Duty to Serve Underserved Markets Plan
For the Manufactured Housing, Affordable Housing Preservation, and Rural Housing Markets

May 8, 2017

Fannie Mae’s Duty to Serve Underserved Markets Plan must receive a non-objection from FHFA before becoming effective. The Objectives in the proposed and final Plan may be subject to change based on factors including public input, FHFA comments, compliance with Fannie Mae’s Charter Act, safety and soundness considerations, and market or economic conditions.
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I. Preface

America’s housing system does not guarantee equal outcomes for all of our people. But Fannie Mae believes in striving for a housing system that provides the greatest possible access to housing options that are affordable, safe, and sustainable for the greatest number of families. In fact, that’s why we were created.

In 1938, the United States government identified a critical underserved part of the housing market: the market for long-term fixed rate mortgages. The government believed these new-style loans could contribute to economic stability and provide homeowners a safe, affordable path to homeownership. Banks were reluctant to provide a long-term commitment of their capital to make the loans, so the government created Fannie Mae to be a ready buyer for these mortgages. In the 80 years since, Fannie Mae’s ability to buy and securitize 30-year fixed-rate home loans has helped to make these mortgages a defining feature of American home buying.

Today, the government is charging Fannie Mae with a duty to serve additional parts of America’s housing market that are currently underserved: manufactured housing, affordable housing preservation, and rural housing. The Housing and Economic Recovery Act of 2008 (HERA) assigns both Fannie Mae and Freddie Mac (the Enterprises) with a “Duty to Serve” each of these markets by increasing the liquidity of mortgage investments and improving the distribution of mortgage investment capital for families of modest means. At the end of 2016, the Federal Housing Finance Agency (FHFA) adopted implementing regulations requiring the Enterprises to submit three-year Plans for each Duty to Serve market (Regulations). The pages that follow describe Fannie Mae’s three Plans in detail. As importantly, they describe our thinking, our principles, and our strategic approach to this challenging work.

Fannie Mae welcomes this challenge because we believe our experience, knowledge, and capabilities can make a difference in these markets. Working with lenders and other partners to create housing opportunities that are affordable is what drives every facet of our business, and we are prepared to bring everything we have learned to bear in fulfilling our Duty to Serve.

We recognize that there are no easy solutions to the tough and often long-standing challenges that characterize each of these markets.

Some of the reasons these markets are underserved are easy to identify, but not easy to solve. Each of the underserved markets suffers from a lack of affordable housing capital. But why? As a secondary market participant, what can Fannie Mae do to spur the primary market to provide more capital? What other changes would bring capital into the market? Are the necessary stakeholders willing to make needed changes? Will new, innovative products attract investors? How can we make sure that the new financing is safe and sustainable? What has been tried before and worked? What hasn’t, and why?

In other instances, the reasons a market is underserved are hard to identify and analyze due to lack of available data and necessary information. In those cases, much more foundational work is needed before proposing solutions.

In all instances, it is clear that no single participant in the housing finance system can turn an underserved market into a well-served market. It will take strong partnerships and a high degree of collaboration among a wide range of stakeholders to make a difference in all of the three Duty to Serve markets.

All these factors drove the development of our three Duty to Serve Plans. Each Plan is based on the following strategic priorities:

- **Analyze**: Fannie Mae will bring its considerable research and analytical capabilities to bear to understand the toughest challenges facing each underserved market. These markets lack the deep and broad data-driven understanding enjoyed by participants in well-served housing markets.
\textbf{Test and Learn:} Fannie Mae will test and evaluate adjustments to its own products and programs to identify ways to serve these markets better with our existing business activities. We will also seek to design and undertake pilot programs, where appropriate, that will purposefully identify the strengths and weaknesses of our own, and the markets’, capabilities and potential.

\textbf{Partner and Innovate:} We are committed to listening to and working closely with existing and new partners to understand how we can support these challenging markets in new ways, based on sound facts, with loan products that make sense. Our effectiveness in meeting our Duty to Serve these three underserved markets will only be as strong as our ability to innovate and build partnerships with the stakeholders who best understand these markets.

\textbf{Do What We Do Best:} Our commitment to affordable housing is more than just a series of regulatory requirements, it is a fundamental component of who we are as a company. By harnessing the power of the secondary market, we strive to bring private capital to make housing more affordable in all markets and we are excited that the Duty to Serve rule will allow us to focus again in areas that need the most help. Developing the standardization and scale necessary to leverage private capital in these markets will be difficult – but we embrace the challenge and are committed to finding new ways and new partners to better support these underserved markets.

Fannie Mae is committed to moving forward with our partners to build a stronger, safer, more efficient housing finance system. As part of this commitment, we look forward to fulfilling our Duty to Serve the markets for manufactured housing, affordable housing preservation, and rural housing. This will be hard work. It will require real creativity and real commitment. It is the kind of challenge that inspires the people who work at Fannie Mae. We invite you to learn more about our Duty to Serve Plans in the pages that follow and to let us know your thoughts on how we can improve them. Most of all, we invite your support in making them come to life for homeowners and renters in need of more housing options that are safe, sustainable, and affordable.

\section*{II. Introduction to the Duty to Serve Plans}

The FHFA Regulations implementing the Duty to Serve provisions of HERA became effective in January 2017 (Regulations). The Regulations identify the statutory and regulatory activities the Enterprises may engage in to receive Duty to Serve credit in the three underserved markets, provide for additional activities (subject to FHFA approval), and allow “extra credit” for certain activities identified by FHFA.

- For the \textbf{Manufactured Housing Market}, the Regulations provide Duty to Serve credit for four regulatory activities, including: (1) manufactured homes titled as real property; (2) manufactured homes titled as personal property (chattel); (3) manufactured housing communities owned by government instrumentalities, nonprofits, or their residents; and (4) manufactured housing communities with specified minimum tenant pad lease protections.

- For the \textbf{Affordable Housing Preservation Market}, there are nine statutory activities available for Duty to Serve credit, including activities related to what is known as: (1) the Section 8 rental assistance program; (2) the Section 236 rental and cooperative housing program; (3) the Section 221(d)(4) moderate-income and displaced families program; (4) the Section 202 housing for the elderly program; (5) the Section 811 housing for persons with disabilities program; (6) the McKinney-Vento permanent supportive housing projects (homeless assistance); (7) the Department of Agriculture’s (USDA) Section 515 rural rentals program; (8) debt financing of low-income housing tax credits; and (9) comparable state and local programs.

- FHFA has also identified seven regulatory activities available for Duty to Serve credit in affordable housing preservation related to: (1) financing of small multifamily rental properties; (2) financing of multifamily energy efficiency improvements; (3) financing of single-family energy efficiency improvements; (4) affordable housing preservation (shared equity) financing; (5) the Department of Housing and Urban Development’s (HUD) Choice Neighborhoods Initiative; (6) HUD’s Rental Assistance Demonstration program; and (7) financing of the purchase or rehabilitation of distressed properties.
For the **Rural Housing Market**, FHFA has identified four regulatory activities for which Duty to Serve credit is available. They include activities relating to supporting: (1) housing in high-needs rural regions (Middle Appalachia, the Lower Mississippi Delta, colonias, and rural persistent poverty counties); (2) housing for high-needs rural populations (Native Americans in Indian areas and agricultural workers); (3) financing of rural housing by small financial institutions; and (4) small multifamily rental properties.

In addition, the Enterprises may receive extra credit for engaging in activities relating to: (1) a manufactured homes chattel pilot; (2) manufactured housing communities with specified minimum tenant pad lease protections; (3) residential economic diversity activity in the Affordable Housing Preservation Market; (4) residential economic diversity activity in the rural market; (5) services to high-needs rural regions; and (6) services to rural high-needs populations with very low-income.

The Regulations require the Enterprises to propose a three-year Plan for serving each of the underserved markets, which are subject to public review and comment. The Regulations are very specific as to what information must be included in each Plan, which is reflected in their format. Among other things, the Plans must identify specific, realistic objectives and related strategies, measures, time periods, and relevant market opportunities. Prior to becoming effective, each of the Plans must receive a “non-objection” from FHFA.

According to the proposed Evaluation Guidance issued by FHFA in January 2017, FHFA will rate each Enterprise’s performance annually based on reporting provided throughout the year. Ratings run from a low of “Fails” to a high of “Exceeds.”

Performance is evaluated on a qualitative and quantitative basis, taking extra credit activities into consideration. Points are awarded depending on the impact an objective has and the degree to which it was implemented. One of the four evaluation factors identified in the Plans – outreach, loan product development, loan purchases, and investments – is applied to each objective. Plans must also serve families of modest means in each year including very low-, low-, and moderate-income families.

Fannie Mae’s Duty to Serve Plans were developed against the backdrop of the laws under which Fannie Mae operates. Understanding those laws helps in understanding what is and is not in the Plans.

Fannie Mae traces its genesis to 1934, when Congress passed the act authorizing our charter as part of Franklin D. Roosevelt’s New Deal legislation. Through a series of later statutes, the company became privately owned and subject to the regulatory authority of FHFA. We continue to operate today under the Federal National Mortgage Association Charter Act (Charter Act).

The Charter Act defines our mission as providing liquidity, increasing stability, and promoting affordability in the secondary residential housing market. It also directs Fannie Mae to promote access to mortgage credit throughout the nation including central cities, rural areas, and underserved areas by increasing the liquidity of mortgage investments and improving the distribution of investment capital available for residential mortgage financing.

The Charter Act provides certain benefits that allow Fannie Mae to meet its statutory mandates. For example, it authorizes us to engage in the purchase and securitization of single-family and multifamily residential mortgages and issue debt obligations and mortgage-related securities. Our general corporate powers enable us to enter into contracts, buy and lease property, and take other actions necessary or incidental to the proper conduct of our business.

At the same time, the Charter Act imposes certain limits on Fannie Mae’s activities in the secondary market. There are loan limits on the single-family conventional loans that we acquire, and if the loan-to-value ratio is over 80 percent, the loan must have a credit enhancement, such as mortgage insurance. The Charter Act also prohibits us from originating loans in the primary mortgage market, and we may not purchase or securitize mortgages on properties outside of the United States and its territories.
With the enactment of HERA, Congress augmented Fannie Mae's affordability mission, directing us to serve three underserved markets that lack adequate credit through conventional lending sources. Congress intended these duties to complement and supplement our affordable housing goals, requiring us to "provide leadership" beyond simply purchasing mortgage loans. Congress made clear that our performance should be evaluated based on the totality of our efforts, including our development of innovative loan products, outreach to market participants, volume of loans purchased, and amount of investments. The focus on innovation, outreach, and investments, in addition to loan purchases, demonstrates Congress' recognition that, to provide leadership to underserved markets, Fannie Mae would need to stretch its efforts.

The scope of our statutory authority in many ways drives our Duty to Serve activities. For example, our authority to purchase and securitize loans can provide stability and liquidity in the underserved markets, but we cannot purchase and securitize loans unless and until they have been originated. Similarly, we can support affordable multifamily apartments by providing their permanent financing, but we cannot undertake their construction. Accordingly, our Duty to Serve activities must necessarily take the form of working closely with our lender partners to resolve the problems that discourage them from extending residential credit in certain areas.

Fannie Mae is ready to do more to serve the markets for manufactured housing, affordable housing preservation, and rural housing. What follows are three Plans – one for each market – that outline three years of activities projected to commence in January 2018, once the non-objection of our regulator is secured. We look forward to receiving comments from the public so that we can finalize and implement our Plans as part of our broader mission to create housing opportunities that are safe, sustainable, and affordable, while managing risk to protect lenders, homeowners, and taxpayers.
Duty to Serve Underserved Markets Proposed Plan for the Manufactured Housing Market

May 8, 2017
I. Fannie Mae’s Strategic Priorities for the Manufactured Housing Market

In 2015, Fannie Mae began to engage in a variety of outreach activities designed to gather information from market stakeholders about challenges and possible solutions in the three underserved markets. This included the single-family manufactured housing and the multifamily Manufactured Housing Communities (MHC) markets.

- We held manufactured housing roundtables, attended numerous conferences, and spoke directly with stakeholders in the market, including owners, lenders, non-profits, trade associations, and more.

- Additional information was obtained through comments on the Regulations where we heard from a broader group of stakeholders, including many homeowners.

- Still more information was gathered through the four listening sessions hosted by FHFA, Fannie Mae, and Freddie Mac earlier this year to enable stakeholders to make recommendations about what they believe should be in the Enterprises’ underserved market plans.

- Finally, additional commentary was provided in response to FHFA’s request for public input regarding a chattel pilot.

From the information we gathered, our own experience and analysis, and the requirements set by FHFA, Fannie Mae established four strategic priorities for its service to the underserved markets. Because the issues are numerous and the problems complex in each market, we believe it is essential that we simplify our approach. This is particularly true for our first Plan. Accordingly, our strategic priorities for the Manufactured Housing Market include the following:

- **Analyze**: Fannie Mae will bring its considerable research and analytical capabilities to bear to understand the toughest challenges facing each underserved market. These markets lack the deep and broad data-driven analysis enjoyed by participants in well-served housing markets. For this reason our Plan seeks to conduct significant market research where the existing data is particularly insufficient such as in the areas of chattel loan performance or the variations in the types of ownership of MHC. In addition, we will analyze our own portfolio and share our findings to further the market’s access to data.

- **Test and Learn**: Fannie Mae will test and evaluate adjustments to its own products and programs to identify ways to serve these markets better with our existing business activities. We will also seek to design and undertake pilot programs, where appropriate, that will purposefully identify the strengths and weaknesses of our own, and the markets’, capabilities and potential. Under our Plan, a pilot program would be created for the acquisition and securitization of chattel mortgages. In addition, we will implement a pilot for the acquisition of mortgages on resident-owned MHC. Both will be designed with an eye to ultimately bringing more liquidity to these markets.

- **Partner and Innovate**: We are committed to listening to and working closely with existing and new partners to understand how we can support these challenging markets based on sound facts, with loan products that make sense. Our effectiveness in meeting our Duty to Serve these three underserved markets will only be as strong as our ability to innovate and build partnerships with the stakeholders who best understand these markets. In our proposed activities we look forward to working with governmental entities, non-profits, and resident owners to bring more liquidity to MHC that have these owners. We also will be working with investors to determine what securitization structures are appropriate for chattel mortgages. Our many forms of outreach will be to market stakeholders throughout the nation.

- **Do What We Do Best**: Our commitment to affordable housing is more than just a series of regulatory requirements, it is a fundamental component of who we are as a company. What we were established to do and what we do best is to facilitate a secondary market by purchasing mortgages – and that is what we need to do in this market. In some instances – like with chattel – we have to build a scaffold to get there by conducting research, enhancing or developing loan criteria, and assessing performance before creating opportunities for mortgage acquisitions. In some
instances we are already there – as reflected in a simple commitment to purchase more manufactured housing mortgages where we can safely do so.

Our four strategic priorities have been woven into our Plan. To highlight their incorporation, one or more of them is referenced for every Objective we put forward. A chart setting forth an overview of our Activities and Objectives is attached to our Plan (Attachment A).

Many of our Objectives propose investments we want to make, subject to compliance with Fannie Mae’s Charter Act and receipt of FHFA approval, or numbers of loans we intend to buy. However, this is an inexact science. Next year or in three years the market may undercut our ability to achieve these goals. Alternatively, it may support efforts to do even better. Accordingly, we see this Plan as a living document that will have to change over time. We look forward to working with the manufactured housing community to be responsive to the ongoing needs of this market, whatever and wherever they may be.

II. Overview of the Manufactured Housing Market

A. The Single-Family National Manufactured Housing Market

This overview is provided to place the Plan in the context of this market (including identifying significant data gaps) and to provide information relevant to market needs and opportunities.

Based on data compiled in 2015, pursuant to the Home Mortgage Disclosure Act (HMDA), the total Manufactured Housing Market share was approximately 1.6 percent for government loans, 1.9 percent for conventional loans, and 1.8 percent for total originations.

Manufactured housing may be titled as either personal (chattel) or real property (non-chattel). How the manufactured home is titled affects the available options for financing. Structures titled as personal property are only eligible for chattel financing while structures titled as real property may be financed through conventional loans. Many factors might impact a

borrower’s decision for titling and financing a manufactured home, including but not limited to taxes, credit standing, the recommendations of their broker or seller, and even location.

Regardless of the borrower’s decision, there are various financing options that are available for both chattel and non-chattel loans.

<table>
<thead>
<tr>
<th>Primary Market Loan Type</th>
<th>Secondary Market Participant</th>
<th>Chattel Eligible</th>
<th>Non-Chattel Eligible</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal Housing Administration (FHA) Guaranteed Loans</td>
<td>Ginnie Mae</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Veterans Administration (VA) Guaranteed Loans</td>
<td>Ginnie Mae</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Conventional Conforming Loans</td>
<td>Fannie Mae and Freddie Mac</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Personal Property Loan (Conventional)</td>
<td>Private Label Security</td>
<td></td>
<td>X</td>
</tr>
</tbody>
</table>

Note: In addition to the above, loans may be held in lenders’ portfolios.

Although both chattel and non-chattel loans are eligible for FHA and VA financing, as shown below, the share of government loans within the Manufactured Housing Market is relatively small.

The key characteristics of chattel financing for manufactured housing compared with non-chattel financing include:

- Shorter loan terms (typically 20 years instead of 30);
- Higher interest rates (at least two to five percentage points);
- Fewer rights when in default; and
A more limited pool of lenders, due to the lack of a secondary mortgage market.

Many mortgage lenders do not originate chattel loans mostly due to risk factors and the lower property value associated with these loans. Significant numbers of chattel borrowers may be eligible to qualify for a non-chattel loan, but do not realize it. According to the Consumer Financial Protection Bureau (CFPB), the lending market for chattel loans is concentrated among just a few lenders: Vanderbilt Mortgage, U.S. Bank, San Antonio Federal Credit Union, 21st Mortgage, and Triad Financial Services.²

Manufactured housing is available at a significantly reduced cost when compared to site-built housing. The average sales price of a new single-section manufactured home was approximately $43,000 in the first six months of 2014.³ The median sales price of a new site-built home, including land, during that same period was $288,000. Moreover, in 2013 the cost per square foot was less than half the cost of site-built construction.⁴

Manufactured housing residents tend to be slightly older; the average owner is 54. The average size of the household tends to be small at 2.3 persons. While 31 percent of the national homeowner population has a bachelor’s degree or higher, only about 8.3 percent of manufactured homeowners achieve the same.⁵ Nearly 20 percent of manufactured housing households have a single head of household with no children in the home; for site-built homes this is true for less than 15 percent of households. Approximately 32 percent of manufactured housing households are headed by a retiree, compared to 24 percent for site-built households.⁶

Manufactured housing serves as a significant source of affordable housing for borrowers of more modest means. More than 22 percent of manufactured housing residents have incomes at or below the Federal poverty line. The median annual housing income for those living in manufactured housing was $28,400 as compared to a national median of $52,250.⁷ Nonetheless, households living in manufactured homes are likely to be “cost burdened” in that they spend more than 30 percent of their income on housing. For example, approximately 27 percent of families living in manufactured housing in Middle Appalachia are cost burdened.⁸

⁴ Id.
⁵ 2013 American Housing Survey, Census Bureau.
⁶ CFPB Report at 6.
⁷ Manufactured Housing Institute, comments on the Proposed Duty to Serve Rule, 3 (Mar. 17, 2016).
Manufactured housing represents a significant percentage of all housing in rural areas. Nearly 20.7 percent of the occupied housing stock in Middle Appalachia is manufactured homes.\textsuperscript{9} That figure drops only slightly in the Lower Mississippi Delta to 17 percent.\textsuperscript{10} It is estimated that 19.2 percent of the occupied housing stock in colonias along the U.S. border consist of manufactured homes.\textsuperscript{11}

\textsuperscript{10} Id. at 90.
\textsuperscript{11} Id. at 62.
HMDA data reflects that in more recent years, the share of refinance originations in manufactured housing has been decreasing from about 40 percent to 30 percent. The greater activity has been in purchase money originations.

As a percentage of originations within a state, based on 2015 HMDA data, West Virginia, Mississippi, and Louisiana are the top three states in the nation with, respectively, 1,801, 2,411, and 4,593 manufactured housing loans financed.

However, the top three states for shares of manufactured housing originations nationwide, according to 2015 HMDA data, were Texas, California, and North Carolina with, respectively, 10,138, 7,233, and 6,063, mortgages originated.
There are currently a number of challenges in sizing the national single-family manufactured housing market. Paramount among these is that there is no loan level market data source that is comprehensive enough to allow for a breakout of manufactured housing loans by chattel and non-chattel loans. There are several reasons for this.

- Although this will change for 2018, currently HMDA data does not provide a breakout between chattel and non-chattel loans. In addition, HMDA data may under-report the market because it is serviced by smaller financial institutions that often are not required to report under HMDA.

- Census data that provides manufactured housing shipment statistics (i.e., new units), is not mortgage data and does not capture re-sales or refinancing.

- Other loan level data sources that are commonly used in the industry, such as CoreLogic or Black Knight, also do not provide a breakout between chattel and non-chattel loans, in addition to having an even smaller coverage than HMDA.

Some sources provide instructive (but not definitive) information about the size of the market. For example, the CFPB reports that:

- An estimated 65 percent of borrowers who own their land and who took out a loan to buy a manufactured home between 2001 and 2010 financed the purchase with a chattel loan.\(^\text{12}\)

- About 48 percent of households that live in manufactured homes own both the home and the land it is placed on; about 30 percent rent the land, but own the home; and about 18 percent rent both the home and the land.\(^\text{13}\)

- In 2013, only 14 percent of new manufactured homes were titled as real property.\(^\text{14}\)

- Manufactured homes in land-lease communities, about 30 percent of all manufactured housing placements in recent years, are generally only eligible for chattel financing.\(^\text{15}\)

According to the CFED, the U.S. Census Bureau reported that in 2008, out of approximately 79,000 new manufactured homes, 50,000 (or approximately 63 percent) of these were titled as chattel, even though 75 percent were placed on private land (i.e., not in a land-lease community).\(^\text{16}\) In 2006, citing from a 2005 study, the Center for Community Development Investments of the Federal Reserve Bank of San Francisco, placed the share of manufactured houses titled as real estate at one-third.\(^\text{17}\) By 2013, the U.S. Census Bureau was reporting that the share of new manufactured homes titled as real estate had decreased from 28 percent in 2009 to 14 percent.\(^\text{18}\)

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12 CFPB Report at 6.
13 Id. at 21.
14 Id. at 23.
15 Id. at 24.
B. The Multifamily Manufactured Housing Communities Market

This overview of the MHC market is provided to place the Plan in the context of this market (including identifying significant data gaps) and to provide information relevant to market needs and opportunities.

Contrary to popular belief, most manufactured homes are not located in large MHC. Rather, according to the 2013 American Housing Survey, only about 30 percent of manufactured homes are located in MHC with at least seven units. Among manufactured homes located in communities, 80 percent are owned by their inhabitants. However, only 14 percent of park residents also own the lot on which their unit is placed.

According to the CFPB, ownership of MHC is highly fragmented and populated with many single-site operators. The largest groups of MHC owners are publicly and privately held Real Estate Investment Trusts (REIT) property investment firms, and specialty institutional investors. The largest publicly held portfolio of MHC is owned by Equity LifeStyle Properties, a Chicago based REIT, and consists of 201 community properties with over 70,000 manufactured home and park model home sites. Further, the CFPB reports that most recently the industry has been consolidating with investors acquiring both single site operators and larger portfolios of manufactured home community assets.

There is currently very limited data available on MHC, which makes it difficult to establish the size of the market. There are several reasons for this.

- HMDA data, which is the source that is commonly used to size the mortgage market, does not provide reliable loan information on MHC.
- The American Community Survey tracks owners and renters who inhabit manufactured housing, but does not track the number of MHC.
- The American Housing Survey indicates whether a manufactured home is located in a community or scattered site setting, but does not track MHC directly.
- To the extent there is data available, the data itself may be incomplete or difficult to secure. For example, States that require MHC to register with them for health or housing reasons may maintain this data, but it would be difficult to collect this information State-by-State and create a consistent database with consistent data.
- Free data may not focus on the relevant subject area (e.g., Marcus and Millichap reports on performance of MHC rather than sizing data).

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19 Table C-01-AH, 2013 American Housing Survey.
20 CFPB Report at 42.
21 Id.
Nonetheless, an estimated 37,000 MHC have been verified and tracked. They are distributed throughout the U.S. as provided below.

Source: Datacomp/JLT
Note: Datacomp JLT created and maintains the MHI Database.

Approximately half of all MHC are concentrated in just 10 states with heavy concentrations in Florida, California, and Texas.
The size of MHC may vary significantly from below five units to more than 500.

**Distribution of MHC by Number of Pads**

Source: Datacomp/JLT

Note: Based on an estimated 16,100 MHC where the number of pads is known.

The stock of MHC is aging, with most of the stock built prior to 1980.

**Distribution of MHC by Year Built**

Source: Datacomp/JLT

Note: Datacomp/JLT created and maintains the Manufactured Housing Institute Database.
While the beginning of the century saw significant construction, in the first quarter of 2016, only three new MHC were under construction with fewer than 900 pads being built.

Manufactured housing continues to not only serve as a source of affordable housing, but as a source of housing that is significantly less expensive than traditional brick and mortar multifamily rentals. Nationwide, manufactured homes have rents that are approximately 75 percent of traditional multifamily rents.

Median Multifamily Rents vs. Manufactured Home Rents

Source: REIS Inc. for asking rents. Fannie Mae tabulations of American Community Survey Data for MHC rents.
Note: Rents include utilities; rents based on all manufactured housing rentals including those outside of MHC.
Historical lending volumes for MHC vary by source. Real Capital Analytics provides the most consistently robust source of data.

### MHC Lending Volume January 2011 – May 2016 (in Billions)

<table>
<thead>
<tr>
<th>Year</th>
<th>RCA</th>
<th>CoStar</th>
<th>Trepp</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>$2.90</td>
<td>$0.5</td>
<td>$0.7</td>
</tr>
<tr>
<td>2012</td>
<td>2.90</td>
<td>1.1</td>
<td>1.0</td>
</tr>
<tr>
<td>2013</td>
<td>6.30</td>
<td>2.3</td>
<td>2.7</td>
</tr>
<tr>
<td>2014</td>
<td>4.60</td>
<td>1.3</td>
<td>1.4</td>
</tr>
<tr>
<td>2015</td>
<td>5.80</td>
<td>1.0</td>
<td>1.4</td>
</tr>
<tr>
<td>2016</td>
<td>6.60</td>
<td>1.0</td>
<td>0.0</td>
</tr>
</tbody>
</table>

Generally, between 1,000 and 2,000 arm’s length transactions reflecting a change in ownership occur annually with one-third of transactions related to age restricted communities and two-thirds of transactions related to all-age communities.

### MHC Arm’s Length Transactions Volume 2005 – April 30, 2016, by Type of Community

<table>
<thead>
<tr>
<th>Year</th>
<th>55+</th>
<th>All Ages</th>
<th>Unknown</th>
<th>Grand Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>168</td>
<td>194</td>
<td>4</td>
<td>366</td>
</tr>
<tr>
<td>2015</td>
<td>427</td>
<td>665</td>
<td>18</td>
<td>1,110</td>
</tr>
<tr>
<td>2014</td>
<td>138</td>
<td>416</td>
<td>3</td>
<td>557</td>
</tr>
<tr>
<td>2013</td>
<td>582</td>
<td>1,635</td>
<td>8</td>
<td>2,225</td>
</tr>
<tr>
<td>2012</td>
<td>653</td>
<td>1,769</td>
<td>19</td>
<td>2,441</td>
</tr>
<tr>
<td>2011</td>
<td>479</td>
<td>1,387</td>
<td>3</td>
<td>1,869</td>
</tr>
<tr>
<td>2010</td>
<td>345</td>
<td>682</td>
<td>7</td>
<td>1,034</td>
</tr>
<tr>
<td>2009</td>
<td>258</td>
<td>1,109</td>
<td>4</td>
<td>1,371</td>
</tr>
<tr>
<td>2008</td>
<td>315</td>
<td>1,389</td>
<td>19</td>
<td>1,723</td>
</tr>
<tr>
<td>2007</td>
<td>1,098</td>
<td>3,628</td>
<td>75</td>
<td>4,801</td>
</tr>
<tr>
<td>2006</td>
<td>412</td>
<td>1,189</td>
<td>6</td>
<td>1,607</td>
</tr>
</tbody>
</table>

Grand Total | 4,875 | 14,063 | 166 | 19,104 |

Source: Datacomp/JLT
Note: Datacomp/JLT created and maintains the Manufactured Housing Institute (MHI) Database.
While lending on MHC has risen substantially since the end of the recession, the volume still remains low. Lending appears to be under $4 billion annually.

**MHC Sales and Lending Volume January 2005 – April 2016**

<table>
<thead>
<tr>
<th>Year</th>
<th>Properties</th>
<th>Pads</th>
<th>Sales Volume ($ Billions)</th>
<th>Loan Volume ($ Billions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>308</td>
<td>71,644</td>
<td>$3.0</td>
<td>$2.1</td>
</tr>
<tr>
<td>2006</td>
<td>418</td>
<td>98,328</td>
<td>3.3</td>
<td>2.2</td>
</tr>
<tr>
<td>2007</td>
<td>482</td>
<td>106,084</td>
<td>4.2</td>
<td>2.5</td>
</tr>
<tr>
<td>2008</td>
<td>141</td>
<td>32,102</td>
<td>1.4</td>
<td>0.9</td>
</tr>
<tr>
<td>2009</td>
<td>159</td>
<td>41,033</td>
<td>2.1</td>
<td>1.2</td>
</tr>
<tr>
<td>2010</td>
<td>135</td>
<td>29,272</td>
<td>1.4</td>
<td>0.7</td>
</tr>
<tr>
<td>2011</td>
<td>253</td>
<td>62,346</td>
<td>2.9</td>
<td>1.7</td>
</tr>
<tr>
<td>2012</td>
<td>272</td>
<td>65,527</td>
<td>2.9</td>
<td>1.9</td>
</tr>
<tr>
<td>2013</td>
<td>592</td>
<td>145,408</td>
<td>6.2</td>
<td>3.9</td>
</tr>
<tr>
<td>2014</td>
<td>368</td>
<td>98,701</td>
<td>4.6</td>
<td>2.5</td>
</tr>
<tr>
<td>2015</td>
<td>533</td>
<td>114,066</td>
<td>5.6</td>
<td>3.5</td>
</tr>
<tr>
<td>2016</td>
<td>56</td>
<td>11,724</td>
<td>0.5</td>
<td>0.2</td>
</tr>
</tbody>
</table>

Source: Real Capital Analytics, based on transactions valued at $2.5 million or higher. Include both sales and refinances of existing properties.

Note: RCA data likely represents between one-third and one-half of all transactions based on transactions recorded by Datacomp.

Lending in 2016 – 2018 is expected to be active with a minimum of $2.4 billion in MHC loans maturing during this time. The number of maturing loans in 2019, is expected to be about equal to those maturing in 2018, with a significantly increased number expected for 2021, and then a very significant number in 2022, when close to $7 billion in MHC loans will mature.
Finally, investment activity in MHC is also active. Private investors have played the largest role in investments since the start of 2015. This includes foreign investors such as Australian based Ingenia, which has invested $103 million since the start of 2015.

![Investor Share by Type of Investor](image)

*Source: Real Capital Analytics, based on transactions valued at $2.5 million or higher.*

### III. Statutory and Regulatory Activities Considered but not Included

Under the Regulations, there are no Statutory Activities for the Manufactured Housing Market. All Regulatory Activities have been considered and are addressed in this Plan.

### IV. Activities and Objectives

#### A. Regulatory Activity: Manufactured homes titled as real property (12 C.F.R. § 1282.33 (c) (1)).

1. **Objective #1:** Conduct outreach and market research through engagements with lenders and cross-functional industry representatives to identify and analyze market challenges, provide information about lending products, facilitate the delivery of loans, and maintain a communication feedback loop to facilitate a continuous improvement process (Analyze, Partner and Innovate).
SMART Factors

Fannie Mae will undertake the following measurable actions in each of Year One, Year Two, and Year Three of the Plan.

- Host one manufactured housing roundtable with cross-functional industry representation.
- Participate in two key industry conferences.
- Produce and distribute one set of educational materials that provide information about Fannie Mae’s manufactured housing loan products.
- Assist lenders in meeting manufactured loan delivery requirements by:
  - Engaging 25 Fannie Mae lenders.
  - Hosting two lender webinars.

The Manufactured Housing Market is complex with a wide range of housing and lending products. The market serves various income ranges for home buyers and also has very specific geographic market differentiation. In order to increase liquidity for the Manufactured Housing Market, a component of Fannie Mae’s strategy is to engage a wide variety of market participants and subject matter experts to gather information about market successes and challenges. The information gathered under this Objective will have an impact on the market by being a key contributor to support loan product changes to increase access to Fannie Mae financing. Fannie Mae also has identified a need to educate our lenders about our product offerings and requirements. Our strategy to engage lenders will also be a key input into changes that will have an impact on the market by simplifying loan requirements, resulting in increased delivery of manufactured home loans.

Fannie Mae is active in outreach and market engagement and providing education to lenders about its products. Existing resources dedicated to market outreach and education will be leveraged and enhanced to accommodate outreach specific to the Manufactured Housing Market. Based on our experience in engaging in such outreach efforts and educating our lenders, and given the available resources, Fannie Mae has determined that this Objective is realistic and may be achieved within the time periods described. The ultimate opportunity available in this market is to finance an increased number of manufactured housing mortgages secured by real estate, and this Objective will contribute to that end. By engaging in outreach and securing additional information, data and other bases for analysis, Fannie Mae broadens its knowledge base which allows it to make more informed decisions. By educating its lenders about its loan products and how loans are delivered, Fannie Mae helps to assure that its underwriting requirements and credit standards that incorporate notions of safety and soundness are appropriately met.

Income Levels

For all years of the Plan, this Objective will serve very low-, low-, and moderate-income families.

Evaluation Factors

Year One: Outreach Year Two: Outreach Year Three: Outreach

Proposed Concept Score for each Year

30 – Foundation for Future Impact: This Objective is a critical component of Fannie Mae’s overall strategy to increase liquidity within the Manufactured Housing Market through:
- Engaging and collaborating with cross-functional market participants able to identify loan product enhancements that address the specific needs of very low-, low-, and moderate-income families that choose manufactured housing for their affordable housing.

- Facilitating partnerships with lenders and other market participants.

