



Fannie Mae 2019
Rural Housing
Outreach

ACTIVITY:

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

OBJECTIVE:

3. Gain an understanding of the challenges and opportunities for small financial institutions in rural areas through outreach (Do What We Do Best).

SUMMARY OF RESULTS:

Following are the 2019 Actions under this Objective per the December 20, 2019 Duty to Serve Plan:

<i>Objective's components detailed in the Plan</i>	<i>Corresponding actions taken</i>	<i>Explanation of any deviations from the Plan (if applicable)</i>
<input checked="" type="checkbox"/> Build upon the research "journey" completed in 2018; provide continued support and engagement for two additional small financial institutions to support homeownership opportunities.	<p>We conducted 11 research interviews throughout the Community Development Financial Institutions (CDFIs) industry to better understand their unique business model.</p> <ul style="list-style-type: none"> • We participated in a roundtable discussion with a working group of CDFIs that focus on serving high needs rural communities to identify barriers to growth. • We provided four Fahe network brokers with training and tactical implementation plans to facilitate the expansion of their business. 	N/A
<input checked="" type="checkbox"/> Continue to expand lender outreach to an additional 25 small financial institutions to educate them on Fannie Mae (i.e., lenders not approached in 2018). Examples include facilitation in a Fannie Mae training on products, programs, and technology or approval process.	<p>We facilitated eight HomeReady webinars in 2019, educating 438 lenders including small financial institutions (SFIs).</p> <ul style="list-style-type: none"> • We provided six SFIs with resources and support, assisting them through the new seller application process. • We engaged approximately thirty-five lenders to educate them on our 	N/A



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	training opportunities or product offerings.	
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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)
- No milestones achieved

PARTIAL CREDIT JUSTIFICATION:

N/A

IMPACT:

- 50 – Substantial Impact
- 40 – Between Meaningful and Substantial Impact
- 30 – Meaningful Impact
- 20 – Between Minimal and Meaningful Impact
- 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 in laying the foundation for future impact in addressing underserved market needs?

We continue to make an impact with Small Financial Institutions (SFI) by engaging and training current Fannie Mae’s Sellers/Serviceers and engaging new SFI’s Sellers/Serviceers.

Engagement and Educational Support:

We exceeded the target of 25 lender engagements, working with approximately 35 SFI lenders serving rural areas. We offered training opportunities and resources to educate participants on our products and suite of technology solutions. This year, the number of SFIs originating rural loans delivered to Fannie Mae increased by approximately five percent, an early indication that our engagement efforts are making an impact.

Rural Community Development Finance Institutions (CDFIs) Working Group:

With fewer lenders serving rural communities, addressing barriers to growth for CDFIs can expand access to mortgage options for rural homebuyers and help to develop a pipeline of qualified borrowers. However, our credit parameters and loan eligibility remain unclear to this important segment of SFIs. Beginning in October



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2019, we worked with a small working group of rural CDFIs to address these issues. We reviewed test files and provided detailed feedback on loans that did not meet Fannie Mae's eligibility standards. We worked with new Sellers/Servicers to help avoid operational difficulties associated with delivering loans that do not gain approval, and to support successful future deliveries. We plan to continue this effort with the working group in 2020.

Technical Assistance to FAHE network members:

Fannie Mae contracted with the Homeownership Council of America (HCA) to support Fahe network members in their efforts to build greater operational capacity. Fahe is a newly approved Fannie Mae Seller/Servicer, and the primary objective of this contract was to support Fahe's reach into underserved segments of Middle Appalachia, which will contribute to future loan volume.

In 2019, four non-profit affiliates of Fahe created tactical implementation plans to enhance their operational capacity and loan volume in 2020-2022. Through engagement, HCA reviewed current operations, staffing, policies and procedures, homebuyer education, marketing, and down payment assistance offerings. Additionally, they reviewed opportunities and challenges within the local market to identify ways to expand business for these organizations. HCA expects three of the four non-profit mortgage brokers to increase first mortgage originations by 88 percent in the first year, closing 147 loans in 2020.

Through the same contract, HCA delivered a marketing package for Fahe, co-branded for regional network broker correspondent lender partners and broader wholesale channel use. They also built business-to-business and business-to-consumer resources, along with a 12-month email and social media campaign that will be launched in early 2020. This marketing package introduces information about conventional products in the product tool kit that Fahe's brokers regularly consult when serving borrowers. The marketing package equips Fahe's brokers, several of whom do not currently market their services, to reach underserved markets within Middle Appalachia with information on the full array of products available to meet their needs. Through this effort, we hope to increase overall broker production and the number of pre-qualified borrowers.

2. What did the Enterprise learn from its work about the nature of underserved market needs and how to address them?

There may be room for collaboration with Federal Home Loan Banks (FHLBs). FHLBs have been a stable source of affordable liquidity to SFIs and are often able to provide better options for liquidity. Given that many SFIs are both Fannie Mae approved and members of the FHLB, we intend to explore this opportunity for collaboration in 2020.

Area median income (AMI) requirements remain challenging. Similar to high-needs rural regions, outreach has shown that SFIs face similar challenges from being constrained by the Duty to Serve income limitations. Due to the low AMI in the areas they serve, many borrowers below the 100 percent AMI threshold cannot afford to buy a home. We will continue homebuyer education efforts targeted at low- and moderate-income borrowers in rural areas to support a new pipeline of qualified borrowers but are aware that the DTS income constraints will continue to be a barrier for lenders.

3. (Optional): If applicable, why were all components of this objective not completed?

N/A



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3. Gain an understanding of the challenges and opportunities for small financial institutions in rural areas through outreach (Do What We Do Best).

SUMMARY OF RESULTS:

In 2018, we completed a research project to further enhance our understanding of the business models and market needs of small financial institutions. This year, we took meaningful steps to expand our research and focus to help increase our knowledge around the dynamics of CDFIs and the nuances associated with rural lending.

We divided our research activity into two phases. The first phase is underway and is focused specifically on CDFIs, a subset of SFIs that we believe present some immediate opportunities for our DTS work. The second phase focuses on the broader SFI depository space. Our goal is to conduct in-depth interviews with a variety of small financial institutions spread across different geographical locations. Through this research activity, we hope to gain additional insight around how-to best support efforts to increase loan purchases from small financial institutions, while also providing rich contextual data for future Duty to Serve endeavors.

Through constant strategic business engagement and relationship building, we continue to educate lenders on our work and set the foundation for partnerships to strengthen homeownership in rural areas. We continue to engage with our advisory council and subcommittees. We have sponsored multiple convenings and conferences and attended several meetings across rural areas. Our outreach efforts allow us to listen, learn and maintain visibility with our lenders and partners.

Following are the 2019 Actions under this Objective:

- Build upon the research "journey" completed in 2018; provide continued support and engagement for two additional small financial institutions to support homeownership opportunities
- Continue to expand lender outreach to an additional 25 small financial institutions to educate them on Fannie Mae (i.e., lenders not approached in 2018). Examples include facilitation in a Fannie Mae training on products, programs, and technology or approval process.

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):