



Fannie Mae 2019
Rural Housing
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 in high-needs rural regions (Analyze, Partner and Innovate).

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"/> Develop and make available market research and/or rural housing data sets. Fannie Mae will define topics that (1) have meaningful impact on high-needs rural regions and (2) are chosen to work toward a solution to a problem. Some topics could include challenges of originating low balance loans or appraising properties in high-needs rural regions. This information will be made available to the public and industry stakeholders on Fannie Mae's website, through the use of targeted email campaigns, and other highly visible mechanisms. This activity of market research promotes transparency, educates the public and housing industry stakeholders, and provides insights and solutions to potential challenges.	In December 2019, we completed an in-depth analysis of loan originations in high needs rural regions. We observed that a significant share of loan originations are small balance loans, especially in the lower Mississippi Delta. We made the analysis available on our website, disbursed it to all members of our rural advisory council, and via multiple social media outlets.	N/A
<input checked="" type="checkbox"/> Provide technical assistance such as resources to assist lenders	We provided technical assistance that enabled CDCB and Fahe to	N/A



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serving high-needs rural regions to become approved sellers.	<p>become Fannie Mae approved Sellers and Servicers.</p> <ul style="list-style-type: none"> • We updated our AMI Look Up Tool to provide transparency to our lender partners regarding the identification of Duty to Serve eligible areas within high needs rural geographic locations. 	
<input checked="" type="checkbox"/> Facilitate innovative partnerships between two lenders to increase availability of conventional mortgage financing in high needs rural regions.	We provided four Fahe network brokers with training and tactical implementation plans to expand their business.	N/A
<input checked="" type="checkbox"/> Identify opportunities to educate the industry to widely accept the definition of "colonias" developed in 2018.	We collaborated with the Housing Assistance Council to facilitate four trainings to approximately 100 participants throughout the states of New Mexico, Texas and Arizona based on the definition of "colonias" developed in 2018.	N/A
<input checked="" type="checkbox"/> Continue to expand the capacity of homebuyer readiness providers, including those who provide homebuyer education, housing counseling and/or financial counseling:	We contracted with CDCB and Fahe to expand housing counseling and financial coaching services in high needs rural regions.	N/A
<input checked="" type="checkbox"/> Provide cumulative reporting on metrics of households served to achieve homeownership of the two partnerships created in 2018.	Impact metrics as a result of our work with CDCB outlined below.	N/A



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<input checked="" type="checkbox"/> Create, enhance or expand two partnerships targeting certain high-needs rural regions creating one documented business plan to reach and engage households in need of housing assistance.	<p>We expanded our support for Community Development Corporation of Brownsville (CDCB) and Fahe housing counseling programs.</p>	<p>N/A</p>
<input checked="" type="checkbox"/> Increase homeownership opportunities by identifying and engaging two potential anchor institution partners in high-needs rural regions.	<p>We contracted with the University of Alabama to expand “Home First.” a service-learning program to serve the rural Duty to Serve counties of Greene and Hale.</p>	<p>N/A</p>
<input checked="" type="checkbox"/> Support two partners with models to teach those living in high-needs rural regions and document best practices to reach and engage households needing financial coaching or counseling.	<p>We supported Rural Local Initiatives Support Corporation (LISC) in launching three Financial Opportunity Centers throughout Appalachia.</p> <ul style="list-style-type: none"> • We collaborated with Southern Bancorp to test a new model of video counseling, expanding financial coaching and housing counseling. 	<p>N/A</p>
<input checked="" type="checkbox"/> Enhance and expand one test and learn service-learning program model and training curriculum.	<p>We enhanced our 2018 engagement with the University of Alabama through a 2019 contract that expanded “Home First.” a service-learning program to serve the rural Duty to Serve counties of Greene and Hale.</p>	<p>N/A</p>
<input checked="" type="checkbox"/> Work with the industry to promote access to appropriate types of products, resources, and financing that will help very low-, low-, and moderate-income	<p>We launched a marketing campaign promoting HomeStyle® Energy, targeting both lenders and realtors.</p>	<p>N/A</p>