- Promoting access to Fannie Mae’s manufactured housing products, and identifying barriers to loan delivery.

Achievement of the Objective entails material use of Fannie Mae’s staff and budget resources.

2. **Objective #2: Increase access to Fannie Mae financing by continuing to develop loan products and flexible underwriting guidelines that facilitate a secondary market of manufactured housing loans eligible for sale to Fannie Mae, while maintaining appropriate risk controls (Test and Learn).**

**SMART Factors**

Fannie Mae will undertake the following measurable actions in each of Year One, Year Two, and Year Three of the Plan.

- Revise one or more terms (i.e., create a variance) for Fannie Mae manufactured housing loan products to facilitate purchase.\(^{22}\)

- Engage five Fannie Mae lenders to discuss opportunities and challenges to sell variance program loans to Fannie Mae.

- Issue one or more variances to select lenders.

- In Q4 of each Year, conduct one economic and operational impact analysis to determine ongoing impact of Fannie Mae’s purchases of manufactured housing loans under the variance terms.

Fannie Mae’s manufactured housing loan products have specific limitations and restrictions that impact borrower eligibility and property eligibility. Our strategy is to use the information gathered through outreach and market research to assist in identification of product enhancements. By doing so, this Objective will have an impact on the market by increasing eligibility and simplifying loan requirements, resulting in increased liquidity to the market. In addition, strategically employing a test-and-learn approach to enhance Fannie Mae manufactured housing loan products facilitates a continuous learning process that will further the development of loan products that are tailored to best serve the needs of very low-, low-, and moderate-income families. Fannie Mae has significant experience evaluating, developing, and enhancing loan products. Based on this experience, Fannie Mae has determined that this Objective is realistic and may be achieved within the time periods described. The ultimate opportunity available in this market is to finance an increased number of manufactured housing mortgages secured by real estate, and this Objective will contribute to that end. Any variances, which create changes in credit parameters and product guidelines, will be supported by thorough economic, risk and operational analysis, will be subject to Fannie Mae’s governance and approval processes, and will only be made consistent with safety and soundness concerns.

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\(^{22}\) The Duty to Serve statute and the Regulations direct the Enterprises to develop loan products and flexible underwriting guidelines to facilitate a secondary market (i.e., provide liquidity to) for the three underserved markets. Fannie Mae’s single-family loan products and underwriting standards are contained in its *Selling Guide*. From time to time, Fannie Mae amends the agreement it has with a lender to allow the delivery of loans that were originated with terms that are different than those in the *Selling Guide*. These amendments are called “variances.” Accordingly, a variance is one of the tools Fannie Mae will use to provide loan products to and flexible underwriting guidelines for the underserved markets.
**Income Levels**

For all years of the Plan, this Objective will serve very low-, low-, and moderate-income families.

**Evaluation Factors**

<table>
<thead>
<tr>
<th>Year One: Loan Product</th>
<th>Year Two: Loan Product</th>
<th>Year Three: Loan Product</th>
</tr>
</thead>
</table>

**Proposed Concept Score for each Year**

**40 – Foundation for Future Impact:** Loan product changes are critical to increasing access to credit. The variances will reduce limitations and requirements, and as a result will open access to Fannie Mae financing to families who currently do not meet eligibility requirements. Product changes will also aim to simplify the lender experience, reducing or eliminating requirements that impede loan delivery.

Achieving these goals while maintaining safety and soundness requires substantial effort and use of Fannie Mae resources for activities such as:

- Outreach and market research as outlined in Objective #1.
- Analysis activities as outlined in Objective #5.
- Product development.
- Systems and operational changes needed to accommodate product changes.
- Monitoring and reporting resources to oversee and report on the performance of product variances.

**3. Objective #3:** Develop an enhanced manufactured housing loan product, MH Select™, to increase purchases of loans of manufactured housing titled as real estate and purchase such loans (Partner and Innovate, Do What We Do Best).

**SMART Factors**

Fannie Mae will undertake the following measurable actions in the three Years of the Plan.

In Year One of the Plan, Fannie Mae will:

- Create one set of product terms for MH Select.
- Conduct and document one economic and operational impact analysis to determine feasibility of Fannie Mae purchase of manufactured housing loans under the product terms.
- Engage five Fannie Mae lenders to discuss opportunities and challenges to sell MH Select loans to Fannie Mae.
- Issue one or more MH Select variances to select lenders, or publish one set of MH Select product terms in the Fannie Mae Selling Guide.

In each of Year Two and Year Three of the Plan, Fannie Mae will:

- Purchase between 250 and 750 MH Select loans.
Modern, high-quality manufactured housing rivals and in some cases, may exceed the construction quality of site-built homes. Fannie Mae’s strategy is to use the MH Select manufactured housing loan product to directly increase liquidity to the market by allowing for greater flexibility and reduced requirements versus standard manufactured housing loan products. Enhancement of the MH Select product also is consistent with Fannie Mae’s strategy to promote industry and market acceptance of modern, high-quality manufactured housing built to specific standards, and with certain features as a viable more affordable alternative to site-built homes.

The average price point for site-built homes continues to increase and in many markets, is outpacing increases in incomes, widening the home affordability gap. Modern, high-quality manufactured homes may help fill the gap by providing affordable, well-built, efficient homes that incorporate added features such as garages, pitched roofs, and porches.

By providing financing for this product, Fannie Mae will increase liquidity to the market. Fannie Mae has significant experience developing and enhancing loan products and purchasing loans. Based on this experience and the available resources, Fannie Mae has determined that this Objective is realistic and may be achieved within the time periods described. The ultimate opportunity available in this market is to finance increased numbers and types of manufactured housing mortgages secured by real estate, and this Objective will contribute to that end. Credit parameters and product guidelines for MH Select will be supported by thorough economic, risk and operational analysis, will be subject to Fannie Mae’s governance and approval processes, and will only be made consistent with safety and soundness concerns.

**Income Levels**

For all years of the Plan, this Objective will serve moderate-income families.

**Evaluation Factors**

| Year One: Loan Product | Year Two: Loan Purchase | Year Three: Loan Purchase |

**Proposed Concept Score for each Year**

40 – **Direct Impact:** Loan product changes are critical to increasing access to credit. The product changes will reduce limitations and requirements as compared to Fannie Mae’s conventional manufactured housing lending products, and as a result, will open access to Fannie Mae financing to families who currently do not meet eligibility requirements. Achieving the loan purchase goals of Year Two and Three results in an estimated $50 to $100 million of incremental financing provided to underserved segments of the Manufactured Housing Market.

Achieving these goals while maintaining safety and soundness requires substantial effort and use of Fannie Mae resources for activities such as:

- Outreach and market research as outlined in Objective #1.
- Analysis activities as outlined in Objective #5.
- Product development.
- Systems and operational changes needed to accommodate product changes.
- Monitoring and reporting resources to oversee and report on the performance of product variances.
4. Objective #4: Increase the purchase volume of conventional manufactured housing loans secured by real estate each year of the Plan (Do What We Do Best).

SMART Factors

Fannie Mae will undertake the following measurable actions in the three Years of the Plan.

In Year One of the Plan, Fannie Mae will:

- Purchase between 8,250 and 8,500 conventional manufactured housing loans.
  - **Baseline:** Based on an average of the number of manufactured housing loans purchased by Fannie Mae over the last three years (2014, 7,806; 2015, 7,749; 2016, 8,655), the Baseline for these purchases is 8,070 loans.23

In Year Two of the Plan, Fannie Mae will:

- Purchase between 8,500 and 8,750 conventional manufactured housing loans.

In Year Three of the Plan, Fannie Mae will:

- Purchase between 10,000 and 10,500 conventional manufactured housing loans.

Loan volume increases may include loans in high-needs rural regions or for high-needs rural populations and may include loans from small financial institutions. Increasing purchase volume of conventional manufactured housing loans provides direct liquidity to the market consistent with Fannie Mae’s strategy. Fannie Mae has significant experience purchasing loans. Based on this experience and the available resources, Fannie Mae has determined that this Objective is realistic and may be achieved within the time periods described. The ultimate opportunity available in this market is to finance increased numbers of manufactured housing mortgages secured by real estate, and this Objective will contribute to that end. Fannie Mae has a large presence in the manufactured housing loan market and has the systems, operations, and resource tools needed to facilitate efficient manufactured housing loan delivery in a safe and sound manner. In addition, underwriting standards and credit guidelines that are simplified and consistent with safety and soundness will continue to be applied to acquisition of this product.

Income Levels

For all years of the Plan, this Objective will serve very low-, low-, and moderate-income families.

Evaluation Factors

Year One: Loan Purchase        Year Two: Loan Purchase        Year Three: Loan Purchase

Proposed Concept Score for each Year

50 – Direct Impact: The output of this Objective has significant impact in providing liquidity to the market, estimated as follows:

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23 Given the fairly stable interest rates from 2014-2016, we believe the methodology suggested by FHFA in its proposed Evaluation Guidance 2018-2020 Plan Cycle of using an average of three years of data on recent performance to set a baseline for acquisitions of a particular type of loan is justified. Accordingly, unless it is indicated otherwise, this is the methodology we use in the Plan.
Over the three year Plan, an additional 2,540 to 3,540 loans will be purchased which equals an estimated additional $305 million to $425 million of liquidity, over the Baseline for the Manufactured Housing Market. This is an ambitious outcome given that Fannie Mae forecasts an overall decrease in loans in Year One and Year Two as higher interest rates are projected resulting in the transition to a purchase market which increases the challenge of growing loan volume over the Baseline derived from the lower interest rate and higher acquisition volumes from the 2013 – 2016 three year period.

Achievement of this goal requires significant effort and use of resources including but not limited to:

- All resources required to complete outreach and market research as outlined in Objective #1.
- All resources required to complete product enhancement work as outlined in Objectives #2 and #3.

5. **Objective #5: Promote transparency of manufactured housing loan performance by creating and distributing an analysis of Fannie Mae’s manufactured housing loan portfolio (Test and Learn).**

**SMART Factors**

Fannie Mae will undertake the following measurable actions in Year Two and Year Three of the Plan.

In Year Two of the Plan, Fannie Mae will:

- Publish the results of Fannie Mae’s analysis of its manufactured housing portfolio before the end of Q3.

In Year Three of the Plan, Fannie Mae will:

- Publish an update of Fannie Mae’s analysis of its manufactured housing portfolio before the end of Q3.

Manufactured housing is not well promoted in the larger housing industry and has been stigmatized. Public promotion of Fannie Mae’s substantial participation in the Manufactured Housing Market will assist in furthering the legitimization of this important housing segment and will provide transparency into the loan performance of different segments of the Manufactured Housing Market. Fannie Mae has significant experience in analyzing the performance of loans in its portfolio and providing information to the public. Based on this experience and the available resources, Fannie Mae has determined that this Objective is realistic and may be achieved within the time periods described. The ultimate opportunity available in this market is to finance an increased number and types of manufactured housing mortgages secured by real estate, and this Objective will contribute to that end. The results to be published will report on issues related to the safety and soundness of Fannie Mae’s acquisitions.

Fannie Mae will incorporate reporting into outreach activities as outlined in Objective #1, and will leverage findings to support product enhancement work as outlined in Objectives #2 and #3.

**Income Levels**

For Year Two and Year Three of the Plan, this Objective will serve very low-, low-, and moderate-income families.

**Evaluation Factors**

| Year One: Not applicable | Year Three: Outreach | Year Three: Outreach |

Fannie Mae’s Duty to Serve Underserved Markets Plan must receive a non-objection from FHFA before becoming effective. The Objectives in the proposed and final Plan may be subject to change based on factors including public input, FHFA comments, compliance with Fannie Mae’s Charter Act, safety and soundness considerations, and market or economic conditions.
Proposed Concept Score for each Year

30 – Foundation for Future Impact: The output of this Objective is essential to increasing access to credit through product enhancement activities as described in Objectives #2 and #3. This Objective will also provide substantial factual information that will address misconceptions about manufactured housing loan performance, thus promoting and helping to legitimize this important affordable housing market.

This Objective requires material use of Fannie Mae’s analytics and research resources.

B. Regulatory Activity: Chattel. Loans on manufactured homes titled as personal property (12 C.F.R. § 1282.33 (c) (2)).

1. Objective #1: Conduct outreach and market research through engagements with lenders and cross-functional industry representatives to support development of a chattel loan pilot (Analyze, Partner and Innovate).

SMART Factors

Fannie Mae will undertake the following measurable actions in each of Year One, Year Two, and Year Three of the Plan.

- Host two manufactured housing advisory board meetings with representation from the chattel manufactured housing industry.

- Participate in:
  - Two key industry conferences;
  - Two regional conferences serving different geographic areas; and
  - One manufactured home show.

- Engage a total of five single-family and multifamily lenders to identify challenges and potential solutions to creating a chattel secondary market.

Manufactured housing titled as chattel makes up the majority of manufactured housing in the U.S. As such, chattel represents the largest housing market opportunity in which Fannie Mae currently does not provide liquidity. To participate in this market, Fannie Mae’s strategy is to conduct outreach to understand all aspects of chattel lending from origination practices to loan servicing, loss mitigation, and property disposition. Furthermore, Fannie Mae must establish advisors who currently participate in chattel financing and may provide valuable insights into the challenges and successes within the market. Taking such steps are prerequisites to being able to determine whether Fannie Mae may participate in this market, consistent with notions of safety and soundness. Fannie Mae has significant experience conducting outreach efforts in the marketplace and participating in market activities. Based on this experience and the available resources, Fannie Mae has determined that this Objective is realistic and may be achieved within the time periods described.

Income Levels

For all years of the Plan, this Objective will serve very low-, low-, and moderate-income families.
Evaluation Factors

Year One: Outreach  Year Two: Outreach  Year Three: Outreach

Proposed Concept Score for each Year

30 – Foundation for Future Impact: This Objective is a critical component of the overall strategy to assess opportunities to participate in the chattel financing market.

- By engaging and collaborating with cross-functional market participants Fannie Mae will be able to identify best practices from loan origination to property disposition.
- Outreach will facilitate partnerships with lenders and other market participants.

Achievement of the Objective entails material use of Fannie Mae’s staff and budget resources.

2. Objective #2: Acquire chattel data from multiple sources to inform development of a chattel pilot, aggregate information acquired, and distribute findings (Analyze).

SMART Factors

Fannie Mae will undertake the following measurable actions in Year One of the Plan.

- Acquire industry chattel data and information essential to the development of a chattel pilot such as:
  - Chattel loan origination, performance and loss severity data from lenders, servicers, FHA Title I, and other government programs.
  - Chattel valuation and appraisal data; including homes in communities and on private land.
  - Chattel lending underwriting guidelines, servicing and disposition best practices and policies, and investor reporting requirements.
  - State and local titling, insurance, disposition, and decommissioning requirements.
  - Structures to reduce economic risk to Fannie Mae.
- Conduct and document one analysis that reflects a full understanding of the legal differences between chattel and real property secured manufactured homes (e.g., disclosures, State titling requirements, and investor responsibility and liability).
- Publicize key findings to promote industry awareness and inform future research.

Chattel manufactured housing represents the largest housing market opportunity in which Fannie Mae currently does not provide liquidity. The strategy for the Objective is to establish the foundation of knowledge which clarifies the gaps that exist between the chattel market and the conventional manufactured housing mortgage market. In conjunction with Objective #1, it creates the opportunity to standardize data, guidelines, policies, and best practices. After acquisition and analysis, data and findings will be shared with the industry to promote transparency, collaboration, and alignment for the betterment of the chattel market.
Despite the limited availability of data, Fannie Mae will seek out data from industry sources willing to share, leverage the information obtained by the FHFA Request for Information, and rely on insights, collaboration and feedback obtained in Objective #1 as part of its analysis. Fannie Mae has significant experience conducting outreach efforts in the marketplace and undertaking the type of legal and market analysis required by this Objective. Based on this experience and the available resources, Fannie Mae has determined that this Objective is realistic and may be achieved within the time period described.

Income Levels

For Year One of the Plan, this Objective will serve very low-, low-, and moderate-income families.

Evaluation Factors

Year One: Outreach  Year Two: Not applicable  Year Three: Not applicable

Proposed Concept Score for each Year

40 – Foundation for Future Impact: This Objective is a critical component of the strategy to create a chattel lending pilot, including:

- Thorough analysis of chattel loan performance and performance differentiation across segments of the market; and
- Publication of findings to promote this important housing market segment and provide factual information to address misconceptions about chattel loan performance and the chattel housing market.

This Objective requires significant use of Fannie Mae’s analytics and research resources.

3. Objective #3: Establish a chattel loan pilot by securing approval from FHFA to place chattel loans in our portfolio, putting underwriting policies and credit standards in place to acquire chattel loans in a safe and sound manner, purchasing chattel loans, and developing securitization structures to attract private capital (Do What We Do Best).

Note: Pursuant to FHFA’s proposed Evaluation Guidance, Fannie Mae seeks extra credit for this Objective.

SMART Factors

Fannie Mae will undertake the following measurable actions in the three Years of the Plan to create a chattel pilot.

In Year One of the Plan, Fannie Mae will:

- Pursue internal approval to purchase chattel loans.
- Pursue FHFA approval for the purchase of chattel loans, which are illiquid assets and may remain on Fannie Mae’s balance sheet for the life of the loans.
- Assuming internal approval and approval from FHFA, prepare one set of credit and servicing policies and standards to acquire chattel loans in a safe and sound manner.

Subject to internal and FHFA approval, in each of Year Two and Year Three of the Plan, Fannie Mae will:
Purchase between 350 and 425 chattel loans per year (about $20 to $25 million) to understand impact to existing policies, standards and processes, and develop solutions in a safe and sound manner.

- **Baseline:** Fannie Mae has previously purchased chattel loans, but has not made any purchases of chattel loans in the last three years.

Identify and document three possible chattel securitization structures that effectively build liquidity and attract private capital participation with transparency to the industry.

Engage four potential investors to obtain feedback on proposed structures.

Chattel manufactured housing represents the largest housing market opportunity in which Fannie Mae currently does not provide liquidity. This Objective is consistent with Fannie Mae’s strategy of directly increasing liquidity to the chattel market through purchase of chattel loans through bulk transactions. Fannie Mae’s strategy in purchasing these loans is to enhance Fannie Mae’s opportunities to assess chattel loan performance and appropriately model risk to support development of a chattel loan product. Extensive and thorough analysis of the subject chattel loan portfolios, consistent with notions of safety and soundness, will be completed prior to the purchase of the chattel loans. Fannie Mae has significant experience purchasing loans, including loans of types with which it has limited experience, and analyzing those loans prior to making such purchases. Based on this experience and the available resources, Fannie Mae has determined that this Objective is realistic and may be achieved within the time periods described. Purchase of the chattel loans will be pursuant to the set of credit and servicing policies and standards to acquire chattel loans in a safe and sound manner, which will be created under this Objective.

**Income Levels**

For all years of the Plan, this Objective will serve very low-, low-, and moderate-income families.

**Evaluation Factors**

**Year One:** Loan Product  
**Year Two:** Loan Purchase  
**Year Three:** Loan Purchase

**Proposed Concept Score for each Year**

50 – **Direct Impact:** The Objective establishes the credit criteria and servicing standards for Fannie Mae to participate appropriately and attract private capital to the chattel market and provides direct liquidity of up to $50 million to the chattel market. The acquisition of chattel loans is essential in determining impacts to Fannie Mae infrastructure and processes as part of a comprehensive assessment of a potential chattel pilot. Acquisition of chattel loans will also provide Fannie Mae direct and fully transparent access to chattel loan performance and servicing, which will inform chattel product development efforts and will supplement the information and data to be publicized.

The Objective requires substantial use of Fannie Mae resources including capital markets, analytics, risk, and operations.
C. Regulatory Activity: Manufactured housing communities (MHC) owned by a governmental entity, non-profit organization, or residents (12 C.F.R. § 1282.33 (c) (3)).

1. Objective #1: Conduct outreach to and research of MHC owned by governmental entities, non-profits, and residents to determine market opportunities for product enhancement that will result in increased loan purchases of mortgage loans secured by MHC with the identified ownership (Analyze, Partner and Innovate).

SMART Factors

Fannie Mae will undertake the following measurable actions in each of Year One, Year Two, and Year Three of the Plan.

- Research the MHC market to determine how many MHC have the identified owners and how much opportunity there is in the market, including:
  - Meeting with three governmental entities that own or have considered MHC ownership.
  - Meeting with three non-profit entities that own or have considered MHC ownership.
  - Meeting with four entities that have a significant focus on resident-owned MHC.
  - Meeting with four Fannie Mae lenders that have significant involvement with MHC financing.
  - Participating in two key industry conferences.
  - Hosting two manufactured housing roundtables with cross-functional industry representation.

- Use the ongoing outreach and research to inform the other Objectives, and to ensure continuous improvement opportunities.

Fannie Mae has served the MHC market for nearly 18 years, has purchased just under $11 billion in MHC loans since 1999, and has a solid familiarity with the numerous stakeholders across the MHC industry. However, while aware of the potential need for financing MHC with the identified ownership, Fannie Mae has considered purchasing such loans only on a one-off and exception basis. To strategically address loan purchases of MHC with the identified ownership and to determine the market opportunity, Fannie Mae must conduct research and outreach to key market stakeholders throughout the three year term of the Plan. Fannie Mae has significant experience engaging in research and outreach. Based on this experience and the available resources, Fannie Mae has determined that this Objective is realistic and may be achieved within the time periods described. This outreach and research will address how loans with the identified ownership may be purchased consistent with notions of safety and soundness.

Income Levels

For all Years of the Plan, this Objective will serve very low-, low-, and moderate-income families.

Evaluation Factors

<table>
<thead>
<tr>
<th>Year One: Outreach</th>
<th>Year Two: Outreach</th>
<th>Year Three: Outreach</th>
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Fannie Mae’s Duty to Serve Underserved Markets Plan must receive a non-objection from FHFA before becoming effective. The Objectives in the proposed and final Plan may be subject to change based on factors including public input, FHFA comments, compliance with Fannie Mae’s Charter Act, safety and soundness considerations, and market or economic conditions.
Proposed Concept Score for each Year

30 – Foundation for Future Impact: This Objective is a critical component of the overall strategy to increase liquidity within the Manufactured Housing Market. Through engagement and collaboration with cross-functional market participants, Fannie Mae will be able to identify the most impactful loan product enhancements that address the specific needs of very low-, low-, and moderate-income families that choose MHC with the identified ownership for their affordable housing needs. Product enhancements will be based on real-time information and driven by realistic opportunities.

2. Objective #2: Conduct a review of existing MHC loan product guidelines and, based on market research and outreach, consider and approve product enhancements that would facilitate an increase in loan purchases of mortgage loans secured by MHC owned by governmental entities and non-profit organizations, and purchase an increased number of mortgages secured by MHC owned by governmental entities or non-profit organizations (Analyze, Test and Learn, Do What We Do Best).

SMART Factors

Fannie Mae will undertake the following measurable actions in the three Years of the Plan.

In Year One of the Plan, Fannie Mae will:

- Review research and outreach results from Objective #1 on a quarterly basis (i.e., four times) and consider potential changes to our underwriting guidelines and credit standards that could result in an increase in mortgage loan purchases.

- Review, approve, and distribute one to three changes in the form of a lender letter, change to the Multifamily Selling and Servicing Guide, or other communication to lenders revising, supplementing, or clarifying our underwriting guidelines for MHC in a way designed to facilitate an increase in MHC loan purchases consistent with notions of safety and soundness.

- Educate four lenders on approved changes.

In Year Two of the Plan, Fannie Mae will:

- Purchase mortgage loans secured by MHC owned by governmental entities and/or non-profits for a total of between 200 and 300 units of MH.

  - Baseline: Fannie Mae has financed one MHC owned by a non-profit and zero MHC owned by a governmental entity in the past three years.

- Continue to review research and outreach results from Objective #1 on a quarterly basis.

In Year Three of the Plan, Fannie Mae will:

- Purchase mortgage loans secured by MHC owned by governmental entities and/or non-profits for a total of between 200 and 300 units of manufactured housing.

- Continue to review research and outreach results from Objective #1 on a quarterly basis.

The market opportunity for MHC with the identified ownership cannot be determined from currently available data. Accordingly, one of the actions associated with Objective #1 and this Objective is to develop and utilize this data. By using this data in conjunction with a review of existing MHC guidelines, Fannie Mae will be able to consider enhancing our MHC product, consistent with notions of safety and soundness, to accommodate these identified ownership types. This would be in accord with Fannie Mae’s strategy of increasing liquidity to the market by proactively and strategically increasing liquidity to these specific MHC ownership types. Fannie Mae has significant experience in the MHC market, engaging in research and outreach, enhancing products, and purchasing loans. Based on this experience and the available resources, Fannie Mae has determined that this Objective is realistic and may be achieved within the time periods described. All changes in underwriting guidelines or credit standards will be supported by thorough economic, risk, and operational analyses, will be subject to Fannie Mae’s governance and approval processes, and will only be made consistent with safety and soundness concerns.

**Income Levels**

For all years of the Plan, this Objective will serve very low-, low-, and moderate-income families.

**Evaluation Factors**

| Year One: Loan Product | Year Two: Loan Purchase | Year Three: Loan Purchase |

**Proposed Concept Score for each Year**

50 – **Direct Impact:** By identifying, approving, and implementing product enhancement(s) to Fannie Mae’s current MHC product based on the outreach and research gathered in Objective #1 and the analysis, variance and product enhancements conducted as part of this Objective, Fannie Mae will have the ability to increase liquidity to MHC with the identified ownership as provided through the referenced loan purchases.

3. **Objective #3: Design and conduct a pilot program with resident-owned MHC stakeholder organization to increase liquidity and test possible roles for Fannie Mae (Test and Learn, Partner and Innovate).**

**SMART Factors**

Fannie Mae will undertake the following measurable actions in the three Years of the Plan.

In Year One of the Plan, Fannie Mae will:

- Review research and outreach results from Objective #1 on a quarterly basis and consider implications for the development of a pilot program to increase liquidity to resident-owned MHC.

- Approve one pilot program that will test potential roles for Fannie Mae.

- Create one implementation plan for the pilot with the goal of beginning the pilot in Year Two, including determining appropriate underwriting guidelines and credit standards for the pilot program, as well as factors for assessing the pilot.

In Year Two of the Plan, Fannie Mae will:

- Implement one pilot program and purchase at least five loans on MHC with resident owners.

  - **Baseline:** Zero. Fannie Mae has not purchased any MHC of this ownership type.
Conduct and document quarterly reviews on the progress of the pilot program.

In Q4 of Year Two, conduct and document one review utilizing ongoing research and outreach (Objective #1) to determine what, if any, changes to the pilot should be approved for Year Three activities.

In Year Three of the Plan, Fannie Mae will:

- Continue the pilot program and purchase at least seven loans on MHC with resident owners.
- In Q2, design one presentation format for pilot program results.
- In Q3, create one document reflecting the assessment of results and/or learnings from the pilot program and make recommendations for financing resident-owned MHC.
- In Q4, create one document responding to recommendations made regarding the pilot program with respect to Fannie Mae’s role(s) in the resident-owned MHC market.

Designing, assessing, and implementing a pilot program for resident-owned MHC is consistent with Fannie Mae’s strategy of providing liquidity to the market. However, the market opportunity for resident-owned MHC cannot be determined from currently available data. Accordingly, one of the actions associated with Objective #1 and this Objective will be to develop and utilize this data. By using this data in conjunction with a review of existing MHC guidelines and the development of a pilot program, Fannie Mae will be able to enhance our MHC product, consistent with notions of safety and soundness, to accommodate this ownership. Fannie Mae has a long standing history of providing capital to affordable housing (with income and other restrictions), MHC, and cooperatives, all of which have common issues with resident-owned MHC. In addition, Fannie Mae has solid relationships with lenders that are actively involved in financing MHC. Based on this experience, existing partnerships, and the available resources, Fannie Mae has determined that this Objective is realistic and may be achieved within the time periods described. All changes in underwriting guidelines or credit standards will be supported by thorough economic, risk and operational analysis, will be subject to Fannie Mae’s governance and approval processes, and will only be made consistent with safety and soundness concerns.

**Income Levels**

For all years of the Plan, this Objective will serve very low-, low-, and moderate-income families.

**Evaluation Factors**

- Year One: Loan Product
- Year Two: Loan Purchase
- Year Three: Loan Purchase

**Proposed Concept Score for each Year**

**50 – Foundation for Future Impact:** This Objective is a critical component of the overall strategy to increase liquidity for resident-owned MHC.

- By designing and conducting a pilot program for resident-owned MHC, Fannie Mae will be able to test assumptions about and determine Fannie Mae’s role in the resident-owned MHC market.
- Results from the pilot program will be utilized to, consistent with notions of safety and soundness, revise Fannie Mae’s MHC guidelines so as to increase liquidity to the market for resident-owned MHC.
- Fannie Mae will use its findings to educate lenders and other MHC market stakeholders so as to increase liquidity.
4. **Objective #4:** Research, prepare, and publish one white paper based on Fannie Mae’s experiences with MHC of the identified ownership types to educate financial institutions and MHC stakeholders on best practices for underwriting, investing in, and managing these assets (Test and Learn, Partner and Innovate).

**SMART Factors**

Fannie Mae will undertake the following measurable actions in Year Two and Year Three of the Plan.

In Year Two of the Plan, Fannie Mae will:
- Establish and document a work-plan that will result in completion of a white paper by the end of Year Three of the Plan.

In Year Three of the Plan, Fannie Mae will:
- Publish the white paper.

Fannie Mae regularly publishes white papers and similar documents to draw attention to affordable housing issues and potential solutions. By utilizing its national stature in the housing market, Fannie Mae may bring attention to affordable housing issues and potential solutions along the “Main Street” to “Wall Street” continuum. By publicly describing its successes and failures as it has addressed MHC with non-traditional ownership, Fannie Mae may spark knowledge of and investment in this affordable housing solution. Based on Fannie Mae’s significant experience in publishing white papers and similar documents, Fannie Mae has determined that this Objective is realistic and may be achieved within the time periods described. Given the nature of the Objective, market opportunity and notions of safety and soundness cannot be addressed at this time. However, analysis of these issues will be reflected in the white paper.

**Income Levels**

For Year Two and Year Three of the Plan, this Objective will serve very low-, low-, and moderate-income families.

**Evaluation Factors**

| Year One: Not applicable | Year Two: Loan Product | Year Three: Loan Product |

**Proposed Concept Score for each Year**

50 – Direct Impact: By publishing a white paper, Fannie Mae will provide valuable information to market stakeholders on the advisability of participating and investing in the market for MHC with the identified ownership. This may facilitate lending to and increase liquidity for MHC with these types of ownership.

5. **Objective #5:** Establish a pilot program for potential entity level investments in non-profit organizations, Community Development Financial Institutions (CDFI), small financial institutions or other entities that have a major focus on MHC owned by a governmental entity, a non-profit organization, or residents (Partner and Innovate).

**SMART Factors**

Fannie Mae will undertake the following measurable actions in Year One and Year Two of the Plan.
In Year One of the Plan, Fannie Mae will:

- Design one pilot investment program, including review and addressing:
  - One to five potential investment types.
  - Investment underwriting.
  - Approval process.
  - Maximum portfolio capacity.
  - Asset management.
  - Reporting.
  - Performance measures – traditional financial as well as impact performance.

- Attain preliminary internal approval for proposed pilot program.

- Submit pilot program to FHFA for review.

- If the pilot program complies with Fannie Mae’s Charter Act and receives approval from FHFA, process the proposed investment(s) through Fannie Mae’s internal product development process.

- Close the investments that have been approved internally and received FHFA’s approval.
  - **Baseline**: No investments of this nature have been made by Fannie Mae in the past three years.

In Year Two of the Plan:

- Based on the experience in Year One, revise pilot program and seek FHFA non-objection.

The need for capital investments in the underserved markets was raised during the outreach Fannie Mae conducted in 2015, the comments that were received on the proposed Duty to Serve rule in 2016, and in the three listening sessions which took place in 2017. These comments define a significant market opportunity for this action. Investment of this capital would in turn leverage significant funds into manufactured housing, which would enhance the market for manufactured housing. Based on Fannie Mae’s significant experience in developing products, acquiring approval, and making investments of this nature, we believe this Objective is realistic and may be achieved within the time periods described. Any new investment would be subject to internal approval, which would incorporate safety and soundness analysis. Implementation of this Objective is contingent upon a determination that the Objective and related actions are compliant with Fannie Mae’s Charter Act, and receipt of FHFA approval.

**Income Levels**

For Year One and Year Two, this Objective will serve very low-, low-, and moderate-income families.

**Evaluation Factors**

| Year One: Investment | Year Two: Investment | Year Three: Not applicable |
Proposed Concept Score for each Year

50 – **Direct Impact**: Investing in CDFI or similar organizations that have a strong focus on manufactured housing of this ownership type would leverage significant additional capital that would support the need for more liquidity in these submarkets.

D. **Regulatory Activity**: MHC with certain pad lease protections (12 C.F.R. § 1282.33 (c) (4)).

1. **Objective #1**: Conduct research and outreach to determine market use and potential acceptance by MHC owners of FHFA’s proposed minimum tenant pad lease protections (FHFA Pad Requirements), approve and market at least one enhancement to Fannie Mae’s MHC product that will encourage adoption of the FHFA Pad Requirements, and acquire loans subject to the FHFA Pad Requirements (Test and Learn, Partner and Innovate, Do What We Do Best).

**Note**: Pursuant to FHFA’s proposed *Evaluation Guidance*, Fannie Mae seeks extra credit for this Regulatory Activity.

**SMART Factors**

Fannie Mae will undertake the following measurable actions in the three Years of the Plan.

In Year One of the Plan, Fannie Mae will:

- Research the laws to determine which States or localities with significant MHC require, in whole or in substantial part, pad lease protections that meet FHFA Pad Requirements.

- Conduct outreach to three organizations, five states, five MHC owners, and four lenders to better understand the market opportunities for financing MHC that meet FHFA Pad Requirements.

- Identify, review, and approve at least one product enhancement for lenders and/or MHC owners that would increase loan purchases secured by MHC that meet FHFA Pad Requirements.

In Year Two of the Plan, Fannie Mae will:

- Market the product enhancement approved in Year One to five MHC owners and three MHC lenders for MHC owners to adopt FHFA Pad Requirements.

In Year Three of the Plan, Fannie Mae will:

- Finance at least 250 MHC units subject to FHFA Pad Requirements.
  - **Baseline**: Fannie Mae has not purchased any MHC subject to FHFA Pad Requirements, thus it is unable to establish a Baseline.

