Fannie Mae®

# Equitable Housing Finance Plan

2024

# 2024 AT A Glance

## Primary objectives:

Reduce up-front rental and homeownership costs and eliminate barriers related to insufficient credit.

Support long-term housing success for underserved borrowers and renters.

## What's new?

**Expanded counseling support** for near mortgage-ready homeowners.

**Created "first-generation homebuyer" definition** to enable mortgage industry to find new ways to address disparities in generational homeownership.

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# Introduction

Now in its third year, Fannie Mae's inaugural Equitable Housing Finance Plan has helped lay the foundation for a more equitable future for housing.

Through this Plan, Fannie Mae has touched hundreds of thousands of families in their housing journey. We've built new products, services, and processes (and replaced old ones). We have empowered consumers to improve their ability to buy, rent, and keep a home. We have tested innovative ways to lower up-front housing costs, address insufficient credit or the lack of access to credit, and improve housing stability through both financial and property resilience. We have worked with partners throughout the housing ecosystem to make our industry more responsive to the needs of an increasingly diverse country. In short, we have helped erect an infrastructure upon which a fundamentally fairer, more open, and more inclusive housing finance system is taking shape.

Along the way, our drive to create a more equitable housing finance system has become a central pillar of our long-term business strategy. While this Plan covers just three years, creating a more equitable housing system will take many more.

## BUILDING MOMENTUM

The Equitable Housing Finance Plan embodies Fannie Mae's commitment to housing equity. But that commitment extends beyond the Plan's actions to include all aspects of our Single-Family and Multifamily businesses. Here are some of the highlights from the last two years.

- Fannie Mae's Desktop Underwriter® (DU®), the leading automated underwriting system, continued to leverage data and technology to create a more inclusive way to assess mortgage eligibility and serve more creditworthy borrowers.
- More than 117,000 renters opting into our Positive Rental Payment Reporting Pilot improved their credit score.
- HomeView®, our award-winning homeownership education offering, began offering a Spanish-language credit-building course in 2022.
- Fannie Mae's Innovation Challenge winners are building new models to address generations-old housing disparities in communities from Emporia, VA, to Chicago and Baltimore.

How these and other actions drove meaningful progress is available in the 2023 Equitable Housing Finance Plan Performance Report.

## Housing affordability's harsh reality

For multiple reasons, housing affordability for all but the most well-off families is at its lowest ebb in memory. In the 15 years since the Great Recession, new housing construction has not kept pace with demand, and a host of systemic, economic, and policy barriers to significantly increasing the supply of housing remains. This, combined with a steep rise in mortgage interest rates, has made reasonably priced housing for both renting and homebuying unattainable in 2023 for most moderate-income families in nearly every major regional housing market in the United States. We expect these affordability constraints, even if they ease, to stay elevated in 2024.

Given these housing market conditions, the mortgage finance system's ability to soundly deliver meaningful impacts on homeownership and affordable rental rates for the families and individuals who are the focus of this Plan will remain limited in 2024.

The actions in this plan demonstrate Fannie Mae's long-term commitment to housing equity. When the housing market is able to deliver more affordable options, this Plan will have created the necessary long-term changes to facilitate financing for those who aspire to homeownership or ease the path of those who need quality, affordable rental housing.

## Updates for 2024

This 2024 Plan Update outlines the actions we are pursuing in the third year of the 2022 – 2024 Equitable Housing Finance Plan. Several of the actions described here are new, others have been changed to take into account market dynamics and lessons learned, while still others were completed or deemed unworkable. From its outset, the Plan was conceived as a living document, reflecting our readiness to find new ways to direct Fannie Mae's talents and resources, and as a test-and-learn undertaking that includes a willingness to fail.

The goal and ultimate outcome of the Plan has not changed: knocking down barriers that contribute to disparities in homeownership and access to affordable rental housing for people who have historically been underserved, ignored, or excluded by our country's housing and mortgage finance systems by virtue of their race, ethnicity, or other attribute.

**The Plan's Update for 2024 contains important changes, including:**

- Expanding counseling support for near mortgage-ready homeowners, recognizing that non-homeowner counseling is one of the most readily available tools to ultimately increase homeownership rates for historically underserved or formerly redlined communities.
- Creating a standard definition of "first-generation homebuyer" that Fannie Mae and other secondary conventional mortgage market participants can use to evaluate and develop potential use cases. Disparities in homeownership and wealth along racial and ethnic lines can be directly correlated to lack of generational homeownership, and developing a consensus definition of this category of potential homebuyer could allow the industry to understand and explore new ways of addressing these disparities.

This updated Plan contains the complete catalog of actions we are pursuing in 2024, including each action's goals and, where applicable, hoped-for outcomes. Finally, near the end of this Update, we also outline several issues and obstacles that we will research and explore in 2024 to inform potential actions in the next three-year Equitable Housing Finance Plan, covering the years 2025 to 2027.

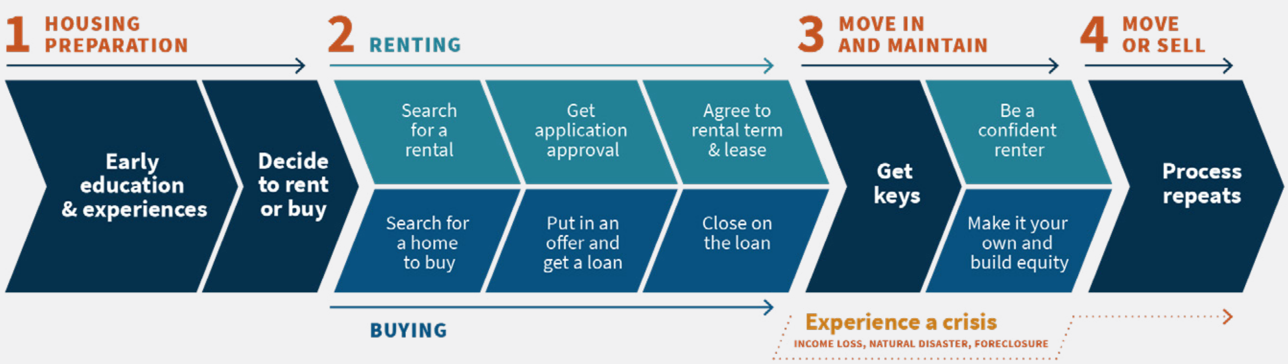
This Update should be read in conjunction with Fannie Mae's Equitable Housing Finance Plan Performance Report, which contains both narrative and data-driven results from our housing equity efforts in 2023.

# Our Actions

Solutions Rooted in the Consumer Housing Experience

**To refine our focus and prioritize our actions in this Plan, we developed a consumer-centric framework that spans all aspects of a consumer's housing lifecycle. We call this framework the consumer housing journey.**

## The Housing Journey




While there are four stages in the consumer journey, Fannie Mae's actions in this Plan focus on the first three:

**HOUSING PREPARATION:**

Helping consumers prepare early for sustainable homeownership and access to quality rental housing through establishing strong financial and credit foundations.

**RENTING OR BUYING:**

Removing unnecessary obstacles consumers face in shopping for, acquiring, renting, or financing a home.

**MOVE IN AND MAINTAIN:**

Improving the tools available for renters and homeowners to help them withstand disruptions or crises and remain stably housed.

For each stage of the consumer housing journey, Fannie Mae has sought to develop actions that could help to reduce or remove common barriers to accessing mortgage financing and long-term sustainable homeownership or rental housing for Black, Latino, and other historically underserved consumers. For every action, our focus has been on where Fannie Mae in particular can have the greatest potential, and scalable, impact.

While each person's individual housing journey has obstacles unique to them, historically underserved people and communities do, in fact, share common barriers to housing access. Indeed, Black and Latino people have long faced common systemic obstacles to accessing stable housing and homeownership, though they may experience these obstacles in different ways or at different times. Broadly, these common barriers include insufficient credit/access to credit, higher relative up-front housing costs, and challenges with financial resilience (including less access to generational wealth) and property durability.

In the following pages, we organize the actions of this Plan by the consumer housing journey stage.

# Housing Preparation

## ACTION

**Pilot rental payment reporting across the multifamily industry to help Black, Latino/Hispanic, and other underserved renters with thin or no credit history establish, maintain, and improve their credit scores**

Fannie Mae will extend the duration of a pilot project begun in 2022 to evaluate the effectiveness of reporting rental payment data to credit bureaus by multifamily property owners, expanding and accelerating the adoption of rental payment reporting programs across the multifamily industry. Fannie Mae will track the number of properties, units, and individuals adopting rental payment reporting, as well as the impact on credit scores of individuals participating. After having been extended for another year, the pilot is slated to conclude at the end of 2024, when Fannie Mae's subsidy of positive rent payment reporting for its multifamily borrowers will end. However, we believe this pilot has achieved its goal of demonstrating to the industry the benefits of reporting rent to credit bureaus for both consumers and property owners, and Fannie Mae will continue to promote positive rental payment reporting as a value-add service offering for renters after the pilot's conclusion.