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families access appropriate financing and assistance, including third-party grants for renovations and energy and water efficiency improvements.	<ul style="list-style-type: none"> • We refreshed the HomeStyle Energy consumer page, launching a video highlighting the health benefits of energy upgrades. • We enhanced the consumer facing energy efficiency portal on Fannie Mae’s Know Your Options website. 	
<input checked="" type="checkbox"/> Expand and enhance the high-needs rural marketing campaign developed in 2018 and document measurements of success.	We expanded our “Pride of Place” campaign to target and educate borrowers and created video assets to highlight borrower success stories.	N/A
<input checked="" type="checkbox"/> Engage CDFIs or other mission driven lenders to identify innovative homeownership or lending models and to identify capacity challenges that can be addressed through technical assistance.	We contracted with Rural Studios, to explore innovative and affordable homes in the Delta region and beyond.	N/A

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



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- 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?

Under this objective we tackled two key challenges to homeownership in high needs rural communities – the shortage of mortgage-ready homebuyers in high needs rural areas and a shrinking number of financial institutions serving these communities. To address these challenges and lay a foundation for future impact, we expanded the financial coaching and housing counseling services available in high-needs rural regions and approved key lenders to become direct sellers and servicers for Fannie Mae.

The Community Development Corporation of Brownsville (CDCB) Housing Counseling Program:

Through a fee-for-service contract with Fannie Mae, CDCB provided housing counseling to prospective homebuyers. As of October 2019, their program resulted in success for its participants, who began the program with an average net worth of -\$17,823, including:

- an average increase of 74 points in credit scores;
- an average decrease of \$68 in monthly debt;
- an average increase of \$4,665 in savings;
- an average decrease of 3.4 percent in DTI.

This fee-for-service contract contributes to a pipeline of mortgage-ready borrowers in the colonias region. To meet the monitoring and evaluation requirements in our contract, CDCB created an innovative system to track data about their participants' financial progress. These improvements allowed them to properly gauge the housing counseling program's effectiveness and continue to improve offerings.

The University of Alabama's Home First Program:

The University of Alabama leads a homeownership service-learning course. The course introduces students to effective strategies to promote financial and housing stability in the Lower Mississippi Delta, emphasizing pathways to homeownership among low- to moderate-income populations and trains them to serve as financial coaches. In 2019, 11 student coaches and four student leaders participated in the Home First program. Through a contract with Fannie Mae in 2019, the University of Alabama expanded its program to serve 61 additional participants for a total of 86 program participants, while providing an additional 110 individual coaching sessions.

The program resulted in:

- 110 individual coaching sessions and 25 program referrals to community resources;
-



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- Over a three-month coaching period, participants saved an average of \$814 and paid off \$440 in debt;
- Average "Financial Well Being" score measured at intake around financial capability, increased by 38 percent;
- 83 percent of participants believed they would be financially prepared for homeownership within two years.

We can only successfully expand access to credit in high-needs rural regions if there are mortgage-ready borrowers prepared for homeownership. Yet, according to the 2018 HMDA data, mortgage denial rates in the Lower Mississippi Delta are nearly 60 percent higher than overall rural areas in the United States, often due to credit history or high debt to income ratio. Home First is preparing residents to be successful homebuyers by helping clients reduce debt and increase savings. This work is especially important as there are few similar resources available in the communities that the Home First program serves.

Southern Bancorp – Homeownership Counseling via Videoconferencing :

Southern Bancorp is a community development financial institution committed to providing important financial capacity services throughout its two-state service area. Because of the rural geographical footprint, Southern Bancorp receives customer inquiries from 200-300 miles away (e.g., Trumann, AR to Arkadelphia, AR and Clarksdale, MS to Picayune, MS). This year, Fannie Mae collaborated with Southern Bancorp to test a videoconferencing counseling option that may improve access to housing counseling and expand the pool of mortgage ready homebuyers. This option allows clients with disabilities or without transportation options to partake in housing counseling and homeownership education services.

Because Southern Bancorp's video conferencing program wasn't deployed until December 2019, the preliminary impact will be assessed once the first 25 clients complete the program. Quantitative and qualitative data will be evaluated to gain insight into the impacts of the program and opportunities to refine and expand it. It is anticipated that video counseling will become an effective option to serve individuals throughout rural areas who have limited access to housing counseling, particularly in the Lower Mississippi Delta.

