Under the Housing and Economic Recovery Act of 2008, Fannie Mae and Freddie Mac (the Enterprises) have a Duty to Serve three underserved markets:

- Manufactured Housing,
- Affordable Housing Preservation, and
- Rural Housing –

in a safe and sound manner for residential properties that serve very low-income families with incomes no greater than 50 percent of area median income (AMI), low-income families with incomes no greater than 80 percent of AMI, and moderate-income families with incomes no greater than 100 percent of AMI.

FHFA published its Duty to Serve regulation on December 13, 2016. The rule requires each Enterprise to develop a three-year Underserved Markets Plan.
DUTY TO SERVE PROCESS TIMELINE

KEY MILESTONES OF THE DUTY TO SERVE PROCESS

- FHFA posts Evaluation Guidance
- Enterprises submit Underserved Markets Plans
- FHFA issues Non-Objections to Underserved Markets
- Enterprises implement Plans
- Enterprises report on progress
- FHFA evaluates Enterprises’ performance
- FHFA submits evaluations to Congress

PLAN DEVELOPMENT (every 3 years)

PLAN IMPLEMENTATION & EVALUATION (yearly)

DUTY TO SERVE: PROGRAM OVERVIEW
UNDERSERVED MARKETS PLAN STRUCTURE
EACH ENTERPRISE WRITES ITS OWN PLAN

• By statute, FHFA may not require the Enterprises to address specific activities in their Plans.

• FHFA may not establish specific quantitative targets for the Enterprises to put in their Plans.

• The Enterprises must “consider” a specified number of activities in each market. To consider an activity, an Enterprise must address that activity through proposed actions in its Plan or explain why it has declined to include it.

• FHFA allows the Enterprises to propose modifications to actions in their Plans during the three-year Plan cycle.
Within each market, an Enterprise must consider at least:

- **Four Regulatory Activities**
- **Seven Statutory or Regulatory Activities**
- **Four Regulatory Activities**
## MENU OF ACTIVITIES

<table>
<thead>
<tr>
<th>Activities</th>
<th>Manufactured housing</th>
<th>Affordable housing preservation</th>
<th>Rural housing</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Statutory Activities</strong></td>
<td>None.</td>
<td>1. Section 8</td>
<td>None.</td>
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<td></td>
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<td>2. Section 236</td>
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<td>3. Section 221(d)(4)</td>
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<td>4. Section 202</td>
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<td>5. Section 811</td>
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<td>6. Homelessness assistance</td>
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<td>7. Section 515</td>
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<td>8. LIHTC-debt</td>
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<td>9. Comparable state and local programs</td>
<td></td>
</tr>
<tr>
<td><strong>Regulatory Activities</strong></td>
<td>1. Manufactured homes titled as real estate</td>
<td>1. Small multifamily rental properties financing</td>
<td>1. Housing in high-needs rural regions</td>
</tr>
<tr>
<td></td>
<td>2. Manufactured homes titled as personal property</td>
<td>2. Multifamily energy or water efficiency improvements financing</td>
<td>2. Housing for high-needs rural populations</td>
</tr>
<tr>
<td></td>
<td>3. Manufactured housing communities owned by government instrumentalities, nonprofits, or residents</td>
<td>3. Single-family energy or water efficiency improvements financing</td>
<td>3. Rural small financial institution financing of rural housing</td>
</tr>
<tr>
<td></td>
<td>4. Manufactured housing communities with specified tenant pad lease protections</td>
<td>4. Affordable homeownership preservation</td>
<td>4. Rural small multifamily rental properties</td>
</tr>
<tr>
<td><strong>Additional Activities</strong></td>
<td>1. Manufactured homes titled as personal property</td>
<td>1. Residential economic diversity</td>
<td>1. High-needs rural regions</td>
</tr>
<tr>
<td></td>
<td>2. Manufactured housing communities owned by government instrumentalities, nonprofits, or residents</td>
<td></td>
<td>2. High-needs rural populations</td>
</tr>
<tr>
<td><strong>Extra Credit (2022-2024 Plans)</strong></td>
<td>1. Manufactured homes titled as personal property</td>
<td>1. Residential economic diversity</td>
<td>1. High-needs rural regions</td>
</tr>
<tr>
<td></td>
<td>2. Manufactured housing communities owned by government instrumentalities, nonprofits, or residents</td>
<td></td>
<td>2. High-needs rural populations</td>
</tr>
</tbody>
</table>

The Enterprises may propose Additional Activities for each underserved market.
DUTY TO SERVE: PROGRAM OVERVIEW

Visit the Duty to Serve Data page for interactive maps and dashboards
DUTY TO SERVE: PROGRAM OVERVIEW

DTS ACTIVITY STRUCTURE

Statutory, Regulatory, or Additional Activity

Objective

Evaluation Area
Loan Purchase, Loan Product, Investment, or Outreach

“SMART” Criteria, including baseline, if applicable

Information on impact and rationale
EVALUATION PROCESS
ANNUAL EVALUATION

• Statute requires the Director to conduct an annual evaluation of each Enterprise regarding compliance with the Duty to Serve statute.

• Specifically, the Director shall... “evaluate such compliance and rate the performance of each Enterprise as to the extent of compliance.”

• Director shall include rating in Annual Housing Report
Step 1 • Quantitative assessment
• Compare performance to targets established in the Underserved Markets Plans
• Determines compliance or non-compliance

Step 2 • Qualitative assessment
• Assess the Enterprise’s actions on the needs of each underserved market
• Evaluates impact and implementation

Step 3 • Extra credit
• Upward adjustment for certain eligible activities

Rating • Final rating
• Does Not Comply, Complies/Needs Improvement, Complies/Acceptable Results, Complies/Excellent Results
STEP ONE: QUANTITATIVE ASSESSMENT

FHFA compares the Enterprise’s performance to its targets for each objective in its Plan to determine compliance with the Duty to Serve.

Assign a score to each objective
- Possible scores: 0-10
- Assign partial credit for incomplete objectives

Calculate market level scores
- Average scores for objectives in an underserved market
- Results in one score for each underserved market

Determine compliance
- Passing rating: underserved market score of 6.5 or above*
  * Beginning in 2022
STEP TWO: QUALITATIVE ASSESSMENT

FHFA evaluates the impact of each objective in a Plan to assess overall impact on liquidity in each underserved market.

Assign an impact score to each objective

- Possible scores: 10, 20, 30, 40, or 50
- Scores based on factors such as contribution to liquidity, level of difficulty, effectiveness of implementation

Calculate market level impact score

- Average impact scores for objectives in an underserved market
- Results in one score for each underserved market
- Greatest weight given to loan purchase and loan product objectives
STEP THREE: EXTRA CREDIT AND RATINGS

FHFA adjusts Step Two scores for eligible markets and then converts scores to ratings.

Adjust Step Two scores for extra credit where appropriate

Adjust scores upward by 5% where Enterprise has met criteria for eligible activities*

* Beginning in 2021

Convert scores to ratings

Ratings are:
- Does Not Comply
- Complies/Needs Improvement
- Complies/Acceptable Results
- Complies/Excellent Results
MORE INFORMATION
Visit the Duty to Serve Data page for interactive dashboards with loan purchase data.
OTHER RESOURCES

• **Duty to Serve webpage**

• **Duty to Serve Evaluation Guidance** – Detailed guidance on procedures the Enterprises follow in preparing Plans, the standard for FHFA Non-Objection to the Plans, and the annual evaluation process

• **Modified Plans** – Links to the Enterprises’ Plans and previous versions, including redline versions showing modifications made during the Plan cycle