### 2024 TARGETS AND MILESTONES

| | |
|---|---|
| Q1 Q2 Q3 | Increase adoption of rental payment reporting at Fannie Mae properties, including targeted outreach, as well as establish quantifiable goals. |
| Q3 Q4 | Evaluate adoption and impact metrics, and determine next steps for the program. |

## OUTCOME

**The pilot will increase the number of multifamily properties providing rental payment reporting nationwide, and demonstrate the effectiveness of rental payment reporting in improving the credit profiles of renters.**

## NEW ACTION

Expand support for housing counseling agencies to increase access to pre-purchase counseling

Housing counseling agencies (HCAs) play an important role as trusted advisors for renters, first-time homebuyers, and existing homeowners across their housing journeys. Representatives from several HCAs were integral to defining barriers in Fannie Mae's Consumer Housing Journey research. Many HCAs have continued to refine their approach to pre-purchase housing counseling, particularly for near mortgage-ready consumers, as a tool for increasing homeownership for historically underserved consumers. In 2024, Fannie Mae will launch an initiative that will provide support for housing counselor intermediary network(s) approved by the U.S. Department of Housing and Urban Development (HUD) to expand support for consumers seeking pre-purchase housing counseling and create a framework for measuring outcomes.

### 2024 TARGETS AND MILESTONES

| | |
|---|---|
| Q1 | Launch request for proposal (RFP) to housing counseling intermediary networks and agencies to develop a pre-purchase housing counseling initiative. This will include determining target markets and establishing RFP framework and criteria. |
| Q2 | Establish and define metrics and desired outcomes. |
| Q3 | Determine process and channel for reporting housing counseling metrics. |
| Q4 | Select and execute with HCAs in select markets. Finalize reporting metrics and outcomes for homebuyers receiving counseling services. |

## OUTCOME

By the end of 2024, we will have onboarded at least one housing counseling agency vendor.

## ACTION

Expand financial capabilities coaching to build credit, savings, and financial resiliency in select markets

Fannie Mae has partnered with the Local Initiatives Support Corporation (LISC) to help consumers build credit and savings. LISC supports local Financial Opportunity Center® (FOC) partners that provide financial coaching and other services to improve clients' financial capabilities. While FOC partners do not specifically focus on housing with clients, they support the foundational financial capability development, including establishing and building credit and savings, which is critical for stable homeownership and renting.

### 2024 TARGETS AND MILESTONES

In 2024, the LISC partnership will focus on supporting LISC's FOC partners in the initial target markets of Chicago, Detroit, Houston, Philadelphia, and the Twin Cities. In addition, LISC will explore implementing the tracking of housing cost burden for FOCs participating within focus markets to collaborate and better define housing stability metrics.

| | |
|---|---|
| Q1 Q2 | Serve 750 participants through FOC services. |
| Q3 Q4 | Serve 750 participants for a total of 1,500 participants through FOC services. |

## OUTCOME

Provide 1,500 participants with financial coaching through FOC services, and track clients' increase in savings, credit scores, and the establishment of credit scores for those with no prior credit history.

# ACTION

Innovation Challenge: Support the implementation of a positive rent reporting program for renters in affordable housing to help them establish and/or improve credit using on-site financial coaching programs at rental properties

The Community Builders (TCB), a mission-driven, nonprofit real estate developer and manager of affordable rental properties, is helping residents at nine of its rental properties in Chicago, Detroit, and Richmond establish or repair credit by implementing on-time rent payment reporting to credit bureaus. In addition, TCB offers two optional programs for residents that complement the rent reporting program: financial coaching with an on-site Community Life Coach and HUD's Family Self-Sufficiency Program to help establish bank accounts and build savings through earned income. As with each of Fannie Mae's 2022 Innovation Challenge projects, the goal is to support and learn from local approaches to addressing housing inequities and assess the potential to scale that approach to other communities.

## 2024 TARGETS AND MILESTONES

With this action well underway, TCB in 2024 is focused on providing more detailed reporting on outcomes, which will culminate in a year-end study on the effectiveness of the project's different components.

**Q1** TCB will report on the number of families enrolled in HUD Family Self-Sufficiency Program by providing the number of participants with bank account enrollments and average savings.

**Q2** TCB will report on the number of one-on-one coaching sessions and the number of referrals to community partners for financial services and early childhood education programs. It will also provide aggregated data for the number of attendees and types of program activities hosted at their locations.

**Q3** TCB will report the number of residents who have received down payment assistance or other forms of financial assistance for the rental or purchase of a home. It will also provide the number of units/homes they produced (rental and homes for purchase).

**Q4** TCB will provide an outcome study and final report for Family Self-Sufficiency Program services, coaching, credit-building, and banking and savings accounts established.

# OUTCOME

By the end of 2024, TCB will provide a final report that includes an outcome study for HUD Family Self-Sufficiency services, coaching, credit-building, and banking and savings accounts established. TCB will continue to expand the availability of positive rent payment reporting and one-on-one financial coaching, including for those who have received down payment assistance or other forms of financial subsidy to assist with the rental or purchase of a home. A key factor in this expansion will be TCB's ability to operationalize these services at properties it does not directly own or manage.

# ACTION

Innovation Challenge: Support the expansion of comprehensive financial coaching and HUD-approved counseling, and planning for development of affordable housing in rural Virginia

The Emporia Pathways project, led by the Southside Community Development & Housing Corporation (Southside) of Richmond, VA, will spur the development of healthy, thriving, sustainable communities in underserved, predominantly Black rural neighborhoods by developing single-family and multifamily housing while expanding HUD-approved financial counseling and employment coaching. The project will also develop four affordable modular homes for sale to buyers in Southside's housing counseling pipeline and continue work on a 52-unit multifamily affordable housing project. As with each of Fannie Mae's 2022 Innovation Challenge projects, the goal is to support and learn from local approaches to addressing housing inequities and assess the potential to scale that approach to other communities.

## 2024 TARGETS AND MILESTONES

**Q1** Southside will complete the development and sell four modular homes to buyers at an affordable price, working with buyers to secure down payment assistance. For the 52-unit affordable rental housing project, Southside will provide award letters for predevelopment funding sources secured for the project, to be completed in 2025.

**Q2** Southside will provide a first draft of its *Financial Model for Rural Affordable Housing* document and the first phase of a guidebook, *Advancing Affordable Housing Development in Under-Resourced, Majority-Black Rural Localities*, which will include a housing market study, research findings, results from community outreach and engagement, and results from the first four homes. This financial model and guidebook are intended to provide information to other rural areas seeking to improve housing opportunities for their communities.

**Q3**

Southside will provide a final draft for a detailed *Financial Model for Rural Affordable Housing Development* document, which will include information on how different funding sources interact to ensure adequate construction and permanent financing.

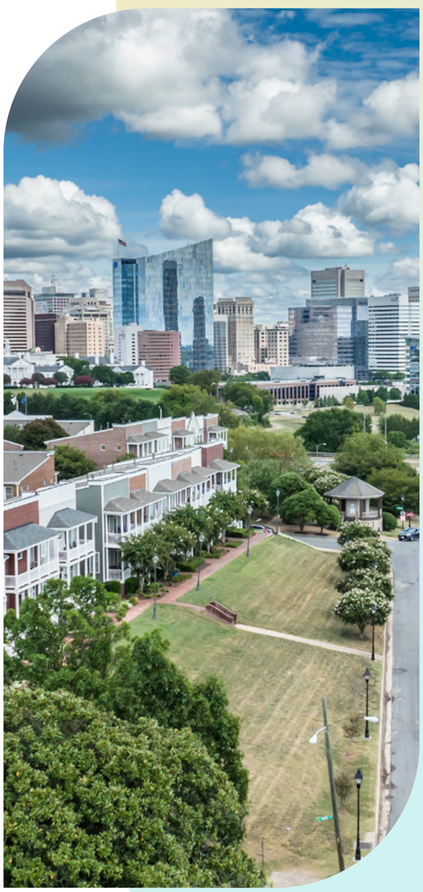
**Q4**

Southside will provide the final draft of the *Rural Development Guidebook* and the results from the presentation at the Annual Virginia Governor's Housing Conference. They will provide the final results, outcomes, and metrics of the clients who received HUD-approved rental counseling, credit counseling, prepurchase counseling, post-purchase counseling, and foreclosure prevention counseling and/or bundled comprehensive financial coaching services. Southside expects to break ground on the multifamily project in 2024. They will also provide planning and predevelopment work for additional sites that Southside acquires — up to 10 existing homes and vacant lots.

## OUTCOME

Southside will have provided occupancy details for the four modular homes for sale and expects to have broken ground for the 52-unit multifamily project by the end of the third quarter 2024, anticipating the availability for rent in Spring 2025. At least 150 clients will be provided with bundled HUD-approved counseling and financial services, including workforce development, employment placement, comprehensive financial coaching, and assistance to Emporia residents. Southside will have completed and disseminated its guidebook, *Advancing Affordable Housing Development,* and created its *Financial Model* resource.

# Renting or Buying



# ACTION

**Improve access to credit for borrowers with insufficient credit histories through an automated underwriting enhancement that considers a borrower's positive rent payment history as part of the credit risk assessment**

With the positive rent payment history enhancement in Desktop Underwriter (DU), Fannie Mae seeks to increase access to credit for first-time homebuyers. We will continue to expand adoption and usage of the positive rent payment history enhancement in DU by further driving adoption of the technical enhancement among lenders, vendors, and other key constituents to ensure broad availability for borrowers. Since launching the enhancement, we expanded adoption through direct lender and vendor engagement, paid digital media outreach, earned and owned media, webinars, conferences, and partner and affinity marketing.

## 2024 TARGETS AND MILESTONES

Utilization of this enhancement is primarily dependent upon mortgage lenders adopting and deploying this service. Nevertheless, since its inception in 2021, positive rent payment history enhancement in DU has become, and will remain, a standardized part of automated underwriting for hundreds of lenders seeking to serve first-time homebuyers. In March 2024, nearly 90% of Fannie Mae's largest DU lenders[1] had used positive rental payment history in the last 30 days to help assess first-time homebuyer eligibility for a conventional loan. In 2024, our focus will be continued lender outreach and increased adoption of the positive rent payment history enhancement so that more consumers with insufficient traditional credit histories have opportunities to own a home for the first time.