- Establish loan purchase goals for MHC subject to FHFA Pad Requirements for the 2021 – 2023 Plan.
Based on Fannie Mae’s initial research, there are no States or localities that require all or substantially all of the FHFA Pad Requirements. MHC are unlikely to have adopted such protections voluntarily. Accordingly, we believe there is little existing market opportunity for financing MHC subject to the FHFA Pad Requirements absent marketing of a product enhancement that incents MHC owners to adopt them. By conducting research and outreach to both its current and new MHC stakeholders, Fannie Mae could facilitate a greater understanding of the FHFA Pad Requirements and identify opportunities to incent developers, States, localities, and MHC owners to establish such protections where they are not required to do so. Based on Fannie Mae’s significant experience in the MHC market and developing products, and our strong relationship with MHC owners and MHC lenders, we believe this Objective is realistic and may be achieved within the time periods described. Any product enhancements will be supported by thorough economic, risk, and operational analyses, will be subject to Fannie Mae’s governance and approval processes, and will only be made consistent with safety and soundness concerns.

**Income Levels**

For the three years of the Plan, this Objective will serve very low-, low-, and moderate-income families.

**Evaluation Factors**

- **Year One:** Loan Product
- **Year Two:** Loan Product
- **Year Three:** Loan Purchase

**Proposed Concept Score for each Year**

**40 – Direct Impact:** Successful implementation of Objective #1 will result in: (a) a greater knowledge of FHFA PAD Requirements; and (b) the provision of a product enhancement that should increase both awareness and acceptance of specific tenant lease pad protections that will help stabilize MHC for the long-term.
### V. Attachment A – Overview of Activities and Objectives for Manufactured Housing

<table>
<thead>
<tr>
<th>Evaluation Factor</th>
<th>Year 1 Objectives</th>
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<td>Outreach</td>
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<td>Loan Product</td>
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<td>Loan Purchase</td>
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#### A. Regulatory Activity: Manufactured homes titled as real property (12 C.F.R. § 1282.33 (c) (1)).

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<tr>
<td>1</td>
<td>Conduct outreach and market research through engagements with lenders and cross-functional industry representatives to identify and analyze market challenges, provide information about lending products, facilitate the delivery of loans, and maintain a communication feedback loop to facilitate a continuous continuous</td>
<td>▪ Host one manufactured housing roundtable with cross-functional industry representation.</td>
<td>▪ Host one manufactured housing roundtable with cross-functional industry representation.</td>
<td>▪ Host one manufactured housing roundtable with cross-functional industry representation.</td>
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<td>▪ Participate in two key industry conferences.</td>
<td>▪ Participate in two key industry conferences.</td>
<td>▪ Participate in two key industry conferences.</td>
<td>▪ Participate in two key industry conferences.</td>
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<td></td>
<td>▪ Produce and distribute one set of educational materials that provide information about Fannie Mae’s manufactured housing loan products.</td>
<td>▪ Produce and distribute one set of educational materials that provide information about Fannie Mae’s manufactured housing loan products.</td>
<td>▪ Produce and distribute one set of educational materials that provide information about Fannie Mae’s manufactured housing loan products.</td>
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<td>▪ Assist lenders in meeting manufactured loan delivery requirements by:</td>
<td>▪ Assist lenders in meeting manufactured loan delivery requirements by:</td>
<td>▪ Assist lenders in meeting manufactured loan delivery requirements by:</td>
<td>▪ Assist lenders in meeting manufactured loan delivery requirements by:</td>
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<td>• Engaging 25 Fannie Mae lenders.</td>
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<td>• Hosting two lender webinars.</td>
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<td>2</td>
<td>Increase access to Fannie Mae financing by continuing to develop loan</td>
<td>▪ Revise one or more terms (<em>i.e.</em>, create a variance) for Fannie Mae manufactured housing loan products to facilitate purchase.</td>
<td></td>
<td>▪ Revise one or more terms (<em>i.e.</em>, create a variance) for Fannie Mae manufactured housing loan products to facilitate purchase.</td>
<td></td>
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<td></td>
<td>products and flexible underwriting guidelines that facilitate a secondary</td>
<td>▪ Engage five Fannie Mae lenders to discuss opportunities and challenges to sell variance program loans to Fannie Mae.</td>
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<td></td>
<td>▪ Engage five Fannie Mae lenders to discuss opportunities and challenges to sell variance program loans to Fannie Mae.</td>
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<td></td>
<td>market of manufactured housing loans eligible for sale to Fannie Mae, while</td>
<td>▪ Issue one or more variances to select lenders.</td>
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<td>▪ Issue one or more variances to select lenders.</td>
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<td>▪ Issue one or more variances to select lenders.</td>
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<td></td>
<td>maintaining appropriate risk controls (<em>Test and Learn</em>).</td>
<td>▪ In Q4 of each Year, conduct one economic and operational impact analysis to determine ongoing impact of Fannie Mae’s purchases of manufactured housing loans under the variance terms.</td>
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<td>3</td>
<td>Develop an enhanced manufactured housing loan product, MH Select™, to increase purchases of loans of manufactured housing titled as real estate and purchase such loans (Partner and Innovate, Do What We Do Best).</td>
<td>- Create one set of product terms for MH Select.</td>
<td>Loan Product</td>
<td>- Purchase between 250 and 750 MH Select loans.</td>
<td>Loan Purchase</td>
<td>- Purchase between 250 and 750 MH Select loans.</td>
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<td></td>
<td>- Conduct and document one economic and operational impact analysis to determine feasibility of Fannie Mae purchase of manufactured housing loans under the product terms.</td>
<td>Loan Product</td>
<td>- <strong>Baseline:</strong> Zero loans as this product is currently not available.</td>
<td>Loan Purchase</td>
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<td>Loan Purchase</td>
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<td></td>
<td>- Engage five Fannie Mae lenders to discuss opportunities and challenges to sell MH Select loans to Fannie Mae.</td>
<td>Loan Product</td>
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<td>Loan Purchase</td>
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<td>- Issue one or more MH Select variances to select lenders, or publish one set of MH Select product terms in the Fannie Mae Selling Guide.</td>
<td>Loan Product</td>
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<td>Loan Purchase</td>
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Fannie Mae’s Duty to Serve Underserved Markets Plan must receive a non-objection from FHFA before becoming effective. The Objectives in the proposed and final Plan may be subject to change based on factors including public input, FHFA comments, compliance with Fannie Mae’s Charter Act, safety and soundness considerations, and market or economic conditions.
### A. Regulatory Activity: Manufactured homes titled as real property (12 C.F.R. § 1282.33 (c) (1)).

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<tr>
<td>4</td>
<td>Increase the purchase volume of conventional manufactured housing loans secured by real estate each year of the Plan (Do What We Do Best).</td>
<td>Purchase between 8,250 and 8,500 conventional manufactured housing loans.  <strong>Baseline:</strong> Based on an average of the number of manufactured housing loans purchased by Fannie Mae over the last three years, the Baseline for these purchases is 8,070 loans.</td>
<td>Loan Purchase</td>
<td>Purchase between 8,500 and 8,750 conventional manufactured housing loans.</td>
<td>Loan Purchase</td>
<td>Purchase between 10,000 and 10,500 conventional manufactured housing loans.</td>
<td>Loan Purchase</td>
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<td>5</td>
<td>Promote transparency of manufactured housing loan performance by creating and distributing an analysis of Fannie Mae’s manufactured housing loan portfolio (Test and Learn).</td>
<td>Publish the results of Fannie Mae’s analysis of its manufactured housing portfolio before the end of Q3.</td>
<td>Outreach</td>
<td>Publish an update of Fannie Mae’s analysis of its manufactured housing portfolio before the end of Q3.</td>
<td>Outreach</td>
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### B. Regulatory Activity: Chattel. Loans on manufactured homes titled as personal property (12 C.F.R. § 1282.33 (c) (2)).

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</table>
| 1  | Conduct outreach and market research through engagements with lenders and cross-functional industry representatives to support development of a chattel loan pilot (Analyze, Partner and Innovate). | ▪ Host two manufactured housing advisory board meetings with representation from the chattel manufactured housing industry.  
 ▪ Participate in:  
   • Two key industry conferences;  
   • Two regional conferences serving different geographic areas; and  
   • One manufactured home show.  
 ▪ Engage a total of five single-family and multifamily lenders to identify challenges and potential solutions to creating a chattel secondary market. | ▪ Host two manufactured housing advisory board meetings with representation from the chattel manufactured housing industry.  
 ▪ Participate in:  
   • Two key industry conferences;  
   • Two regional conferences serving different geographic areas; and  
   • One manufactured home show.  
 ▪ Engage a total of five single-family and multifamily lenders to identify challenges and potential solutions to creating a chattel secondary market. | ▪ Host two manufactured housing advisory board meetings with representation from the chattel manufactured housing industry.  
 ▪ Participate in:  
   • Two key industry conferences;  
   • Two regional conferences serving different geographic areas; and  
   • One manufactured home show.  
 ▪ Engage a total of five single-family and multifamily lenders to identify challenges and potential solutions to creating a chattel secondary market. |
| 2  | Acquire chattel data from multiple sources to inform development of a chattel pilot.                  | ▪ Acquire industry chattel data and information essential to the development of a chattel pilot such as: |                                                                                                   |                                                                                                   |
### B. Regulatory Activity: Chattel. Loans on manufactured homes titled as personal property (12 C.F.R. § 1282.33 (c) (2)).

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<td>aggregate information acquired, and distribute findings (Analyze).</td>
<td>• Chattel loan origination, performance and loss severity data from lenders, servicers, FHA Title I, and other government programs.</td>
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<td>• Chattel valuation and appraisal data; including homes in communities and on private land.</td>
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<td>• Chattel lending underwriting guidelines, servicing and disposition best practices and policies, and investor reporting requirements.</td>
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<td>• State and local titling, insurance, disposition, and decommissioning requirements.</td>
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<td>• Structures to reduce economic risk to Fannie Mae.</td>
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<td>3</td>
<td>Establish a chattel loan pilot by securing approval from FHFA to place chattel loans in our portfolio, putting underwriting policies and credit standards in place to acquire chattel loans in a safe and sound manner,</td>
<td>▪ Conduct and document one analysis that reflects a full understanding of the legal differences between chattel and real property secured manufactured homes (e.g., disclosures, State titling requirements, and investor responsibility and liability).</td>
<td>▪ Purchase between 350 and 425 chattel loans per year (about $20 to $25 million) to understand impact to existing policies, standards and processes, and develop solutions in a safe and sound manner.</td>
<td>▪ Purchase between 350 and 425 chattel loans per year (about $20 to $25 million) to understand impact to existing policies, standards and processes, and develop solutions in a safe and sound manner.</td>
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<td>▪ Publicize key findings to promote industry awareness and inform future research.</td>
<td></td>
<td>▪ Identify and document three possible chattel securitization structures</td>
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- Conduct and document one analysis that reflects a full understanding of the legal differences between chattel and real property secured manufactured homes (e.g., disclosures, State titling requirements, and investor responsibility and liability).
- Publicize key findings to promote industry awareness and inform future research.
- Establish a chattel loan pilot by securing approval from FHFA to place chattel loans in our portfolio, putting underwriting policies and credit standards in place to acquire chattel loans in a safe and sound manner.
- Purchase between 350 and 425 chattel loans per year (about $20 to $25 million) to understand impact to existing policies, standards and processes, and develop solutions in a safe and sound manner.
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- Identify and document three possible chattel securitization structures.

5.8.2017

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|   | purchasing chattel loans, and developing securitization structures to attract private capital (Do What We Do Best). | from FHFA, prepare one set of credit and servicing policies and standards to acquire chattel loans in a safe and sound manner. | loans, but has not made any purchases of chattel loans in the last three years.  
- Identify and document three possible chattel securitization structures that effectively build liquidity and attract private capital participation with transparency to the industry.  
- Engage four potential investors to obtain feedback on proposed structures. | that effectively build liquidity and attract private capital participation with transparency to the industry.  
- Engage four potential investors to obtain feedback on proposed structures. |

Fannie Mae’s Duty to Serve Underserved Markets Plan must receive a non-objection from FHFA before becoming effective. The Objectives in the proposed and final Plan may be subject to change based on factors including public input, FHFA comments, compliance with Fannie Mae’s Charter Act, safety and soundness considerations, and market or economic conditions.
C. Regulatory Activity: Manufactured housing communities (MHC) owned by a governmental entity, non-profit organization, or residents (12 C.F.R. § 1282.33 (c) (3)).

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</table>
| 1  | Conduct outreach to and research of MHC owned by governmental entities, non-profits, and residents to determine market opportunities for product enhancement that will result in increased loan purchases of mortgage loans secured by MHC with the identified ownership (Analyze, Partner and Innovate). | • Research the MHC market to determine how many MHC have the identified owners and how much opportunity there is in the market including:  
  • Meeting with three governmental entities that own or have considered MHC ownership.  
  • Meeting with three non-profit entities that own or have considered MHC ownership.  
  • Meeting with four entities that have a significant focus on resident-owned MHC.  
  • Meeting with four Fannie Mae lenders that have significant involvement with MHC financing.  
  • Participating in two key industry conferences. | Outreach | • Research the MHC market to determine how many MHC have the identified owners and how much opportunity there is in the market including:  
  • Meeting with three governmental entities that own or have considered MHC ownership.  
  • Meeting with three non-profit entities that own or have considered MHC ownership.  
  • Meeting with four entities that have a significant focus on resident-owned MHC.  
  • Meeting with four Fannie Mae lenders that have significant involvement with MHC financing.  
  • Participating in two key industry conferences. | Outreach | • Research the MHC market to determine how many MHC have the identified owners and how much opportunity there is in the market including:  
  • Meeting with three governmental entities that own or have considered MHC ownership.  
  • Meeting with three non-profit entities that own or have considered MHC ownership.  
  • Meeting with four entities that have a significant focus on resident-owned MHC.  
  • Meeting with four Fannie Mae lenders that have significant involvement with MHC financing.  
  • Participating in two key industry conferences. | Outreach |
C. Regulatory Activity: Manufactured housing communities (MHC) owned by a governmental entity, non-profit organization, or residents (12 C.F.R. § 1282.33 (c) (3)).

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| 2 | Conduct a review of existing MHC loan product guidelines and, based on market research and outreach, consider and approve product enhancements that would facilitate an increase in loan purchases of mortgage loans secured by MHC | • Hosting two manufactured housing roundtables with cross-functional industry representation.  
• Use the ongoing outreach and research to inform the other Objectives, and to ensure continuous improvement opportunities. | cross-functional industry representation.  
• Use the ongoing outreach and research to inform the other Objectives, and to ensure continuous improvement opportunities. | • Hosting two manufactured housing roundtables with cross-functional industry representation.  
• Use the ongoing outreach and research to inform the other Objectives, and to ensure continuous improvement opportunities. | • Hosting two manufactured housing roundtables with cross-functional industry representation.  
• Use the ongoing outreach and research to inform the other Objectives, and to ensure continuous improvement opportunities. |  

2. Conduct a review of existing MHC loan product guidelines and, based on market research and outreach, consider and approve product enhancements that would facilitate an increase in loan purchases of mortgage loans secured by MHC

- Review research and outreach results from Objective #1 on a quarterly basis (i.e., four times) and consider potential changes to our underwriting guidelines and credit standards that could result in an increase in mortgage loan purchases.
- Review, approve, and distribute one to three changes in the form of a lender letter, change to the Multifamily Selling Loan Product.

- Purchase mortgage loans secured by MHC owned by governmental entities and/or non-profits for a total of between 200 and 300 units of MH.
  - **Baseline:** Fannie Mae has financed one MHC owned by a non-profit and zero MHC owned by a governmental entity in the past three years.
  - **Baseline:** Continue to review research and outreach results from Objective #1 on a quarterly basis.

- Purchase mortgage loans secured by MHC owned by government entities and/or non-profits for a total of between 200 and 300 units of manufactured housing.
- Continue to review research and outreach results from Objective #1 on a quarterly basis.

Fannie Mae’s Duty to Serve Underserved Markets Plan must receive a non-objection from FHFA before becoming effective. The Objectives in the proposed and final Plan may be subject to change based on factors including public input, FHFA comments, compliance with Fannie Mae’s Charter Act, safety and soundness considerations, and market or economic conditions.
C. Regulatory Activity: Manufactured housing communities (MHC) owned by a governmental entity, non-profit organization, or residents (12 C.F.R. § 1282.33 (c) (3)).

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<tr>
<td>3</td>
<td>Design and conduct a pilot program with resident-owned MHC stakeholder organization to increase liquidity and test possible</td>
<td>- Review research and outreach results from Objective #1 on a quarterly basis and consider implications for the development of a pilot program to increase liquidity to resident-Loan Product.</td>
<td>Loan Product</td>
<td>- Implement one pilot program and purchase at least five loans on MHC with resident owners. Loan Purchase</td>
<td>Loan Purchase</td>
<td>- Continue the pilot program and purchase at least seven loans on MHC with resident owners. Loan Purchase</td>
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*Fannie Mae’s Duty to Serve Underserved Markets Plan must receive a non-objection from FHFA before becoming effective. The Objectives in the proposed and final Plan may be subject to change based on factors including public input, FHFA comments, compliance with Fannie Mae’s Charter Act, safety and soundness considerations, and market or economic conditions.*
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<tr>
<td>1</td>
<td>Approve one pilot program that will test potential roles for Fannie Mae. Create one implementation plan for the pilot with the goal of beginning the pilot in Year Two, including determining appropriate underwriting guidelines and credit standards for the pilot program, as well as factors for assessing the pilot.</td>
<td>Conduct and document quarterly reviews on the progress of the pilot program. In Q4 of Year Two, conduct and document one review utilizing ongoing research and outreach (Objective #1) to determine what, if any, changes to the pilot should be approved for Year Three activities.</td>
<td>In Q3, create one document reflecting the assessment of results and/or learnings from the pilot program and make recommendations for financing resident-owned MHC. In Q4, create one document responding to recommendations made regarding the pilot program with respect to Fannie Mae’s role(s) in the resident-owned MHC market.</td>
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<td>2</td>
<td>Establish and document a work-plan that will result in completion of a white paper by the end of Year Three of the Plan.</td>
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<td>3</td>
<td>Research, prepare, and publish one white paper based on Fannie Mae’s experiences with MHC of the identified ownership types to educate financial</td>
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C. **Regulatory Activity:** Manufactured housing communities (MHC) owned by a governmental entity, non-profit organization, or residents (12 C.F.R. § 1282.33 (c) (3)).

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| 5  | Establish a pilot program for potential entity level investments in non-profit organizations, Community Development Financial Institutions (CDFI), small financial institutions or other entities that have a major focus on MHC owned by a governmental entity, non-profit organization, or residents | Design one pilot investment program, including review and addressing:  
• One to five potential investment types.  
• Investment underwriting.  
• Approval process.  
• Maximum portfolio capacity.  
• Asset management.  
• Reporting.  
• Performance measures – traditional financial as well as impact | Investment | Based on the experience in Year One, revise pilot program and seek FHFA non-objection. | Investment |
C. **Regulatory Activity: Manufactured housing communities (MHC) owned by a governmental entity, non-profit organization, or residents (12 C.F.R. § 1282.33 (c) (3)).**

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|   | governmental entity, a non-profit organization, or residents (Partner and Innovate). | performance.  
  ▪ Attain preliminary internal approval for proposed pilot program.  
  ▪ Submit pilot program to FHFA for review.  
  ▪ If the pilot program complies with Fannie Mae’s Charter Act and receives approval from FHFA, process the proposed investment(s) through Fannie Mae’s internal product development process.  
  ▪ Close the investments that have been approved internally and received FHFA’s approval. **Baseline:** No investments of this nature have been made by Fannie Mae in the past three years. | | | | |

Fannie Mae’s Duty to Serve Underserved Markets Plan must receive a non-objection from FHFA before becoming effective. The Objectives in the proposed and final Plan may be subject to change based on factors including public input, FHFA comments, compliance with Fannie Mae’s Charter Act, safety and soundness considerations, and market or economic conditions.
D. Regulatory Activity: MHC with certain pad lease protections (12 C.F.R. § 1282.33 (c) (4)).

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| 1  | Conduct research and outreach to determine market use and potential acceptance by MHC owners of FHFA’s proposed minimum tenant pad lease protections (FHFA Pad Requirements), approve and market at least one enhancement to Fannie Mae’s MHC product that will encourage adoption of the FHFA Pad Requirements, and acquire loans subject to the FHFA Pad Requirements (Test and Learn, Partner and Innovate, Do) | ▪ Research the laws to determine which States or localities with significant MHC require, in whole or in substantial part, pad lease protections that meet FHFA Pad Requirements.  
▪ Conduct outreach to three organizations, five States, five MHC owners, and four lenders to better understand the market opportunities for financing MHC that meet FHFA Pad Requirements.  
▪ Identify, review and approve at least one product enhancement for lenders and/or MHC owners that would increase loan purchases secured by MHC that meet FHFA Pad Requirements.  
▪ Market the product enhancement approved in Year One to five MHC owners and three MHC lenders for MHC owners to adopt FHFA Pad Requirements. | ▪ Finance at least 250 MHC units subject to FHFA Pad Requirements.  
▪ **Baseline**: Fannie Mae has not purchased any MHC subject to FHFA Pad Requirements, thus it is unable to establish a Baseline.  
▪ Establish loan purchase goals for MHC subject to FHFA Pad Requirements for the 2021 – 2023 Plan. | Loan Purchase |
### D. Regulatory Activity: MHC with certain pad lease protections (12 C.F.R. § 1282.33 (c) (4)).

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<td>What We Do Best).</td>
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<td><strong>Note:</strong> Pursuant to FHFA's proposed Evaluation Guidance, Fannie Mae seeks extra credit for this Regulatory Activity.</td>
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Duty to Serve Underserved Markets Proposed Plan for the Affordable Housing Preservation Market

May 8, 2017
I. Fannie Mae's Strategic Priorities for the Affordable Housing Preservation Market

In 2015, Fannie Mae began to afformitively engage in a variety of outreach activities designed to assist it in gathering information from market stakeholders about challenges and possible solutions in the three underserved markets. This included the single-family and multifamily Affordable Housing Preservation Market.

- We held affordable housing preservation roundtables, attended numerous affordable housing preservation conferences, and spoke directly with a broad range of stakeholders in the market, including owners, lenders, Housing Finance agencies (HFA), housing authorities, representatives from the U.S. Department of Housing and Urban Development (HUD) and the U.S. Department of Agriculture (USDA), non-profits, community organizations, tax credit investors, and more.

- Additional information was supplied in the public comments on the Regulations where we heard from a broader group of stakeholders including activists working hard to preserve affordable housing on behalf of their communities, homeowners, and tenants.

- Still more information was gathered through the four listening sessions hosted by FHFA, Fannie Mae, and Freddie Mac earlier this year to enable the public to make recommendations about what they believe should be in the Enterprises’ underserved market plans.

From the information we gathered, our own experience and analysis, and the requirements set by FHFA, Fannie Mae established four strategic priorities for its service to all of the underserved markets. Because the issues are numerous and the problems complex in each market, we believe it is essential that we keep our approach simple. This is particularly true for our first Plans. Accordingly, our strategic priorities for the Affordable Housing Preservation Market include the following:

- **Analysis**: Fannie Mae will bring its considerable research and analytical capabilities to bear to understand the toughest challenges facing the Affordable Housing Preservation Market. To do this, for example, we need more information about energy and water improvements and shared equity financing. This is why we are proposing to conduct research, develop data, identify challenges, and finalize findings so we may be better informed on how to increase activities in these markets.

- **Test and Learn**: Fannie Mae will test and evaluate adjustments to its own products and programs to identify ways to serve these markets better within existing business activities. This second look at our loan products, such as Home Style Renovation loans and Section 8 financing, will be used to identify enhancements that will increase liquidity. We also hope that engaging in pilot programs, such as using lenders outside of our traditional network or lenders within our network in an enhanced capacity, will prove to be of significant benefit when expanding our activities in these markets.

- **Partner and Innovate**: This Plan reflects our commitment to listen to and work closely with partners in the market. Existing partnerships will be revitalized with different or enhanced activities. New partnerships will bring fresh eyes and fresh ideas to our efforts. We will work with traditional and tried partners such as HUD and USDA, but will also look to special lenders, newly identified energy experts, and rising community leaders to address the tasks before us. We understand our effectiveness in serving the Affordable Housing Preservation Market will only be as strong as our ability to innovate and build partnerships with the stakeholders who know these markets best.

- **Do What We Do Best**: Our commitment to affordable housing is more than just a series of regulatory requirements, it is a fundamental component of who we are as a company. In large part, harnessing the power of the secondary market to preserve the affordability of more housing means buying more mortgages and making targeted equity investments. This plan proposes just that. Whether it be for energy improvements, shared equity, or increasing our support for federal, State and local affordable housing programs, we will seek to bring standardization and scale to
bear in a manner that creates more liquidity for affordable housing preservation across the country. It is what we do best.

Our four strategic priorities are woven into our Plan. To reflect this fact, one or more of them is referenced for every Objective we propose. For easy reference, a chart setting forth an overview of our Activities and Objectives is attached to our Plan.

Many of our Objectives propose investments we want to make, subject to compliance with Fannie Mae’s Charter Act and receipt of FHFA approval, or numbers of loans we intend to buy. However, this is an inexact science. Next year or in three years, the market may undercut our ability to achieve these goals. Alternatively, it may support efforts to do even better. Accordingly, we see this Plan as a living document that will have to change over time. We look forward to working with the affordable housing preservation community to be responsive to the ongoing needs of this market, whatever and wherever they may be.

II. Overview of the Affordable Housing Preservation Market

Many of the Regulatory Activities proposed for the Affordable Housing Preservation Market essentially are “new” markets created by the Regulations. Accordingly, there is very little or no information available as to the parameters of these markets. This is the case, for example, with energy or water efficiency improvements on single-family, first lien properties where there are generally accepted standards that the financed improvements will reduce energy or water consumption “by at least 15 percent, and the utility savings generated over an improvement’s expected life will exceed the cost of installation.”24 In other instances there may already be a market, but for lack of data, its parameters currently cannot be reasonably established. This is the case, for example, with the “financing of small multifamily rental properties by a community development financial institution, insured depository institution, or federally insured credit union where the entity’s total assets are $10 billion or less.”25

Accordingly, this discussion does not address all of the markets identified in the Regulations. However, where there is information available, it is provided below and we hope it helps to set the stage where we will conduct our activities.

A. The Single-Family Affordable Housing Preservation Market

There are a broad array of properties covered by the single-family Affordable Housing Preservation Market identified in the Regulations and, as noted above, some have more information available about them than others. We have broken this market overview down into the areas addressed by the three Activities: energy and water efficiency, shared equity, and renovation.

Energy and Water Efficiency Improvements on Single-family First Lien Properties

Across the United States, the number of homes owned by those with very low- to moderate-incomes is estimated to be 34.4 million.26 There is no data, however, to determine how many of these are energy and/or water “efficient” or how many are in need of upgrades. Relative to those with higher incomes, in general populations of more modest means live in older homes that are more in need of repair and upgrades.27 Yet regardless of its owner or tenant’s income level or if it meets high standards such as LEED or ENERGY STAR® certification, unless a home operates under complete zero net energy we believe there is almost always an opportunity to lower energy and/or water consumption, thereby lowering total housing costs.

24 12 C.F.R. § 1282.34(d)(3).
25 12 C.F.R. § 1282.34(d)(1).
26 American Community Survey 5-year average as of 2015.
27 Sixty-three percent of very low-income families and 59 percent of low-income families live in a house built before 1980, compared to 45 percent of higher income (over 120 percent of AMI) families. American Community Survey 5-year average as of 2015.
Addressing energy and water efficiency is particularly important for very low-, low-, and moderate-income consumers because utility bills make up a greater percentage of these families' monthly expenditures relative to the average household. According to the U.S. Bureau of Labor Statistics, consumers overall spend 7.1 percent of their income on utilities, fuels and public services. Those earning below $20,000 a year spend 9.6 percent of their income on utilities, fuels and public services compared to 5.8 percent spent by those with incomes above $70,000. Another study of the American Council for Energy-Efficient Economy (ACEEE) found that the majority of single-family low-income households experienced higher energy burdens than the average household in the same city. The median U.S. energy burden across all cities in ACEEE’s sample was 3.5 percent while the median low-income household’s energy burden was more than twice as high at 7.2 percent.

Significant barriers exist for very low-, low-, and even moderate-income households to make energy and/or water efficiency improvements that will yield savings. Home energy repairs and improvements may require a large amount of upfront capital, which these populations typically do not have. A study by the Lawrence Berkeley National Laboratory estimated comprehensive energy improvements to be between $5,000 and $15,000. Even smaller and simpler steps such as purchasing insulation and weatherization materials may be a burden. Homeowners also may be challenged with understanding their best options for equipment and financing so that they may achieve meaningful savings. Lack of standardization and recognition of the value of improvements in the real estate market also deters some from making upgrades.

Financing choices for energy and water efficiency improvements are varied in terms of interest rates, payment methods, underwriting, and consumer protections. They each carry pluses and minuses based on the circumstances of the equipment and the homeowner and include credit card debt, manufacturer/contractor financing, Property Accessed Clean Energy assessments, utility on-bill financing, home equity loans or lines of credit, energy mortgages, grants and assistance programs, and State loan fund programs. There is no data as to the market size of each of these options as used by different income populations nor how they compare in terms of achieving savings. Also, today there are no energy or water efficiency improvement financing products that require that the criteria set forth in the Regulation be met.

An additional challenge in helping to establish and support a market for financing that meets the Regulations’ criteria includes the breadth of participants and stakeholders for energy and water efficiency. There are hundreds of equipment manufacturers, utility companies, energy programs, and financing agents. While we cannot reach all, efforts must be made to identify valuable sources of information and to perform robust data collection, research, and analysis. Furthermore, understanding how homeowners and tenants make choices, access resources, and behave needs to be a factor in developing this market.

**Shared Equity Programs for Affordable Homeownership Preservation**

Shared equity homeownership programs enable eligible individuals and families to purchase homes at below market prices and, in return for the subsidy, require capital gains restriction or a share in the appreciation. Although there are for-profit investors who offer loans that require sharing appreciation, shared equity programs are usually administered by non-profits or municipalities.

Shared equity homeownership programs with sales restrictions are recognized for preserving affordability and include the following:

- **Deed-restricted Homeownership.** Under this common approach, a subsidy is applied to reduce the purchase price of a home to a level affordable to homeowners at the target income level. Restrictions are then put into place requiring

31 Rick Jacobus and Jeffrey Lubell, Preservation of Affordable Homeownership: A Continuum of Strategies, Center for Housing Policy, 23 (2007).
that the units be sold to buyers meeting certain qualifications – for example, incomes below 80 percent of Area Median Income (AMI) – at an affordable price as defined according to a formula set in the deed restriction or covenant. While these agreements are sometimes assumed to be self-enforcing, experience suggests they need to be actively monitored by an entity with an interest in maintaining ongoing affordability.

- **Community Land Trust.** Under this approach, the land is owned by a community land trust (CLT) and then leased to families who purchase the homes that sit on CLT land. Because the family needs to purchase only the building and not the land, a CLT home is more affordable than a conventional home. The ground lease establishes the conditions under which ongoing affordability is maintained, with the CLT always having the right to repurchase the property at an affordable price, established by a resale formula built into the ground lease.

- **Limited Equity Cooperative.** Under this approach – typically, but not exclusively, applied in the context of an apartment or other multifamily development – families purchase a “share” in the cooperative, rather than a standard property interest in the home. Members of the cooperative receive a right to occupy one unit, as well as vote on matters of common interest. Cooperative members share responsibility for maintaining common areas and other areas of joint responsibility (for example, maintaining the roof), as well as the admittance of new members. Share prices are set by formula (contained in the co-op’s bylaws, subscription agreement and stock certificates), which may be used to implement one of the shared equity formulas described above.

Shared appreciation loan programs offer second mortgages that require no payments until the home is sold (or in some cases, the first mortgage is refinanced). At the time of sale, the borrower is required to repay the original principal plus a share of home price appreciation in lieu of interest.32

There are serious challenges to sizing the Affordable Housing Preservation Market. They include the following:

- There is no standard definition on what should be included and the unique products that exist make it more challenging.

- There is currently no unified, loan level data source.

- Methods for preserving affordability are not tied to a specific borrower, loan-type, or geographic location, making it difficult to measure and benchmark the space; thus available loan-level market data sources cannot be used to define or even estimate the market.

- Data is often gathered by multiple agencies, creating significant inconsistencies across the industry.

- Existing data takes the form of survey results or non-transactional data, which is more like a one-time snapshot of existing units/homes/trusts.

Accordingly, only broad estimates of existing products, often based on data that is many years old, are available as follows.

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32 Id. at 6. While shared appreciation loans may be recognized as part of an “unrestricted program,” restrictions can be added to make this approach a tool for affordable housing preservation and they are considered in that context.
### Deed-Restricted Homeownership

- Between 250,000 and 450,000 units.\(^{33}\)
- 500 inclusionary housing programs in 27 States and District of Columbia.\(^{34}\)

### Community Land Trust

- About 225 active CLTs, which represent about 20,000 rental units and 15,000 homeownership units.\(^{35}\)

### Limited Equity Cooperatives

- Approximately 295,000 cooperative units with nearly 167,000 verified as shared equity or affordable.\(^{36}\)

### Shared Appreciation Loans (with restrictions)

- Only a few programs that cover about 100 units.\(^{37}\)

## Distressed Properties

On a national level, the inventory of distressed properties – homes eligible for a short sale, eligible for foreclosure sale, or acquired through foreclosure also known as real estate owned (REO) – has been dropping steadily over the past several years. Post-crisis economic improvement and stabilization of the housing market along with stronger servicing loss mitigation efforts, and the improved credit quality of new mortgage loan originations, has meant that there is a declining number of seriously delinquent single-family loans. Other factors include bulk sales of non-performing loans to investors who are able to control properties for rental after foreclosure.

Nationwide, at the end of 2016, it was estimated there were just over 90,000 distressed properties that were listed as a short sale or being sold as REO, an 81 percent decline from year-end 2011.

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<th>Type</th>
<th>Dec-11</th>
<th>Dec-16</th>
<th>%</th>
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<tbody>
<tr>
<td>Short Sales</td>
<td>232,581</td>
<td>31,011</td>
<td>-86.7%</td>
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<tr>
<td>REO Properties</td>
<td>234,682</td>
<td>59,729</td>
<td>-74.5%</td>
</tr>
<tr>
<td>Distressed Properties</td>
<td>467,263</td>
<td>90,740</td>
<td>-80.6%</td>
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*Source: Red Bell Real Estate*

Geographically the market differs and in some areas of the country particular markets have large concentrations and volumes of distressed properties. The following chart shows the distressed inventory of short sale and REO properties for sale by State at the end of 2016.

