, American Community Survey, American Housing Survey, FHFA, REIS, HUD, Bloomberg, INTEX, and internal property level data.
Engage with at least three operators, three property managers, and three lenders to better understand their interest and activity in rural markets as well as credit standards they apply or operate under	Freddie Mac met with 7 SFR operators, 4 property managers, and 9 lenders
Engage with at least one leading researcher on rural markets or SFRs to better inform our approach and analysis	To help inform this research, we engaged with <u>three</u> leading researchers on SFRs: the Federal Reserve, the Turner Center, and HouseCanary (from whom we purchased data for analysis and with whom we consulted for their understanding of the market).
<p>Publish report on SFR market including a rural focus. The report will likely include the following, though these factors may change as we engage in our research:</p> <ul style="list-style-type: none"> <li>a. Analysis of market size and opportunities</li> <li>b. Analysis of property types</li> <li>c. Analysis of geographic concentrations</li> <li>d. Analysis of existing credit standards used by lenders in the market today</li> </ul>	<p>Our SFR paper included an analysis of market size and opportunities; an analysis of property types (1-unit, 2-unit, and 3-4 unit properties, as well as comparisons with 5+ multifamily); an analysis of geographic concentrations; and analysis of credit standards available in the market.</p> <p>We also addressed:</p> <ol style="list-style-type: none"> <li>1. Analysis of the national market and rural submarket by ownership type, including a share of SFR home purchases by ownership type</li> <li>2. Analysis of affordability of SFRs overall by national/rural markets, and in DTS high opportunity areas</li> <li>3. Analysis of demand factors for SFRs</li> <li>4. Analysis of the capital markets for SFRs</li> </ol>
Publish the report on our website and promote it with a press release	This report was published in 2018 on our website and promoted with a press release. While we planned a social media campaign as well, we did not execute it given the termination of the SFR pilot. Even though our promotion strategy had a limited scope, this paper received coverage from several industry publications including National Mortgage Professional Magazine, National Mortgage News, Mortgage News Daily, DS News, Realtor Magazine, Globe Street, and Inside MBS & ABS.

**SELF-ASSESSMENT RATING OF PROGRESS:**

Select the category that best describes progress on this objective for the year.

- Objective met
- Objective exceeded
- Objective partially completed:
  - 75-99% (substantial amount)
  - 50-74% (limited amount)
  - 25-49% (minimal amount)
  - 1-24% (less than a minimal amount)
- No milestones achieved

**PARTIAL CREDIT JUSTIFICATION:**

N/A

**IMPACT:**

Provide a self-assessment of the level of impact that actions under the objective have accomplished.

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

**IMPACT EXPLANATION:**

Answer the following questions.

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? (Character limit: 3,000 characters, including spaces)

*Our SFR research paper continues to have a substantial impact on the market. It is a first-of-its-kind publication that shines a light on historically underserved aspects of the SFR market, focuses on affordability, includes innovative data analysis (discussed in the market factors section below), and provides an instructive template for other market participants to follow.*

*Prior to our research, recent attention on the SFR market was mainly focused on large scale institutional investors. These investors garner the most attention, but they only support 1% of the SFR market and have an immaterial presence in rural areas. Additionally, while these investors have ready access to the capital markets, the overwhelming majority of SFR owner/operators do not. Essentially, there was not a viable secondary market for middle-tier owners of SFRs — those who have some scale and professional management capabilities — yet it is this class of owner that has the potential to have the greatest impact on the evolving SFR industry.*

*Middle-tier owners have an average portfolio size of 50-2,000 homes and operate at meaningful scale across the country in urban, suburban, and rural markets. In general, only 1-2% of an institutional investor's properties are in rural markets, whereas middle-tier investors have over 20% are in rural markets. This is generally in line with the percentage of SFR households in rural areas overall (22% per 2016 ACS data). This suggests that middle-tier investors have a very important role to play in providing greater standardization and stability in rural markets.*

*If middle-tier investors are better able to access the capital markets, they are better able to spread professional management standards broadly with a focus on affordable SFRs. With more focus on this segment of the market, there is a greater likelihood that it can grow to benefit renters. Our paper is the first that pays specific attention to the role of middle-tier investors nationally and in rural submarkets, drawing vital focus to a part of the market that has been significantly underserved by the secondary market.*

*Our focus on the affordability of SFRs is also of high impact to the market. Through our pilot and our research, we have provided valuable insight on how affordability standards for SFRs may be developed based on analysis both affordability of rents (relative to the market), square footage, and other neighborhood amenities.*

*Additionally, our paper includes analysis of the lessons from our pilot. These lessons created a foundation and a clear path forward for other capital providers or market participants that choose to support affordable SFRs and SFRs in rural for the market so that this segment of the market does not continue to go underserved.*

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. (Character limit: 1,500 characters, including spaces)

*This research laid a foundation for greater understanding of the SFR market and would have supported two additional objectives in our plan: the continued development of our SFR offering in 2019, which included (a) further detailed research on the performance of the rural SFR market and lessons learned from a sample rural SFR transaction to allow for better understanding of the sector and its risks, and (b) the deliberate purchase of loans including rural SFRs in 2020. With respect to further research, we were able to address many*