# OUTCOME

**We will measure the number of lenders using positive rent payment history in DU. Adoption and usage in mortgage applications from historically underserved consumers, including Black and Latino consumers, will be a key metric of success.**

1 Lenders who submitted at least 1,250 conventional purchase applications through DU in the last 30 days.

## ACTION

Enhance use of cash-flow assessment in automated underwriting for borrowers with insufficient credit histories

With automated underwriting enhancements in Desktop Underwriter (DU) that use bank statement data to assess or consider a borrower's monthly cash flow over a 12-month period, lenders have the ability provide access to mortgage credit for borrowers without a credit score. A cash-flow assessment in DU uses borrower-permissioned data to review transaction patterns, balance trends, and other observations over time in checking, savings, and investment accounts to make a prediction about an applicant's creditworthiness and ability to make a monthly mortgage payment. This enhancement simplifies the underwriting process by providing an automated option for lenders to document alternative sources of data used in automated underwriting.

### 2024 TARGETS AND MILESTONES

Utilization of this enhancement is primarily dependent upon mortgage lenders opting and deploying this service. Cash-flow assessment in DU was launched in 2022 as a permanent feature of DU, available to all Fannie Mae lenders. We expect its utilization to grow over time, particularly as more lenders adopt new technology tools and housing affordability improves. In 2024, our focus will be continued lender outreach and increased adoption of cash-flow assessment.

## OUTCOME

We will measure the number of lenders using cash-flow assessment in DU. Adoption and usage in mortgage applications from historically underserved consumers, including Black and Latino consumers, will be a key metric of success.

# ACTION

**Support efforts to expand equitable homeownership through mortgage products with down payment and/or closing cost assistance, and make it easier for lenders to create and adopt them**

Fannie Mae's HomeReady® First mortgage offers flexibilities such as down payment assistance, expanded income-level eligibility, and reduced closing costs. HomeReady First began as a special purpose credit program (SPCP) pilot in 2022 for any borrower residing in majority Black census tracts in six metropolitan statistical areas (MSAs) — Atlanta, Baltimore, Chicago, Detroit, Memphis, and Philadelphia. In January 2024, Fannie Mae added majority Latino, majority Black, and majority combined Black and Latino census tracts in 15 additional MSAs: Cleveland; St. Louis; Miami-Fort Lauderdale; McAllen, TX; San Antonio; Dallas; Brownsville-Harlingen, TX; Phoenix; Riverside-San Bernardino, CA; Houston; New York-Newark-Jersey City; Washington, D.C.; Oklahoma City; Orlando, FL; and Tampa-St Petersburg, FL. HomeReady First is now available in about 10,000 census tracts.

Fannie Mae in 2024 will work to expand lender engagement and participation in HomeReady First in these new markets and will test approaches to increase awareness of HomeReady First, including proactive marketing outreach in key markets. We also continue to work to streamline the reporting and technology needs for lenders to make it easier to identify eligible borrowers and underwrite SPCPs.

Interest in HomeReady First and lender-sponsored SPCP programs continues to grow within the mortgage industry, and we expect consumer awareness of their availability to increase, as well. However, a variety of factors beyond Fannie Mae's control strongly influence the ability of borrowers to take advantage of them, including housing and credit market conditions that have made homeownership less affordable for more would-be borrowers.

Nevertheless, Fannie Mae is committed to working with lenders and other industry stakeholders to support the broad, sustainable, and safe availability of SPCP efforts wherever possible through a three-pronged approach, which includes expanding HomeReady First, acquiring lender-sponsored SPCPs that are consistent with our guidelines, and supporting equity-focused down payment and closing cost assistance mortgage programs created by local or state entities, including state housing finance agencies.

## 2024 TARGETS AND MILESTONES

**Q1**

Make HomeReady First available in 15 additional markets and launch consumer and lender awareness campaigns in targeted markets.

**Q1 Q2 Q3 Q4**

In each quarter, Fannie Mae will drive lender effectiveness through engagement, technology, and expanded marketing materials that support community outreach and borrower education. This will include:

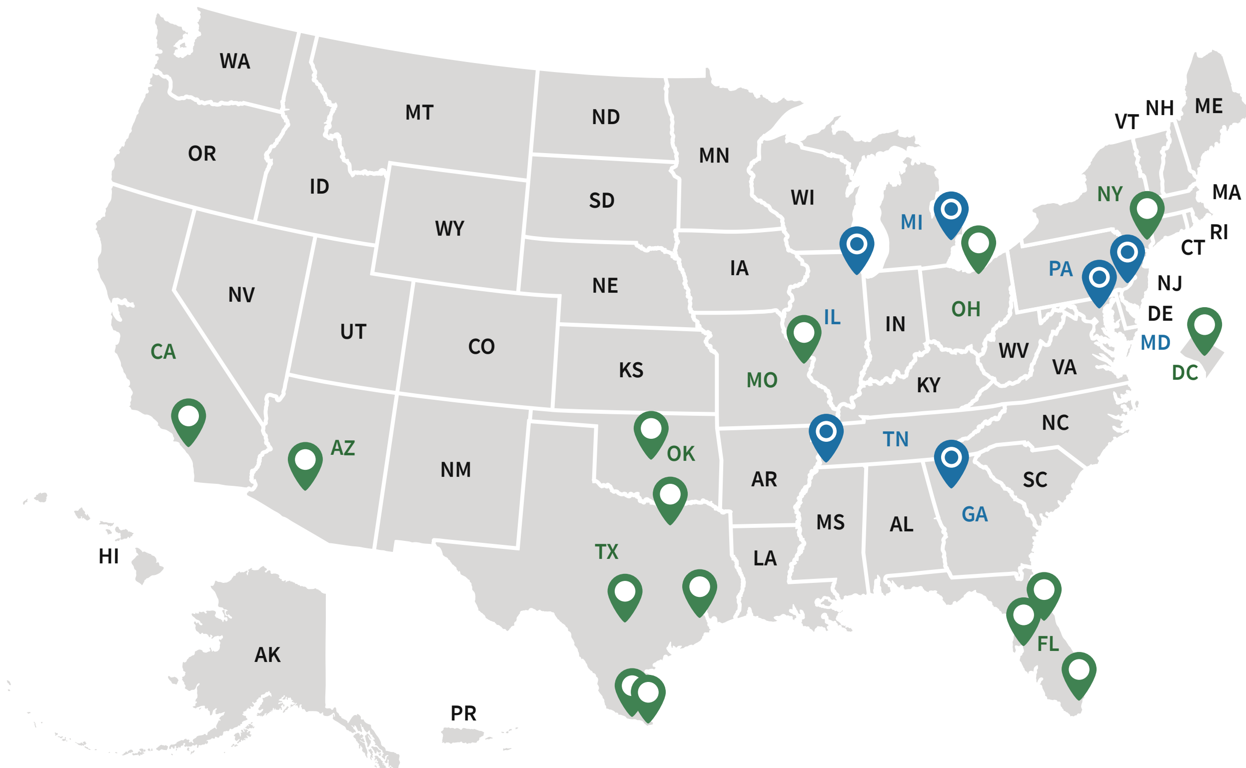
- Working with industry partners to evaluate opportunities to align on an approach that drives simplicity for the industry and promotes best practices for SPCPs.
- Increasing HomeReady First mortgages by expanding the number of participating lenders and testing the effectiveness of the HomeReady First marketing outreach, including, but not limited to, lenders, community organizations, and consumers.
- Exploring ways to provide liquidity to lender-sponsored SPCPs and supporting equity-focused down payment and closing cost assistance programs created by local or state entities, including state housing finance agencies.
- Continuing to explore ways to help first-time homeowners overcome homeownership barriers identified in the Consumer Housing Journeys.

## OUTCOME

This action seeks to help narrow homeownership gaps in majority Black and Latino communities by enabling sustainable, durable loan products that help creditworthy first-time homebuyers from historically underserved communities overcome up-front cost barriers to homeownership. For this reason, our focus has been on serving borrowers from historically underserved communities and, for HomeReady First, directing the most financial benefit possible to help members of these communities achieve homeownership. Given this focus, we expect that as much as 65% of the HomeReady First loans we acquire will be to borrowers who identify as a member of a minority group. Moreover, we expect the expanded geographic availability of HomeReady First, combined with greater availability of lender-sponsored SPCPs, will lead to increased SPCP acquisitions by Fannie Mae in 2024. Subject to market conditions beyond our control, we expect to acquire between 7,000 and 10,000 combined HomeReady First loans, lender-sponsored SPCP loans, and equity-focused mortgages originated by housing finance agencies in 2024.

## HOMEREADY FIRST MARKET EXPANSION

We have expanded availability of HomeReady First mortgages to an additional 15 markets, for a total of 21, with a focus on census tracts with majority Black, majority Latino, or majority Black and Latino populations.