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\(^{35}\) Emily Thaden, Director of National Policy and Sector Strategy, Grounded Solutions Network: email exchange 3/13/2017 (Emily Thaden, email exchange).

\(^{36}\) Counting Limited Equity Co-ops, Research Update – The Urban Homesteading Assistance Board, February 2016.

\(^{37}\) Emily Thaden, email exchange
New York, New Jersey, Florida and Illinois have the highest count of these properties by State. As of the end of 2016, the top five metro areas with REO properties available for sale are New York City (5,715), Chicago (3,211), Philadelphia (2,527), Miami (2,310), and Washington, DC (1,339).  

Under the Neighborhood Stabilization Initiative, Fannie Mae and others are already addressing the disposition of properties in 18 markets (including four of the top five noted above) through specific strategies. These areas accounted for over one-third of available REO and short sale properties at the end of 2016. Therefore, when considering the market for these types of properties eligible under the Regulations, the remaining inventory of these nationwide was less than 60,000.

The number of properties being sold back into the market is much smaller than those that are acquired through the foreclosure process. In fact, Fannie Mae reported that at the end of 2016, less than half of our REO properties were available for sale or pending settlement of a sale.  

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Many factors determine if and when a property may be sold again, including:

- Occupancy (such as tenants).
- State and local ordinances.
- Pending appraisals and preparation for listing.
- Level of disrepair.
- Property condition.

Often properties entering REO inventory need some type of repair and/or improvement to bring them up to code and/or make them marketable some properties need extensive repairs. Other properties may benefit from upgrades and retrofits to increase energy efficiency, which will reduce housing expenses. Very low-, low-, and moderate-income homeowners, however, face challenges in purchasing properties that need repairs due to:

- Restrictions on purchasing a home with repair needs when also using down payment assistance.
- Knowledge of the renovation and contracting process.
- Financing required to make the repairs and improvements.

While mortgage loan products are available to help homeowners finance repairs and improvements, many lenders are unable or unwilling to make a rehabilitation loan to a homeowner because of the complexity of renovation financing. Other options such as home equity lines, contractor financing, or credit card debt are generally not feasible for very low-, low-, and moderate-income families for this purpose.

Non-profits that support affordable housing for renters and future homeowners finance the purchase or rehabilitation and repair of distressed properties through several sources. While mortgage loans are available, unless a property is held for
rental, mortgage loans are not widely used because financing is typically needed for short periods while properties are acquired, repaired, and resold to qualifying homeowners. Most non-profits draw from a variety of funding sources. Although they typically leverage private capital, federal grant sources such as Community Development Block Grants and HOME Investment Partnership Program funds, State and local grant programs, and revolving property sales, many of these important resources are shrinking. And in general, obtaining financing and resources to purchase or rehabilitate distressed properties can be challenging as the small size of non-profits and their small balance sheet make traditional bank letters of credit and construction loans difficult and costly to obtain.

As a result of financing challenges, for-profit investors may purchase properties, make repairs, and resell or rent them at prices that may be unaffordable to very-low, low-, and moderate-income households. Fannie Mae reported at the end of 2016, that 55 percent of the single-family properties we sold that year were purchased by owner occupants, non-profit organizations or public entities.40

Finally, while robust data exists regarding the number of properties in inventory and available for sale, there are a number of challenges in sizing the current and future market for the purchase or rehabilitation of distressed properties, including that the following information is not available:

- Segmentation of properties by status of rehabilitation requirement; some may need minor repairs while others are nearly uninhabitable.
- Demand by individuals for properties needing rehabilitation and ability for them to execute repairs.
- Future inventory. The distressed property market has always been dependent upon foreclosure rates, key factors of which are employment and housing expenses.

Nevertheless, estimates for the coming years indicate that volumes of these properties available for purchase and rehabilitation will continue to fall as they have in recent years.

B. The Multifamily Affordable Housing Preservation Market

Properties Included

We believe that the multifamily Affordable Housing Preservation Market should include properties that, because of a federal, State or local subsidy, or a combination of two or three, are encumbered by a regulatory agreement or recorded restriction that limits rents, imposes maximum income restrictions on tenants, or places other affordability restrictions on the use or occupancy of the property. Affordable preservation properties may also be subject to risk sharing with the FHA, be financed through the use of credit enhanced bonds, receive Low Income Housing Tax Credits (LIHTC), be subject to inclusionary zoning and/or resale restrictions, and receive other State, local or federal subsidies that are conditioned on the affordability of some or all of the units on the property.

Notwithstanding this definition, however, we recognize that there are a substantial number of units (possibly as many as 8.5 million units)41 that are affordable, but are not subject to rent restrictions nor do the units receive government subsidies. This non-subsidized segment of affordable housing is also a critical component of the affordable housing stock across the country and one that Fannie Mae actively serves; over 80 percent of our 2016 acquisitions served very low-, low-, or moderate-income families.

Sizing the multifamily preservation market is challenging because data is scarce regarding lending on subsidized properties other than lending done through government programs. For instance, while there is a publicly available...
database of LIHTC properties, it does not contain loan information. For this reason, market sizing has been analyzed in units.\textsuperscript{42}

There are nine statutorily enumerated programs identified in the Regulations. The estimated market size for each is shown below. The majority of units eligible for preservation come from two programs: LIHTC with an estimated 2.1 million low-income units and the project-based Section 8 program with 1.4 million units.

<table>
<thead>
<tr>
<th>Program</th>
<th>Debt Component</th>
<th>Properties</th>
<th>Low Income Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal Low Income Housing Tax Credits (LIHTC)</td>
<td>Yes</td>
<td>36,800</td>
<td>2.1 million</td>
</tr>
<tr>
<td>HUD Section 8 Rental Assistance Program</td>
<td>Yes</td>
<td>22,700</td>
<td>1.4 million</td>
</tr>
<tr>
<td>HUD Section 236 Interest Rate Subsidy Program</td>
<td>Yes</td>
<td>280</td>
<td>49,000</td>
</tr>
<tr>
<td>HUD Section 221(d)(4) FHA Insurance Program</td>
<td>Yes</td>
<td>2,100</td>
<td>205,000</td>
</tr>
<tr>
<td>HUD Section 202 Housing Program for Senior Households</td>
<td>Yes</td>
<td>1,800</td>
<td>66,000</td>
</tr>
<tr>
<td>HUD Section 811 Housing Program for Disabled Households</td>
<td>Equity during construction/ Section 8 after</td>
<td>3,000</td>
<td>34,000</td>
</tr>
<tr>
<td>McKinney Vento Homeless Assistance Programs</td>
<td>Equity only</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>USDA Rural 515 Rural Housing Programs</td>
<td>Yes</td>
<td>8,900</td>
<td>600,000</td>
</tr>
<tr>
<td>Other Comparable State and Local Housing Programs</td>
<td>Yes</td>
<td></td>
<td>660,000</td>
</tr>
</tbody>
</table>

Sources:

3. Includes 329,000 units of Section 202 and 34,000 units of Section 811.
7. Units for “Other Comparable State and Local Housing Programs” estimated based on CoStar data. CoStar tracks an estimated 4.4 million total units in properties with inclusionary zoning where buildings may have anywhere between five percent and 30 percent of units set aside. An average of 10 percent of units were assumed to be set aside to arrive at 440,000 units.

\textsuperscript{42} HMDA data does not include affordability information. HUD data is limited to insured loans. HUD and the U.S. Census Bureau released the first 2012 Rental Housing Finance Survey in 2014, but issues with its weighting survey responses has caused its re-examination; the next study should address these issues and justify reconsideration of this source.
Properties with Multiple Subsidies

To keep rents affordable for the lowest income renters, properties tend to have multiple subsidies. For instance, analysis of HUD’s LIHTC database shows that an estimated 3,000 properties with LIHTC subsidies also have project-based Section 8 subsidies, as shown in the table below. As a result, there are fewer total subsidized affordable units than summing across programs would indicate.

### LIHTC Properties with Other Types of Subsidy

<table>
<thead>
<tr>
<th>Type of Subsidy</th>
<th>Number of Properties</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project-Based Section 8</td>
<td>3,000</td>
</tr>
<tr>
<td>State Based Rental Assistance Only</td>
<td>800</td>
</tr>
<tr>
<td>Rural Housing Authority (RD) subsidy programs</td>
<td>3,400</td>
</tr>
<tr>
<td>Community Development Block Grant</td>
<td>700</td>
</tr>
<tr>
<td>FHA Loan*</td>
<td>300</td>
</tr>
<tr>
<td>HUD financing or rental assistance</td>
<td>1,500</td>
</tr>
</tbody>
</table>

Source: HUD Low Income Housing Tax Credit Database, Retrieved June 28, 2016.
Note: FHA insured database indicates the number is closer to 800.

To get a property level size of the multifamily affordable preservation market, data from the National Low Income Housing Coalition’s National Housing Preservation Database (NLIHC) is the most suitable source of data. This national property-level database of federally subsidized properties was created by combining databases for various federal subsidy programs for multifamily rental properties. It is particularly useful because it identifies multiple subsidies on a single property, eliminating duplication of units.

However, this database does have some limitations, in that it:

- Does not include State and locally subsidized properties without additional federal subsidies.
- Does not identify properties for which federal subsidies have expired, but have been refinanced by entities such as the Community Development Trust, a non-profit that will voluntarily limit rents.
- Does not include non-subsidized affordable properties, which as noted above, are estimated to include as many as 8.5 million additional units.
- Provides more of a snapshot of the affordable preservation market than a historical view of the market.

Utilizing the parameters described, according to the NLIHC database as of December 2016, there were approximately 60,400 unique properties subsidized with federal subsidies and just over 4 million subsidized units, excluding public housing outside of the Rental Assistance Demonstration (RAD) program.

As shown on the map below, California has the biggest share of subsidized properties with 7.9 percent, followed by New York with 6.7 percent, then Texas with 4.8 percent. Ohio and North Carolina round out the top five States.

Through 2020, the LIHTC and Section 8 programs have the highest number of units with annually expiring subsidies of the nine statutorily enumerated activities, as shown in the chart below. Overall, the number of units with expiring subsidies through 2020, will average an estimated 240,000 units annually, starting at 280,000 units in 2017, and falling to 190,000 by 2020. Of the 280,000 units eligible for preservation in 2017, an estimated 110,000 have Section 8 contracts, which are renewed annually.
Over the next three years, there are far fewer properties with expiring LIHTC subsidies in parts of the Midwest and non-coastal west than properties with expiring subsidies along the coasts as shown on the map below.

**Low Income Housing Tax Credits – Subsidies Expiring in 2017 – 2019**

Source: HUD Low Income Housing Tax Credit Database retrieved June 28, 2016.  
Note: LIHTC subsidy expiration date based on the assumption of a 15 year compliance period.

The NLIHC database shows that about 24 percent of properties have multiple subsidies. These properties will remain affordable until the last subsidy expires. So the total number of units eligible for preservation is somewhat lower that summation of units across programs would imply.

The NLIHC reports that approximately 810,000 million federally subsidized units are at "risk of loss" from the nation's affordable stock over the next five years; risk of loss being defined as expiration of the last subsidy on a property. This translates to an average of approximately 203,000 units annually from 2017 – 2020. As shown in the chart below, 184,000 units are at "risk of loss" and need to be preserved in 2017. The number then rises to 203,000 in 2018, and to 224,000 in 2019, before declining to 199,999 units in 2020.

Subsidized Units at Risk of Loss 2017 – 2020

Source: National Low Income Housing Preservation Database, Summary Reporting Data
Note: Determined by subsidy expiration date. In the case of multiple subsidies on a single property, this is the year in which the last active subsidy on a property expires.

It should be noted that the expiration of a subsidy does not necessarily coincide with the need for financing. Many properties subsidized with Section 8 payments have contracts which are renewed annually. However, these properties are not generally refinanced annually.

While there is little information regarding maturing loan volumes for properties eligible for preservation, federal subsidy programs are the exception. As shown in the table below, one program with a significant maturing loan volume financed by HUD is the project-based Section 8 program that has a maturing loan volume of between $71 million and $92 million annually over the next five years. Another program with a significant amount of federal financing is the USDA Section 515 Rural Housing Program that has between $64 million and $116 million in maturing debt through 2021. The HUD Section 202 Direct Loan Program will increase to $312 million in 2021 from just $32 million in 2017.
FHA/RD Loan Volumes for Expiring Subsidies Where Available ($ Millions)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1) Low Income Housing Tax Credits – FHA insured only</td>
<td>$27</td>
<td>$0</td>
<td>$5</td>
<td>$4</td>
<td>$36</td>
</tr>
<tr>
<td>2) HUD Section 8 Rental Assistance Program – FHA</td>
<td>77</td>
<td>91</td>
<td>82</td>
<td>86</td>
<td>71</td>
</tr>
<tr>
<td>Insured only</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3) HUD Section 236 Interest Rate Subsidy Program</td>
<td>55</td>
<td>30</td>
<td>30</td>
<td>5</td>
<td>0</td>
</tr>
<tr>
<td>4) HUD Section 221(d)(4) FHA Insurance Program</td>
<td>3</td>
<td>27</td>
<td>26</td>
<td>44</td>
<td>30</td>
</tr>
<tr>
<td>5) HUD Section 202 Direct Loan Program</td>
<td>32</td>
<td>32</td>
<td>122</td>
<td>211</td>
<td>312</td>
</tr>
<tr>
<td>6) USDA Section 515 Rural Housing Programs</td>
<td>80</td>
<td>79</td>
<td>64</td>
<td>116</td>
<td>100</td>
</tr>
<tr>
<td><strong>Total Expiring Subsidies by Year</strong></td>
<td><strong>$274</strong></td>
<td><strong>$259</strong></td>
<td><strong>$329</strong></td>
<td><strong>$466</strong></td>
<td><strong>$549</strong></td>
</tr>
</tbody>
</table>

Sources:
1. LIHTC – HUD Low Income Housing Tax Credit Database for units placed in service through 2014, Retrieved June 28, 2016.
2. Section 8: Multifamily Assistance and Section 8 Contracts Database as of July 1, 2016.
3. 3-4) Section 236, Section 221(d)(4), HUD Insured Multifamily Database retrieved July 5, 2016.

Notes:
1. LIHTC with FHA financing other than Section 8.
2. An estimated 800 Section 8 subsidized properties also have LIHTC subsidies.
3. Excludes properties already refinanced.
4. Includes OMI, OMR, MMR and MMI codes.
5. Includes RD Section 515 only.

Historically, HMDA has not tracked affordable multifamily programs. However, by matching the NLIHC Preservation database to data provided by CoreLogic, which it gathered from publicly available county level property records, a reasonable estimate of loan volume may be ascertained.

As shown in the chart below, the estimated total loan volume originated for properties eligible for preservation, totaled about $12 billion annually in 2015, the last complete year for which data was available. However, this is likely the minimum amount originated based on the fact that only 40 percent of the properties were identified and matched.
Energy Efficiency Finance

In the last five years, green building, sustainability, and energy efficiency principles have become increasingly integrated into the multifamily housing sector. A prime driver for developers, owners, operators, and even tenants toward sustainability is cost reduction, rather than natural resource use reduction; yet sustainability principles achieve both. Given the multitude of benefits realized through implementing sustainability measures, even lenders are now offering programs to incentivize investment in green property improvement in the multifamily housing sector.

There has been strong market demand for sustainability by all industry players in the multifamily housing sector over the last several years. Developers and owners are looking for ways to save money when it comes to building and maintaining multifamily housing; property managers see sustainability principles as reducing tenant turnover and increasing tenant satisfaction with building temperatures and overall quality; and tenants are attracted to the lower costs in their utility bills while also living in a healthier home.

From a pure business and economic standpoint, green is important because of the money it saves for both property owners and tenants. The implementation of energy- and water-efficient features in a property helps owners save money and can qualify the property for various tax breaks and specialty products. When owners save money, it reduces the pressure to raise rents while it extends the useful life of the property and can play a large part in long term affordable housing preservation.

Most importantly, the biggest significance of green is the positive outcome on the environment. Studies have concluded that green multifamily housing properties can significantly decrease overall energy use. For example, according to a report from the American Council for an Energy-Efficient Economy (ACEEE) and CNT Energy, comprehensive retrofits can effectively improve the efficiency of multifamily buildings by three percent for natural gas and 15 percent for electricity, which in 2010, national average energy prices translates into an annual utility bill cost savings of almost $3.4 billion for the multifamily sector. Furthermore, buildings that have been certified to a LEED Gold certificate consume 25 percent less energy, 11 percent less water, and have maintenance costs that are 19 percent lower than buildings without the gold certificate. Below is a map highlighting the annual potential savings from green multifamily building in each State.

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One of the challenges in green financing is a lack of common standards and a dearth of data. Fannie Mae Multifamily will join forces with Single-Family to conduct outreach and research in order to develop some standards that can help make green financing a staple in the affordable housing preservation toolkit.

III. Statutory and Regulatory Activities Considered but not Included

Under the Regulations, the Enterprises need to consider and address a total of seven Statutory and Regulatory Activities for this market in their Plan. If fewer than seven are addressed, the Enterprises must explain why other activities are not being considered.46 This is not the case for Fannie Mae because our Plan includes the following five Statutory and six Regulatory Activities.

Statutory Activities

- Section 8. The project-based and tenant-based rental assistance housing programs under Section 8 of the U.S. Housing Act of 1937, 42 U.S.C. § 1437f.

- Section 202. The supportive housing program for the elderly under Section 202 of the Housing Act of 1959, 12 U.S.C. § 1701q.

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§ Section 515. The rural rental housing program under Section 515 of the Housing Act of 1949, 42 U.S.C. § 1485.
§ Other comparable State or local affordable housing programs.

Regulatory Activities

§ Financing of small multifamily rental properties (12 C.F.R. 1282.34 (d)(1)).
§ Energy or water efficiency improvements on multifamily rental properties (12 C.F.R. 1282.34 (d)(2)).
§ Energy or water efficiency improvements on single-family, first lien properties (12 C.F.R. 1282.34 (d)(3)).
§ Shared equity programs for affordable homeownership preservation (12 C.F.R. 1282.34 (d)(4)).
§ HUD Rental Assistance Demonstration program (12 C.F.R. 1282.34 (d)(6)).
§ Purchase or rehabilitation of certain distressed properties (12 C.F.R. 1282.34(d)(7)).

IV. Activities and Objectives

A. Statutory Activity: Section 8. The project-based and tenant-based rental assistance housing programs under Section 8 of the U.S. Housing Act of 1937, 42 U.S.C. § 1437f.

1. Objective #1: Facilitate loan purchases by modifying underwriting guidelines and credit standards including those pertaining to (a) above market Housing Assistance Payment contracts, (b) large re-stabilization reserves, (c) Congressional appropriations risks, and (d) Section 8 tenant vouchers (Test and Learn).

SMART Factors

Fannie Mae will undertake the following measurable actions in the three Years of the Plan.

In Year One of the Plan, Fannie Mae will:

§ Conduct an analysis of Section 8 loan pre-review requests received in Year One relating to issues a – d in the Objective above, which will inform our internal discussion on potential Section 8 guideline changes. Complete analysis by end of Q4.

In Year Two of the Plan, Fannie Mae will:

§ Approve and publish one update to Fannie Mae's current Section 8 guidelines if the analysis performed in Year One demonstrates a need for an update in order to increase loan purchases.

§ Publish one lender letter to inform lenders and market on approved update.
In Year Three of the Plan, Fannie Mae will:

- Track all loans purchased with updated Section 8 guidelines to determine the frequency with which the updated guidelines are utilized, and prepare one analysis to be completed by the end of Q4.

Fannie Mae has a long history of purchasing loans secured by Section 8 properties and sometimes approves justified exceptions to the guidelines and credit standards. By analyzing the frequency of waiver requests, the approval rates, and the approval or denial conditions, Fannie Mae may ensure that any changes to the Section 8 Guidelines are based on real data and situations as well as safety and soundness principles. The market opportunity for this Objective is to increase the number of Section 8 properties financed by facilitating transactions. Based on our experience with Section 8 loans and the available resources, Fannie Mae has determined that this Objective is realistic and may be achieved within the time periods described. Any changes in underwriting guidelines or credit risk standards will be supported by thorough economic, risk, and operational analyses, will be subject to Fannie Mae’s governance and approval processes, and will only be made consistent with safety and soundness concerns.

**Income Levels**

For all Years of the Plan, this Objective will serve very low-income families.

**Evaluation Factors**

| Year One: Loan Product | Year Two: Loan Product | Year Three: Loan Product |

**Proposed Concept Score for each Year**

30 – **Foundation for Future Impact**: Although Fannie Mae approves waivers related to these issues on a case by case basis, if the analysis demonstrates that some of these issues can be delegated to our lenders, loan purchases of Section 8 properties would likely increase in volume and processing time would be decreased.

2. **Objective #2: Increase purchases of mortgage loans secured by properties with Section 8 project-based rental assistance (Do What We Do Best).**

**SMART Factors**

Fannie Mae will undertake the following measurable actions in the three Years of the Plan.

In Year One of the Plan, Fannie Mae will:

- Increase the total dollar volume of Fannie Mae’s Section 8 loan purchases between five and 10 percent.  
  Note: Loan purchase goals may be impacted by the availability of HUD financing for Section 8 and other programs.

  - **Baseline**: Based on an average of the number of loans on properties purchased by Fannie Mae over the last three years (2014, $1,036,000,000; 2015, $740,000,000; 2016, $1,115,000,000), the Baseline for these purchases is an average of $963,667,000 of Section 8 loans per year.  

In Year Two of the Plan, Fannie Mae will:

- Increase the total volume of Fannie Mae’s Section 8 loan purchases between five and 10 percent over an updated Baseline of three years.

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47 Given the fairly stable interest rates from 2014-2016, we believe the methodology suggested by FHFA in its proposed Evaluation Guidance 2018-2020 Plan Cycle of using an average of three years of data on recent performance to set a baseline for acquisitions of a particular type of loan is justified. Accordingly, unless it is indicated otherwise, this is the methodology we use in each Plan.
In Year Three of the Plan, Fannie Mae will:

- Increase the total volume of Fannie Mae’s Section 8 loan purchases between five and 10 percent over an updated Baseline of three years.

Fannie Mae has regularly reviewed the preservation databases of HUD and others for market information and will continue to do so in order to estimate annual volume. Approximately 187,000 units of Section 8 subsidy on 3,500 properties are expiring during the three-year term of the Plan. These facts coupled with the proposed review of some of Fannie Mae’s Section 8 guidelines to facilitate transactions should result in a meaningful market opportunity to increase liquidity to the Section 8 market. Fannie Mae has a long history of purchasing loans secured by Section 8 properties and may rely on its traditional lender partners to continue to originate these transactions. Based on this experience and the available resources, Fannie Mae has determined that this Objective is realistic and may be achieved within the time periods described. Section 8 loan purchases will be based on the then current Section 8 guidelines (including any updates resulting from Objective #1) and therefore will be consistent with safety and soundness principles.

**Income Levels**

For all Years of the Plan, this Objective will serve very low-income families.

**Evaluation Factors**

<table>
<thead>
<tr>
<th>Year One: Loan Purchase</th>
<th>Year Two: Loan Purchase</th>
<th>Year Three: Loan Purchase</th>
</tr>
</thead>
</table>

**Proposed Concept Score for each Year**

40 – Direct Impact: Increasing its market share of Section 8 loans will positively impact liquidity to the Section 8 market, which also includes Section 202 properties.

**B. Statutory Activity: The supportive housing program for the elderly under Section 202 of the Housing Act of 1959, 12 U.S.C. § 1701q.**

1. **Objective #1: Consider underwriting changes focused on unique characteristics of HUD Section 202 properties, prepare work-plan to determine further purchase activity, and purchase loans (Analyze, Do What We Do Best).**

**SMART Factors**

Fannie Mae will undertake the following measurable actions in the three Years of the Plan.

In Year One of the Plan, Fannie Mae will:

- Create one Section 202 market analysis that addresses, but may not be limited to, expiring/maturing loans, key owner operators, market conditions, DUS® lender appetite, and experience and geographic exposure, etc.

- Review our underwriting guidelines regarding HUD Section 202 specific requirements relative to above market Section 8 contracts and other relevant Section 202 factors identified in the market analysis.

- Based on the evaluation as provided for above, produce a Section 202 work-plan that will inform loan purchase activity during Year Two and Year Three of the Plan.

In each of Year Two and Year Three of the Plan, Fannie Mae will:
Purchase eight to 10 Section 202 loans.

- **Baseline**: While Fannie Mae has refinanced Section 202 properties in the past, these loans have not been tracked by loan type and thus no Baseline can be established.

While it still needs to be defined more precisely, the market opportunity for purchasing Section 202 loans is driven by the fact that between 2017 and 2021, the total maturing debt on direct loan Section 202 properties amounts to nearly $210,000,000 on approximately 27,600 units. Several of Fannie Mae’s traditional lender partners have significant experience in Section 202 refinance and there is current information available from HUD regarding the existing properties that have expiring subsidies in the next three years. Based on this information, the experience of our lenders, and the available resources, Fannie Mae has determined that this Objective is realistic and may be achieved within the time periods described. Any changes in underwriting guidelines or credit risk standards and all loan purchases will be supported by thorough economic, risk, and operational analyses, will be subject to Fannie Mae’s governance and approval processes, and will only be made consistent with safety and soundness concerns.

**Income Levels**

For all Years of the Plan, this Objective will serve very low-, low-, and moderate-income families.

**Evaluation Factors**

<table>
<thead>
<tr>
<th>Year One: Loan Product</th>
<th>Year Two: Loan Purchase</th>
<th>Year Three: Loan Purchase</th>
</tr>
</thead>
</table>

**Proposed Concept Score for each Year**

50 – **Direct Impact**: By proactively focusing on the Section 202 program, Fannie Mae will be better positioned to finance the universe of expiring use Section 202 properties and, by buying loans, will be adding to the liquidity of this submarket.


1. **Objective #1**: Work with USDA and other stakeholders to develop and implement a meaningful approach to Section 515 preservation and purchase loans (Partner and Innovate, Do What We Do Best).

**SMART Factors**

Fannie Mae will undertake the following measurable actions in the three Years of the Plan.

In Year One of the Plan, Fannie Mae will:

- Establish a workable strategy to preserve Section 515 properties across the country by undertaking the following:
  - Meeting with at least 10 market stakeholders, including housing advocates, and sponsors.
  - Engaging at least three DUS and special affordable lenders who have experience with Section 515 properties.
- Create one Section 515 work-plan that will drive loan purchases and other actions during Year Two and Year Three.
As part of Fannie Mae’s overall LIHTC equity strategy, conduct a review of the potential use of LIHTC equity investments in conjunction with debt on USDA 515 properties, in rural areas only.

Process one Section 515 work-plan through internal Fannie Mae product development procedures to secure approvals as required, tracking and updating quarterly.

Formulate one loan purchase and two other goals for fiscal years 2019 – 2020, with an aim to provide financing for at least five to 10 percent of the total properties with financing expiring in 2019 and 2020.

In Year Two of the Plan, Fannie Mae will:

- Purchase loans secured by Section 515 properties in an amount sufficient to preserve between five and 10 percent of the Section 515 units expiring during fiscal year 2019.
  - **Baseline:** While Fannie Mae has refinanced Section 515 properties in the past, these loans have not been tracked by loan type and thus no Baseline can be established.

In Year Three of the Plan, Fannie Mae will:

- Purchase loans secured by Section 515 properties in an amount sufficient to preserve between five and 10 percent of the Section 515 units expiring during fiscal year 2020.

- Develop one loan purchase goal for the 2021 – 2023 Plan.

According to the USDA, there are over 5,000 properties under the Section 515 program that are becoming eligible for prepayment each year during the next 10 years with a significant increase in annual prepayment eligibility beginning in 2028. Several of Fannie Mae’s traditional lender partners have significant experience in the Section 515 market. In the past, refinancing Section 515 properties has been challenging because of USDA requirements around rental assistance coupled with the fact that many of these properties cannot support sufficient debt. However, because USDA has placed a high priority on preservation of the Section 515 stock, Fannie Mae believes that establishing a workable solution consistent with safety and soundness principles is possible. Based on this information, the experience of our lenders, and the available resources, Fannie Mae has determined that this Objective is realistic and may be achieved within the time periods described.

**Income Levels**

For all Years of the Plan, this Objective will serve very low-, low-, and moderate-income families.

**Evaluation Factors**

Year One: Outreach  
Year Two: Loan Purchase  
Year Three: Loan Purchase

**Proposed Concept Score for each Year**

**50 – Direct Impact:** During the three year term of the Plan, 15,200 properties financed with Section 515 loans will be eligible for prepayment. The sheer number of properties requiring financing coupled with the far reaching geography requires a well thought out strategy to preserve these properties. Through outreach and product development work during Year One, Fannie Mae will develop a realistic work-plan that will bring significant liquidity to the Section 515 preservation market.

1. Objective #1: Increase purchases of mortgages secured by LIHTC properties (Do What We Do Best).

SMART Factors

Fannie Mae will undertake the following measurable actions in the three Years of the Plan.

In Year One of the Plan, Fannie Mae will:

- Purchase between 40 and 70 loans secured by LIHTC properties.
  - **Baseline:** Based on an average of the number of loans on properties in their active, 10-year, tax credit period purchased by Fannie Mae over the last three years (2014, 51; 2015, 51; 2016, 68), the Baseline for these purchases is 56 loans.  
- Identify two trends and two product enhancement needs in the LIHTC industry, and propose ways to address them.

In Year Two of the Plan, Fannie Mae will:

- Increase the total volume of Fannie Mae’s loan purchases between five and 10 percent over an updated Baseline of three years.
- Identify two trends and two product enhancement needs in the LIHTC industry and propose ways to address them.

In Year Three of the Plan, Fannie Mae will:

- Increase the total volume of Fannie Mae’s loan purchases between five and 10 percent over an updated Baseline of three years.
- Continue to identify trends and product enhancement needs in the LIHTC industry.

Fannie Mae will expand its purchases of LIHTC debt to increase liquidity to the market by growing the use of certain multifamily products such as MTeb (MBS as collateral for tax exempt bonds), ROAR (Reduced Occupancy Affordable Rehab), bond credit enhancements, and financing forwards transactions. Fannie Mae has a long history of purchasing loans secured by LIHTC properties and may rely on its traditional lender partners to continue to originate and work with Fannie Mae to expand the number of transactions. Based on this history and these relationships, Fannie Mae has determined that this Objective is realistic and may be achieved within the time periods described. Market opportunity is generally based on the information provided in HUD and other preservation databases and utilization of these databases allows for the estimation of annual volume. Fannie Mae’s standard underwriting guidelines and risk standards, which incorporate notions of safety and soundness, will be applied to these purchases.

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48 This Baseline may not include some of the loans associated with LIHTC properties purchased by Fannie Mae which are still under affordable restrictions and beyond the initial compliance period.
Income Levels

For all Years of the Plan, this Objective will serve very low-, low-, and moderate-income families.

Evaluation Factors

Year One: Loan Purchase  Year Two: Loan Purchase  Year Three: Loan Purchase

Proposed Concept Score for each Year

40 – Direct Impact: Fannie Mae and its lenders have a very sophisticated understanding of LIHTC and have historically financed a large share of the LIHTC debt market. More recently, Fannie Mae has been focused on Year 15 and LIHTC recapitalization and preservation. Over the past several years, Fannie Mae has focused significant effort on improving its product offerings for LIHTC preservation including MTeb and ROAR products. By virtue of its ongoing efforts to make improvements and enhance products for LIHTC property preservation, Fannie Mae expects its direct impact on the market to continue to be strong.

E. Statutory Activity: Other comparable State or local affordable housing programs.

1. Objective #1: Consider possible expansion of Fannie Mae’s multifamily affordable housing (MAH) definition to support State and local efforts to preserve affordable housing for very low- and low-income families and purchase mortgages (Partner and Innovate, Do What We Do Best).

SMART Factors

Fannie Mae will undertake the following measurable actions in the three Years of the Plan.

In Year One of the Plan, Fannie Mae will:

- Conduct a review of at least five State and local (total) affordable housing programs that do not currently meet Fannie Mae’s definition of MAH, and thus are not eligible for the beneficial underwriting criteria used for MAH transactions.

- Based on this review, determine appropriate expanded guidelines and/or delegation for loans in one to three of these States or localities to be considered as an MAH transaction.

- Approve a streamlined pre-review and/or delegation for each of the newly approved State or local programs.

In Year Two of the Plan, Fannie Mae will:

- Purchase between 10 and 15 loans secured by properties under Fannie Mae approved State or local programs.

  - Baseline: Fannie Mae does not track mortgages by this type of transaction so it is unable to provide a Baseline.

- Review five other State and/or local (total) affordable housing programs that could benefit from streamlined guidelines and/or delegation in order to increase liquidity to those States/localities.

- Based on this review, determine appropriate expanded guidelines and/or delegation for loans in one to three of these States or localities to be considered as an MAH transaction.
Approve and document a streamlined pre-review and/or delegation for each of the newly approved State or local programs.

In Year Three of the Plan, Fannie Mae will:

- Purchase between 10 and 15 loans secured by properties under Fannie Mae approved State or local programs.
- Review five other State and/or local (total) affordable housing programs that could benefit from streamlined guidelines and/or delegation in order to increase liquidity to those States/localities.

Fannie Mae has significant experience purchasing loans secured by properties subject to many different State or local housing programs. Expanding Fannie Mae’s MAH definition to other State and local programs that do not meet the current definition would allow affordable housing preservation transactions to be financed using the benefits of Fannie Mae’s MAH guidelines, which in turn would increase liquidity to those markets. In addition, Fannie Mae would be making its capital available to support affordable housing preservation issues that are important to each State and locality. Fannie Mae regularly reviews data available from third party data vendors and is exploring collaboration with potential non-profit partners to estimate the potential market opportunity, which is not ascertainable at this time. Any expansion of underwriting guidelines or credit standards to include State and local programs would be subject to underwriting guidelines and credit risk standards consistent with safety and soundness. Based on Fannie Mae’s experience working with State and local programs, it has been determined that this Objective is realistic and may be achieved within the time periods described.

Income Levels

For all Years of the Plan, this Objective will serve very low- and low-income families.

