

**2022
Rural Housing
Loan Purchase**

REGULATORY ACTIVITY:

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

OBJECTIVE:

2. Acquire single-family purchase money mortgage (PMM) loans in high-needs rural regions.

INFEASIBILITY:

Check here if the Enterprise is submitting an infeasibility request for the objective.

SUMMARY OF RESULTS:

Objective’s components detailed in the Plan	Corresponding actions taken	Explanation of any deviations from the Plan (if applicable)
<input checked="" type="checkbox"/> Purchase 8,000 single-family mortgage loans in high-needs rural regions, which represents a 10% increase over the baseline	Fannie Mae purchased 8,666 loans secured by properties in HNRRs, surpassing its goal by about 8%.	N/A

SELF-ASSESSMENT RATING OF PROGRESS:

- Target met
- Target exceeded
- Target partially completed
- No milestones achieved

IMPACT:

- 50 – Very Large 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 in laying the foundation for future impact in addressing underserved market needs?

In 2022, we purchased 8,666 purchase money mortgage single-family loans in high-needs rural regions (HNRR), surpassing the 2022 target of 8,000 loans despite challenging market conditions such as affordability pressures and a rising interest rate environment.

While loan purchases declined 11% year-over-year, it is important to note that the single-family purchase-money mortgage overall experienced a more severe fall. In 2022, Fannie Mae's overall single-family business loan volume dropped 22.6% year-over-year.

Approximately 67% of the High Needs Rural Duty to Serve loans were made to low- or very low-income home buyers. Additionally, 22% of the loans had loan balances less than \$100,000, and 50% had loan balances less than \$150,000, which were both lower than the respective shares in 2021. Finally, 55% of the loans were made to first-time homebuyers, which was a similar rate as in recent years.

Given that HNRR loan purchase volume outperformed the broader single-family market and that the resulting loans served a diverse group of borrowers, 2022 marked a successful year for this segment of our affordable business. In 2023 and beyond, it will be critical for Fannie Mae to overcome challenges that are likely to persist, such as limited housing supply, as well as those that could become worse, such as rising interest rates.

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

Lender engagement related to this objective is captured and described in greater detail under the summary for HNRR Objective 4, which is dedicated to outreach to a variety of participants in these geographic markets. The learnings from that work supported and informed work under this Objective, so learnings specifically gathered from lenders are summarized at a high level here.

During the pandemic, rural small towns, agricultural areas, and retirement communities saw a run-up in house prices. Declining interest rates allowed many homeowners to refinance their mortgages but rising interest rates since then changed the focus to purchase money mortgages. Homeowners who lost income during the pandemic benefited from the substantial financial aid to homeowners through forbearance programs. Forbearance was especially effective due to its timeliness and the ease with which borrowers were able to take advantage of income support. However, borrowers experiencing pandemic-related financial distress were less likely to refinance because of the economic environment and were at greater risk of losing their homes.

In recent years, homeownership demand increased, but the poor condition of older properties reduced the supply of move-in ready homes. Low-income borrowers, in particular, lacked funds for repairs. Most home sellers have stopped providing concessions and are not making home repairs before listing the properties for sale due to demand from investors that have expanded their single-family home purchasing activity. For rural markets that have become resort and retirement destinations, houses that are available for sale are often higher-priced homes. More affordable manufactured housing is available for sale. However, financing is challenging due to titling, underwriting limitations, or units that do not meet U.S. Department of Housing and Urban Development (HUD) code.

Combined with more homebuyers with low savings and limited funds left over for reserves after down payment and closing costs, lending opportunities were scarcer.

We will continue to stay attuned to these challenges and respond to them as we are able, but we also believe that our steadfast commitment to this market was rewarded with a relatively strong performance in 2022.

3. Optional: If applicable, why was the Enterprise unable to achieve the Plan target?

Not Applicable



**Fannie Mae
Rural Housing
First Quarter Report: January 1 - March 31, 2022
Loan Purchase**

ACTIVITY:

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

OBJECTIVE:

2. Acquire single-family purchase money mortgage (PMM) loans in high-needs rural regions.

SUMMARY OF RESULTS:

Through March 31, 2022, we have acquired 1,912 loans and are On Track to meet our target by year end.

Following are the 2022 Actions under this Objective:

- Purchase 8,000 single-family mortgage loans in high-needs rural regions, which represents approximately a 23% increase over the baseline

SELF-ASSESSMENT RATING OF PROGRESS:

- On-target to meet or exceed the target
- Progress delayed and/or partial completion of the objective expected
- Unlikely to achieve any milestones of the objective

ADDITIONAL INFORMATION (IF APPLICABLE):