### Existing Markets (~2,600 CTs)

Atlanta-Sandy Springs-Roswell, GA
Baltimore-Columbia-Towson, MD
Chicago-Naperville-Elgin, IL-IN
Detroit-Warren-Dearborn, MI
Memphis, TN-MS-AR
Philadelphia-Camden-Wilmington, PA-NJ-DE-MD

### New Markets (~7,300 CTs)

Brownsville-Harlingen, TX
Cleveland, OH
Dallas-Fort Worth-Arlington, TX
Houston-Pasadena-The Woodlands, TX
McAllen-Edinburg-Mission, TX
Miami-Fort Lauderdale-West Palm Beach, FL
New York-Newark-Jersey City, NY-NJ
Oklahoma City, OK
Orlando-Kissimmee-Sanford, FL
Phoenix-Mesa-Chandler, AZ
Riverside-San Bernardino-Ontario, CA
San Antonio-New Braunfels, TX
St. Louis, MO-IL
Tampa-St. Petersburg-Clearwater, FL
Washington-Arlington-Alexandria, DC-VA-MD-WV

# ACTION

**Close the knowledge gap for Black and Latino consumer audiences with targeted outreach and expanded homeownership curriculum to create more confident consumers along the housing journey**

Fannie Mae consumer research suggests that lack of familiarity with the homebuying and mortgage process holds consumers back from taking steps toward homeownership. This dynamic is pronounced among Black and Latino consumers, more than half of whom state they are not sure how to start the process. Many of these consumers perceive the barriers as insurmountable, even when they can be overcome. For instance, in a recent survey, as many as 58% of consumers assumed that a 20% down payment is required to buy a home, even though first-time homebuyer mortgages are readily available with far lower down payment requirements. We believe Fannie Mae is well-positioned to help these consumers get the facts: 70% of Black and Latino consumers we surveyed would prefer to receive information from a company such as Fannie Mae. Expanding awareness of key topics to help people prepare to buy a home, and keep it, is a focal point for Fannie Mae's housing equity strategy. We will work to prepare more consumers for homeownership and help people keep their homes by:

- Closing the knowledge gap and ensuring that accurate information on Fannie Mae products, policies, and programs reach Black and Latino people to increase confidence in taking the next step.
- Launching new HomeView early education curriculum to increase the number of people registered in HomeView.

## 2024 TARGETS AND MILESTONES

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|---|---|
| Q1 | Fannie Mae will continue proactive marketing outreach to key audiences to drive awareness of new curriculum offerings, such as new Spanish-language credit course complementing HomeView en Español. |
| Q2 | Continue proactive marketing outreach to key audiences. |
| Q3 Q4 | Enhance and expand educational content aligned to key known barriers, including early homebuyer education courses in English and Spanish; monitor channels and content for reach and efficiency and set targets. |

# OUTCOME

**Through enhanced education curriculum and marketing outreach, more consumers will be knowledgeable about and prepared for homeownership. We aim to deliver at least 200,000 certifications via the HomeView course by end of year; engage 18.5 million diverse consumers, including renters, potential borrowers, and/or homeowners; and drive 460,000 visitors to Fannie Mae's consumer website.**

# NEW ACTION

Develop and publish a definition of "first-generation homebuyer" for broad use by mortgage market participants

Wealth disparities among historically underserved consumers are often linked to the absence — or interruption — of intergenerational wealth accumulation that is primarily achieved through homeownership. This lack of intergenerational wealth through homeownership also contributes significantly to the perpetuation of wealth disparities nationwide — a divide that often, but not always, is most prominent in Black families, Latino families, and other underserved households. Several state and local housing finance agencies are developing or have launched programs for first-generation homeownership. These programs aim to foster more equitable homeownership outcomes not only for Black and Latino first-time homebuyers, but for all consumers similarly situated. Fannie Mae will work with Freddie Mac and other secondary and primary mortgage market participants to publish a definition of "first-generation homebuyer" that can be used by stakeholders in the conventional mortgage market.[2] This common definition can be used to support business initiatives designed to serve first-generation homebuyers. These initiatives could potentially include providing liquidity to scale first-generation programs that help historically underserved consumers, particularly those lacking homeownership-driven family wealth, achieve homeownership.

## 2024 TARGETS AND MILESTONES

Q1 Q2 — Both government-sponsored enterprises (GSEs) will jointly publish a new first-generation homebuyer definition for use by housing industry stakeholders.

Q2 Q3 Q4 — Fannie Mae will work with housing industry stakeholders to facilitate a collaborative effort that drives future adoption and use of a GSE first-generation definition within existing and new market-developed programs, and will monitor and analyze the industry adoption and engagement in order to identify potential opportunities.

## OUTCOME

Fannie Mae will collaborate with housing industry stakeholders to facilitate future adoption of a GSE first-generation homebuyer definition and assess how Fannie Mae can increase liquidity for first-generation homebuyer programs.

2 A draft of this definition can be found in the Appendix.

# ACTION

Leverage the value derived from labeled Single-Family Social Mortgage-Backed Securities issuance to promote access to credit and borrowing cost reduction for underserved borrowers

In 2022, Fannie Mae began disclosing a Social Criteria Share and Social Density Score for issued mortgage-backed securities (MBS) pools — what we call Social Index disclosures. These two measures indicate the degree of concentration of loans within each pool featuring criteria consistent with our affordable housing mission, or housing equity strategy, and Duty to Serve Plan. In 2024, we intend to build on our success by evolving the disclosure, re-naming the Social Index to "Mission Index," establishing a Social Bond Framework to enable the issuance of labeled Social MBS. We plan to allocate proceeds from the Social MBS in support of lender incentives for delivering Mission loans and increased funding for targeted Duty to Serve and Equitable Housing Finance Plan programs. As the MBS investment community adopts these updated disclosures and issuance framework, we will test mechanisms to gauge the extent to which the benefit derived from issuance and sales of Social MBS is efficiently deployed to improve access to credit and reduce costs for borrowers. We hope to accomplish this by increasing awareness among investors and lenders of the value and availability of Social MBS, by incentivizing lenders to deliver more loans that meet Mission Index criteria, and by increasing the availability and liquidity of loans that can be added to high Mission Index Social MBS pools, all while preserving the liquidity and dependability of the TBA market.

## 2024 TARGETS AND MILESTONES

### Explore a benchmark Social Bond issuance program

Q1 — Fannie Mae will announce Social Bond Framework and Mission Index disclosure evolution in January.

Q2 Q3 Q4 — In the last three quarters of the year, Fannie will inaugurate Social MBS issuance and begin documenting incremental pay-up revenue. Incremental revenue trends measured in 2024 will form the basis of Social Bond-issuance revenue targets in future years. Fannie Mae intends to use these incremental revenues to support Duty to Serve and Equitable Housing Finance Plan programs.

### Promote investor support

Q1 — Fannie Mae will conduct investor outreach and education.

Q1 Q2 Q3 Q4 — Fannie Mae will enhance the suite of impact reporting and work with analytics vendors to improve prepayment modeling for Social MBS.

### Promote lender focus

Q2

Fannie Mae will deploy loan-level specified pay-up capability and provide real-time loan-level Mission Index scores in Desktop Underwriter and Loan Delivery, a web-based application through which lenders submit loans to Fannie Mae for whole loan sale and MBS pools. Lastly, we will provide dynamic labeling of eligible Social MBS pools.

## OUTCOME

Lenders will have a clear mechanism for realizing value for originating and underwriting loans with high Mission Index scores, and investors will be able to better determine how purchases of Social MBS provide benefits to underserved borrowers. Our 2024 goal is between five and 10 lenders issuing Social Bond-labeled MBS pools, and between $3 billion and $5 billion Social Bond-labeled MBS issuance by Fannie Mae.

## ACTION

Research options to defray and/or decrease the cost of renter security deposits to help historically underserved renters qualify for quality rental housing and increase savings

Security deposits present a major barrier for renters' ability to obtain rental housing, and the inability to afford a security deposit can have multiple ripple effects on housing stability over time. Fannie Mae has embarked on a three-year research study to analyze the impact to renters and property operations when a security deposit is not collected by the property owner. At these properties, security deposits will be returned or adjusted toward future rent for current renters who opt in, and they will not be required for future renters. The study will involve approximately 100 affordable properties across the United States (15,000 units) that serve predominantly Black and Latino communities. New York University's Furman Center will conduct the study, which will examine the effects of not collecting security deposits on both renter behavior and property performance.

### 2024 TARGETS AND MILESTONES

Q1 Q2 Q3 Q4 — Continue Fannie Mae's Affordable Housing Security Deposit Research Study and evaluate first -year results.

## OUTCOME

Our goal is to understand the viability and effectiveness of security deposit reduction, particularly as it relates to the potential beneficial impact for historically underserved consumers, including Black and Latino renters, and to explore potential use cases for multifamily borrowers.

## ACTION

Reduce closing costs for consumers to help remove the barrier of lack of sufficient up-front funds needed to purchase a home, including down payments

Fannie Mae continues to identify opportunities to alleviate the high relative closing cost burden for low-income consumers, a disproportionate number of whom are Black and/or Latino. We are engaging with industry partners and providers to develop solutions aimed at reducing title insurance and/or settlement costs, and are focused on making the availability of consumer savings opportunities permanent features of our *Selling Guide*. In April 2022, we updated the guide to permit lenders to obtain either a lender's title insurance policy or, in some circumstances, an attorney opinion letter (AOL). In 2023, Fannie Mae updated the *Selling Guide* to expand loan eligibility for AOLs to allow usage on condos and properties with restrictive covenants (those with homeowners associations and planned unit developments). Fannie Mae believes AOLs can reduce closing costs for borrowers while responsibly managing risk for Fannie Mae. Fannie Mae has a quality control program that has reviewed a majority of the AOL loans delivered to us, with no known defects to date. The other main component of this action, the real estate owned (REO) closing cost concession, has benefited borrowers in an amount exceeding $3.1 million to date. We will continue to promote the availability of the REO closing cost concession to improve outcomes for low- and moderate-income homebuyers of our REO.