Evaluation Factors

| Year One: Loan Product | Year Two: Loan Purchase | Year Three: Loan Purchase |

Proposed Concept Score for each Year

40 – Direct Impact: By incorporating other State and local affordable housing programs into Fannie Mae’s MAH definition and streamlining or delegating approval of such inclusion to our lenders, some of those programs would allow certain affordable housing programs that currently do not meet Fannie Mae’s MAH definition to be able to benefit from the affordable underwriting guidelines, which allow higher leverage and lower minimum debt service coverage. In addition, the approval process would be streamlined to more quickly provide more liquidity to the Affordable Housing Preservation Market. Finally, by taking this approach Fannie Mae could recognize that States and localities may have different affordable housing needs.

F. Regulatory Activity: Financing of small multifamily rental properties (12 C.F.R. § 1282.34 (d) (1)).

1. Objective #1: Design and grow an effective approach to make purchases of small multifamily loans from financial entities with $10 billion or less in assets and increase purchases (Test and Learn, Partner and Innovate, Do What We Do Best).

SMART Factors

Fannie Mae will undertake the following measurable actions in the three Years of the Plan.
In Year One of the Plan, Fannie Mae will:

- Conduct outreach and research to determine an effective approach to increase purchases of small multifamily loans from institutions with $10 billion or less in assets, including:
  - Identifying at least 10 of these institutions.
  - Working with at least five DUS lenders to build or enhance correspondent networks with them.
  - Identifying three different transactional structures that are appropriate to use to purchase loans under this Objective.

- In the event that there are less than two DUS lenders interested in this undertaking, establish at least two “Special Affordable Small Loan Lender” relationships as a pilot program with other financial entities that would have the capacity and knowledge to become a Fannie Mae lender, with a special focus on affordable housing preservation and/or small loans, (e.g., Federal Home Loan Banks (FHLB) with member banks that meet FHFA’s asset size or a national CDFI with small multifamily loan expertise).

In Year Two of the Plan, Fannie Mae will:

- Build on the outreach and research conducted in Year One, determine parameters of the program and choose at least four lenders to participate in aggregating small loans from the subject financial institutions.

- Identify, analyze, and approve at least three underwriting/documentation/asset management changes, which could be tested in the pilot program.

- Commence the pilot program by end of Q4.

In Year Three of the Plan, Fannie Mae will:

- Purchase at least 45 small affordable loans from institutions with $10 billion or less in assets.
  
  - **Baseline:** Fannie Mae does not track whether the institutions that originated the loans it acquired on small multifamily rental properties have assets of $10 billion or less, so it is unable to establish a Baseline.

Establishing an efficient program focused on small multifamily property loans originated by institutions with assets of $10 billion or less could greatly increase liquidity to this market. Fannie Mae will base its program on current research on potential market opportunities for small multifamily loans and future research on potential partners that meet this Regulatory Activity’s asset maximum, which are engaged in originating small multifamily loans. Our actions under this Objective will meet notions of safety and soundness, which will be incorporated into our arrangements with the subject financial institutions as well as the loan purchases, which will be subject to appropriate underwriting guidelines and credit risk standards. Based on Fannie Mae’s experience acquiring small multifamily loans and working with a wide variety of lenders, it has been determined that this Objective is realistic and may be achieved within the time periods described.

**Income Levels**

For all Years of the Plan, this Objective will serve very-low, low- and moderate-income families.

**Evaluation Factors**

<table>
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<th>Year One: Loan Product</th>
<th>Year Two: Loan Product</th>
<th>Year Three: Loan Purchase</th>
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Fannie Mae’s Duty to Serve Underserved Markets Plan must receive a non-objection from FHFA before becoming effective. The Objectives in the proposed and final Plan may be subject to change based on factors including public input, FHFA comments, compliance with Fannie Mae’s Charter Act, safety and soundness considerations, and market or economic conditions.
Proposed Concept Score for each Year

50 – Foundation for Future Impact: The work to be completed during the first two Years of the Plan will lay the foundation to significantly increase liquidity for small multifamily loans originated by the subject financial institutions by proactively creating a scalable and replicable program to link the subject financial institutions to the secondary mortgage market.

G. Regulatory Activity: Finance improvements on multifamily properties: (a) which reduce energy or water consumption by tenant or property by at least 15 percent; and (b) where the savings generated over the improvement’s expected life will exceed its cost (FHFA Criteria) (12 C.F.R. § 1282.34 (d)(2)).

Note: Fannie Mae’s Multifamily and Single-Family businesses will collaborate on many objectives related to the energy and water efficiency market. As such, details on various objectives are described in Paragraph H, as noted below.

1. Objective #1: Conduct outreach and market research through engagements with lenders and cross-functional industry representatives to identify and analyze market challenges, provide information about energy and water efficiency lending products, facilitate the delivery of loans, and maintain a communication feedback loop to facilitate a continuous improvement process. (Analyze, Partner and Innovate).

Note: The SMART Factors, Year by Year actions, Income Levels, Evaluation Factors, and Proposed Concept Score for this Objective are set forth in Paragraph H, Objective #1 below.

2. Objective #2: Conduct research, develop data, and analyze findings to understand the challenges and opportunities in financing energy or water efficiency improvements and distribute findings (Analyze, Test and Learn).

Note: The SMART Factors, Year by Year actions, Income Levels, Evaluation Factors, and Proposed Concept Score for this Objective are set forth in Paragraph H, Objective #2 below.

3. Objective #3: Work with industry stakeholders to increase consumer and tenant awareness, access to energy or water efficiency savings, and programs that help to finance energy or water improvements, including those that meet the FHFA Criteria (Partner and Innovate).

Note: The SMART Factors, Year by Year actions, Income Levels, Evaluation Factors, and Proposed Concept Score for this Objective are set forth in Paragraph H, Objective #3 below.

4. Objective #4: Work with industry stakeholders to enhance industry standards on how energy and/or water efficient products are captured in real estate listings, appraisals, and other documents, including ways to identify the FHFA Criteria (Partner and Innovate).

Note: The SMART Factors, Year by Year actions, Income Levels, Evaluation Factors, and Proposed Concept Score for this Objective are set forth in Paragraph H, Objective #4 below.
5. **Objective #5**: Implement updates to the HomeStyle® Energy mortgage single-family loan product and Multifamily Green Financing products to include projections or expectations that the FHFA Criteria are met, simplify product parameters and loan requirements, and maintain appropriate risk controls (Do What We Do Best).

   **Note:** The SMART Factors, Year by Year actions, Income Levels, Evaluation Factors, and Proposed Concept Score for this Objective are set forth in Paragraph H, Objective #5 below.

6. **Objective #6**: Purchase loans that have or will finance energy or water efficiency improvements on multifamily properties that meet the FHFA Criteria (Do What We Do Best).

**SMART Factors**

Fannie Mae will undertake the following measurable actions in the three Years of the Plan.

In Year One of the Plan, Fannie Mae will:

- Purchase at least 25 loans that meet FHFA Criteria.
  
  - **Baseline**: Fannie Mae does not track loans that have or will finance energy or water efficiency improvements based on the FHFA Criteria, so it is unable to establish a Baseline.

In Year Two of the Plan, Fannie Mae will:

- Increase the volume of loan purchases by 25 percent over Year One.

In Year Three of the Plan, Fannie Mae will:

- Increase the volume of loan purchases by 25 percent over Year Two.

Through its Green Initiative, Fannie Mae has purchased $4 billion in loans since 2013, which have financed various levels of energy and water efficiency improvements. Fannie Mae’s Green Rewards product requires that a property owner commit to installing capital improvements that target a 20 percent reduction in energy or water use. Fannie Mae’s Green Initiative leads the market with a holistic approach to green housing. Strategic activities undertaken to achieve this Objective will increase liquidity to the Affordable Housing Preservation Market by increasing stability of the housing as a result of owners and tenants benefitting from energy and water cost savings from green upgrades. Fannie Mae has originated green multifamily loans for some time, has knowledge of the market, and has built relationships with market stakeholders. Based on this experience and these partnerships, Fannie Mae has determined this Objective may be achieved within the time periods described. The market opportunity as reflected in the loan purchase estimates is based on market analysis and historical activity. Loan purchases will be made in accordance with applicable underwriting guidelines and risk standards that incorporate notions of safety and soundness.

**Income Levels**

For all Years of the Plan, this Objective will serve very-low, low- and moderate-income families.

**Evaluation Factors**

| Year One: Loan Purchase | Year Two: Loan Purchase | Year Three: Loan Purchase |

Fannie Mae’s Duty to Serve Underserved Markets Plan must receive a non-objection from FHFA before becoming effective. The Objectives in the proposed and final Plan may be subject to change based on factors including public input, FHFA comments, compliance with Fannie Mae’s Charter Act, safety and soundness considerations, and market or economic conditions.
Proposed Concept Score for each Year

50 – Direct Impact: Fannie Mae purchased over $3.6 billion in loans through its Green Initiative in 2016, compared to a total of $58 million in 2013. Continued growth is anticipated during the three year Plan and increasing the amount purchased by at least 25 percent to 50 percent will result in a significant impact.

7. Objective #7: Publish white paper on best practices in energy and water efficiency financing and affordable housing preservation (Partner and Innovate).

SMART Factors

Fannie Mae will undertake the following measurable actions in the three Years of the Plan.

In Year One of the Plan, Fannie Mae will:

- Draft an outline and work-plan for creating and publishing a white paper on best practices in energy efficiency financing and affordable housing preservation, with the goal to publish during Year Three. The purpose of the white paper will be to educate the financial markets on best practices in multifamily energy efficiency lending so that the industry may benefit from Fannie Mae’s experiences.

In Year Two of the Plan, Fannie Mae will:

- Implement the work-plan to achieve publication of the white paper at the end of Year Three of the Plan.

In Year Three of the Plan, Fannie Mae will:

- Publish the white paper.

In pursuing the Objectives focused on energy and water efficient lending as a means of preserving affordable housing, Fannie Mae will acquire sufficient experience to add to its current expertise that it may share with the public to further increase liquidity to energy and water efficiency preservation efforts. Based on Fannie Mae’s leadership in the multifamily energy efficient sector, coupled with its experience in publishing white papers, it has been determined that this Objective may be achieved within the time periods described. There is no market opportunity associated with this Objective. One of the key goals of the publication will be to disseminate information that takes safety and soundness into account.

Income Levels

For all Years of the Plan, this Objective will serve very-low, low- and moderate-income families.

Evaluation Factors

Year One: Loan Product Year Two: Loan Product Year Three: Loan Product

Proposed Concept Score for each Year

50 – Direct Impact: Through sharing its experience of establishing and growing a program for energy efficiency lending, Fannie Mae may directly and positively impact the market by allowing other institutions to make determinations based on Fannie Mae’s analysis and findings.
H. Regulatory Activity: Energy or water efficiency improvements on single-family, first lien properties which: (a) reduce energy or water consumption by the homeowner, tenant, or property by at least 15 percent; and (b) where the savings generated over the improvement’s expected life will exceed its cost (FHFA Criteria) (12 C.F.R. § 1282.34 (d) (3)).

1. Objective #1: Conduct outreach and market research through engagements with lenders and cross-functional industry representatives to identify and analyze market challenges, provide information about energy and water efficiency lending products, facilitate the delivery of loans, and maintain a communication feedback loop to facilitate a continuous improvement process (Analyze, Partner and Innovate).

SMART Factors

Fannie Mae will undertake the following measurable actions in each of Year One, Year Two, and Year Three of the Plan.

- Host one energy advisory group with cross-functional industry representation.
- Participate in two key industry conferences.
- Engage three industry participants who finance energy or water efficiency improvements to identify potential innovative financing opportunities that would meet the FHFA Criteria.
- Produce, or update, and distribute educational materials that provide information about Fannie Mae’s HomeStyle Energy and Multifamily Green Financing products, and assist lenders in meeting loan delivery requirements, including:
  - Engaging 15 Fannie Mae lenders.
  - Hosting two lender webinars.

The energy and water efficiency market for residential homes and rental housing is complex with a wide range of participants and products and is continuously evolving with new technologies, standards, and regulations. The options and terms to pay for energy or water efficiency improvements are varied and may be costly. In order to increase liquidity for financing improvements that will meet the FHFA Criteria, Fannie Mae must engage a wide variety of participants to understand and discuss the evolving market and its challenges and opportunities. These collaborative discussions will also assist market participants in better serving their customers. The information gathered under this Objective will be a key contributor to support our work with the industry to gather and analyze data, increase consumer awareness, assess other innovative approaches to provide financing to the target markets, and establish industry standards as well as to support loan product changes to increase access to Fannie Mae financing. Fannie Mae also has identified a need to educate our lending partners further about our product offerings and requirements. Our strategy to engage lenders will also be a key input into changes that will simplify loan requirements and result in increased delivery of our HomeStyle Energy and Green Rewards products. Fannie Mae is active in outreach and market engagement. Existing resources dedicated to market outreach will be leveraged and enhanced to accommodate outreach specific to the energy and water efficiency market. Based on this experience and the available resources, Fannie Mae has determined that this Objective is realistic and may be achieved within the time periods described. The ultimate opportunity available in this market is to increase purchases of financial products for energy and water efficiency. Market research and stakeholder input gained from this outreach will be used to create underwriting guidelines, credit standards, and loan purchases that are consistent with notions of safety and soundness.
**Income Levels**

For all Years of the Plan, this Objective will serve very low-, low-, and moderate-income families.

**Evaluation Factors**

Year One: Outreach  
Year Two: Outreach  
Year Three: Outreach

**Proposed Concept Score for each Year**

**30 – Foundation for Future Impact:** This objective is a critical component of the overall strategy to increase access and liquidity within the energy and water efficiency market through:

- Engaging and collaborating with cross-functional market participants able to identify loan product enhancements and other financing options and resources that address the energy and/or water efficiency needs of very low-, low-, and moderate-income families.
- Facilitating partnerships with lenders and other market participants.
- Promoting access to Fannie Mae’s products and identifying barriers to loan delivery.

Achievement of the Objective entails material use of Fannie Mae’s staff and budget resources.

**2. Objective #2: Conduct research, develop data, and analyze findings to understand the challenges and opportunities in financing energy or water efficiency improvements and distribute findings (Analyze, Test and Learn).**

**SMART Factors**

Fannie Mae will undertake the following measurable actions in each of Year One, Year Two, and Year Three of the Plan.

- Acquire data and research and, as relevant, prepare one analysis addressing utility expenses, financing of types of energy and water efficiency improvements, and first lien mortgage loan performance related to energy and water efficiency measures.
- Through third party survey entities, conduct primary consumer research to understand consumer sentiment and needs on energy and water efficiency through one survey and/or focus group.
- Create one written analysis of Fannie Mae’s portfolio of loans where borrowers have financed energy and/or water efficiency improvements.
- Publicize one set of key findings to promote industry awareness and inform future research.

There is no market today for products that finance energy or water improvements that meet the FHFA Criteria. The information gathered under this Objective will be a key contributor to its development and provides the foundation for informing Fannie Mae in establishing related financial products and/or loan product changes. In particular, this research and data analysis is key to developing products and incentives that will drive borrowers to engage and will help us to underwrite energy or water efficiency improvements effectively and to identify methodologies to measure energy and/or water savings that meet the FHFA Criteria as set forth in Objective #5. It also provides support to the target income markets to help them reduce their monthly housing costs by achieving energy and/or water savings, thereby increasing stability in the housing market. Through our strategy to invest in research, data collection and analysis, Fannie Mae will
improve the market and our understanding of the needs and opportunities, factors driving energy or water improvements and sensitivities driving each factor, and outcomes for very low-, low-, and moderate-income homeowners and tenants.

Fannie Mae has considerable experience with data collection and analysis and consumer research. Fannie Mae will leverage existing expertise and resources dedicated to data analysis and publication efforts, as well as outside expertise as necessary. Based on this expertise, coupled with outreach results, Fannie Mae has determined that this Objective is realistic and may be achieved within the time periods described. The ultimate market opportunity is to increase financing for energy and water efficiency improvements. By gaining a better understanding of the challenges of financing energy or water efficiency improvements and then distributing our findings, we will assist the market and Fannie Mae in financing products in a safe and sound manner.

**Income Levels**

For all Years of the Plan, this Objective will serve very low-, low-, and moderate-income families.

**Evaluation Factors**

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<th>Year One: Loan Product</th>
<th>Year Two: Loan Product</th>
<th>Year Three: Loan Product</th>
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**Proposed Concept Score for each Year**

**40 – Foundation for Future Impact:** This objective is a critical component of the overall strategy to increase access to financing for energy and water efficiency improvements through:

- Analysis and research to identify how Fannie Mae and other organizations may assist very low-, low-, and moderate-income homeowners and tenants to identify and access resources for obtaining and financing energy or water efficiency improvements that meet the FHFA Criteria.
- Analysis and research that contributes to the further development of industry standards as outlined in Objective #4.
- Analysis and research to define the market and support product enhancement work as outlined in Objective #5.

Achievement of the Objective entails significant use of Fannie Mae’s analytics and research resources.

3. **Objective #3: Work with industry stakeholders to increase consumer and tenant awareness and access to energy or water efficiency savings, and programs that help to finance energy or water improvements (Partner and Innovate).**

**SMART Factors**

In Year One of the Plan, Fannie Mae will undertake the following measurable actions:

- For single-family only, work with two counseling agency networks to enhance and incorporate energy and water efficiency education into pre-purchase and post-purchase education.
- Research and produce one catalog of programs to finance energy or water efficiency improvements leveraging:
  - Database of State incentives for Renewables and Efficiency.
  - Engagement with two utilities, two HFA, five State and local administrators (total), and three non-profit/mission-oriented groups to determine other available programs.
Develop and maintain one consumer-facing platform for energy and water efficiency, which will include:

- Online tools, resources and social media with current and relevant information.
- Education for homeowners, tenants, and multifamily property owners on energy and water efficiency opportunities and ways to save on utilities.
- Framework to disseminate education and resources to be provided by lenders, housing counselors, non-profit agencies, and/or other organizations, and delivered through one event such as a housing fair.

**Income Levels**

For Year One of the Plan, this Objective will serve very low-, low-, and moderate-income families.

**Evaluation Factors**

| Year One: Outreach | Year Two: Not applicable | Year Three: Not applicable |

The challenges to financing energy and water efficiency improvements include not just availability of appropriate financing, but lack of information. Our strategy is to work with the industry and promote access to appropriate types of products, resources, and financing which will help very low-, low-, and moderate-income homeowners to access appropriate financing and assistance, including grants, for energy and water efficiency improvements.

Fannie Mae has experience with researching, working with all types of participants in the market, and forming partnerships. We also have experience working with housing counselors and in developing communication platforms to inform consumers. Based on this experience and available resources, Fannie Mae has determined that this Objective is realistic and may be achieved within the time periods described. The ultimate opportunity available in this market is to increase financing for energy and water efficiency improvements. To this end, Fannie Mae will conduct its market outreach in a safe and sound manner.

**Proposed Concept Score for Year One**

30 – Foundation for Future Impact: This Objective is a critical component of the overall strategy to increase access to liquidity in the market for energy and water efficiency improvements through:

- Engaging and collaborating with cross-functional market participants able to assist very low-, low- and moderate-income families in choosing financing products for energy and/or water efficiency.
- Facilitating partnerships with lenders and other market participants
- Informing the development of product changes to increase access to Fannie Mae financing as outlined in Objective #5.

4. **Objective #4: Work with industry stakeholders to enhance standards to capture the value of energy and/or water efficient features in real estate listings and appraisals (Partner and Innovate).**

**SMART Factors**

Fannie Mae will undertake the following measurable actions in each of Year One, Year Two, and Year Three of the Plan.
Engage the industry to identify opportunities and challenges in setting standards for valuations, financing commissions, and measuring utility savings from energy and water improvements by:

- Participating in one industry working group that addresses standardization.
- Engaging with five related trade organizations, valuation services, rating groups, and appraisal companies (total).
- Attending one conference or educational seminar.
- Evaluating the opportunity for, and contributing to as appropriate, a relevant national training program for the financial industry.

In Year One of the Plan, Fannie Mae will undertake the following additional measurable action:

- Research and identify two methods or tools that assist Fannie Mae and the industry in identifying property-level information about energy and water efficiency features.

By taking a prominent role to help establish standards within the industry, Fannie Mae will meet the need for the market to ensure that data and representation of energy and water efficiency improvements and products are adequately reflected in the value of homes and multifamily properties. Fannie Mae will also be able to incorporate related guidance into its Selling and Service Guides. For Fannie Mae’s Multifamily Green Financing, this in turn will provide for better loan pricing and better MBS execution.

The ultimate opportunity available in this market is to increase financing for energy and water efficiency improvements, and a component of Fannie Mae’s strategy for this Objective is to ensure standards are set. Establishing standards for the industry will contribute to creating and financing products that incorporate notions of safety and soundness. This Objective will leverage output from Objectives #1 and #2, and will inform the development of loan product enhancements as outlined in Objective #5.

Fannie Mae plays an active role within the industry to set standards in many areas, including collateral value, data, and property valuation. Based on this experience, coupled with the available resources, Fannie Mae has determined that this Objective is realistic and may be achieved within the time periods described.

**Income Levels**

For all Years of the Plan, this Objective will serve very low-, low-, and moderate-income families.

**Evaluation Factors**

Year One: Outreach  
Year Two: Outreach  
Year Three: Outreach

**Proposed Concept Score for each Year**

**40 – Foundation for Future Impact:** This Objective is a critical component of the overall strategy to increase access to financing for energy and water efficiency improvements through:

- Promoting additional standardization in the energy and water efficiency improvement market.
- Being able to provide policy guidelines that will accurately reflect the value of homes. For Fannie Mae’s Multifamily Green Financing, this in turn will provide for better loan pricing and better MBS execution.
Supporting product enhancement work as outlined in Objective #5.

5. Objective #5: Implement updates to the HomeStyle Energy mortgage single-family loan product and Multifamily Green Financing products to include projections or expectations that the FHFA Criteria are met, simplify product parameters and loan requirements, and maintain appropriate risk controls (Test and Learn, Do What We Do Best).

SMART Factors

Fannie Mae will undertake the following measurable actions in each of Year One, Year Two, and Year Three of the Plan.

- Create variance terms for one or more changes to Fannie Mae loan products that support the financing of energy or water efficiency improvements.49

- Create one economic and operational impact analysis to determine feasibility of Fannie Mae’s purchase of loans under the variance terms.

- Engage five Fannie Mae lenders to discuss opportunities and challenges to sell variance program loans to Fannie Mae.

- Issue one or more variances to select lenders.

In Year One of the Plan, Fannie Mae will undertake the following additional measurable action:

- Evaluate how to establish standards and guidelines to demonstrate the FHFA Criteria have been met by:
  - Engaging four administrators of major energy rating programs.
  - Researching three energy and water saving calculation methodologies and lists used by State, local, tribal and utility programs.

The information gathered through outreach and analysis will assist in identification of product enhancements for Fannie Mae’s HomeStyle Energy and Multifamily Green Financing mortgage loan products that will increase eligibility and simplify loan requirements, resulting in increased liquidity for the financing of energy or water efficiency improvements. Our strategy to employ a test-and-learn approach to enhance Fannie Mae loan products facilitates a continuous learning process that will further the development of loan products that are tailored to best serve the needs of very low-, low-, and moderate-income families, and multifamily property owners serving such families, in financing of energy or water efficiency improvements.

Fannie Mae is active in product development activities, and existing resources dedicated to product development will be leveraged to achieve this Objective. Based on this experience and the available resources, Fannie Mae has determined that this Objective is realistic and may be achieved within the time periods described. Changes in credit parameters and product guidelines will be supported by thorough economic, risk and operational analysis and will be subject to Fannie Mae’s Duty to Serve statute and the Regulations direct the Enterprises to develop loan products and flexible underwriting guidelines to facilitate a secondary market (i.e., provide liquidity to) for the three underserved markets. Fannie Mae’s single-family loan products and underwriting standards are contained in its Selling Guide. From time to time, Fannie Mae amends the agreement it has with a lender to allow the delivery of loans that were originated with terms that are different than those in the Selling Guide. These amendments are called “variances.” Accordingly, a variance is one of the tools Fannie Mae will use to provide loan products to and flexible underwriting guidelines for the underserved markets.
Mae’s governance and approval processes, including safety and soundness standards. The ultimate opportunity available in this market is to increase financing for energy and water efficiency improvements that meet the FHFA Criteria.

**Income Levels**

For all Years of the Plan, this Objective will serve very low-, low-, and moderate-income families.

**Evaluation Factors**

| Year One: Loan Product | Year Two: Loan Product | Year Three: Loan Product |

**Proposed Concept Score for each Year**

**40 – Foundation for Future Impact:** Loan product changes are a critical tool to increasing access to credit. The product changes will reduce limitations and requirements, and as a result, will open access to Fannie Mae financing to families who currently do not meet eligibility requirements and will serve to increase the size of the market. Product changes will also aim to simplify the lender experience, reducing or eliminating requirements that impede loan delivery. Achieving these goals while maintaining safety and soundness requires substantial effort and use of Fannie Mae resources for actions such as:

- Outreach and analysis actions as outlined in Objectives #1, 2, and 4.
- Product development.
- Systems and operational changes needed to accommodate product changes.
- Monitoring and reporting resources to oversee and report on the performance of product variances.

6. **Objective #6: Purchase HomeStyle Energy mortgage loans that meet the FHFA Criteria (Do What We Do Best).**

**SMART Factors**

Fannie Mae will undertake the following measurable actions in Year Two and Year Three of the Plan.

In Year Two of the Plan, Fannie Mae will:

- Purchase between 50 and 100 HomeStyle Energy loans that meet the FHFA Criteria.
  - **Baseline:** Because our HomeStyle Energy mortgage loan product currently does not require the FHFA Criteria to be met and our acquisitions have not been tracked for this purpose, Fannie Mae cannot establish a Baseline.

In Year Three of the Plan, Fannie Mae will:

- Purchase between 100 and 200 HomeStyle Energy loans that meet the FHFA Criteria.

Purchasing HomeStyle Energy loans provides direct liquidity to the market. For the financing of energy or water efficiency improvements, a Fannie Mae mortgage loan offers homeowners low interest rates and the opportunity to amortize costs over a long period, which allows for lower payments than through other financing means. Furthermore, a mortgage product is subject to standards that provide consumer protections and underwriting criteria that assess a borrower’s ability to repay the debt.
Fannie Mae has the systems, operations, and resource tools needed to facilitate efficient loan delivery in a safe and sound manner. In addition, underwriting standards and credit guidelines that are simplified and consistent with safety and soundness will continue to be applied to improve acquisition of this product.

**Income Levels**

For all applicable Years of the Plan this Objective will serve low- and moderate-income families.

**Evaluation Factors**

Year One: Not applicable  
Year Two: Loan Purchase  
Year Three: Loan Purchase

**Proposed Concept Score for each Year**

50 – Direct Impact: The output of this Objective has material impact in providing liquidity to the market for energy or water efficiency improvements by increasing deliveries of Fannie Mae mortgage loan products of this type.

Over Year Two and Year Three of the Plan, between 150 and 300 mortgage loans will be purchased, which equals an estimated $39M to $78M of liquidity for energy or water efficiency improvements.

Achievement of this goal requires significant effort and use of resources including, but not limited to:

- All resources required to complete outreach, market research and analytics as outlined in Objectives #1, #2, and #4.
- All resources required to complete product enhancement work as outlined in Objective #5.

**Regulatory Activity: Shared equity programs for affordable housing preservation**

(12 C.F.R. § 1282.34 (d) (4)).

1. **Objective #1:** Conduct outreach and market research through engagements with lenders and cross-functional industry representatives to identify and analyze market challenges, provide information about affordable lending products, facilitate the delivery of loans, and maintain a communication feedback loop to facilitate a continuous improvement process (Analyze, Partner and Innovate).

**SMART Factors**

In each of Year One, Year Two, and Year Three of the Plan, Fannie Mae will undertake the following measurable actions:

- Engage 10 Fannie Mae lenders and two HFA.
- Engage five CLT, below market rate programs and/or other shared equity program providers (total), and one national industry association.
- Establish one advisory group that holds one annual meeting.
- Participate in one key industry conference.
- Produce and distribute educational materials that provide clarity on loan eligibility and delivery requirements to:
• 15 Fannie Mae lenders.
• Five program providers.
  ▪ Host two lender webinars.

The shared equity housing market is complex and fragmented with a variety of program types and mortgage loan product requirements. The market serves various income ranges for home buyers and also has geographic market differentiation.

In order to increase liquidity for shared equity homeownership, Fannie Mae must engage a wide variety of market participants to gather information about market successes and market challenges. The information gathered under this Objective will be a key contributor to support loan product changes to increase access to Fannie Mae financing. Fannie Mae also has identified a need to educate our lenders about our product offerings and requirements. Our strategy to engage lenders will also be a key input into changes that will simplify loan requirements and result in increased delivery of shared equity loans.

Fannie Mae is active in outreach and market engagement. Existing resources dedicated to market outreach will be leveraged and enhanced to accommodate outreach specific to the shared equity market. Based on this experience and the available resources, Fannie Mae has determined that this Objective is realistic and may be achieved within the time periods described. The ultimate opportunity available in this market is to finance an increased number of shared equity mortgages. By engaging in outreach and securing additional information, data and other bases for analysis, and different points of view, Fannie Mae broadens its knowledge base, which allows it to make more informed decisions that can better incorporate notions of safety and soundness.

**Income Levels**

For all Years of the Plan, this Objective will serve very-low, low-, and moderate-income families.

**Evaluation Factors**

Year One: Outreach  
Year Two: Outreach  
Year Three: Outreach

**Proposed Concept Score for each Year**

30 – Foundation for Future Impact: This objective is a critical component of the overall strategy to increase access to liquidity within the shared equity market through:

  ▪ Engaging and collaborating with cross-functional market participants able to identify loan product enhancements that address the specific needs of very low-, low- and moderate-income families that choose shared equity products for their affordable housing needs.
  
  ▪ Facilitating partnerships with lenders and other market participants.
  
  ▪ Promoting access to Fannie Mae’s shared equity products and identifying barriers to loan delivery.

Achievement of the Objective entails material use of Fannie Mae’s staff and budget resources.

2. **Objective #2: Conduct research, acquire data, and analyze findings to understand the challenges and opportunities for preserving the long-term affordability of, and for financing and purchasing mortgage loans on, shared equity property types and distribute findings (Analyze, Test and Learn).**
SMART Factors

In each of Year One, Year Two, and Year Three of the Plan, Fannie Mae will undertake the following measurable actions:

- Perform an analysis of Fannie Mae’s portfolio of shared equity loans.
- Conduct one economic study and one case study specific to shared equity programs and mortgage loans.
- Publicize one analysis of findings.

The information gathered under this Objective will be a key contributor to support loan product changes that will increase access to Fannie Mae financing. Detailed loan performance analysis helps determine the economic impact of changes to existing lending products and as such is a critical element to maintaining safety and soundness within product development work.

Shared equity products are generally not well promoted or supported in the larger mortgage finance industry as they add additional complexities to the loan origination process yet yield relatively few closed loans. Public promotion of Fannie Mae’s portfolio performance including supplemental research such as economic studies or case studies will demonstrate Fannie Mae’s participation and commitment to support of shared equity products. It will also assist in providing transparency into the loan performance of shared equity products.

Fannie Mae is active in data analysis, market research, and publication of findings. Existing resources dedicated to analysis and research will be leveraged to achieve this Objective. Based on this experience and the available resources, Fannie Mae has determined that this Objective is realistic and may be achieved within the time periods described. The ultimate opportunity available in this market is to finance an increased number of shared equity mortgages.

Income Levels

For all Years of the Plan, this Objective will serve very-low, low-, and moderate-income families.

Evaluation Factors

Year One: Outreach  Year Two: Outreach  Year Three: Outreach

Proposed Concept Score for each Year

40 – Foundation for Future Impact: This objective is a critical component of the overall strategy to increase liquidity within the shared equity market through:

- Economic analysis and research to support product enhancement work as outlined in Objective #3
- Promoting the performance of Fannie Mae’s shared equity loans

Achievement of the Objective entails significant use of Fannie Mae’s analytics and research resources.

3. Objective #3: Increase access to Fannie Mae financing by making changes to loan products that increase the population of loans eligible for sale to Fannie Mae, simplify product parameters and loan requirements, and maintain appropriate risk controls (Test and Learn).
SMART Factors

In each of Year One, Year Two, and Year Three of the Plan, Fannie Mae will undertake the following measurable actions:

- Create variance terms for one or more changes to Fannie Mae loan products.
- Conduct one economic and operational impact analysis to determine feasibility of Fannie Mae purchase of loans under the variance terms.
- Engage five Fannie Mae lenders to discuss opportunities and challenges to sell variance program loans to Fannie Mae.
- Issue one or more variances to select lenders.

The information gathered through outreach, analysis, and market research will assist in identification of product enhancements that will increase eligibility and simplify loan requirements, resulting in increased liquidity to borrowers in shared equity programs. Employing a test-and-learn approach to enhance Fannie Mae loan products facilitates a continuous learning process that will further the development of loan products that are tailored to best serve the needs of very low-, low-, and moderate-income families that choose shared equity financing for their affordable housing needs. Fannie Mae is active in product development actions, and existing resources dedicated to product development will be leveraged to achieve this Objective. Based on this experience and the available resources, Fannie Mae has determined that this Objective is realistic and may be achieved within the time periods described. Changes in credit parameters and product guidelines will be supported by thorough economic, risk, and operational analyses, and will be subject to Fannie Mae’s governance and approval processes. The ultimate opportunity available in this market is to finance an increased number of shared equity mortgages. To this end, Fannie Mae will conduct loan product work in a safe and sound manner.

Income Levels

For all Years of the Plan, this Objective will serve very-low, low-, and moderate-income families.

Evaluation Factors

Year One: Loan Product  
Year Two: Loan Product  
Year Three: Loan Product

Proposed Concept Score for each Year

40 – Foundation for Future Impact: Loan product changes are critical to increasing access to credit. The product changes will reduce limitations and requirements and as a result, will open access to Fannie Mae financing to families who currently do not meet eligibility requirements. Product changes will also aim to simplify the lender experience, reducing or eliminating requirements that impede loan delivery. Achieving these goals while maintaining safety and soundness requires substantial effort and use of Fannie Mae resources for actions such as:

- Outreach, market research and analysis actions as outlined in Objectives #1 and #2.
- Product development.
- Systems and operational changes needed to accommodate product changes.
- Monitoring and reporting resources to oversee and report on the performance of product variances.
4. Objective #4: Purchase shared equity mortgage loans (Do What We Do Best).