Fannie Mae Approval for Direct Sellers and Servicers in High Needs Rural Regions:

In 2018, Fannie Mae collaborated with CDCB and Fahe to assist them to apply to become Fannie Mae seller servicers. These financial institutions provided us with valuable insight into their business models and operations, and we offered technical assistance to enhance their skill sets, operational capacity, and selling and servicing policies and procedures. This work continued into 2019 when Fahe and CDCB each were approved as direct Fannie Mae Sellers/Servicers. In light of the lack of traditional financial institutions in high-needs rural regions, this is a significant milestone.

Technical Assistance to FAHE network members :

We contracted with the Homeownership Council of America (HCA) to support Fahe network members in their efforts to build operational capacity. As previously mentioned, 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 support loan volumes in the future.



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In 2019, four non-profit affiliates of Fannie Mae created tactical implementation plans to build their operational capacity and loan volume in 2020-2022. Through the aforementioned contract, 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. 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.

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

Housing counseling agencies serving high needs rural areas would benefit from a greater focus on measuring impact, continuing to improve offered services, and attracting and maintaining talent. As a result of these insights, we modified our 2020 activities to provide more technical assistance to housing counseling agencies serving these high needs rural regions.

Access to the secondary market could expand the capacity of Community Development Financial Institutions (CDFIs) to reach more homebuyers in underserved markets. However, developing the expertise and infrastructure to deliver loans to Fannie Mae is not the right allocation of resources for all CDFIs - particularly those with very low loan volume. We will continue to partner with high-performing, higher-volume organizations and to explore additional ways to better serve those with small volume.

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

N/A



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ACTIVITY:

A. Regulatory Activity: Housing in high-needs rural regions (12 C.F.R. § 1282.35 (c)(1)).

OBJECTIVE:

5. Develop a data visualization tool to provide rural affordable housing practitioners better insight into the social and economic conditions of high needs rural regions (Analyze, Test and Learn)

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"/> Develop a customizable mapping platform that visualizes a wide array of data indicative of successful housing outcomes in communities in the high-needs rural regions. Execute the development in partnership with a technology vendor with deep expertise in data-driven solutions and economic development in rural America.	Fannie Mae developed the Rural Visualization Tool in partnership with a technology vendor. The tool aggregates and relationally maps various socioeconomic indicators and community characteristics indicative of successful housing outcomes. The tool helps affordable housing developers and lenders to identify and evaluate areas of opportunity and business development in rural areas.	N/A
<input checked="" type="checkbox"/> Provide access to the rural visualization tool on a test basis to a small group of affordable housing practitioners in rural America who serve communities in the high-needs regions, which may include smaller financial institutions, CDFIs, nonprofits, and state housing agencies. Determine use cases for each organization, implement mapping solutions for each organization, provide support for the tool, and obtain feedback on the effectiveness and value of the tool.	Fannie Mae piloted the tool with external partners. We provided support and custom maps, obtained feedback, and identified meaningful use cases. The data and functionality of the tool were developed based on input from affordable housing practitioners in the high-needs rural regions and Fannie Mae community lending specialists.	N/A



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<input checked="" type="checkbox"/> Determine how the technology solution could sustainably impact the market, and develop a market strategy for enhancement, use, and implementation of the tool for use by affordable housing organizations in the high-needs rural regions.	Fannie Mae developed a strategy to implement the Rural Visualization Tool and to utilize the tool to impact rural housing markets. Fannie Mae plans to use the Rural Visualization Tool as a resource for our rural lending and development partners, as we have shared goals to develop and preserve rural rental housing and create successful rural homeownership opportunities.	N/A

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)
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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
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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?



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Fannie Mae developed a strategy that directly addresses market challenges around the need for reliable data by truly harnessing the power of data innovation through partnership. We are partnering with a market leader in geospatial technology, data analysis, and consulting in rural economies to develop a data visualization and analysis tool focused on rural America called the Rural Visualization Tool (RVT). We designed and built the tool to strengthen the organizational capacity of rural affordable housing practitioners to achieve their goals of advancing affordable homeownership and rental opportunities in the communities they serve.