### 2024 TARGETS AND MILESTONES

In 2024, Fannie Mae will continue to work closely with title industry stakeholders to research programs to lower closing costs for low- and moderate-income and historically underserved borrowers. We will continue to monitor the borrower savings associated with AOLs and the status of title on those loans while exploring other partnerships within the title industry to reduce the cost of traditional title and escrow services.

**Q1 Q2** Continue research, design, and development activities.

**Q3** Research and identify viable solutions to lower borrower closing costs.

**Q4** Collect data and feedback from all programs to determine success metrics and potential refinements.

## OUTCOME

Continue to reduce closing costs through REO buyer concessions and measure their impact within historically underserved communities. In addition, continue to explore holistic solutions with industry stakeholders to reduce the up-front cost burden associated with purchasing a home in a safe and sound manner without increasing risk to borrowers. Success will be evaluated based on the number of borrowers who benefit and the estimated average savings for each of these borrowers.

# ACTION

Valuation modernization to support an equitable appraisal process for historically underserved consumers and communities

Valuation modernization is an important component of a more equitable appraisal process for historically underserved consumers and communities. Fannie Mae believes there is a way to modernize how homes are appraised. Fannie Mae's 2024 Valuation Modernization Plan incorporates data analysis, technology, quality control, industry and consumer advocate engagements, and policy to modernize the appraisal process to reduce costs and the potential for appraisal bias. Several of its cost-savings initiatives are permanent features of our *Selling Guide*, such as value acceptance (appraisal waivers) and value acceptance + property data, and their utilization has grown as more lenders adopt the technology and data features that are at the heart of this action.

## 2024 TARGETS AND MILESTONES

Our focus will continue to be on data analysis, technology, quality control, industry engagement, and policy. In 2024, we will also continue to explore ways to expand the pool of loans eligible for appraisal alternatives so that more homebuyers, particularly those who cannot afford a large down payment, are able to access the cost savings associated with valuation modernization. Further, we continue to explore ways to make appraisal alternatives more efficient from an operational perspective for lenders.

Q1 Q2 Q3 Q4

**Data analysis, technology, and quality control (QC).** We will continue to analyze appraisal bias patterns using a combination of subjective terminology and misvaluation indicators, and monitor for misvaluation through loan-level reporting that evaluates undervaluation and overvaluation data trends. We will apply lessons learned to our QC process for evaluating the quality of appraisals. In addition, we will continue research and development of a more efficient appraisal text scanning process as well as increased frequency of monitoring in 2024.

**Industry engagement.** We will engage industry stakeholders in appraisal management roles to share information about appraisal bias challenges and potential solutions, raising awareness of research results, new products, and technology enhancements at a minimum of 12 industry forums throughout 2024.

**Policy.** In 2024, we will focus on building out appraisal alternatives and expanding their availability. This includes increasing the availability of value acceptance (appraisal waivers) and value acceptance + property data, an option that allows lenders to forgo an appraisal if they provide interior and exterior property data collection to verify property eligibility prior to the note date. As we build out these appraisal alternatives, we will continue to monitor their utilization in loans to Black and Latino borrowers.

# OUTCOME

Fannie Mae will track reductions in appraisal costs that result from these efforts, analyze loans by valuation product type, and append protected class data to understand how the shift from traditional appraisals to alternative appraisals affects consumers. We will also track instances of subjective terminology and take steps to reduce its use. Lastly, we will continue to monitor frequency of undervaluation flags to determine trends and impacts.

## ACTION

Expand Appraiser Diversity Initiative to attract new entrants to the residential appraisal field and reduce barriers to entry

The Appraiser Diversity Initiative® (ADI) is a Fannie Mae-led initiative to create greater diversity within the housing appraisal industry. By removing barriers to entry, such as access to education, training, and experience requirements, ADI seeks to create a more diverse appraiser workforce and reduce the potential for appraisal bias affecting Black and Latino homeowners. ADI builds awareness of the appraisal field as a potential career path for candidates from historically underrepresented groups, such as Black and Latino people, and provides scholarships for selected individuals to participate in courses offered by the Appraisal Institute. These courses are designed to satisfy qualifying education requirements to become a real estate appraiser set by The Appraisal Foundation and Appraiser Qualifications Board. In addition to the coursework, ADI offers industry conference reimbursement to foster connections between aspiring appraisers and local appraiser networks. ADI eligibility is not limited by race, ethnicity, or other protected status.

### 2024 TARGETS AND MILESTONES

Q1 Q2 Q3 Q4

Fannie Mae will focus on expanding the number of Black and Latino participants in ADI through at least 200 new scholarships, eight or more recruiting events, and by adding at least five new industry sponsors.

## OUTCOME

ADI will attract and support new entrants to the residential appraisal field by awarding 200 scholarships and five new industry sponsors, with the goal of reducing barriers to entry and diversifying the appraiser workforce.

## ACTION

Expand Future Housing Leaders® (FHL) to increase the representation of Black and Latino people in the housing industry to improve access to economic opportunities while creating an industry that better reflects the diversity of the nation

FHL is a free, Fannie Mae-led service that helps companies encourage wider representation within the housing industry workforce. Through casting a wide recruiting net, building relationships with colleges and universities with richly diverse student bodies, and offering learning and development opportunities, FHL builds awareness of, enthusiasm for, and interest in careers in the housing and real estate finance industry. FHL program eligibility is not limited by race, ethnicity, or other protected status.

Multifamily borrowers, including those who own properties in high-cost markets, have expressed increasing interest in utilizing SDW as part of their financing strategy. While market utilization of products such as SDW is highly dependent on market conditions, Fannie Mae has committed to making SDW a permanent product offering. We will continue to engage investors, borrowers, servicers, and lenders to promote, refine, and improve the SDW program to increase the number of affordable workforce units preserved through the program, inclusive of communities that are historically underserved.

### 2024 TARGETS AND MILESTONES

**Q1** Fannie Mae will establish a framework and plan to successfully meet the expanded FHL 2024 targets and commitments and promote awareness of 2024 summer internship opportunities through targeted campaigns.

**Q2** Finalize 2024 summer program and curriculum; finalize employer partners and FHL participants. Fannie Mae will create an FHL alumni network and begin engagement and education efforts in select markets.

**Q3** Commence summer internships and FHL summer program.

**Q4** Assess participation in alumni network as a means to determine the career progression of former FHL participants currently working in the housing finance industry.

## OUTCOME

Fannie Mae will enroll 250 early career individuals from diverse backgrounds to participate in FHL education offerings, including the FHL summer program, FHL Next Up, Fannie Mae DUS® Lender Trainings, and strategic partners talent network. We will secure partnerships with 20 new industry employers and establish an FHL alumni network.

## ACTION

**Continue to advance Sponsor-Dedicated Workforce, a Fannie Mae Multifamily loan incentive initiative for use by multifamily borrowers and lenders**

Sponsor-Dedicated Workforce (SDW) offers a private financing mechanism, utilizing pricing and underwriting incentives, to create and preserve workforce housing and is designed to increase the availability of affordable housing supply. This initiative is designed for conventional multifamily borrowers. A borrower elects to restrict the rents on a minimum of 20% of the units at levels affordable to tenants at 80% of Area Median Income (AMI) (and up to 100% AMI and 120% AMI in cost- and very cost-burdened markets, respectively, as defined annually by FHFA). These rent restrictions maintain workforce affordability for the life of the loan. The initiative formally launched in 2023.

Multifamily borrowers, including those who own properties in high-cost markets, have expressed increasing interest in utilizing SDW as part of their financing strategy. While market utilization of products such as SDW is highly dependent on market conditions, Fannie Mae has committed to making SDW a permanent product offering. We will continue to engage investors, borrowers, servicers, and lenders to promote, refine, and improve the SDW program to increase the number of affordable workforce units preserved through the program, inclusive of communities that are historically underserved.

### 2024 TARGETS AND MILESTONES

**Q1** Fannie Mae will provide internal and external SDW trainings and updated 2024 documentation online.

**Q2** Monitor SDW adoption and consider suggestions for enhancements, identify priority deals, and refresh deal use cases that demonstrate SDW's ability to preserve or create affordable housing in communities with a plurality of Black and Latino households.

**Q3** Enhance the SDW program, as necessary, and identify priority deals.

**Q4** Continue to aggregate and prioritize program enhancements, assess adoption, and develop strategy for 2025.

## OUTCOME

**Fannie Mae will measure borrower adoption of SDW and the number of affordable rental units preserved in historically underserved communities.**

# ACTION

**Continue to advance Sponsor-Initiated Affordability (SIA), a Fannie Mae Multifamily loan incentive initiative for use by multifamily borrowers and lenders**

SIA offers a private financing mechanism, utilizing pricing and underwriting incentives, to create and preserve affordable housing and is designed to increase the availability of affordable housing supply. This initiative is used by Multifamily Affordable Housing (MAH) and Social Impact borrowers. A borrower elects to restrict a minimum of 20% of the units at 80% AMI or less, as adjusted for family size, and rent cannot exceed 30% of adjusted AMI for unit size. These rent and income restrictions maintain affordability for the life of the loan and address the lack of affordable supply of rental housing.

The SIA program was launched in 2021. Multifamily borrowers have expressed interest in utilizing SIA as part of their financing strategy. While market utilization of products such as SIA is dependent on market conditions — for instance, SIA volume fell in 2023 from 2022 due to interest rate volatility — Fannie Mae has committed to making SIA a permanent product offering. We will continue to engage investors, borrowers, servicers, and lenders to promote, refine, and improve the SIA program to increase the number of units whose affordability is preserved through the program, inclusive of communities that are historically underserved.