SMART Factors

Fannie Mae will undertake the following measurable actions in the three Years of the Plan.

In Year One of the Plan, Fannie Mae will:

- Purchase between 200 and 250 shared equity mortgage loans.
  
  - Baseline: Fannie Mae’s current loan guidelines do not require an affordability term of at least 30 years after recordation as do the shared equity loans qualifying for Duty to Serve credit under the Regulations. Moreover, we do not identify or track those loans we acquire, which may happen to have an affordability term of at least 30 years. Accordingly, we are unable to establish a Baseline.

In Year Two of the Plan, Fannie Mae will:

- Purchase between 250 and 300 shared equity mortgage loans.

In Year Three of the Plan, Fannie Mae will:

- Purchase between 400 and 500 shared equity mortgage loans.

Purchasing shared equity loans provides direct liquidity to the market. Fannie Mae has the experience, systems, operations, and resource tools needed to facilitate efficient shared equity loan delivery in a safe and sound manner. Based on this experience and the available resources, Fannie Mae has determined that this Objective is realistic and may be achieved within the time periods described. Any loan purchases will be subject to applicable credit parameters and product guidelines supported by thorough economic, risk and operational analysis, and subject to Fannie Mae’s governance and approval processes. In addition, underwriting standards and credit guidelines that are simplified and consistent with safety and soundness will continue to be applied to improve acquisition of this product. The ultimate opportunity available in this market is to finance an increased number of shared equity mortgages.

Income Levels

For all Years of the Plan, this Objective will serve very-low, low-, and moderate-income families.

Evaluation Factors

Year One: Loan Purchase  Year Two: Loan Purchase  Year Three: Loan Purchase

Proposed Concept Score for each Year

50 – Direct Impact: The output of this Objective has material impact in providing liquidity to the market, estimated as follows:

- Over the three year Plan, an additional 325 to 525 mortgage loans, which equals an estimated $63 million to $102 million of liquidity, will be contributed to this submarket under this Objective. This is an ambitious outcome given that Fannie Mae forecasts an overall decrease in acquisitions as higher interest rates are projected resulting in the transition to a purchase market, which increases the challenge of growing loan volume.

Achievement of this goal requires significant effort and use of resources including but not limited to:
All resources required to complete outreach and market research as outlined in Objectives #1 and #2.

All resources required to complete product enhancement work as outlined in Objective #3.

5. **Objective #5: Determine potential role for multifamily financing in conjunction with single-family shared equity efforts (Analyze, Partner and Innovate).**

**SMART Factors**

Fannie Mae Multifamily Mortgage Business will undertake the following measurable actions in each of Year One, Year Two, and Year Three of the Plan.

- Coordinate with Fannie Mae Single-Family as it conducts outreach actions to key stakeholders in the shared equity market.
- Conduct outreach with at least three DUS Lenders active in cooperative financing.
- Conduct outreach with at least three key stakeholders in multifamily shared equity and similar housing models to determine what, if any, role Fannie Mae may play.

There is a potential, but as yet undefined, market opportunity to increase liquidity on a proactive basis for “shared equity” multifamily housing options, such as limited equity cooperatives and CLT Fannie Mae has underwriting guidelines for limited equity cooperatives, provides financing for this product, and has a basic knowledge of this type of housing. Based on this experience with related multifamily products and the available resources, Fannie Mae has determined that this Objective is realistic and may be achieved within the time periods described. Working together with Single-Family and key stakeholders in the field will help identify meaningful market opportunities that may be scalable, resulting in increased liquidity to the market. Any changes in credit parameters and product guidelines will be supported by thorough economic, risk, and operational analyses, and will be subject to Fannie Mae's governance and approval processes. Underwriting guidelines and credit standards that are consistent with safety and soundness will continue to be applied to the acquisition of any product that comes out of this effort.

**Income Levels**

For all Years of the Plan, this Objective will serve very-low, low-, and moderate-income families.

**Evaluation Factors**

| Year One: Outreach | Year Two: Outreach | Year Three: Outreach |

**Proposed Concept Score for each Year**

30 – *Foundation for Future Impact:* By coordinating with Single-Family shared equity efforts and outreach, Fannie Mae multifamily will be able to better understand potential opportunities to increase liquidity to these specific ownership types including, but not limited to, limited equity cooperatives and CLT with multifamily components.

J. **Regulatory Activity:** HUD Rental Assistance Demonstration (RAD) program (12 C.F.R. § 1282.34 (d) (6)).

1. **Objective #1: Conduct outreach, research, and marketing to ensure Fannie Mae is addressing needs for RAD financing (Analyze).**
SMART Factors

Fannie Mae will undertake the following measurable actions in the three Years of the Plan.

In Year One of the Plan, Fannie Mae will:

- Conduct outreach to at least five key RAD stakeholders to determine challenges and possible solutions to increase RAD business.
- Conduct outreach and marketing to at least five Fannie Mae affordable lenders to inform the market that Fannie Mae has a program for RAD.
- Research at least three databases to determine how much RAD financing is going to agencies and/or FHA in order to size the market opportunity.
- Utilize outreach knowledge to consider at least two changes to and/or incentives for the RAD financing product.

In Year Two of the Plan, Fannie Mae will:

- Continue to conduct outreach to determine challenges and possible solutions to increase RAD business by meeting with at least five key RAD stakeholders.
- Utilize outreach knowledge to consider at least two changes to and/or incentives for the RAD financing product.
- Utilize outreach knowledge to consider changes to RAD financing product.

In Year Three of the Plan, Fannie Mae will:

- Continue to conduct outreach to determine challenges and possible solutions to increase RAD business by meeting with at least five key RAD stakeholders.

The information gathered through outreach, analysis and market research will help Fannie Mae determine potential product enhancements and/or marketing approaches necessary to increase its RAD business, which in turn will increase liquidity in very low-income housing. Fannie Mae actively established its guidelines for RAD finance over the past two years and has continued to track the RAD program and seek ways to increase its loan purchases of RAD deals. Based on Fannie Mae’s experience with product enhancement activities and its current knowledge of the RAD program, Fannie Mae has determined that this Objective can be completed during the three-year Plan timeframe. Any changes in credit parameters and/or product guidelines will be supported by thorough economic, risk and operational analysis and will be subject to Fannie Mae’s governance and approval processes. The ultimate opportunity available in this market is to finance an increased number of mortgages secured by RAD properties.

Income Levels

For all Years of the Plan, this Objective will serve very-low, low-, and moderate-income families.

Evaluation Factors

Year One: Outreach  Year Two: Outreach  Year Three: Outreach
Proposed Concept Score for each Year

40 – Foundation for Future Impact: Ongoing outreach and research on the program and the liquidity needs are necessary to ensure Fannie Mae is facilitating a market for RAD financing. Fannie Mae has a long history of purchasing loans secured by Section 8 properties, and recently approved several product enhancements geared to jumpstart financing for RAD deals. However, volume to date has been slow. Spending time conducting outreach on RAD will help Fannie Mae gain a better understanding of the program and therefore adjust its product and/or approach if necessary to increase liquidity to the program.

2. Objective #2: Increase the number of mortgages purchased secured by properties in the RAD program (Do What We Do Best).

SMART Factors

Fannie Mae will undertake the following measurable actions in the three Years of the Plan.

In Year One of the Plan, Fannie Mae will:

- Purchase a minimum of three RAD loans, assuming the RAD program continues to be funded and supported by FHA.
  - **Baseline:** Based on an average of the number of RAD loans purchased by Fannie Mae over the last three years (2015, 1; 2016, 0; 2017 YTD, 2), the Baseline for these purchases is one loan.

- Consider updating at least two components of Fannie Mae’s current RAD underwriting credit/process, to increase business.

- Utilize knowledge gained during outreach and research actions described in Objective #1 to refine one loan purchase goal for Year Two.

In Year Two of the Plan, Fannie Mae will:

- Purchase a minimum of three RAD loans, assuming the RAD program continues to be funded and supported by FHA.

- Utilize knowledge gained during outreach and research actions described in Objective #1 to refine one loan purchase goal for Year Three.

In Year Three of the Plan, Fannie Mae will:

- Purchase a minimum of three RAD loans, assuming the RAD program continues to be funded and supported by FHA.

- Utilize knowledge gained during outreach and research actions described in Objective #1 to refine one loan purchase goal for the 2021 – 2023 Plan.

As of January 1, 2017, there were roughly 127,500 units under the RAD program for which financing is likely to be sought. To date, Fannie Mae has engaged in several RAD transactions. However, the market opportunity is restricted as volume has been limited largely due to the fact that many RAD deals remain in process with FHA. HUD’s data indicates that approximately 37 percent of RAD units will not require debt, but that nonetheless leaves roughly 80,000 units that will need some kind of debt financing as they go through the RAD program. Fannie Mae intends to increase its share of RAD financing over the term of the Plan. Based on its experience with RAD financing and similar products, Fannie Mae has determined that this Objective is realistic and may be achieved within the time periods described. Financing of RAD loans will be conducted subject to applicable underwriting guidelines and credit standards which incorporate notions of safety.
and soundness. Any changes to these guidelines or standards will be processed through Fannie Mae’s standard internal approval procedures which also incorporate notions of safety and soundness.

**Income Levels**

For all Years of the Plan, this Objective will serve very-low, low-, and moderate-income families.

**Evaluation Factors**

Year One: Loan Purchase  
Year Two: Loan Purchase  
Year Three: Loan Purchase

**Proposed Concept Score for each Year**

**50 – Direct Impact:** Fannie Mae established guidelines for analyzing and purchasing loans secured by RAD properties in 2016. However, Fannie Mae has not financed many of these properties. By spending time conducting outreach, Fannie Mae hopes to gain a better understanding of the program in order to better serve the RAD market. While conducting outreach, Fannie Mae will increase its purchases of loans on RAD properties with the goal of providing significant liquidity to this market by the end of Year Three of the Plan.

**K. Regulatory Activity: Purchase or rehabilitation of certain distressed properties (12 C.F.R. § 1282.34 (d) (7)).**

1. **Objective #1: Conduct outreach and market research through engagements with lenders and cross-functional industry representatives to identify and analyze market challenges, provide information about lending products for distressed properties, facilitate the delivery of loans, and maintain a communication feedback loop to facilitate a continuous improvement process (Analyze, Partner and Innovate).**

**SMART Factors**

Fannie Mae will undertake the following measurable actions in each of Year One, Year Two, and Year Three of the Plan.

- Engage 10 Fannie Mae customers and 10 market stakeholders including, but not limited to, non-profit, tribal, and government-related organizations in order to understand best practices and successful strategies, and identify challenges and opportunities related to the delivery of loans that finance the purchase or rehabilitation of distressed properties.

- Host one housing roundtable with cross-functional industry representation.

- Participate in two conferences or seminars.

- Produce, or update, and distribute educational materials that provide information about Fannie Mae’s HomeStyle Renovation products, and assist lenders in meeting loan delivery requirements including:
  
  - Engaging 15 Fannie Mae lenders.
  
  - Hosting two lender webinars.
• Develop and deliver education to affordable housing program administrators on homebuyers’ opportunities to purchase or rehabilitate distressed properties using Fannie Mae loan products by:
  • Directly engaging 10 organizations.
  • Hosting two webinars.
• Enhance and maintain Fannie Mae’s consumer-facing resources to educate potential homeowners on purchasing or rehabilitating distressed properties including:
  • Creating or enhancing one consumer landing page that also includes online resources.
  • One update to HomePath®.
• Evaluate opportunities to establish partnerships with State, local, non-profit and mission-oriented groups that support neighborhood revitalization efforts through home purchase or rehabilitation by engaging with 10 such groups to:
  • Establish three best practices/successful strategies, such as:
    o Early look at pending foreclosure sales and short-sales.
    o Combining State and other program subsidies with Fannie Mae’s HomeStyle Renovation product, and opportunities to purchase the loans they originate.

In Year One of the Plan, Fannie Mae will undertake the following additional measurable actions:
• Evaluate opportunities to: (i) purchase bulk mortgage loan purchases from; and (ii) make investments in institutions or ventures, subject to compliance with Fannie Mae’s Charter Act and receipt of FHFA approval, that support the financing of the purchase or rehabilitation of distressed properties including:
  • Conduct outreach to five non-profit, tribal, and/or government-related organizations in order to identify current financing practices and capital needs.
  • Conduct outreach to three CDFI that support organizations that purchase or rehabilitate distressed properties.
  • Analyze Fannie Mae’s distressed property inventory to identify opportunities to expand development of joint venture activities with non-profits.
  • Create one internal written analysis on the opportunity to make bulk mortgage loan purchases and investments or joint ventures.
  • Research and catalog organizations and programs in all 50 States, DC and among five tribal governments that purchase or rehabilitate distressed properties or provide financial assistance to consumers to purchase or rehabilitate distressed properties.

As noted in the Regulations, distressed properties threaten the property values and stability of neighborhoods and therefore, financing to purchase or rehabilitate these properties is critical to affordable housing preservation. Purchasing or rehabilitating a distressed property, however, is often challenging, not only in obtaining financing, but due to a lack of information and experience in the overall process for such properties. In order to increase liquidity in this market, significant need exists for its stakeholders who serve very low-, low-, and moderate-income homeowners to engage to better understand the challenges and opportunities. Our strategy is to leverage the strong framework we have developed through our Neighborhood Stabilization Initiative efforts and to engage lenders, non-profits, and other organizations in the
industry. We will also work with stakeholders in the market to help to educate very low-, low-, and moderate-income homeowners about accessing financing and assistance for purchasing or rehabilitating distressed properties, including grants and assistance that may complement a Fannie Mae mortgage loan. The information gathered under this Objective will be a key contributor to support loan product changes to increase access to Fannie Mae financing.

Fannie Mae has also identified a need for lender engagement and education to ensure our lending partners are aware of the features and benefits of products that finance the purchase or rehabilitation of distressed properties, and are able to efficiently deliver mortgage loans. Lender engagement will enable Fannie Mae to further increase liquidity provided to the market through existing loan delivery mechanisms.

Fannie Mae is active in outreach and market engagement. Existing resources dedicated to market outreach and customer engagement will be leveraged and enhanced to accommodate these activities specific to the market for financing the purchase or rehabilitation of distressed properties. Based on this expertise and available resources, Fannie Mae has determined this Objective is realistic and may be achieved within the time periods described. By engaging in outreach and securing additional information, data and other bases for analysis, and different points of view, Fannie Mae broadens its knowledge base which allows it to make more informed decisions that can better incorporate notions of safety and soundness. By educating its lenders about its loan products and how loans are delivered, Fannie Mae helps to assure that its underwriting requirements and credit standards that incorporate notions of safety and soundness are appropriately met. The ultimate opportunity available in this market is to increase financing to purchase or rehabilitate distressed properties.

Implementation of any investment contemplated by this Objective is contingent upon a determination that the Objective and related actions are compliant with Fannie Mae’s Charter Act, and receipt of FHFA approval.

**Income Levels**

For all Years of the Plan, this Objective will serve very-low, low-, and moderate-income families.

**Evaluation Factors**

- **Year One: Outreach**
- **Year Two: Outreach**
- **Year Three: Outreach**

**Proposed Concept Score for each Year**

- **40 – Foundation for Future Impact**: This objective is a critical component of the overall strategy to increase access to enhance liquidity within the market for the purchase or rehabilitation of distressed properties through:
  - Engaging and collaborating with cross-functional market participants able to identify loan product enhancements that address the specific needs of very low-, low- and moderate-income families that choose to purchase or rehabilitate distressed properties for their affordable housing needs.
  - Facilitating partnerships with lenders and other market participants.
  - Promoting access to Fannie Mae’s financing products for the purchase or rehabilitation of distressed properties and identifying barriers to loan delivery.
  - Informing the development of product changes to increase access to Fannie Mae financing.

Achievement of the Objective entails significant use of Fannie Mae’s staff and budget resources.
2. **Objective #2: Increase access to Fannie Mae financing by making changes to the HomeStyle® Renovation loan product that increases the population of loans eligible for sale to Fannie Mae, simplify product parameters and loan requirements, and maintain appropriate risk controls (Test and Learn).**

**SMART Factors**

Fannie Mae will undertake the following measurable actions in each of Year One, Year Two, and Year Three of the Plan.

- Create variance terms for one or more changes to Fannie Mae loan products that support the purchase or rehabilitation of distressed properties, particularly HomeStyle Renovation.
- Conduct one economic and operational impact analysis to determine feasibility of Fannie Mae purchase of loans under the variance terms.
- Engage five Fannie Mae lenders to discuss opportunities and challenges to sell variance program loans to Fannie Mae.
- Issue one or more variances to select lenders.

The information gathered through outreach and analysis will assist in identification of product enhancements that will increase eligibility and simplify loan requirements, resulting in increased liquidity for the purchase or rehabilitation of distressed properties. Our strategy to employ a test-and-learn approach to enhance Fannie Mae loan products facilitates a continuous learning process that will further the development of loan products that are tailored to best serve the needs of very low-, low-, and moderate-income families that choose to purchase or rehabilitate distressed properties for their affordable housing needs.

Fannie Mae is active in product development activities. Existing resources dedicated to product development will be leveraged to achieve this Objective. Based on this experience and the available resources, Fannie Mae has determined that this Objective is realistic and may be achieved within the time periods described. Changes in credit parameters and product guidelines will be supported by thorough economic, risk and operational analysis and will be subject to Fannie Mae’s governance and approval processes. Products that support financing of any distressed properties will be in compliance with Fannie Mae’s underwriting guidelines and credit standards, which incorporate notions of safety and soundness. The ultimate opportunity available in this market is to increase financing to purchase and rehabilitate distressed properties.

**Income Levels**

For all Years of the Plan, this Objective will serve very-low, low-, and moderate-income families.

**Evaluation Factors**

- **Year One: Loan Product**
- **Year Two: Loan Product**
- **Year Three: Loan Product**

**Proposed Concept Score for each Year**

**40 – Foundation for Future Impact:** Loan product changes are critical to increasing access to credit. The product changes will reduce limitations and requirements and, as a result, will open access to Fannie Mae financing to families who currently do not meet eligibility requirements. Product changes will also aim to simplify the lender experience, reducing or eliminating requirements that impede loan delivery. Achieving these goals while maintaining safety and soundness requires substantial effort and use of Fannie Mae resources for activities such as:

- Outreach and analysis activities as outlined in Objective #1.
- Product development.
- Systems and operational changes needed to accommodate product changes.
- Monitoring and reporting resources to oversee and report on the performance of product variances.

Achievement of the Objective entails significant use of Fannie Mae’s staff and budget resources.

3. **Objective #3: Increase the purchase of HomeStyle Renovation loans originated for the purpose of purchasing or rehabilitating a distressed property by individuals, non-profits, and other mission-oriented entities. (Do What We Do Best)**

**SMART Factors**

Fannie Mae will undertake the following measurable activities in the three Years of the Plan.

In Year One of the Plan, Fannie Mae will:

- Purchase between 150 and 200 HomeStyle Renovation mortgage loans that were originated for the purchase or rehabilitation of a Fannie Mae REO property.
  
  **Baseline:** Fannie Mae does not identify or track HomeStyle Renovation or any other mortgage loans delivered to us to identify whether the financing is used for the specific purpose of purchasing or rehabilitating distressed properties. We have analyzed our portfolio of REO properties and determined that in 2016, 119 were purchased and financed with a Fannie Mae HomeStyle Renovation mortgage loan.

In Year Two of the Plan, Fannie Mae will:

- Purchase between 200 and 250 HomeStyle Renovation mortgage loans that were originated for the purchase or rehabilitation of a distressed property using a revised Baseline.

In Year Three of the Plan, Fannie Mae will:

- Purchase between 250 and 300 HomeStyle Renovation mortgage loans that were originated for the purchase or rehabilitation of a distressed property using a revised Baseline.

Purchasing HomeStyle Renovation loans provides direct liquidity to the market. For the purchase or rehabilitation of a distressed property, a Fannie Mae mortgage loan is an appropriate solution over other renovation financing because it offers homeowners low interest rates and the opportunity to amortize costs over a long period, which allows for lower payments than through other means. Furthermore, a mortgage product is subject to standards that provide consumer protections and underwriting criteria that assess a borrower’s ability to repay the debt.

Based on its experience with the HomeStyle Renovation mortgage and available resources, Fannie Mae has determined that this Objective is realistic and may be achieved within the time periods described. Fannie Mae has the systems, operations, and resource tools needed to facilitate efficient loan delivery in a safe and sound manner. In addition, underwriting standards and credit guidelines that are simplified and consistent with safety and soundness will continue to be applied to improve acquisition of this product.

**Income Levels**

For all Years of the Plan, this Objective will serve very-low, low-, and moderate-income families.
Evaluation Factors

Year One: Loan Purchase  
Year Two: Loan Purchase  
Year Three: Loan Purchase

Proposed Concept Score for each Year

50 – Direct Impact: The output of this Objective has material impact in providing liquidity to the market, estimated as follows:

- Over the three year plan, an additional 243 to 393 mortgage loans will be purchased, which equals an estimated additional $38.5 million to $61 million of liquidity over the Baseline for the purchase or renovation of distressed properties. This is an ambitious outcome given that Fannie Mae forecasts an overall decrease in: (i) acquisitions as higher interest rates are projected resulting in the transition to a purchase market, which increases the challenge of growing loan volume over the Baseline derived from the lower interest rate and higher acquisition volumes from the 2014 – 2016 three-year period; and (ii) distressed properties as defaults and foreclosures continue to retreat.

Achievement of this goal requires significant effort and use of resources including, but not limited to:

- All resources required to complete outreach, market research and analytics as outlined in Objective #1.
- All resources required to complete product enhancement work as outlined in Objective #2.

4. Objective #4: Develop and execute strategies to support aging in place through loan products that help older adults preserve housing that is both physically accessible and affordable (Analyze, Test and Learn).

SMART Factors

Fannie Mae will undertake the following measurable actions in the three Years of the Plan.

In Year One of the Plan, Fannie Mae will:

- Research and document seven barriers to aging in place related to household characteristics, housing status, location, and other factors:
  - Engage two national organizations focused on the elderly.
  - Engage two academics focused on the elderly.
  - Engage five Fannie Mae lenders.

- Assess the appropriateness of five existing single-family and multifamily rehabilitation lending products (total) to meet accessibility as well as energy and water efficiency needs, and document findings.

- Investigate the feasibility of two financing incentives to increase access to broadband telecom services and incorporate universal design features in significantly rehabilitated housing, and document findings.

In Year Two of the Plan, Fannie Mae will:

- Publicize one analysis of findings and recommendations resulting from Year One activities.
Convene one cross-sector meeting of stakeholders from the real estate, finance, and aging services industries, among others, to discuss findings.

Conduct outreach to 10 industry participants to share best practices, promising tools, and resources and services, engaging sectors adjacent to housing that serve seniors to support aging in place as appropriate.

Implement one pilot to test incentives to expand access to broadband and incorporate universal design features in substantial rehabilitation.

In Year Three of the Plan, Fannie Mae will:

- Monitor and assess the impact of the pilot(s) and document determination to refine or expand.
- Publicize one analysis reflecting learnings to accelerate adoption of most effective strategies.

The market opportunity for housing services for the elderly is driven by the unprecedented increase of the population that is projected over the next 20 years. By 2035, one in three U.S. households will be headed by a person aged 65 or older, and the population will go from one in nine to one in seven people 65 or older. Rural America is disproportionately older than the nation as a whole. Currently, more than 25 percent of America’s seniors live in rural areas. The number of people 80 or older will double by 2035. This group is lower income, more likely to be disabled and has less access to support from family or friends. The vast majority of older people will age in place, whether by choice or necessity. Most older persons prefer to age in place. But for those unable to do so, or who prefer dedicated senior living, the options are costly and in short supply. Only one percent of the existing housing stock includes five key universal design elements – no-step entrance, single-floor living, wide doors and hallways, lever faucets and door handles and wheel chair height electrical and appliance controls. Aging in place requires products and programs to assist with making energy efficiency improvements to reduce costs and removing physical barriers to mobility, self-care and household activity limitations. Through a combination of Fannie Mae’s experience in financing the development of seniors housing, our expertise in construction financing, and our experience in financing energy efficient improvements to homes, we are uniquely positioned to develop solutions to the housing challenges faced by the elderly population, and to do so within the parameters of safety and soundness. Based on this data, and our expertise and experience, we have determined that this Objective may be achieved within the time periods described.

Income Levels

For all Years of the Plan, this Objective will serve very low-, low-, and moderate-income families.

Evaluation Factors

| Year One: Outreach | Year Two: Outreach | Year Three: Outreach |

Proposed Concept Score for each Year

30 – Foundation for Future Impact: The Objective represents a meaningful attempt to lay the foundation for future impact. This Objective calls upon Fannie Mae to step into a function of research and engagement. Fannie Mae’s data capabilities, technical expertise and housing experience lend well to strategy development. The burgeoning elderly population creates an urgent need for focus on senior housing and the ability to age in place, especially with an eye to the country’s aging population, underscores the foundation for future impact. Given these circumstances, the potential impact of accomplishing these activities is meaningful. Engaging as Fannie Mae is proposing at all levels (including with lenders, community/advocacy organizations, and developers) is a comprehensive approach to develop strategies that support elderly households. The activities supporting this Objective could contribute in a major way to the reduction of one or more significant barriers to entry, which could help countless households.
L. Additional Activity: Workforce Equity (12 C.F.R. § 1282.34 (e)).

1. Objective #1: Establish a pilot program to provide investment capital to non-LIHTC properties that support the preservation of multifamily rental properties that are affordable to workforce families (Analyze, Do What We Do Best).

SMART Factors

Fannie Mae will undertake the following measurable actions in Year One and Year Two of the Plan.

In Year One of the Plan, Fannie Mae will:

- Design one non-LIHTC pilot investment program, including reviewing and addressing:
  - One to five investments.
  - Investment underwriting.
  - Approval process.
  - Maximum portfolio capacity.
  - Asset management.
  - Reporting.
  - Performance measures – traditional financial as well as impact performance.

- Attain preliminary internal approval for proposed pilot program.

- Submit pilot program to FHFA for review.

- If the pilot program is compliant with Fannie Mae’s Charter Act and receives approval from FHFA, process the proposed investment(s) through Fannie Mae’s internal product development process.

- Close the investments that have been approved internally and where approval has been received from FHFA.
  - Baseline: No investments of this nature have been made by Fannie Mae in the past three years.

In Year Two of the Plan:

- Based on the experience in Year One, revise pilot program and seek FHFA approval.

The goal of this objective is to bring new capital into improving and preserving affordable housing opportunities for workforce families, and to address the growing affordability gap. In 2016, the Joint Center for Housing Studies of Harvard University reported that the number of cost-burdened renters jumped from 20.8 million in 2013 to a record 21.3 million in 2014. Based on data provided in the American Community Survey for the years 2005 to 2015, relative growth in the share of renter households that are cost burdened is more pronounced for higher income individuals. Specifically, the share of rental workforce families that are housing cost burdened more than doubled, increasing from 10.0 percent in 2005 to 21.7 percent in 2015. Assuming the current trends in income and rents hold, affordability concerns will keep becoming more
pronounced for such households. This demonstrates a solid need for workforce housing which shelters moderate-income families.

Moreover, it is important to understand that moderate-income families often do not benefit under other Duty to Serve activities. For example, they do not qualify under the Statutory Activity of Section 8 project based housing. They also do not qualify under the Statutory Activity of Section 202 supportive housing for the elderly. Further, because of the preference for very low- or low-income families reflected in the State and local LIHTC allocation criteria, moderate-income families are unlikely to become residents of an affordable LIHTC property, another Statutory Activity. Integratec (now part of MRI Real estate Software) reports that of the 35,291 LIHTC properties they track (representing 2,251,569 total units) 2,151,517 are LIHTC qualifying units. From this data it can be inferred that less than five percent of this significant number of units are available to moderate-income families. Nonetheless, moderate-income families are statutorily designated beneficiaries of the Duty to Serve and their needs must be addressed. Permitting Fannie Mae to invest in workforce housing would benefit moderate-income families who are an underserved segment of this market and would provide a benefit comparable to those supplied to very low- and low-income families pursuant to many of the Statutory and Regulatory Activities.

Investments in workforce housing are also important because in many situations, debt is only partially supportable, meaning that without some sort of equity, the property will likely not be recapitalized and “preserved” as affordable to working families. Based on its experience with equity investing activities, coupled with its very strong market knowledge, Fannie Mae has determined that this Objective is realistic and can be achieved within the time periods described. In addition, the product will be developed and approved with strong consideration to safety and soundness.

Implementation of this Objective is contingent upon a determination that the Objective and related actions are compliant with Fannie Mae’s Charter Act, and receipt of FHFA approval.

**Income Levels**

For all Years of the Plan, this Objective will serve moderate-income families.

**Evaluation Factors**

Year One: Investment  
Year Two: Investment  
Year Three: Not applicable

**Proposed Concept Score for each Year**

50 – Foundation for Future Impact: The goal of this Objective is to bring new capital into improving and preserving affordable housing opportunities for working families, and to address the growing affordability gap. Permitting Fannie Mae to make non-LIHTC investments in workforce housing would likely be one of the most impactful activities in the Plan. Non-subsidized affordable housing is left to the whims of the market and, as investment opportunities point toward less affordable options, this sector of affordable housing becomes neglected. Because Fannie Mae is not currently able to make these types of investments, we believe this will take a significant amount of work for what we anticipate as a significant amount of impact.
M. Residential Economic Diversity Activity (12 C.F.R. §§ 1282.32 (d)(3) and 1282.36(c)(3)).

1. **Objective #1:** Establish a pilot program to proactively increase Fannie Mae’s purchase of loans and investments that promote Residential Economic Diversity (RED) in conjunction with other Statutory, Regulatory, and Additional Activities as provided under the Plan (Partner and Innovate, Do What We Do Best).

**Note:** Pursuant to FHFA’s Evaluation Guidance, Fannie Mae seeks extra credit for this activity.

**SMART Factors**

Fannie Mae will undertake the following measurable actions in the three Years of the Plan.

In Year One of the Plan, Fannie Mae will:

- In conjunction with the Statutory Activity relating to the provision of debt for LIHTC under Section 42 of the Internal Revenue (LIHTC Debt): 
  - Meet with at least seven DUS Lenders to increase awareness of RED and to specifically identify projects eligible for four percent and nine percent LIHTC transactions that may meet the requirements of RED as provided in the Regulations (RED Transaction(s)).
  - Track all potential RED Transactions that come into Fannie Mae for pre-review and perform an analysis of their eligibility for treatment as a RED Transaction.
  - Based on the analysis, review at least two potential guidelines and/or incentives that could increase the volume of LIHTC deals that qualify as RED Transactions.

- In conjunction with the Statutory Activity relating to participating in other State and local programs (Other Housing Programs):
  - As part of the review of Other Housing Programs, identify programs that could potentially generate transactions that qualify as RED Transactions.
  - When considering expanded guidelines and/or delegation for loans in Other Housing Programs, include at least one enhancement and/or incentive for properties that could facilitate the funding of RED Transactions.

- In conjunction with the Regulatory Activity relating to participating in the RAD program (RAD Programs):
  - Meet with seven public housing authorities in high-opportunity areas to determine the potential to finance RAD developments that qualify as RED Transactions.

- In conjunction with the Additional Activity: Workforce Equity (Workforce Equity):

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50 Paragraph IV (D) of this Plan.
51 Paragraph IV (E) of this Plan.
52 Paragraph IV (J) of this Plan.
53 Paragraph IV (L) of this Plan.
• As part of the design of any approved Workforce Equity pilot investment program, plan to proactively seek out opportunities to finance RED Transactions.

In Year Two of the Plan, Fannie Mae will:

- For LIHTC Debt:
  - Purchase at least five loans secured by LIHTC properties that qualify as RED Transactions.
    - **Baseline:** Fannie Mae has not tracked LIHTC Debt loans that would qualify as RED Transactions so is unable to establish a Baseline.

- For Other Housing Programs:
  - Purchase at least three loans that qualify as RED Transactions.
    - **Baseline:** Fannie Mae has not tracked Other Housing Programs loans that would qualify as RED Transactions so is unable to establish a Baseline.

- For RAD Programs:
  - Purchase at least one loan (out of the proposed RAD Program purchase goals) that qualifies as a RED Transaction.
    - **Baseline:** Fannie Mae has not proactively tracked RAD transactions that would qualify as RED Transactions so is unable to establish a Baseline.

- For Workforce Equity:
  - As part of any revision to any approved Workforce Equity pilot program, identify ways to seek out opportunities to finance RED Transactions.

In Year Three of the Plan, Fannie Mae will:

- For LIHTC Debt:
  - Purchase at least 10 loans that qualify as RED Transactions.

- For Other Housing Programs:
  - Purchase at least three loans that qualify as RED Transactions.

- For the RAD Program:
  - Purchase at least one loan that qualifies as a RED Transaction.

- For Workforce Equity
  - If the Workforce Equity pilot program complies with Fannie Mae’s Charter Act and receives FHFA approval, make at least one investment in a project that qualifies as a RED Transaction.
Baseline: Fannie Mae has not made any investment in Workforce Equity projects in the last three years.

Fannie Mae believes that the Statutory, Regulatory and Additional Activities provided for in the Plan also provide excellent potential opportunities to finance RED transactions. For example, Fannie Mae routinely reviews loan purchase opportunities for four percent and nine percent LIHTC properties that may qualify as RED Transactions. By affirmatively incorporating RED Transactions into the identified Statutory, Regulatory, and Additional Activities Fannie Mae can facilitate a greater understanding and awareness of RED Transactions and identify opportunities to incent developers, States, localities, and multifamily property owners to undertake RED Transactions. Based on Fannie Mae’s significant experience in multifamily housing finance and our strong relationship with lenders, owners, and developers, we believe this Objective is realistic and may be achieved within the time periods described. Any product enhancements and/or incentives and loan purchases will be supported by thorough economic, risk, and operational analyses, will be subject to Fannie Mae’s governance and approval processes, and will only be made consistent with safety and soundness concerns. The relevant market opportunity is the increased funding of projects that qualify as RED Transactions. Implementation of this Objective will benefit the tenants and potential tenants associated with the RED Transactions. To the extent implementation of this Objective contemplates an investment by Fannie Mae, it is contingent upon a determination that the investment and related actions are compliant with Fannie Mae’s Charter Act, and receipt of FHFA’s approval.

Income Levels

For all years of the Plan, this Objective will serve very low-, low-, and moderate-income families.