Fannie Mae executed the initial phases of the product strategy in 2019. We piloted the RVT with four Community Development Financial Institutions (CDFIs), Community Development Corporations (CDCs), and other organizations focused on the development of affordable rental housing or homeownership in the Mississippi Delta and Appalachia. We provided these organizations access to the tool, and we worked closely with them to train them, gain feedback, understand their data needs, and identify solutions the product can offer to help address those challenges. The communities in the high-needs rural regions face the most severe affordable housing challenges and therefore are the primary market for the tool.

Fannie Mae works with hundreds of partners across the country to provide affordable homeownership and rental options in rural areas. When our community-oriented partners (Housing Finances Agencies, CDFIs, and other small financial institutions) want to identify and evaluate potential business development opportunities, they need key data about market characteristics and community institutions. The RVT delivers these insights to customers by aggregating and visualizing accurate, relevant information that is relied upon to support achievement of affordable housing outcomes and goals.

When Fannie Mae relationship managers and community-lending specialists partner with the same community-oriented partners to pursue duty to serve-eligible rural business, they need instant visibility and clarity about markets eligible for Duty to Serve, Housing Goals, and Fannie Mae affordable lending products. The RVT delivers this insight by aggregating and visualizing key eligibility determinants that are used to drive mission business at a local level.

We have found that the RVT may improve our rural partners' ability to understand and convey eligibility requirements, assist in grant applications, evaluate service areas or expansions, find housing resources, opportunities, and partners, and identify regional and local trends and needs.

This initiative also gives Fannie Mae the opportunity to learn more about rural housing markets and to use that knowledge to improve our ability to research rural areas (especially high-needs rural areas) and to evaluate rural multifamily debt and equity deals with more confidence. The research and development activities that contribute to the RVT surface key insights about data needs and data gaps experienced by rural affordable housing practitioners, potentially identifying promising opportunities to address the data landscape in rural America.

We believe this strategy is a tremendous opportunity that has the potential for a positive impact on the needs of rural markets, especially in the high-needs rural regions. It directly meets a clear and pervasive market need and represents especially substantial impact due to its promise in 2020 and beyond as a tangible benefit to our partners focused on rural rental and homeownership.



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

During 2018 and 2019, Fannie Mae developed relationships and a presence in the rural housing community, particularly with organizations focused on the most underserved areas. We attended industry conferences and events, and we sought feedback and counsel about market challenges from a variety of mortgage originators, community organizations, nonprofits, rural housing advisers, Fannie Mae sellers and lenders, and affordable developers and property owners.

As a result, two challenges became very apparent:

1. Key data that impacts affordable housing outcomes in rural America either does not exist, is unreliable in some cases, or is scattered among many sources, making the data difficult to access and use in a meaningful way; and
2. Rural affordable housing practitioners are typically smaller, not profit-focused, and have access to fewer tools and resources to support their data analysis capabilities than their peers, who are either profit-focused or located in less rural areas.

In response, we developed a strategy that directly addresses these challenges by truly harnessing the power of data innovation through partnership.

CDFIs, CDCs, and other small financial institutions focused on rural housing are intimately acquainted with the communities and markets they serve, and they work tirelessly to impact every single household they can. Individuals who work for these organizations often perform many job functions. Searching for data, analyzing that data, and synthesizing it to address needs is cumbersome, and data is often scattered among many highly technical sources. Most entities we aim to support do not have the resources for advanced data analytic tools. Reliable datasets often are not easily accessible or may not even exist for the most needed, business-relevant data. However, a great deal of information does exist, is publicly available, and is depended upon highly by market professionals. Additionally, consuming and analyzing eligibility requirements for many of Fannie Mae's mission-aligned programs is a challenging activity, yet it is necessary for many of our customers. A mapping platform is an excellent solution to that need.

Involvement with key business stakeholders and utilizing subject matter expertise is crucial to determining success measures and generating solutions. Cultivating genuine buy-in from stakeholders contributes to development of an effective feedback loop with input from actual business users who have experienced the product and can envision its use cases. Identifying our partners' needs early on is the best way to ensure that the solutions Fannie Mae develops are focused on addressing the right challenges.

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

N/A