## 2024 TARGETS AND MILESTONES

**Q1** In conjunction with SDW training, Fannie Mae will provide internal and external SIA refresher trainings and updated 2024 documentation online.

**Q2** Monitor SIA adoption and consider suggestions for enhancements, identify priority deals, and refresh deal use cases to reflect any wins that emphasize properties in communities with a plurality of Black and Latino households.

**Q3** Enhance the SIA program, as necessary, and identify priority deals.

**Q4** Continue to aggregate and prioritize program enhancements, assess adoption, and develop strategy for 2025.

# OUTCOME

**Fannie Mae will measure borrower adoption of SIA and the number of affordable rental units preserved in historically underserved communities.**

# ACTION

Innovation Challenge: Support the revitalization and expansion of housing opportunities in a historically Black neighborhood through rehabilitation and infill housing

ReBUILD Metro leverages a community-driven redevelopment model to work with community leaders in Baltimore's Johnston Square neighborhood (a historically Black neighborhood) to renovate abandoned or dilapidated properties, convert vacant lots into affordable rental housing units, prepare Black first-time homebuyers to purchase redeveloped properties, and cultivate programs to help long-time residents make major home repairs. As with each of Fannie Mae's 2022 Innovation Challenge projects, the goal is to support and learn from local approaches to addressing housing inequities and assess the potential to scale that approach to other communities.

## 2024 TARGETS AND MILESTONES

ReBUILD Metro will continue to engage with Johnston Square residents and community leaders for feedback on redevelopment designs; help educate and prepare potential first-time homebuyers through its Path to Own Program (financial education and coaching program); and continue the stabilization of vacant/abandoned properties and development of affordable rental housing units. To help preserve the affordability of new units, ReBUILD will use a 40-year deed restriction. Fannie Mae will track the progress of stabilization and renovations for vacant/abandoned properties, progress on the development of new affordable rental housing units, and participant enrollment for the Path to Own Program implemented in Johnston Square.

**Q1** ReBUILD will stabilize 10 dilapidated homes and continue the stabilization process for an additional 15 to reduce hazards and prevent further deterioration. The homes will be renovated post-stabilization and sold as affordable housing for first-time homebuyers.

**Q2** ReBUILD will secure financing and approvals for the construction of approximately 100 new units of affordable rental housing units for low-income residents. They will publish a guidebook (process mapping for stabilization, design, and rehab process) on their website to promote their "stabilization-first" strategy/model for rebuilding abandoned homes, which is an approach other organizations/entities can replicate to reduce abandonment and restore other communities.

**Q3** ReBUILD will complete designs for a four-acre community park with playing field (Greenmount Park), transforming vacant lots into community amenities/green space to improve quality of life for neighborhood residents.

**Q4** ReBUILD will connect at least 10 long-time residents with public/private programs and resources to make major home repairs, improving overall housing stability. The organization will also complete renovations for 25 stabilized properties, providing affordable housing for first-time homebuyers.

## OUTCOME

By the end of 2024, ReBUILD Metro will have helped revitalize the Johnston neighborhood by completely stabilizing (interior demo, roofing, and framing) and renovating 25 vacant/abandoned homes; securing financing and initiating the construction for approximately 100 new units of affordable rental housing for low-income residents; producing completed designs for a four-acre community park; completing major home repairs for 10 long-time Johnston Square residents; and implementing a financial education/coaching program to help prepare 50 Black residents to become first-time homebuyers. ReBUILD will also have created a model for use by other organizations/entities to reduce abandonment and restore affordable housing in other communities.

## ACTION

Innovation Challenge: Support the creation of locally owned modular construction facilities in urban communities

The Last Mile Network project, led by modular home builder Module Design Inc. and in partnership with Enterprise Community Partners, will demonstrate the feasibility of locally owned modular construction facilities to complete energy-efficient and sustainable affordable housing in urban communities of color. The team will conduct outreach and network development, conduct feasibility studies, and develop a modular development playbook for Black developers, housing providers, and potential facility owners in Richmond, VA, and Prince George's County, MD. As with each of Fannie Mae's 2022 Innovation Challenge projects, the goal is to support and learn from local approaches to addressing housing inequities and assess the potential to scale that approach to other communities.

### 2024 TARGETS AND MILESTONES

**Q1** Module will complete and deliver the Richmond feasibility study and local ownership analysis. This allows Module and interested developers, investors, and workforce partners to assess and determine next steps. The project will produce a playbook for housing developers, including training materials.

**Q2** Module will conduct a playbook training for select developers. Training will include details on the Module and Last Mile Network operating model, best practices, proposed product lines, and workforce partnerships.

**Q3** Module will deliver a final report with key outcomes, progress against metrics, and lessons learned.

## OUTCOME

Module will secure interest from multiple Black developers or housing providers in Prince George's County and Richmond to work with them on affordable housing production and will begin predevelopment for pilot projects. A Module Playbook will outline how a developer can use the Last Mile Network to develop new construction affordable housing and outline how a local Last Mile Facility owner can finish and install modular homes while providing on ramps to the construction trades. Module will also deliver the feasibility study and local ownership analysis to stakeholders in Richmond. By the end of the contract in July 2024, Module will be positioned to execute on the findings of the feasibility studies in Prince George's County and Richmond, use the lessons learned from these early efforts to build out the Last Mile Lab, and inform the company's model and future growth plan.

# ACTION

Innovation Challenge: Support the development of a locally controlled special purpose credit program to increase Black homeownership

Twin Cities Habitat for Humanity (TC Habitat) of Minnesota, in partnership with the Minnesota Homeownership Center, is deploying a special purpose credit program (SPCP) to support eligible Black homebuyers in the Twin Cities seven-county metro region to increase Black homeownership rates. As with each of Fannie Mae's 2022 Innovation Challenge projects, the goal is to support and learn from local approaches to addressing housing inequities and assess the potential to scale that approach to other communities.

## 2024 TARGETS AND MILESTONES

**Q1** TC Habitat will launch a regional SPCP product offering down payment/entry cost assistance and conduct lender outreach to promote the use of the product.

**Q2** Conduct realtor outreach to create awareness among industry professionals and partners supporting Black homebuyers to increase applicants in the program.

**Q3** Continue ongoing regional SPCP product evaluation and consumer outreach to enhance awareness and update inclusive underwriting guidelines.

**Q4** Produce a white paper to summarize design, implementation, and execution of regional SPCP and analysis of results.

# OUTCOME

By the end of 2024, TC Habitat will launch the regional SPCP product and aims to support 214 Black homebuyers (comprised of 64 TC Habitat homebuyers and 150 homebuyers with other community development financial institution partners and lenders) with down payment assistance to purchase a home and/or provide financial education and coaching to help prepare for homeownership. TC Habitat will be well-positioned to scale their model in subsequent years.

# Move In and Maintain

## ACTION

Expand access to counseling services for borrowers and renters in financial hardship

In 2024, Fannie Mae will continue to promote consumer access to counseling by supporting the exploration of additional counseling services, along with increasing the number of servicers participating in the post-modification counseling referral process. Fannie Mae will also work with servicers to expand access through the implementation of a referral process for borrowers impacted by natural disaster or other causes of financial hardship. Marketing efforts will increase visibility of Here2Help services and promote counseling offerings to specific consumer groups.

### 2024 TARGETS AND MILESTONES

**Q1** Fannie Mae will identify servicers for engagement regarding the referral process for borrowers impacted by disaster or financial hardship.

**Q2** We will identify five servicers for engagement in the post-modification counseling referral process, and report the number of servicer referrals to housing counseling and the number of counseling sessions completed.

**Q3** Fannie Mae will expand consumer access to housing counseling services by exploring new mode of counseling (online counseling).

**Q4** We will track and analyze post-modification counseling referral process and measure increase compared with 2023.

## OUTCOME

Our goal is to broadly increase access to post-purchase counseling, an evidence-based approach to reduce default among homeowners experiencing distress, as well as counseling for renters experiencing hardship. We will demonstrate progress through the number of counseling sessions completed, the increase in servicers engaging in the post-modification counseling referral process, and the creation of new counseling delivery options.

## ACTION

Provide climate analytics to empower communities with data, enabling them to make a stronger case for change and resources

Providing climate analytics can help communities prepare for the increasing risk of climate change. The expectation is that the analytics will inform an approach to mitigate the risks to that community. These analytics will use predictive modeling to assess the risk of climate-related events (e.g., flooding, wildfire, heat) in select markets. While the measures each community takes to mitigate climate risk will depend on a variety of factors, such as the availability of funding and resources, we seek to empower communities with data to enable them to make a stronger case for change and resources. Access to analytics can help disadvantaged communities develop action plans that may help them compete for state or federal grants targeted toward climate resiliency. This effort aims to work with communities with significant Black and Latino populations that are likely to experience climate-related risks.

### 2024 TARGETS AND MILESTONES

In 2024, this initiative will expand to new markets, leveraging insights from our previous work in 2023.

Q1 Identify one to two new communities to engage.

Q2 Reach out to stakeholders in identified communities.

Q3 For localities that agree to partnership, identify and share analytics.

Q4 Assess progress of engagements.

## OUTCOME

In 2024, we plan to evaluate how local partners have utilized the climate analytics, including whether findings were reintegrated into an existing or new climate adaptation plan, the extent to which communities prioritize key adaptation/resilience work, and whether localities use the analytics to apply for financial assistance programs for resilience at the state and federal level.