*relevant topics in this paper. With respect to future loan purchases, our 2018 research would have enabled our Optigo<sup>SM</sup> lenders to better target their efforts in rural markets and support the deliberate pursuit and purchase of at least 6 SFR portfolios that include homes DTS qualifying homes in rural markets. On August 21, 2018, FHFA announced that it would not extend Freddie Mac's pilot. Because the pilot was not extended, all future year SFR activities must be removed from our DTS plan.*

3. **Optional:** Are there any market factors that adversely impacted the actions under this objective? If so, describe. (Character limit: 3,000 characters, including spaces)

*The major market factors that made this objective challenging are the same factors that demonstrate our substantial impact on the market: (A) the limited academic precedent for studying this market, and (B) the lack of consolidated data on this market. While we could leverage some existing research, significant trailblazing was required in data consolidation and analysis.*

- A. *Prior to our analysis of the SFR market, there were few published studies, none of which was a truly comprehensive and consolidated view of the market, and none of which analyzed the rural submarket. This is the first paper of its kind that can draw national attention to the needs and opportunities in the SFR market, particularly in a way that stresses rental affordability, shines a light on rural markets, and that analyzes the capital markets. The most notable prior publications were "Large-Scale Buy-to-Rent Investors in the Single-Family Housing Market: The Emergence of a New Asset Class?" and "The Rise of Single-Family Rentals after the Foreclosure Crisis." Both were valuable contributions to the market, though each had its own focus. The first focused on the emergence of institutional investors, while the second focused on the factors that drove renters to choose SFRs. We discussed the SFR market and their research with both teams and we leveraged their analysis in our paper, but both papers were more limited in scope than ours.*
- B. *The data analysis techniques required for this paper were especially challenging, and, once solved, led to innovative analysis. Because there is not a uniform source for SFR data, we relied on a wide variety of sources. When using several different datasets, there is the added challenge of normalizing data and making reasonable and supportable conclusions based on consolidated data that, in some cases, may have its own set of internal logic and criteria defining what counts as an SFR (some data sources on defined SFRs as single family detached homes, while others used 1-4 unit properties). We had to aggregate and analyze data from sources including the American Housing Survey, American Community Survey, HUD, HouseCanary, REIS, our own data, and underlying data from other researchers. We then had to overlay geographic data from FHFA to classify properties and understand market size and ownership distribution. And, because there is no industry standard benchmark for determining affordability of SFRs like there is for multifamily properties (such as Small Area Fair Market Rents), we had to estimate SFR rents, compare those to similarly sized multifamily units by bedrooms, and perform square footage analysis to support affordability analysis. Finally, we incorporated Bloomberg and Intex data to determine the breadth of capital markets executions and implications for different owner types. This complex and layered analysis had not been done before.*

4. **Optional:** How did the actions under this objective contribute to increased or future loan purchases for the underserved market? (Character limit: 1,500 characters, including spaces)

*This research laid a foundation for greater understanding of the SFR market and would have enabled our Optigo<sup>SM</sup> lenders to better target their efforts in rural markets and support the deliberate pursuit and purchase of at least 6 SFR portfolios that include homes DTS qualifying homes in rural markets. Given that we executed 29 transactions in our \$1.3B pilot, 6 rural transactions would have been substantially impactful. Because the pilot was not extended, all future year SFR activities will be removed from our DTS plan.*

Attach the information detailed in the list of documentation specific to the objective that was provided by FHFA.

Exhibit D:

**Second Quarter Outreach Narrative Reporting Template**

FREDDIE MAC

RURAL HOUSING

2Q REPORT

EVALUATION AREA: OUTREACH

**ACTIVITY:**

*Activity 5 – Single-Family Rental in rural markets: Additional Activity*

**OBJECTIVE:**

*Objective A: Research rural SFR market characteristics and opportunities*

Single-Family Rental (SFR) comprises a substantial segment of the rural rental market. Sixty-six percent of rural renters live in SFR homes: 49 percent in one-unit homes, and 17 percent in two-to-four-unit homes. Despite the importance of SFRs in rural areas, this market is still relatively under-researched and lacks standardization. The shortage of research makes it difficult to support this market and attract private capital. By performing and publishing our research on the SFR market, and its rural components, we can draw greater attention to market and help to attract more private capital and increase standardization. In the first half of the year, we have made considerable progress on our research—analyzing market size and opportunities, property types, geographic distribution, and lending and investment practices. As a result, we are on track to complete this objective.

**ACTIONS:**

<b>Action Category</b>	<b>Action Reference – Activity 5; Objective A</b>	<b>Status</b>
Market Actions	Action 1	Identify and Aggregate data on SFR and rural markets – Complete
	Action 2	Engage with various entities – Complete
	Action 3	Engage with at least one leading researcher – Complete

	Action 4A-D	Gathered information required to build report – Complete, awaiting publication
	Action 5	Publish Report on Website – Outstanding

**SELF-ASSESSMENT RATING OF PROGRESS:**

*Select the category that best describes progress on this objective for the reporting period.*

- 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):**

N/A

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