Evaluation Factors

| Year One: Loan Product | Year Two: Loan Purchase | Year Three: Loan Purchase |

Proposed Concept Score for each Year

50 – Direct Impact: Successful implementation of Objective #1 will result in: (i) a greater awareness of RED Transactions among Fannie Mae key stakeholders; and (ii) the provision of product enhancement(s) and/or incentives that will increase liquidity to projects that qualify as RED Transactions.
## VI. Attachment A – Overview of Activities and Objectives for Affordable Housing Preservation

<table>
<thead>
<tr>
<th>Evaluation Factor</th>
<th>Year 1 Objectives</th>
<th>Year 2 Objectives</th>
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<tr>
<td>Outreach</td>
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<td>10</td>
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<td>Loan Product</td>
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<td>Loan Purchase</td>
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<td>Investment</td>
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### A. Statutory Activity: Section 8. The project-based and tenant-based rental assistance housing programs under Section 8 of the U.S. Housing Act of 1937, 42 U.S.C. § 1437f.

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<td>1</td>
<td>Facilitate loan purchases by modifying underwriting guidelines and credit standards including those pertaining to (a) above market Housing Assistance Payment contracts, (b) large re-stabilization reserves, (c) Congressional appropriations risks, and (d) Section 8 tenant</td>
<td>▪ Conduct an analysis of Section 8 loan pre-review requests received in Year One relating to issues a-d above which will inform our internal discussion on potential Section 8 guideline changes. Complete analysis by end of Q4.</td>
<td>Loan Product</td>
<td>▪ Approve and publish one update to Fannie Mae's current Section 8 guidelines if the analysis performed in Year One demonstrates a need for an update(s) in order to increase loan purchases. ▪ Publish one lender letter to inform lenders and market on approved updates.</td>
<td>Loan Product</td>
<td>▪ Track all loans purchased with updated Section 8 guidelines to determine the frequency with which the updated guidelines are utilized, and prepare one analysis to be completed by the end of Q4.</td>
<td>Loan Product</td>
</tr>
</tbody>
</table>

Fannie Mae’s Duty to Serve Underserved Markets Plan must receive a non-objection from FHFA before becoming effective. The Objectives in the proposed and final Plan may be subject to change based on factors including public input, FHFA comments, compliance with Fannie Mae’s Charter Act, safety and soundness considerations, and market or economic conditions.
## A. Statutory Activity: Section 8

The project-based and tenant-based rental assistance housing programs under Section 8 of the U.S. Housing Act of 1937, 42 U.S.C. § 1437f.

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</table>
| 2 | Increase purchases of mortgage loans secured by properties with Section 8 project-based rental assistance (Do What We Do Best). | • Increase the total dollar volume of Fannie Mae’s Section 8 loan purchases between five and 10 percent. Note: Loan purchase goals may be impacted by the availability of HUD financing for Section 8 and other programs.  
  **Baseline:** Based on an average of the number of loans on properties purchased by Fannie Mae over the last three years, the Baseline for these purchases is an average of $963,667,000 of Section 8 loans per year. | • Increase the total volume of Fannie Mae’s Section 8 loan purchases between five and 10 percent over an updated Baseline of three years. | • Increase the total volume of Fannie Mae’s Section 8 loan purchases between five and 10 percent over an updated Baseline of three years. | Loan Purchase |
B. **Statutory Activity:** The supportive housing program for the elderly under Section 202 of the Housing Act of 1959, 12 U.S.C. § 1701q.

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</table>
| 1 | Consider underwriting changes focused on unique characteristics of HUD Section 202 properties, prepare work-plan to determine further purchase activity, and purchase loans (Analyze, Do What We Do Best). | ▪ Create one Section 202 market analysis that addresses, but may not be limited to, expiring/maturing loans, key owner operators, market conditions, DUS® lender appetite, and experience and geographic exposure, etc.  
▪ Review our underwriting guidelines regarding HUD Section 202 specific requirements relative to above market Section 8 contracts and other relevant Section 202 factors identified in the market analysis.  
▪ Based on the evaluation as provided for above, produce a Section 202 work-plan that will inform loan purchase activity during Year Two and Year Three of the Plan. | ▪ Purchase eight to 10 Section 202 loans.  
▪ **Baseline:** While Fannie Mae has refinanced Section 202 properties in the past, these loans have not been tracked by loan type and thus no Baseline can be established. | ▪ Purchase eight to 10 Section 202 loans. | Loan Purchase |
C. **Statutory Activity: The rural rental housing program under Section 515 of the Housing Act of 1949, 42 U.S.C. § 1485.**

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</table>
| 1  | Work with USDA and other stakeholders to develop and implement a meaningful approach to Section 515 preservation and purchase loans (Partner and Innovate, Do What We Do Best). | - Establish a workable strategy to preserve Section 515 properties across the country by undertaking the following:  
  - Meeting with at least 10 market stakeholders, including housing advocates, and sponsors.  
  - Engaging at least three DUS and special affordable lenders who have experience with Section 515 properties.  
  - Create one Section 515 work-plan that will drive loan purchases and other actions during Year Two and Year Three.  
  - As part of Fannie Mae’s overall LIHTC equity strategy, conduct a review of the potential use of LIHTC equity investments in Outreach. | - Purchase loans secured by Section 515 properties in an amount sufficient to preserve between five and 10 percent of the Section 515 units expiring during FY 2019.  
  - **Baseline:** While Fannie Mae has refinanced Section 515 properties in the past, these loans have not been tracked by loan type and thus no Baseline can be established. | - Purchase loans secured by Section 515 properties in an amount sufficient to preserve between five and 10 percent of the Section 515 units expiring during FY 2020.  
  - Develop one loan purchase goal for the 2021-2023 Plan. | Loan Purchase | Loan Purchase |
C. **Statutory Activity: The rural rental housing program under Section 515 of the Housing Act of 1949, 42 U.S.C. § 1485.**

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|  |  | conjunction with debt on USDA 515 properties, in rural areas.  
  - Process one Section 515 work-plan through internal Fannie Mae product development procedures to secure approvals as required, tracking and updating quarterly.  
  - Formulate one loan purchase and two other goals for fiscal years 2019 - 2020 with an aim to provide financing for at least five to 10 percent of the total properties with financing expiring in 2019 and 2020. | | | | | |

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| 1  | Increase purchases of mortgages secured by LIHTC properties (Do What We Do Best). | ▪ Purchase between 40 and 70 loans secured by LIHTC properties.  
  ▪ **Baseline:** Based on an average of the number of loans on properties in their active, 10-year, tax credit period purchased by Fannie Mae over the last three years, the Baseline for these purchases is 56 loans.  
  ▪ Identify two trends and two product enhancement needs in the LIHTC industry and propose ways to address them. | ▪ Increase the total volume of Fannie Mae’s loan purchases between five and 10 percent over an updated Baseline of three years.  
  ▪ Identify two trends and two product enhancement needs in the LIHTC industry and propose ways to address them. | ▪ Increase the total volume of Fannie Mae’s loan purchases between five and 10 percent over an updated Baseline of three years.  
  ▪ Continue to identify trends and product enhancement needs in the LIHTC industry. | Loan Purchase |

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### E. Statutory Activity: Other comparable State or local affordable housing programs.

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| 1  | Consider possible expansion of Fannie Mae’s multifamily affordable housing (MAH) definition to support State and local efforts to preserve affordable housing for very low- and low-income families and purchase mortgages (Partner and Innovate, Do What We Do Best). | ▪ Conduct a review of at least five State and local (total) affordable housing programs that do not currently meet Fannie Mae’s definition of MAH, and thus are not eligible for the beneficial underwriting criteria used for MAH transactions.  
  ▪ Based on this review, determine appropriate expanded guidelines and/or delegation for loans in one to three of these States or localities to be considered as an MAH transaction.  
  ▪ Approve a streamlined pre-review and/or delegation for each of the newly approved State or local programs. | ▪ Purchase between 10 and 15 loans secured by properties under Fannie Mae approved State or local programs.  
  ▪ **Baseline:** Fannie Mae does not track mortgages by this type of transaction so it is unable to provide a Baseline.  
  ▪ Review five other State and/or local (total) affordable housing programs that could benefit from streamlined guidelines and/or delegation in order to increase liquidity to those States/localities.  
  ▪ Based on this review, determine appropriate expanded guidelines and/or delegation for loans in one to three of these States or localities to be considered as an MAH transaction. | ▪ Purchase between 10 and 15 loans secured by properties under Fannie Mae approved State or local programs.  
  ▪ Review five other State and/or local (total) affordable housing programs that could benefit from streamlined guidelines and/or delegation in order to increase liquidity to those States/localities. |

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*Fannie Mae’s Duty to Serve Underserved Markets Plan must receive a non-objection from FHFA before becoming effective. The Objectives in the proposed and final Plan may be subject to change based on factors including public input, FHFA comments, compliance with Fannie Mae’s Charter Act, safety and soundness considerations, and market or economic conditions.*
### E. Statutory Activity: Other comparable State or local affordable housing programs.

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<td>▪ Approve and document a streamlined pre-review and/or delegation for each of the newly approved State or local programs.</td>
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### F. Regulatory Activity: Financing of small multifamily rental properties (12 C.F.R. § 1282.34 (d) (1)).

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| 1 | Design and grow an effective approach to make purchases of small multifamily loans from financial entities with $10 billion or less in assets and increase purchases (Test and Learn, Partner and Innovate, Do What We Do Best). | ▪ Conduct outreach and research to determine an effective approach to increase purchases of small multifamily loans from institutions with $10 billion or less in assets, including:  
  ▪ Identifying at least 10 of these institutions.  
  ▪ Working with at least five DUS lenders to | Loan Product | ▪ Build on the outreach and research conducted in Year One, determine parameters of the program and choose at least four lenders to participate in aggregating small loans from the subject financial institutions.  
  ▪ Identify, analyze, and approve at least three | Loan Product | ▪ Purchase at least 45 small affordable loans from institutions with $10 billion or less in assets.  
  ▪ **Baseline:** Fannie Mae does not track whether the institutions that originated the loans it acquired on small multifamily rental properties have assets of $10 billion or less, so | Loan Purchase | }
### F. Regulatory Activity: Financing of small multifamily rental properties (12 C.F.R. § 1282.34 (d) (1)).

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|    |           | build or enhance correspondent networks with them.  
• Identifying three different transactional structures that are appropriate to use to purchase loans under this Objective.  
• In the event that there are less than two DUS lenders interested in this undertaking, establish at least two “Special Affordable Small Loan Lender” relationships as a pilot program with other financial entities that would have the capacity and knowledge to become a Fannie Mae lender, with a special focus on affordable housing preservation and/or small loans, (e.g., an FHLB with member banks that meet FHFA’s asset size or a national |
|    |           | underwriting/documentati on/asset management changes which could be tested in the pilot program.  
• Commence the pilot program by end of Q4. | it is unable to establish a Baseline. | |

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Fannie Mae’s Duty to Serve Underserved Markets Plan must receive a non-objection from FHFA before becoming effective. The Objectives in the proposed and final Plan may be subject to change based on factors including public input, FHFA comments, compliance with Fannie Mae’s Charter Act, safety and soundness considerations, and market or economic conditions.
### F. Regulatory Activity: Financing of small multifamily rental properties (12 C.F.R. § 1282.34 (d) (1)).

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<td>CDFI with small multifamily loan expertise.)</td>
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### G. Regulatory Activity: Finance improvements on multifamily properties: (a) which reduce energy or water consumption by tenant or property by at least 15 percent; and (b) where the savings generated over the improvement’s expected life will exceed its cost (FHFA Criteria) (12 C.F.R. § 1282.34 (d) (2)).

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<tbody>
<tr>
<td>1</td>
<td>Conduct outreach and market research through engagements with lenders and cross-functional industry representatives to identify and analyze market challenges, provide information about energy and water efficiency lending</td>
<td>The Year by Year Actions and Evaluation Areas for this Objective are set forth in Regulatory Activity H, Objective #1 below.</td>
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</table>
### G. Regulatory Activity: Finance improvements on multifamily properties: (a) which reduce energy or water consumption by tenant or property by at least 15 percent; and (b) where the savings generated over the improvement’s expected life will exceed its cost (FHFA Criteria) (12 C.F.R. § 1282.34 (d) (2)).

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<tr>
<td>1</td>
<td>products, facilitate the delivery of loans, and maintain a communication feedback loop to facilitate a continuous improvement process (Analyze, Partner and Innovate).</td>
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<td>2</td>
<td>Conduct research, develop data, and analyze findings to understand the challenges and opportunities in financing energy or water efficiency improvements and distribute findings (Analyze, Test and Learn).</td>
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</table>

The Year by Year Actions and Evaluation Areas for this Objective are set forth in Regulatory Activity H, Objective #2 below.
G. Regulatory Activity: Finance improvements on multifamily properties: (a) which reduce energy or water consumption by tenant or property by at least 15 percent; and (b) where the savings generated over the improvement’s expected life will exceed its cost (FHFA Criteria) (12 C.F.R. § 1282.34 (d) (2)).

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<tr>
<td>3</td>
<td>Work with industry stakeholders to increase consumer and tenant awareness, access to energy or water efficiency savings, and programs that help to finance energy or water improvements, including those that meet the FHFA Criteria (Partner and Innovate).</td>
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<td></td>
<td>The Year by Year Actions and Evaluation Areas for this Objective are set forth in Regulatory Activity H, Objective #3 below.</td>
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<td>4</td>
<td>Work with industry stakeholders to enhance industry standards on how energy and/or water efficient products are captured in real estate listings, appraisals, and</td>
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### G. Regulatory Activity: Finance improvements on multifamily properties: (a) which reduce energy or water consumption by tenant or property by at least 15 percent; and (b) where the savings generated over the improvement’s expected life will exceed its cost (FHFA Criteria) (12 C.F.R. § 1282.34 (d) (2)).

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<td>other documents, including ways to identify the FHFA Criteria (Partner and Innovate).</td>
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<td>5</td>
<td>Implement updates to the HomeStyle® Energy mortgage single-family loan product and Multifamily Green Financing products to include projections or expectations that the FHFA criteria are met, simplify product parameters and loan requirements, and maintain appropriate risk controls (Do What We Do Best).</td>
<td>The Year by Year Actions and Evaluation Areas for this Objective are set forth in Regulatory Activity H, Objective #5 below.</td>
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| 6 | Purchase loans that have or will finance energy or water efficiency improvements on multifamily properties that meet the FHFA Criteria (Do What We Do Best). | Purchase at least 25 loans that meet FHFA Criteria.  
**Baseline:** Fannie Mae does not track loans that have or will finance energy or water efficiency improvements based on FHFA Criteria, so it is unable to establish a Baseline. | Loan Purchase | Increase the volume of loan purchases by 25 percent over Year One. | Loan Purchase | Increase the volume of loan purchases by 25 percent over Year Two. | Loan Purchase |
| 7 | Publish white paper on best practices in energy and water efficiency financing and affordable housing preservation (Partner and Innovate). | Draft an outline and work-plan for creating and publishing a white paper on best practices in energy efficiency financing and affordable housing preservation, with the goal to publish during Year Three. The purpose of the white paper will be to educate the financial markets on best practices in | Loan Product | Implement the work-plan to achieve publication of the white paper at the end of Year Three of the Plan. | Loan Product | Publish the white paper. | Loan Product |
G. Regulatory Activity: Finance improvements on multifamily properties: (a) which reduce energy or water consumption by tenant or property by at least 15 percent; and (b) where the savings generated over the improvement’s expected life will exceed its cost (FHFA Criteria) (12 C.F.R. § 1282.34 (d) (2)).

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<td>multifamily energy efficiency lending so that the industry may benefit from Fannie Mae’s experiences.</td>
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H. Regulatory Activity: Energy or water efficiency improvements on single-family, first lien properties which: (a) reduce energy or water consumption by the homeowner, tenant, or property by at least 15 percent; and (b) where the savings generated over the improvement’s expected life will exceed its cost (FHFA Criteria) (12 C.F.R. § 1282.34 (d) (3)).

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<td>1</td>
<td>Conduct outreach and market research through engagements with lenders and cross-functional industry representatives to</td>
<td>▪ Host one energy advisory group with cross-functional industry representation. ▪ Participate in two key industry conferences. ▪ Engage three industry</td>
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<td>1</td>
<td>identify and analyze market challenges, provide information about energy and water efficiency lending products, facilitate the delivery of loans, and maintain a communication feedback loop to facilitate a continuous improvement process (Analyze, Partner and Innovate).</td>
<td>participants who finance energy or water efficiency improvements to identify potential innovative financing opportunities that would meet the FHFA Criteria.</td>
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<td></td>
<td>▪ Produce, or update, and distribute educational materials that provide information about Fannie Mae’s HomeStyle Energy and Multifamily Green Financing products and assist lenders in meeting loan delivery requirements, including:</td>
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<td>2</td>
<td>Conduct research, develop data, and analyze findings to understand the challenges and opportunities in financing energy or water efficiency improvements and distribute findings (Analyze, Test and Learn).</td>
<td>▪ Acquire data and research and, as relevant, prepare one analysis addressing utility expenses, financing of types of energy and water efficiency improvements, and first lien mortgage loan performance related to energy and water efficiency measures. ▪ Through third party survey entities, conduct primary consumer research to understand consumer sentiment and needs on energy and water efficiency through one survey and/or focus group.</td>
<td>▪ Acquire data and research and, as relevant, prepare one analysis addressing utility expenses, financing of types of energy and water efficiency improvements, and first lien mortgage loan performance related to energy and water efficiency measures. ▪ Through third party survey entities, conduct primary consumer research to understand consumer sentiment and needs on energy and water efficiency through one survey and/or focus group.</td>
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5.8.2017

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| 3  | Work with industry stakeholders to increase consumer and tenant awareness and access to energy or water efficiency savings, and programs that help to finance energy or water improvements | ▪ Create one written analysis of Fannie Mae’s portfolio of loans where borrowers have financed energy and/or water efficiency improvements.  
▪ Publicize one set of key findings to promote industry awareness and inform future research. | ▪ Create one written analysis of Fannie Mae’s portfolio of loans where borrowers have financed energy and/or water efficiency improvements.  
▪ Publicize one set of key findings to promote industry awareness and inform future research. | ▪ Create one written analysis of Fannie Mae’s portfolio of loans where borrowers have financed energy and/or water efficiency improvements.  
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| 1  | (Partner and Innovate). | improvements, leveraging:  
• Database of State incentives for Renewables and Efficiency.  
• Engagement with two utilities, two HFA, five State and local administrators (total), and three non-profit/mission-oriented groups to determine other available programs.  
• Develop and maintain one consumer-facing platform for energy and water efficiency, which will include:  
• Online tools, resources and social media with current and relevant information. | | | | | |
H. Regulatory Activity: Energy or water efficiency improvements on single-family, first lien properties which: (a) reduce energy or water consumption by the homeowner, tenant, or property by at least 15 percent; and (b) where the savings generated over the improvement’s expected life will exceed its cost (FHFA Criteria) (12 C.F.R. § 1282.34 (d) (3)).

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<td>4</td>
<td>Work with industry stakeholders to enhance standards to capture the value</td>
<td>• Engage the industry to identify opportunities and challenges in setting standards for valuations, financing commissions,</td>
<td>Outreach</td>
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<td>of energy and/or</td>
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<td>• Education for homeowners, tenants, and multifamily property owners on energy and water efficiency opportunities and ways to save on utilities.</td>
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<td>• Framework to disseminate education and resources to be provided by lenders, housing counselors, non-profit agencies, and/or other organizations and delivered through one event such as a housing fair.</td>
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|   | water efficient features in real estate listings and appraisals (Partner and Innovate). | and measuring utility savings from energy and water improvements by:  
• Participating in one industry working group that addresses standardization.  
• Engaging with five related trade organizations, valuation services, rating groups, and appraisal companies (total).  
• Attending one conference or educational seminar.  
• Evaluating the opportunity for, and contributing to as appropriate, a relevant national training program for the financial industry.  
• Research and identify | and measuring utility savings from energy and water improvements by:  
• Participating in one industry working group that addresses standardization.  
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<td>5</td>
<td>Implement updates to the HomeStyle Energy mortgage single-family loan product and Multifamily Green Financing products to include projections or expectations that the FHFA criteria are met, simplify product parameters and loan requirements, and maintain appropriate risk</td>
<td>two methods or tools that assist Fannie Mae and the industry in identifying property-level information about energy and water efficiency features.</td>
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<td>Create variance terms for one or more changes to Fannie Mae loan products that support the financing of energy or water efficiency improvements.</td>
<td>Create one economic and operational impact analysis to determine feasibility of Fannie Mae’s purchase of loans under the variance terms.</td>
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<td>Create variance terms for one or more changes to Fannie Mae loan products that support the financing of energy or water efficiency improvements.</td>
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<td>Engage five Fannie Mae lenders to discuss opportunities and</td>
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H. Regulatory Activity: Energy or water efficiency improvements on single-family, first lien properties which: (a) reduce energy or water consumption by the homeowner, tenant, or property by at least 15 percent; and (b) where the savings generated over the improvement’s expected life will exceed its cost (FHFA Criteria) (12 C.F.R. § 1282.34 (d) (3)).

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<td>controls (Test and Learn, Do What We Do Best).</td>
<td>challenges to sell variance program loans to Fannie Mae. • Issue one or more variances to select lenders. • Evaluate how to establish standards and guidelines to demonstrate the FHFA criteria have been met by: • Engaging four administrators of major energy rating programs. • Researching three energy and water saving calculation methodologies and lists used by State, local, tribal and utility programs.</td>
<td>challenges to sell variance program loans to Fannie Mae. • Issue one or more variances to select lenders.</td>
<td>variance program loans to Fannie Mae. • Issue one or more variances to select lenders.</td>
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<td>6</td>
<td>Purchase HomeStyle Energy mortgage loans that meet the FHFA criteria (Do What We Do Best).</td>
<td>▪ Purchase between 50 and 100 HomeStyle Energy loans that meet the FHFA criteria.</td>
<td>▪ Baseline: Because our HomeStyle Energy mortgage loan product currently does not require the FHFA Criteria to be met and our acquisitions have not been tracked for this purpose, Fannie Mae cannot establish a Baseline.</td>
<td>▪ Purchase between 100 and 200 HomeStyle Energy loans that meet the FHFA criteria.</td>
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### I. Regulatory Activity: Shared equity programs for affordable housing preservation (12 C.F.R. § 1282.34 (d) (4)).

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| 1  | Conduct outreach and market research through engagements with lenders and cross-functional industry representatives to identify and analyze market challenges, provide information about affordable lending products, facilitate the delivery of loans, and maintain a communication feedback loop to facilitate a continuous improvement process. (Analyze, Partner and Innovate). | ▪ Engage 10 Fannie Mae lenders and two HFA.  
▪ Engage five CLT, below market rate programs, and/or other shared equity program providers (total), and one national industry association.  
▪ Establish one advisory group that holds one annual meeting.  
▪ Participate in one key industry conference.  
▪ Produce and distribute educational materials that provide clarity on loan eligibility and delivery requirements to:  
  ▪ 15 Fannie Mae lenders.  
  ▪ Five program providers.  
  ▪ Host two lender webinars.  | ▪ Engage 10 Fannie Mae lenders and two HFAs.  
▪ Engage five Community Land Trusts, below market rate programs, and/or other shared equity program providers (total), and one national industry association.  
▪ Establish one advisory group that holds one annual meeting.  
▪ Participate in one key industry conference.  
▪ Produce and distribute educational materials that provide clarity on loan eligibility and delivery requirements to:  
  ▪ 15 Fannie Mae lenders.  
  ▪ Five program providers.  
  ▪ Host two lender webinars.  | ▪ Engage 10 Fannie Mae lenders and two HFAs.  
▪ Engage five Community Land Trusts, below market rate programs, and/or other shared equity program providers (total), and one national industry association.  
▪ Establish one advisory group that holds one annual meeting.  
▪ Participate in one key industry conference.  
▪ Produce and distribute educational materials that provide clarity on loan eligibility and delivery requirements to:  
  ▪ 15 Fannie Mae lenders.  
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<td>2</td>
<td>Conduct research, acquire data, and analyze findings to understand the challenges and opportunities for preserving the long-term affordability of and for financing and purchasing mortgage loans on shared equity property types and distribute findings (Analyze, Test and Learn).</td>
<td>▪ Perform an analysis of Fannie Mae’s portfolio of shared equity loans.</td>
<td>▪ Perform an analysis of Fannie Mae’s portfolio of shared equity loans.</td>
<td>▪ Perform an analysis of Fannie Mae’s portfolio of shared equity loans.</td>
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<td>▪ Conduct one economic study and one case study specific to shared equity programs and mortgage loans.</td>
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<td>▪ Publicize one analysis of findings.</td>
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<td>▪ Publicize one analysis of findings.</td>
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<td>3</td>
<td>Increase access to Fannie Mae financing by making changes to loan products that increase the population of loans eligible for sale to Fannie Mae, simplify product parameters and loan requirements,</td>
<td>▪ Create variance terms for one or more changes to Fannie Mae loan products.</td>
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<td>▪ Conduct one economic and operational impact analysis to determine feasibility of Fannie Mae purchase of loans under the variance terms.</td>
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<td>▪ Engage five Fannie Mae lenders to discuss</td>
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|   | and maintain appropriate risk controls (Test and Learn). | opportunities and challenges to sell variance program loans to Fannie Mae.  
- Issue one or more variances to select lenders. | opportunities and challenges to sell variance program loans to Fannie Mae.  
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- Issue one or more variances to select lenders. |   |   |
| 4 | Purchase shared equity mortgage loans (Do What We Do Best). | Purchase between 200 and 250 shared equity mortgage loans.  
- **Baseline:** Fannie Mae’s current loan guidelines do not require an affordability term of at least 30 years after recordation as do the shared equity loans qualifying for Duty to Serve credit under the Regulations. Moreover, we do not identify or track those loans we acquire which may happen to have an affordability terms of at least 30 years. Accordingly, we are | Loan Purchase | Purchase between 250 and 300 shared equity mortgage loans. | Loan Purchase | Purchase between 400 and 500 shared equity mortgage loans. | Loan Purchase |   |
### I. Regulatory Activity: Shared equity programs for affordable housing preservation (12 C.F.R. § 1282.34 (d) (4)).

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<td>Determine potential role for multifamily financing in conjunction with Single-Family shared equity efforts (Analyze, Partner and Innovate).</td>
<td>▪ Coordinate with Fannie Mae Single-Family as it conducts outreach actions to key stakeholders in the shared equity market.</td>
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<td>▪ Conduct outreach with at least three DUS Lenders active in cooperative financing.</td>
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<td>▪ Conduct outreach with at least three key stakeholders in multifamily shared equity and similar housing models to determine what, if any, role Fannie Mae may play.</td>
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### J. Regulatory Activity: HUD Rental Assistance Demonstration (RAD) program (12 C.F.R. § 1282.34 (d) (6)).

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| 1  | Conduct outreach, research, and marketing to ensure Fannie Mae is addressing needs for RAD financing (Analyze). | - Conduct outreach to at least five key RAD stakeholders to determine challenges and possible solutions to increase RAD business.  
- Conduct outreach and marketing to at least five Fannie Mae affordable lenders to inform the market that Fannie Mae has a program for RAD.  
- Research at least three databases to determine how much RAD financing is going to agencies and/or FHA in order to size the market opportunity.  
- Utilize outreach knowledge to consider at least two changes to and/or incentives for the RAD financing product. | Outreach | - Continue to conduct outreach to determine challenges and possible solutions to increase RAD business by meeting with at least five key RAD stakeholders.  
- Utilize outreach knowledge to consider at least two changes to and/or incentives for the RAD financing product. | Outreach | - Continue to conduct outreach to determine challenges and possible solutions to increase RAD business by meeting with at least five key RAD stakeholders. | Outreach |
### Regulatory Activity: HUD Rental Assistance Demonstration (RAD) program (12 C.F.R. § 1282.34 (d) (6)).

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| 2  | Increase the number of mortgages purchased secured by properties in the RAD program (Do What We Do Best). | - Purchase a minimum of three RAD loans, assuming the RAD program continues to be funded and supported by FHA.  
  - **Baseline**: Based on an average of the number of RAD loans purchased by Fannie Mae over the last three years, the Baseline for these purchases is one loan.  
  - Consider updating at least two components of Fannie Mae’s current RAD underwriting credit/process, to increase business.  
  - Utilize knowledge gained during outreach and research actions described in Objective #1 to refine one loan purchase goal for Year Two. | Loan Purchase | - Purchase a minimum of three RAD loans, assuming the RAD program continues to be funded and supported by FHA.  
  - Utilize knowledge gained during outreach and research actions described in Objective #1 to refine one loan purchase goal for Year Three. | Loan Purchase | - Purchase a minimum of three RAD loans, assuming the RAD program continues to be funded and supported by FHA.  
  - Utilize knowledge gained during outreach and research actions described in Objective #1 to refine one loan purchase goal for the 2021-2023 Plan. | Loan Purchase |
### K. Regulatory Activity: Purchase or rehabilitation of certain distressed properties (12 C.F.R. § 1282.34 (d) (7)).

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| 1  | Conduct outreach and market research through engagements with lenders and cross-functional industry representatives to identify and analyze market challenges, provide information about lending products for distressed properties, facilitate the delivery of loans, and maintain a communication feedback loop to facilitate a continuous improvement process (Analyze, Partner and Innovate). | - Engage 10 Fannie Mae customers and 10 market stakeholders including, but not limited to, non-profit, tribal, and government-related organizations in order to understand best practices and successful strategies, and identify challenges and opportunities related to the delivery of loans that finance the purchase or rehabilitation of distressed properties.  
- Host one housing roundtable with cross-functional industry representation.  
- Participate in two conferences or seminars.  
- Produce, or update, and distribute educational materials that provide information about Fannie Mae’s HomeStyle Renovation products, | Outreach                                                                      | - Engage 10 Fannie Mae customers and 10 market stakeholders including, but not limited to, non-profit, tribal, and government-related organizations in order to understand best practices and successful strategies, and identify challenges and opportunities related to the delivery of loans that finance the purchase or rehabilitation of distressed properties.  
- Host one housing roundtable with cross-functional industry representation.  
- Participate in two conferences or seminars.  
- Produce, or update, and distribute educational materials that provide information about Fannie Mae’s HomeStyle Renovation products, | Outreach                                                                      | - Engage 10 Fannie Mae customers and 10 market stakeholders including, but not limited to, non-profit, tribal, and government-related organizations in order to understand best practices and successful strategies, and identify challenges and opportunities related to the delivery of loans that finance the purchase or rehabilitation of distressed properties.  
- Host one housing roundtable with cross-functional industry representation.  
- Participate in two conferences or seminars.  
- Produce, or update, and distribute educational materials that provide information about Fannie Mae’s HomeStyle Renovation products, | Outreach                                                                      |
### K. Regulatory Activity: Purchase or rehabilitation of certain distressed properties (12 C.F.R. § 1282.34 (d) (7)).

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|  | and assist lenders in meeting loan delivery requirements including:  
  • Engaging 15 Fannie Mae lenders.  
  • Hosting two lender webinars.  
  ▪ Develop and deliver education to affordable housing program administrators on homebuyers' opportunities to purchase or rehabilitate distressed properties using Fannie Mae loan products by:  
    • Directly engaging 10 organizations.  
    • Hosting two webinars.  
  ▪ Enhance and maintain Fannie Mae’s consumer-facing resources to educate potential homeowners on purchasing or rehabilitating distressed properties, including: | and assist lenders in meeting loan delivery requirements including:  
  • Engaging 15 Fannie Mae lenders.  
  • Hosting two lender webinars.  
  ▪ Develop and deliver education to affordable housing program administrators on homebuyers' opportunities to purchase or rehabilitate distressed properties using Fannie Mae loan products by:  
    • Directly engaging 10 organizations.  
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  ▪ Enhance and maintain Fannie Mae’s consumer-facing resources to educate potential homeowners on purchasing or rehabilitating distressed properties, including: | and assist lenders in meeting loan delivery requirements including:  
  • Engaging 15 Fannie Mae lenders.  
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  ▪ Develop and deliver education to affordable housing program administrators on homebuyers' opportunities to purchase or rehabilitate distressed properties using Fannie Mae loan products by:  
    • Directly engaging 10 organizations.  
    • Hosting two webinars.  
  ▪ Enhance and maintain Fannie Mae’s consumer-facing resources to educate potential homeowners on purchasing or rehabilitating distressed properties, including: |   |

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Fannie Mae’s Duty to Serve Underserved Markets Plan must receive a non-objection from FHFA before becoming effective. The Objectives in the proposed and final Plan may be subject to change based on factors including public input, FHFA comments, compliance with Fannie Mae’s Charter Act, safety and soundness considerations, and market or economic conditions.
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|   | | • Creating or enhancing one consumer landing page that also includes online resources.  
  • One update to HomePath®.  
  • Evaluate opportunities to establish partnerships with State, local, non-profit and mission-oriented groups that support neighborhood revitalization efforts through home purchase or rehabilitation by engaging with 10 such groups to:  
  • Establish three best practices/successful strategies, such as:  
    o Early look at pending foreclosure sales and short-sales.  
    o Combining State and other program subsidies with Fannie Mae’s |                          | • Creating or enhancing one consumer landing page that also includes online resources.  
  • One update to HomePath.  
  • Evaluate opportunities to establish partnerships with State, local, non-profit and mission-oriented groups that support neighborhood revitalization efforts through home purchase or rehabilitation by engaging with 10 such groups to:  
  • Establish three best practices/successful strategies, such as:  
    o Early look at pending foreclosure sales and short-sales.  
    o Combining State and other program subsidies with Fannie Mae’s |                          | • Creating or enhancing one consumer landing page that also includes online resources.  
  • One update to HomePath.  
  • Evaluate opportunities to establish partnerships with State, local, non-profit and mission-oriented groups that support neighborhood revitalization efforts through home purchase or rehabilitation by engaging with 10 such groups to:  
  • Establish three best practices/successful strategies, such as:  
    o Early look at pending foreclosure sales and short-sales.  
    o Combining State and other program subsidies with Fannie Mae’s HomeStyle |                          |
### K. Regulatory Activity: Purchase or rehabilitation of certain distressed properties (12 C.F.R. § 1282.34 (d) (7)).