# Appendix

# Research Agenda

We have relied extensively on both original and publicly available research in the creation and execution of this Plan. Our 2024 research agenda is designed to (1) assess the impacts of the actions within the Plan, and (2) lay the research groundwork for potential future actions and Plan priorities to address obstacles across the Consumer Housing Journey where Fannie Mae can have the greatest impact. Fannie Mae in 2024 will expand on a range of market and consumer research initiatives, many conducted in partnership with third parties, to enable evidence-based refinements to this and future Equitable Housing Finance Plans.

## Financial Resilience for Homeowners and Renters

In 2024, we will research viable options for operationalizing post-purchase support services for first-time homebuyers, particularly for HomeReady First borrowers. Part of that research will include understanding barriers to delivering and managing post-purchase support services after loan origination, such as homeownership counseling.

## Rent Relief

Rent relief programs are designed to support housing stability for renters in the event of a hardship. In 2024, Fannie Mae will research the use of rent relief or deferment in a defined group of renters/properties to understand their effect on eviction rates, housing stability, and property performance.

## Property Resilience/Durability

Growing numbers of insurance providers are electing not to provide homeowners and/or flood insurance in certain markets or at a greater expense, particularly in areas with growing flood or fire risk. We will explore the impact of this trend on access to home financing, housing affordability, insurance accessibility and to sustainable homeownership, particularly in historically underserved communities. By understanding the scale, prevalence, and impact of this issue on a national level, Fannie Mae will determine if revised policies, services, or product offerings can address or alleviate its effect.

## Linking Skills-Based Labor and Housing Supply

Affordable housing supply constraints are a well-known market dynamic that hinders Fannie Mae's ability to deliver on our mission — to facilitate equitable and sustainable access to homeownership and quality affordable rental housing. A key factor in this housing shortage is a shortage of skilled labor to build new housing. In collaboration with several partners and housing industry stakeholders, we will explore ways to address this skilled-labor shortage at the community level as a means of enabling the creation or preservation of affordable housing supply.

## Consumer Housing Journey

Fannie Mae will publish its annual update to the Black and Latino housing journeys with current data related to housing barriers faced by Black and Latino homeowners and renters.

## Native Housing Journey

Our market research into the Native Housing Journey in 2023 culminated in an initial version of the barriers, obstacles, and biases that may be commonly experienced by Native American consumers as they go about their path toward equitable and sustainable housing. Our analysis will be published in 2024.

## Multifamily Renter Needs Study

In 2021, Fannie Mae contracted with PSB Insights to conduct a survey of renters to develop a deeper understanding of emerging renter needs and pain points. A follow-up of this research was conducted in 2023. Fannie Mae will publish the findings from this renter needs study and explore opportunities to address them.

## Multifamily Borrower Diversity

In 2023, Fannie Mae explored new ways to reduce barriers to entry for property owners and developers from historically underserved groups. Building upon the findings from this work, which included third-party research and focus group sessions with market participants, Fannie Mae in 2024 will further define and research obstacles common to historically underserved borrowers — particularly those related to multifamily property financing — and continue to promote broader awareness of Fannie Mae multifamily financing options with historically underserved groups. Fannie Mae will use the findings of our research, as well as ongoing feedback from multifamily owners and lenders, to create a better understanding of the multifamily borrower journey and inform the potential creation of new multifamily offerings in the future.

# Summary of Consultations

Fannie Mae engaged with a wide array of individuals and organizations at the local and national level in the creation of this Plan Update. These consultations were with nonprofit organizations, community groups, consumers, governmental agencies, professional trade associations, independent researchers, technology service partners, and other participants in the housing finance industry; these organizations are listed below. In addition, Fannie Mae conducted extensive and numerous consultations with mortgage lenders who are seller-servicers of Fannie Mae, not all of which are listed below. In all, Fannie Mae led more than 639 engagements with 353 lender and non-lender organizations in 2023 on topics related to actions within this Plan. In addition, Fannie Mae's Single-Family Business conducts a monthly roundtable for 12 members of its Lender Diversity Council, a forum for minority-owned lenders.

These consultations were generally focused on housing equity, housing stability, consumer housing journey maps, agreement to support and/or participate in actions or research that are components of the Equitable Housing Finance Plan, and/or to advance the Fannie Mae mission. These engagements and consultations contributed to our development of the actions in this Plan and often included discussion of strategies to more effectively, and safely and soundly, serve very low-, low-, and moderate-income borrowers who may also be beneficiaries of the actions in our Equitable Housing Finance Plan.

## Affordable Housing Advisory Council

The Affordable Housing Advisory Council (AHAC), which was established by Fannie Mae's Charter Act, brings together leaders from different segments of the housing industry, along with Fannie Mae's senior management, to collaborate and share ideas on how best to support the creation and sustainability of affordable housing. Council members represent a variety of perspectives, including for-profit and nonprofit organizations, single-family and multifamily lenders, public and private entities, academia, and housing policy organizations. Council members serve a two-year term and meet biannually for a day-long meeting at our headquarters in Washington, D.C.

AHAC's spring 2023 meeting focused on Fannie Mae's Equitable Housing Finance Plan. AHAC members provided feedback on the Consumer Housing Journey, our efforts to promote more affordable rental housing, and how our social bonds could help promote loan programs that are the focus of our Plan. AHAC's fall 2023 meeting focused on our plans to expand utilization of SPCPs, Desktop Underwriter innovations, and our work regarding the latest climate challenges, which involved insurance market trends and energy codes.

Our 2023 AHAC council consisted of representatives from:

- Avanath Capital Management LLC
- Comunidad Partners
- Local Initiatives Support Corp. (LISC)
- Melville Charitable Trust
- Movement Mortgage
- National Association of REALTORS®
- National Consumer Law Center
- NeighborWorks America
- Rocket Mortgage
- Urban Land Institute
- Virginia Housing Development Authority
- Center for Responsible Lending
- Esusu
- Manufactured Housing Institute
- Mortgage Guaranty Insurance Corp. (MGIC)
- National Association of Home Builders
- National Community Reinvestment Coalition (NCRC)
- National Fair Housing Alliance
- New York State Energy Research and Development Authority
- UnidosUS
- U.S. Bank

## Nonprofit Organizations/Community Groups/Coalitions

- Asian Real Estate Association of America
- Black Developers Forum
- Center for Responsible Lending
- Community Development Corp. of Utah
- CONVERGENCE Memphis Inc.
- Homeownership Preservation Foundation
- Housing Partnership Network
- Balance
- Build Wealth Minnesota Inc.
- Community Develop Corp. of Brownsville
- CONVERGENCE Columbus Inc.
- CONVERGENCE Philadelphia Inc.
- Homewise (New Mexico)
- Junior Achievement USA

- LGBTQ+ Real Estate Alliance
- Local Initiatives Support Corp. (LISC)
- Money Management International
- The Mortgage Collaborative
- National Association for the Advancement of Colored People
- National Association of Hispanic Real Estate Professionals
- National Association of Real Estate Brokers
- National Association of REALTORS®
- National Community Reinvestment Coalition
- National Fair Housing Alliance
- National Federation of Credit Counseling
- National Housing Conference
- National Multifamily Housing Council
- National Real Estate Investors Association
- National Urban League
- Neighborhood Housing Resource Center
- Pew Charitable Trusts
- Real Estate Executive Council
- Rural Local Initiatives Support Corp. (Rural LISC)
- UnidosUS
- Urban Land Institute

## Technology Providers/Fintech

- Bilt
- Deposit Cloud
- Easy Pay
- Esusu
- Flex
- Jetty
- Rent Dynamics
- Sperlonga
- Stake

## Governmental Agencies

- Alabama Housing Finance Authority
- California Housing Finance Agency
- Colorado Housing and Finance Authority
- District of Columbia Housing Finance Agency
- Illinois Housing Development Authority
- Maryland Department of Housing & Community Development
- Minnesota Housing Finance Agency
- Office of the Comptroller of the Currency (Project REACh)
- Pennsylvania Housing Finance Agency
- Tennessee Housing Development Agency
- Virginia Housing Development Authority

## Other Industry Participants

- American Bankers Association
- Appraisal Institute
- Lenders One
- The Mortgage Collaborative
- National Council of State Housing Agencies
- American Credit Union Mortgage Association
- April Housing
- Mortgage Bankers Association
- MGIC
- Urban Institute

# Definition of First-Generation Homebuyer

A "First-Generation Homebuyer" loan is one in which each borrower meets the following requirements:

1. Is purchasing the subject property.
2. Will reside in the subject property as a principal residence.
3. Has had no ownership interest (sole or joint) in another property during the last three years preceding the note date of the loan.
4. One of the following must also apply:
   a. No parent of the borrower has owned a property in the last three years preceding the note date of the loan.
   b. The borrower has aged out of foster care.
   c. The borrower has become emancipated.

# Summary of Plan Actions and Updates for 2024

Below is a list of the actions affected by this annual update, including new actions as well as actions that were discontinued or completed, accompanied by the material changes made in this 2024 Update. This list should be viewed in conjunction with the 2023 Equitable Housing Finance Performance Report, which includes narrative descriptions of how our plan actions evolved and progressed in 2023, and which is incorporated by reference.

## NEW ACTIONS IN 2024

Expand support for housing counseling agencies to increase access to pre-purchase counseling

Develop and publish a definition of “first-generation homebuyer” for broad use by mortgage market participants

| 2023 ACTION TITLE | 2024 ACTION TITLE | SUMMARY OF CHANGES |
|---|---|---|
| Pilot rental payment reporting across the multifamily industry to help Black and Latino renters with no credit score establish a credit history and help those with low credit scores to increase them | Pilot rental payment reporting across the multifamily industry to help Black, Latino/Hispanic, and other underserved renters with thin or no credit history establish, maintain, and improve their credit scores | Pilot was extended through 2024. |
| Support financial capabilities coaching to build credit and savings in targeted markets | Expand financial capabilities coaching to build credit, savings, and financial resiliency in select markets | No material modifications. |
| Innovation Challenge: Support the implementation of a positive rent reporting program for Black renters to help them establish and/or improve credit using on-site financial coaching programs at rental properties | Innovation Challenge: Support the implementation of a positive rent reporting program for Black renters to help them establish and/or improve credit using on-site financial coaching programs at rental properties | No material modifications. |
| Innovation Challenge: Support the expansion of a comprehensive financial coaching and HUD-approved counseling and planning for development of affordable housing in rural Virginia | Innovation Challenge: Support the expansion of comprehensive financial coaching and HUD-approved counseling, and planning for development of affordable housing in rural Virginia | No material modifications. |

| | | |
|---|---|---|
| Expand access for credit-invisible borrowers through automated underwriting enhancements to support Black and Latino consumers | Enhance use of cash-flow assessment in automated underwriting for borrowers with insufficient credit histories | No material modifications. |
| Expand access to credit for first-time homebuyers through an automated underwriting enhancement that considers a borrower's positive rent payment history as part of the credit risk assessment | Improve access to credit for borrowers with insufficient credit histories through an automated underwriting enhancement that considers a borrower's positive rent payment history as part of the credit risk assessment | No material modifications. |
| Continue pilot of special purpose credit programs (SPCPs) to help support the expansion of homeownership and availability of down payment assistance (DPA), while exploring ways to reduce SPCP participation hurdles for lenders | Support efforts to expand equitable homeownership through mortgage products with down payment and/or closing cost assistance, and make it easier for lenders to create and adopt them | Action in 2024 reflects HomeReady First branding. 2024 entails target market expansion, expanded outreach and marketing to lenders, community groups, and consumers, and providing liquidity to equity-focused down payment and closing cost assistance programs created by local or state entities, including state housing finance agencies. |
| Pilot options to defray and/or decrease the cost of renter security deposits to help Black and Latino renters qualify for quality rental housing and increase savings | Research options to defray and/or decrease the cost of renter security deposits to help historically underserved renters qualify for quality rental housing and increase savings | Action has evolved into a defined-group research study to examine no security deposit units and their effects on borrower behavior and property performance. |
| Close the knowledge gap for consumer audiences with targeted outreach and expanded homeownership curriculum to create more confident consumers along the housing journey | Close the knowledge gap for Black and Latino consumer audiences with targeted outreach and expanded homeownership curriculum to create more confident consumers along the housing journey | No material modifications. |
| Explore the potential to derive value from Social Index-related mortgage-backed securities issuance to promote access to credit and borrowing cost reduction for underserved borrowers | Leverage the value derived from labeled Single-Family Social Mortgage-Backed Securities issuance to promote access to credit and borrowing cost reduction for underserved borrowers | Modified to reflect Mission Index and revision of Social Bond framework in 2024. |

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| Valuation modernization to support an equitable appraisal process for Black and Latino households and communities of color | Valuation modernization to support an equitable appraisal process for historically underserved consumers and communities | No material modifications. |
| Expand Appraiser Diversity Initiative to attract new entrants to the residential appraisal field by reducing barriers to entry (such as education, training, and experience requirements), and fostering diversity, which we believe will help to reduce the instances of appraisal bias | Expand Appraiser Diversity Initiative to attract new entrants to the residential appraisal field and reduce barriers to entry | No material modifications. |
| Reduce closing costs for consumers to help remove the barrier of lack of sufficient funds for closing (down payment plus closing costs) | Reduce closing costs for consumers to help remove the barrier of lack of sufficient up-front funds needed to purchase a home, including down payments | No material modifications. |
| Pilot a multifamily borrower diversity program to reduce barriers for property owners from historically underserved groups | N/A | Fannie Mae chose to pursue activities to support historically underserved multifamily borrowers outside the framework of the Plan in 2024, a choice driven primarily to our inability to provide measurable outcomes associated with this action. It was therefore removed from the Plan for 2024. More information related to this activity is available in the 2023 Equitable Housing Finance Plan Performance Report, as well as the "Multifamily Borrow Diversity" portion of the Research Agenda in this Plan Update. |
| Launch a Delegated Underwriting and Servicing (DUS®) correspondent diversity program | N/A | Fannie Mae chose to discontinue this action until business conditions are more favorable. We will continue to meet with lenders and prospective parties with an interest in expanding diverse correspondent relationships. More information related to this action is available in the 2023 Equitable Housing Finance Plan Performance Report. |

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| Develop and launch Sponsor-Dedicated Workforce (SDW), a Fannie Mae Multifamily loan incentive initiative for use by multifamily borrowers and lenders | Continue to advance Sponsor-Dedicated Workforce, a Fannie Mae Multifamily loan incentive initiative for use by multifamily borrowers and lenders | No material modifications. |
| Continue to advance Sponsor-Initiated Affordability (SIA), a Fannie Mae Multifamily loan incentive initiative for use by multifamily borrowers and lenders | Continue to advance Sponsor-Initiated Affordability (SIA), a Fannie Mae Multifamily loan incentive initiative for use by multifamily borrowers and lenders | No material modifications. |
| Innovation Challenge: Support the revitalization and expansion of housing opportunities in a historically Black neighborhood through rehabilitation and infill housing | Innovation Challenge: Support the revitalization and expansion of housing opportunities in a historically Black neighborhood through rehabilitation and infill housing | No material modifications. |
| Innovation Challenge: Support the creation of locally owned modular construction facilities in urban communities of color | Innovation Challenge: Support the creation of locally owned modular construction facilities in urban communities | No material modifications. |
| Innovation Challenge: Support the development of a locally controlled special purpose credit program to increase Black homeownership | Innovation Challenge: Support the development of a locally controlled special purpose credit program to increase Black homeownership | No material modifications. |
| Connect diverse college students to career opportunities in housing and real estate finance via the expansion of Fannie Mae's Future Housing Leaders® program | Expand Future Housing Leaders® (FHL) to increase the representation of Black and Latino people in the housing industry to improve access to economic opportunities while creating an industry that better reflects the diversity of the nation | No material modifications. |
| Pilot homeownership sustainability services, such as post-purchase counseling and mortgage reserve accounts, as a feature of special purpose credit programs (SPCPs) to strengthen borrower housing stability over time | N/A | Action was discontinued but will be assessed as a potential future action, as reflected in our Research Agenda. |

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| Promote awareness of fair servicing best practices to address borrower loss mitigation disparities | N/A | Action was completed. |
| Expand counseling services for renters and homeowners facing hardship | Expand access to counseling services for borrowers and renters in financial hardship | No material modifications. |
| Provide climate analytics to empower communities with data, enabling them to make a stronger case for change and resources | Provide climate analytics to empower communities with data, enabling them to make a stronger case for change and resources | No material modifications. |

# Implementation Considerations

**Appropriateness of pilot activities.** The innovations and actions described in the Plan require Fannie Mae to conduct extensive research and pilots. Pilots involve limited scope testing of hypotheses to compare expected results to actual results and thereby inform decisions regarding broad market rollout. As pilots are developed, we consider many factors, including legal and regulatory requirements, success measures, timelines, and the appropriate market participants with which to partner. At the end of a pilot's lifecycle, we determine whether to stop, continue the pilot to test additional variables, or to deploy the innovation to the broader market. Piloting a proposed innovation helps to ensure that the expansion of affordable, sustainable, and healthy housing options for consumers follows a safe and sound structure.

Certain pilots Fannie Mae undertakes are disclosed on Fannie Mae's website, under "Pilot Transparency."

**Seller/Servicer adoption and implementation.** Successful lender implementation and adoption are dependent upon engaging with and gathering input from a diverse set of Sellers and Servicers (i.e., depositories, mortgage banks, credit unions, servicers) and their industry partners (i.e., loan origination systems, point of sale systems, servicing/loss mitigation platforms) to test and learn prior to broad rollout.

- Fannie Mae currently leverages our network of lenders, counseling agencies, housing finance agencies, education providers, and housing finance industry technology partners to complete research, pilots, and/or staged rollouts of proposed policy, product, and/or service changes. Implementation risks include the inability and/or unwillingness of Seller/Servicers to participate in pilots.

- Prior to broad rollout, each new product, capability, policy, or service undergoes an internal market-readiness assessment from cross-functional stakeholders (i.e., legal, marketing, operations, digital alliances, customer support) that review and confirm releases are market-ready from a customer, industry partner, and enterprise perspective.

- Activities must be evaluated for possible notice to FHFA as a “new activity” under the updated New Products and Activities Rule and must also be evaluated in regard to, and implemented in compliance with, FHFA requirements as Conservator.

**Mortgage insurer support.** Successful implementation of new charter-compliant initiatives may depend on the participation of approved mortgage insurer partners that already insure nearly all of our higher loan-to-value loans (greater than 80%) in order to meet our charter requirement.

Approved mortgage insurers have demonstrated their cooperation with us in testing and standardizing innovative guidelines for lenders to underwrite, originate, and service loans based upon a relationship built on transparency of data and ideas. However, implementation risk for a number of items in this plan includes the inability and/or unwillingness of mortgage insurers to participate in new pilots.