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<td>HomeStyle Renovation product, and opportunities to purchase the loans they originate. • Evaluate opportunities to: (i) purchase bulk mortgage loan purchases from and; (ii) make investments in institutions or ventures, subject to compliance with Fannie Mae’s Charter Act and receipt of FHFA approval, that support the financing of the purchase or rehabilitation of distressed properties, including: • Conduct outreach to five non-profit, tribal, and/or government-related organizations in order to identify current financing practices and capital needs. • Conduct outreach to</td>
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<td>HomeStyle Renovation product, and opportunities to purchase the loans they originate.</td>
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<td>three CDFI that support organizations that purchase or rehabilitate distressed properties.</td>
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<td>• Analyze Fannie Mae’s distressed property inventory to identify opportunities to expand development of joint venture activities with non-profits.</td>
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<td>• Create one internal written analysis on the opportunity to make bulk mortgage loan purchases and investments or joint ventures.</td>
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<td>• Research and catalog organizations and programs in all 50 states, DC and among five tribal governments that purchase or rehabilitate distressed properties or provide financial assistance to consumers to purchase or</td>
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<td>rehabilitate distressed properties.</td>
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| 2 | Increase access to Fannie Mae financing by making changes to the HomeStyle® Renovation loan product that increases the population of loans eligible for sale to Fannie Mae, simplify product parameters and loan requirements, and maintain appropriate risk controls (Test and Learn). | ▪ Create variance terms for one or more changes to Fannie Mae loan products that support the purchase or rehabilitation of distressed properties, particularly HomeStyle Renovation.  
▪ Conduct one economic and operational impact analysis to determine feasibility of Fannie Mae purchase of loans under the variance terms.  
▪ Engage five Fannie Mae lenders to discuss opportunities and challenges to sell variance program loans to Fannie Mae.  
▪ Issue one or more variances to select lenders. | ▪ Create variance terms for one or more changes to Fannie Mae loan products that support the purchase or rehabilitation of distressed properties, particularly HomeStyle Renovation.  
▪ Conduct one economic and operational impact analysis to determine feasibility of Fannie Mae purchase of loans under the variance terms.  
▪ Engage five Fannie Mae lenders to discuss opportunities and challenges to sell variance program loans to Fannie Mae.  
▪ Issue one or more variances to select lenders. | ▪ Create variance terms for one or more changes to Fannie Mae loan products that support the purchase or rehabilitation of distressed properties, particularly HomeStyle Renovation.  
▪ Conduct one economic and operational impact analysis to determine feasibility of Fannie Mae purchase of loans under the variance terms.  
▪ Engage five Fannie Mae lenders to discuss opportunities and challenges to sell variance program loans to Fannie Mae.  
▪ Issue one or more variances to select lenders. | Loan Product |

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| 3  | Increase the purchase of HomeStyle Renovation loans originated for the purpose of purchasing or rehabilitating a distressed property by individuals, non-profits, and other mission-oriented entities (Do What We Do Best). | ▪ Purchase between 150 and 200 HomeStyle Renovation mortgage loans that were originated for the purchase or rehabilitation of a Fannie Mae REO property.  
▪ **Baseline:** Fannie Mae does not identify or track HomeStyle Renovation or any other mortgage loans delivered to us to identify whether the financing is used for the specific purpose of purchasing or rehabilitating distressed properties. We have analyzed our portfolio of REO properties and determined that in 2016, 119 were purchased and financed with a Fannie Mae HomeStyle Renovation mortgage loan. | Loan Purchase | ▪ Purchase between 200 and 250 HomeStyle Renovation mortgage loans that were originated for the purchase or rehabilitation of a distressed property using a revised Baseline. | Loan Purchase | ▪ Purchase between 250 and 300 HomeStyle Renovation mortgage loans that were originated for the purchase or rehabilitation of a distressed property using a revised Baseline. | Loan Purchase |

Fannie Mae’s Duty to Serve Underserved Markets Plan must receive a non-objection from FHFA before becoming effective. The Objectives in the proposed and final Plan may be subject to change based on factors including public input, FHFA comments, compliance with Fannie Mae’s Charter Act, safety and soundness considerations, and market or economic conditions.
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| 4  | Develop and execute strategies to support aging in place through loan products that help older adults preserve housing that is both physically accessible and affordable (Analyze, Test and Learn). | ▪ Research and document seven barriers to aging in place related to household characteristics, housing status, location, and other factors:  
▪ Engage two national organizations focused on the elderly.  
▪ Engage two academics focused on the elderly.  
▪ Engage five Fannie Mae lenders.  
▪ Assess the appropriateness of five existing single-family and multifamily rehabilitation lending products (total) to meet accessibility as well as energy and water efficiency needs, and document findings.  
▪ Investigate the feasibility of two financing incentives to increase access to broadband telecom services and Outreach | | ▪ Publicize one analysis of findings and recommendations resulting from Year One activities.  
▪ Convene one cross-sector meeting of stakeholders from the real estate, finance, and aging services industries, among others, to discuss findings.  
▪ Conduct outreach to 10 industry participants to share best practices, promising tools, and resources and services, engaging sectors adjacent to housing that serve seniors to support aging in place as appropriate.  
▪ Implement one pilot to test incentives to expand access to broadband and incorporate universal design features in substantial rehabilitation. | | Outreach | Outreach |

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<td>incorporate universal design features in significantly rehabilitated housing and document findings.</td>
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### L. Additional Activity: Workforce Equity (12 C.F.R. § 1282.34 (e)).

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| 1 | Establish a pilot program to provide investment capital to non-LIHTC properties that support the preservation of multifamily rental properties that are affordable to workforce families (Analyze, Do What We Do Best). | ▪ Design one non-LIHTC pilot investment program, including reviewing and addressing:  
  • One to five investments.  
  • Investment underwriting.  
  • Approval process.  
  • Maximum portfolio capacity.  
  • Asset management.  
  • Reporting.  
  • Performance measures – traditional financial as  | Investment | ▪ Based on the experience in Year One, revise pilot program and seek FHFA approval. | Investment |                          |
## L. Additional Activity: Workforce Equity (12 C.F.R. § 1282.34 (e)).

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<td>▪ Attain preliminary internal approval for proposed pilot program.</td>
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<td>▪ Submit pilot program to FHFA for review.</td>
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<td>▪ If the pilot program is compliant with Fannie Mae’s Charter Act and receives approval from FHFA, process the proposed investment(s) through Fannie Mae’s internal product development process.</td>
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<td>▪ Close the investments that have been approved internally and where approval has been received from FHFA.</td>
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<td>▪ <strong>Baseline:</strong> No investments of this nature have been made by Fannie Mae in the past three years.</td>
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M. Residential Economic Diversity Activity (12 C.F.R. §§ 1282.32 (d)(3) and 1282.36 (c)(3)).

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| 1 | Establish a pilot program to proactively increase Fannie Mae’s purchase of loans and investments that promote Residential Economic Diversity (RED) in conjunction with other Statutory, Regulatory, and Additional Activities as provided under the Plan (Partner and Innovate, Do What We Do Best). | • In conjunction with the Statutory Activity relating to the provision of debt for LIHTC under Section 42 of the Internal Revenue (LIHTC Debt):  
  • Meet with at least seven DUS Lenders to increase awareness of RED and to specifically identify projects eligible for four percent and nine percent LIHTC transactions that may meet the requirements of RED as provided in the Regulations (RED Transaction(s)).  
  • Track all potential RED Transactions that come into Fannie Mae for pre-review and perform an analysis of their eligibility for treatment as a RED Transaction.  
  • Based on the analysis, review at least two potential guidelines | Loan Product | • For LIHTC Debt:  
  • Purchase at least five loans secured by LIHTC properties that qualify as RED Transactions.  
  • **Baseline:** Fannie Mae has not tracked LIHTC Debt loans that would qualify as RED Transactions so is unable to establish a Baseline. | Loan Purchase | • For LIHTC Debt:  
  • Purchase at least 10 loans that qualify as RED Transactions.  
  • **Baseline:** Fannie Mae has not tracked LIHTC Debt loans that would qualify as RED Transactions.  
  • **Baseline:** Fannie Mae has not tracked LIHTC Debt loans that would qualify as RED Transactions.  
  • **Baseline:** Fannie Mae has not tracked LIHTC Debt loans that would qualify as RED Transactions. | Loan Purchase | • For LIHTC Debt:  
  • Purchase at least one loan that qualifies as RED Transactions.  
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  • **Baseline:** Fannie Mae has not tracked LIHTC Debt loans that would qualify as RED Transactions. **Baseline:** Fannie Mae has not tracked LIHTC Debt loans that would qualify as RED Transactions.  
  • **Baseline:** Fannie Mae has not tracked LIHTC Debt loans that would qualify as RED Transactions. | Loan Purchase |
M. **Residential Economic Diversity Activity (12 C.F.R. §§ 1282.32 (d)(3) and 1282.36 (c)(3)).**

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|  |           | and/or incentives that could increase the volume of LIHTC deals that qualify as RED Transactions.  
- In conjunction with the Statutory Activity relating to participating in other State and local programs (Other Housing Programs):  
  - As part of the review of Other Housing Programs, identify programs that could potentially generate transactions that qualify as RED Transactions.  
  - When considering expanded guidelines and/or delegation for loans in Other Housing Programs, include at least one enhancement and/or incentive for properties that could facilitate the funding of RED Transactions. | loan (out of the proposed RAD Program purchase goals) that qualifies as a RED Transactions.  
- **Baseline**: Fannie Mae has not proactively tracked RAD transactions that would qualify as RED Transactions so is unable to establish a Baseline.  
- **For Workforce Equity**:  
  - As part of any revision to any approved Workforce Equity pilot program, identify ways to seek out opportunities to finance RED Transactions. | three years. |
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| 5.8.2017 | M. Residential Economic Diversity Activity (12 C.F.R. §§ 1282.32 (d)(3) and 1282.36 (c)(3)). | ▪ In conjunction with the Regulatory Activity relating to participating in the RAD program (RAD Programs):  
  • Meet with seven public housing authorities in high opportunity areas to determine the potential to finance RAD developments that qualify as RED Transactions.  
  ▪ In conjunction with the Additional Activity: Workforce Equity  
  • As part of the design of any approved Workforce Equity pilot investment program, plan to proactively seek out opportunities to finance RED Transactions. | | | |
Fannie Mae's Duty to Serve Underserved Markets Plan must receive a non-objection from FHFA before becoming effective. The Objectives in the proposed and final Plan may be subject to change based on factors including public input, FHFA comments, compliance with Fannie Mae’s Charter Act, safety and soundness considerations, and market or economic conditions.
I. Fannie Mae’s Strategic Priorities for the Rural Housing Market

In 2015, Fannie Mae began to affirmatively engage in a wide variety of outreach activities designed to gather information from market stakeholders about challenges and possible solutions in the three underserved markets. This included the single-family and multifamily Rural Housing Market.

- We held rural housing roundtables, attended numerous rural housing conferences, and spoke directly with stakeholders in the market, including owners, lenders, government entities, nonprofits, trade associations and more.

- Additional information was obtained through public comments on the Regulations where we heard from a broader group of stakeholders, including rural homeowners.

- Still, more information was gathered through the four listening sessions hosted by FHFA, Fannie Mae, and Freddie Mac earlier this year to enable stakeholders to make recommendations about what they believe should be in the Enterprises’ underserved market plans.

From this information we gathered, our own experience and analysis, and the requirements set by FHFA, Fannie Mae established four strategic priorities for its service to all of the underserved markets. Because the issues are numerous and the problems complex in each market, we believe it is essential that we keep our approach simple. This is particularly true for our first Plans. Accordingly, our four strategic priorities for the rural market include the following:

- **Analyze**: Fannie Mae will bring its considerable research and analytical capabilities to bear to understand the toughest challenges facing the rural market, which lacks the deep and broad data-driven understanding that is needed. For example, we need more information on the requirements of high-needs regions and high-needs populations. That is why we propose to undertake research on Middle Appalachia, the Lower Mississippi Delta, and the colonias and let that analysis drive the creation of work-plans to address identified problems and set new roles for Fannie Mae. We also need more information on who lends in the rural market and why they are willing to do so. Similarly, we need to know who does not lend in the rural market and why they do not do so. When we are done, we will share our analysis with the public.

- **Test and Learn**: Fannie Mae will propose, test, and evaluate adjustments to its own products and programs to identify ways to serve rural markets better with our existing business activities. We will revise our terms for Fannie Mae loan products so that they will better serve the rural market. We will also provide special authority to select rural lenders. Where appropriate, with FHFA’s approval and ensuring the activity is compliant with Fannie Mae’s Charter Act, we will seek to design and implement pilot programs, such as those which contemplate investments in non-profits and CDFI, which focus on high-needs rural populations.

- **Partner and Innovate**: Our Plan reflects our strategy to listen to and work closely with existing and new partners to understand how we can best support the rural market. We view collaboration as essential to success. For that reason, our Objectives reflect our intent to work with our other housing partners in the rural market – the U.S. Department of Agriculture, Native Americans, small financial institutions, community organizations, nonprofits, counselors, and owners – to find solutions.

- **Do What We Do Best**: Our commitment to affordable housing is more than just a series of regulatory requirements, it is a fundamental component of who we are as a company. We bring capital to the market by buying loans, it is what we do best. This is reflected in the final step of many of our Objectives, which is simply to buy loans. Getting to these purchases may first include outreach and then product modification, but it is ultimately where we strive to be.

Our four strategic priorities have been woven into our Plan. To highlight their incorporation, one or more of them is referenced for every Objective we put forward. For easy reference, a chart setting forth an overview of our Activities and Objectives is attached to our Plan (Attachment A).
Many of our Objectives propose investments we want to make, subject to compliance with Fannie Mae’s Charter Act and receipt of FHFA approval, or numbers of loans we intend to buy. However, this is an inexact science. Next year or in three years, the market may undercut our ability to achieve these goals. Alternatively, it may support efforts to do even better. Accordingly, we see this Plan as a living document that will have to change over time. We look forward to working with the rural community to be responsive to the ongoing needs of this market, whatever and wherever they may be.

II. Overview of the Rural Housing Market

This overview is provided to place the Plan in the context of this market, including identifying significant data gaps. In addition, it provides information relevant to market needs and opportunities.

A. Renters and Homeowners in Rural America

Fannie Mae plays an important role in helping families and individuals buy or rent homes nationwide. But in rural areas, housing options are affected by persistent and pervasive poverty more so than other areas. Ninety-six of the nation’s 100 poorest counties are located in rural areas, and while 14 percent of Americans nationwide live below the poverty line, in rural areas that number increases to approximately 17 percent.

Rural demographics often do not support a flourishing housing market. Rural residents are often older and less well-educated. Consequently, there is a lower demand for new housing and limited ability to finance homeownership.

Additionally, rural households are more likely to pay a large portion of their income for housing. Nearly 30 percent of all rural households and 47 percent of rural renters are cost-burdened. Nearly half are considered to be severely cost-burdened as they are spending more than 50 percent of their monthly incomes on housing. The majority of cost-burdened households are renters, with 21.3 million cost-burdened renter households in 2014. The overwhelming majority of low-income renters were severely rent-burdened.

Renters in rural areas are more likely to live in one unit single-family homes or single-family homes with less than five units than their counterparts in the cities and the suburbs. Rural residents are also much more likely to live in manufactured housing with nearly two-thirds of all manufactured housing located in rural areas. Twelve percent of rural renter occupied units are manufactured homes. This is more than twice the national rate.

The homes occupied by rural renters are generally older, with 35 percent built before 1960. There are also significant housing condition challenges in rural areas: “Nearly six percent of rural homes are either moderately or severely substandard, without hot water, or with leaking roofs, rodent problems, or inadequate heating systems.”

The distribution of housing unit types in rural areas, shown in the chart below, identifies that single-family units account for 80 percent of the rural housing stock, multifamily units account for six percent, and manufactured housing accounts for the remaining 14 percent.

54 The Low-Income Housing Tax Credit: Overcoming Barriers to Affordable Housing in Rural America, Rapoza Associates, 4 (August 2013) (Rapoza).
55 Rural America’s Silent Housing Crisis, The Atlantic (February 6, 2015).
56 The Silver Lining in Rural Housing: Lower Prices, Less Risk, Federal Reserve Bank of St. Louis, 19 (May 10, 2016).
57 Rapoza at 3.
58 The State of the Nation’s Housing 2016, Joint Center for Housing Studies of Harvard University, 31 (June 2016).
59 Rental Housing in Rural America, Housing Assistance Council, 3 (April 2013).
60 Taking Stock: Rural People, Poverty, and Housing in the 21st Century, Housing Assistance Council, 36 (December 2012).
61 Rapoza at 5.
62 Housing America’s Future: New Directions for National Policy, Bipartisan Policy Center, 109 (February 2013).
B. The Single-Family Rural Housing Market

The map below shows the distribution of rural single-family housing units (i.e., one to four units and manufactured housing) by State based on data available under the HMDA.63 Texas has the highest share of housing stock in rural areas with 6.5 percent of the units, followed by North Carolina with 4.9 percent, Ohio with 4.2 percent, and Michigan with 4.1 percent. California and New York each has 3.9 percent share of the stock.

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63 Unless otherwise specified, HMDA data utilized for this analysis excludes loans for investor owned properties, home improvement loans, and second liens. HMDA data for 2016 will not be available until the fall of 2017.
The map below shows the distribution of rural single-family (including manufactured housing) loan originations by State based on 2015 HMDA data. Texas has the highest share at six percent, followed by California, Ohio, and North Carolina.
Rural loan origination accounts for approximately 20 percent of government loans, 17 percent of conventional loans, and 18 percent of total originations.

Although government loan origination has a higher share of rural loans, the market share of government loans within the Rural Housing Market is about half of that of the conventional loans in recent years.

Applying the rural definition utilized by FHFA in the Regulations and using 2015 HMDA data, the national rural home purchase and refinance originations are reflected below. In more recent years, the share of refinance originations in rural housing has been decreasing, with the greater activity being in purchase money originations.
Rural loans are usually smaller than non-rural loans and the gap has been widening in recent years with urban loan size increasing faster than that of rural loans.

Rural housing is an important part of the affordable housing market. In the past 10 years, on average, about 30 percent of rural loans fit the definition of affordable loans.\textsuperscript{64} The share of affordable loans in rural markets has slightly increased since 2013 and rural markets have had a greater share of borrowers with income less or equal to 80 percent of AMI than urban markets in all recent years.

\textsuperscript{64} Based on the share of loans originated to borrowers with incomes \leq 80 percent of AMI.
C. The Multifamily Rural Housing Market

The total number of multifamily units in rural areas is estimated at approximately 1.9 million units out of an estimated 24.1 million units nationwide, applying the rural definition utilized in the Regulations and using American Community Survey data. These 1.9 million multifamily units represent six percent of housing stock in rural areas, as compared to 14 percent for manufactured housing, and 80 percent for single-family rentals.

As shown on the map below, rural multifamily units are not heavily concentrated in any particular State. Thirty-two States have two percent or less of the 1.9 million estimated multifamily units in rural areas. The remaining States have between two percent and five percent. Texas has the highest share of units in rural areas with 5.4 percent of the units, followed by Ohio with 4.8 percent and Wisconsin with 4.6 percent. California has a 3.8 percent share of the multifamily stock and New York has 3.9 percent. States with the lowest share of multifamily units in rural areas include Rhode Island with less than a 0.1 percent share of units, and Delaware with a 0.6 percent share of units.
Financing Characteristics

There are very few rural multifamily loan originations when compared to non-rural originations. Rural multifamily originations only represented three percent of all originations in 2015 according to HMDA data, down from 3.9 percent in 2012.

Source: HMDA
Note: Rural loans identified through file provided by FHFA, based on first lien loans.
HMDA and CoreLogic data show similar lending volumes in most years, as shown in the chart below. For instance, HMDA reported that lending on multifamily properties in rural areas totaled $3.9 billion in 2015, while CoreLogic estimates it was slightly higher at $4.4 billion.

Both HMDA and CoreLogic data show that multifamily lending in rural areas has been growing modestly since 2013. HMDA data shows that lending volume grew to $3.9 billion in 2015, from $3.5 billion in 2013, while CoreLogic data shows that lending volume grew to $4.6 billion in 2016, compared to just $2.8 billion in 2013. However, both data sources show that overall multifamily lending volumes in rural areas are low, totaling less than $5 billion annually.

As shown on the chart below, in 2012 and 2013, both HMDA and CoreLogic showed similar trends in the volume of loans used to purchase multifamily properties compared to the volume of loans used to refinance multifamily with a greater volume of refinance volume than purchase volume. In 2013, both CoreLogic and HMDA recorded a volume of $2.2 billion used to refinance rural multifamily properties, greater than either the $0.7 billion volume recorded by CoreLogic or the $1.3 billion recorded by HMDA to purchase rural multifamily properties.

However, in 2015, the last year for which data from CoreLogic and HMDA is available, HMDA data showed this trend reversing itself with just $1.8 billion recorded for refinancing rural multifamily properties and $2.1 billion recorded for purchases.

Source: HMDA, CoreLogic
Note: Rural loans identified via file provided by FHFA, based on first lien loans. HMDA data only available through 2015.

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The average loan size tends to be much smaller as shown in the chart below. In 2015, the average loan size for a rural multifamily loan was just $1.3 million, compared to $4 million for loans in non-rural areas. While the average multifamily loan size has grown in both rural and non-rural areas, average loan volume in rural areas grew much more slowly. The average rural multifamily loan volume grew by 18 percent from 2012 to 2015, compared to a 48 percent increase in the average multifamily loan size in non-rural areas.

![Multifamily Average Loan Size](chart)

Source: HMDA
Note: Rural Loans identified through file provided by FHFA, based on first lien loans.

The number of rural multifamily loans has been slowly increasing. The number of rural multifamily loans totaled 1,600 in 2015, compared to 1,100 in 2012.

![Number of Multifamily Loans 2012 - 2015](chart)

Source: HMDA
Note: Rural Loans identified through file provided by FHFA, based on first lien loans.
CoreLogic provides unit information, but it is incomplete. Based on this data, the number of multifamily units financed in rural areas totaled an estimated 38,000 in 2016, down from 45,000 in 2015, as shown in the left chart below. These estimates likely represent the minimum number of units financed given only about half of all transactions in the CoreLogic database record unit information. Further, most of the units financed in rural areas are in refinanced properties, as shown on the right chart below. In 2016, an estimated 20,000 units were on refinanced properties compared to 18,000 on purchased multifamily properties.

![Number of Loans with Unit Information and Number of Units Financed](chart1)

![Multifamily Rural Units Financed by Purchase vs. Refinance](chart2)

Multifamily loans in rural areas are less likely to be financed with conventional loans, as seen in the two charts below. An estimated 81 percent of multifamily loans in rural areas are financed by conventional mortgages. FHA financed another estimated three percent, and private parties financed the remaining estimated nine percent. In contrast, an estimated 92 percent of non-rural multifamily mortgages were financed with conventional mortgages, an estimated one percent were financed with FHA mortgages, and an estimated three percent were financed by a private party.

![Rural Loan Type by Volume, 2012 – 2016 Total](chart3)

![Non-Rural Loan Type by Volume, 2012 – 2016 Total](chart4)

HMDA provides information on the disposition of loans into the secondary market in the year of origination. The majority of multifamily loans appear to remain in lenders’ portfolios, as shown in the chart below. From 2012 to 2015, the volume of multifamily loans in rural areas remaining in lenders’ portfolio ranged from $2.5 billion to $2.8 billion.
For rural loans sold into the secondary market, Fannie Mae led the market in most years. As shown in the chart below, in 2015, Fannie Mae financed $390 million in rural multifamily loan volume followed by Freddie Mac with $320 million, followed by Ginnie Mae with $210 million.

**Distribution of Loan Volume by Secondary Market Disposition in Year of Origination ($Billions)**

![Chart showing distribution of loan volume](chart.png)

Source: HMDA
Note: Rural loans identified through file provided by FHFA, based on first lien loans.

### III. Statutory and Regulatory Activities Considered but not Included

Under the Regulations, we are required to identify any Statutory or Regulatory activities that we considered but did not address. There are no Statutory Activities for the Rural Housing Market. All Regulatory activities identified under the Regulations have been considered and are included in this Plan.
IV. Activities and Objectives

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

1. Objective #1: Conduct outreach and market research through engagements with single-family and multifamily lenders and cross-functional industry representatives to identify and analyze market challenges, provide information about lending products, facilitate the delivery of loans, and maintain a communication feedback loop to facilitate a continuous improvement process (Analyze, Partner and Innovate).

SMART Factors

Fannie Mae will undertake the following measurable actions in the three Years of the Plan.

In Year One of the Plan, Fannie Mae will:

- Host one rural housing roundtable with cross-functional industry representation.
- Participate in two key industry conferences.
- Establish one Fannie Mae Rural Housing Advisory Board to provide guidance and information as Fannie Mae undertakes this Plan. The Rural Housing Advisory Board will include stakeholders from the key high-needs regions and from the high-needs populations.
- Establish subcommittees for the Rural Housing Advisory Board for each of the high-needs regions and populations.
- Hold one Rural Housing Advisory Board meeting.
- Engage 10 Fannie Mae lenders to identify challenges that impede the delivery of loans from high-needs regions to Fannie Mae, including large and small lenders and single-family and multifamily lenders that serve the different high-needs regions.
- Engage 10 stakeholders for the subject market, including non-profits and organizations such as CDFI, DUS and non-DUS multifamily lenders, banks, FHLB, and HFA.
- Produce and distribute educational materials that provide information about Fannie Mae’s loan products and assist lenders in meeting loan delivery requirements, including:
  - Engage and distribute educational material to 25 Fannie Mae lenders.
  - Host four lender webinars for both single-family and multifamily lenders.
- Identify five key strategic goals for each submarket to inform creation of a multifamily work-plan for the submarket.
In each of Year Two and Year Three of the Plan, Fannie Mae will:

- Host one rural housing roundtable with cross-functional industry representation.
- Participate in two key industry conferences.
- Hold one Rural Housing Advisory Board and subcommittee meetings.

Increasing liquidity in high-needs rural regions will be challenging because of geographic market differentiation, reduced population, a higher, more persistent level of poverty, and limited access to affordable mortgage credit. In order to increase liquidity in high-needs rural regions, Fannie Mae must engage a wide variety of market participants, both single-family and multifamily, to gather information about the specific challenges that each rural region faces. The information gathered under this Objective will be a key contributor to support loan product changes to increase access to Fannie Mae financing. Fannie Mae also has identified a need to educate our lenders about our product offerings and requirements. Our strategy to engage lenders will also be a key input into changes that will simplify loan requirements and result in increased delivery of rural housing loans.

Fannie Mae is active in outreach and market engagement. Existing resources dedicated to market outreach will be leveraged and enhanced to accommodate outreach specific to the Rural Housing Market. Based on this experience and the available resources, Fannie Mae has determined that this Objective is realistic and may be achieved within the time periods described. The ultimate opportunity available in this market is to finance an increased number of rural housing loans and this Objective will contribute to that end. Fannie Mae’s market outreach activities will take the principles of safety and soundness into consideration, for example, by incorporating them into educational materials provided to lenders and making them an item of focus in Rural Housing Advisory Board activities.

**Income Levels**

For all Years of the Plan, this Objective will serve very low-, low-, and moderate-income families.

**Evaluation Factors**

- Year One: Outreach
- Year Two: Outreach
- Year Three: Outreach

**Proposed Concept Score for each Year**

**30 – Foundation for Future Impact:** This Objective is a critical component of Fannie Mae’s overall strategy to increase liquidity within the Rural Housing Market through:

- Engaging and collaborating with cross-functional market participants able to identify loan product enhancements that address the specific needs of very low-, low-, and moderate-income families living in rural areas.
- Facilitating partnerships with lenders and other market participants.
- Promoting access to Fannie Mae’s rural housing products and identifying barriers to loan delivery.

Achievement of the Objective entails material use of Fannie Mae’s staff and budget resources.

2. **Objective #2: Establish dedicated staff located within high-needs rural regions (Partner and Innovate).**
SMART Factors

Fannie Mae will undertake the following measurable actions in each of Year One, Year Two, and Year Three of the Plan.

- Assign one or more staff (or continue to retain) to certain high-needs rural regions such as Middle Appalachia, the Lower Mississippi Delta, and the colonias.

Each high-needs rural region has unique housing challenges and has specific lenders, non-profits, and mission oriented groups dedicated to serving the local communities. Dedicated staff will supplement the broader outreach efforts within high-needs rural regions by frequent engagement with local market participants and local lenders.

Fannie Mae is active in outreach and market engagement. Existing resources dedicated to market outreach will be leveraged and assigned to accommodate outreach specific to the identified high-needs rural regions. Based on this experience and the available resources, Fannie Mae has determined that this Objective is realistic and may be achieved within the time periods described. The ultimate opportunity available in this market is to finance an increased number of high-needs rural regions mortgages. Fannie Mae’s dedicated staff in high-needs rural regions will focus on and incorporate notions of safety and soundness into their outreach and market engagement.

Income Levels

For all Years of the Plan, this Objective will serve very low-, low-, and moderate-income families.

Evaluation Factors

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Proposed Concept Score for each Year

30 – Foundation for Future Impact: This Objective is an important component of the overall strategy to provide liquidity within high-needs rural regions through:

- Facilitating partnerships with lenders and other market participants.
- Promoting access to Fannie Mae’s lending products and identifying barriers to loan delivery.

Achievement of the Objective entails material use of Fannie Mae’s staff and budget resources.

3. Objective #3: Perform market research, analyze Fannie Mae’s portfolio specific to high-needs rural regions, distribute findings, and develop protocols to identify colonias beyond county-based definitions (Analyze).

SMART Factors

Fannie Mae will undertake the following measurable actions in the three Years of the Plan.

In Year One of the Plan, Fannie Mae will:

- Conduct market research and portfolio analysis, and publicize one set of findings on the market and the performance of Fannie Mae’s portfolio of mortgages in high-needs rural regions.
- Establish and document one methodology to identify colonias.
In Year Two of the Plan, Fannie Mae will:

- Conduct market research and portfolio analysis, and update and publicize one analysis on the market and the performance of Fannie Mae’s portfolio of mortgages in high-needs rural regions.
- Publicize one set of protocols and standards to identify colonias.

In Year Three of the Plan, Fannie Mae will:

- Conduct market research and portfolio analysis, and update and publicize one analysis on the market and the performance of Fannie Mae’s portfolio of mortgages in high-needs rural regions.

The information gathered under this Objective will be a key contributor to support loan product changes that will increase access to Fannie Mae financing. Detailed loan performance analysis helps determine the economic impact of changes to existing lending products and as such, is a critical element to maintaining safety and soundness within product development work.

Given its small population in relation to urban areas, rural housing is not highly promoted and does not receive an adequate amount of attention throughout the national housing industry. The challenges and complex issues in rural housing can be a deterrent to mainstream lending. Public promotion of Fannie Mae’s portfolio performance, including supplemental research such as economic studies or case studies, will demonstrate Fannie Mae’s substantial participation and commitment to support of high-needs rural regions. It will also assist in providing transparency into the loan performance of the different segments of high-needs rural regions.

Fannie Mae is active in data analysis, market research and publication of findings. Existing resources dedicated to analysis and research will be leveraged to achieve this Objective. Based on this experience and the available resources, Fannie Mae has determined that this Objective is realistic and may be achieved within the time periods described. The ultimate opportunity available in this market is to finance an increased number of rural housing mortgages. Fannie Mae’s research and analysis will reflect the consideration of issues relating to safety and soundness.

**Income Levels**

For all Years of the Plan, this Objective will serve very low-, low-, and moderate-income families.

**Evaluation Factors**

Year One: Outreach  
Year Two: Outreach  
Year Three: Outreach

**Proposed Concept Score for each Year**

30 – Foundation for Future Impact: This Objective is a critical component of the overall strategy to increase access to liquidity within the Rural Housing Market through:

- Economic analysis and research to support product enhancement work as outlined in Objective #4.
- Promoting the performance of Fannie Mae’s rural housing loans.

Achievement of the Objective entails material use of Fannie Mae’s analytics and research resources.
4. **Objective #4: Increase access to Fannie Mae financing by making changes to single-family loan products that increase the population of loans eligible for sale to Fannie Mae, simplify product parameters and loan requirements, and maintain appropriate risk controls (Test and Learn).**

**SMART Factors**

Fannie Mae will undertake the following measurable actions in each of Year One, Year Two, and Year Three of the Plan.

- Create variance terms for one or more changes to Fannie Mae loan products.65
- Conduct and document one economic and operational impact analysis to determine feasibility of Fannie Mae purchase of loans under the variance terms.
- Engage five Fannie Mae lenders to discuss opportunities and challenges to sell variance program loans to Fannie Mae.
- Issue one or more variances to select lenders.

The information gathered through outreach, analysis and market research will assist in identification of product enhancements that will increase eligibility and simplify loan requirements, resulting in increased liquidity to high-needs rural regions. Employing a test-and-learn approach to enhance Fannie Mae loan products facilitates a continuous learning process that will further the development of loan products that are tailored to best serve the needs of very low-, low-, and moderate-income families in high-needs rural regions.

Fannie Mae is active in product development activities. Existing resources dedicated to product development will be leveraged to achieve this Objective. Based on this experience and the available resources, Fannie Mae has determined that this Objective is realistic and may be achieved within the time periods described. Changes in credit parameters and product guidelines will be supported by thorough economic, risk and operational analysis and will be subject to Fannie Mae’s governance and approval processes. The ultimate opportunity available in this market is to finance an increased number of high-needs rural regions mortgages. Any variances which create changes in credit parameters and product guidelines will be supported by thorough economic, risk, and operational analyses, will be subject to Fannie Mae’s governance and approval processes, and will only be made consistent with safety and soundness concerns.

**Income Levels**

For all Years of the Plan, this Objective will serve very low-, low-, and moderate-income families.

**Evaluation Factors**

| Year One: Loan Product | Year Two: Loan Product | Year Three: Loan Product |

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65 The Duty to Serve statute and the Regulations direct the Enterprises to develop loan products and flexible underwriting guidelines to facilitate a secondary market (i.e., provide liquidity) for the three underserved markets. Fannie Mae’s single-family loan products and underwriting standards are contained in its Selling Guide. From time to time, Fannie Mae amends the agreement it has with a lender to allow the delivery of loans that were originated with terms that are different than those in the Selling Guide. These amendments are called “variances.” Accordingly, a variance is one of the tools Fannie Mae will use to provide loan products to and flexible underwriting guidelines for the underserved markets.
Proposed Concept Score for each Year

40 – Foundation for Future Impact: Loan product changes are critical to increasing access to credit. The product changes will reduce limitations and requirements and as a result will open access to Fannie Mae financing to families who currently do not meet eligibility requirements. Product changes will also aim to simplify the lender experience, reducing or eliminating requirements that impede loan delivery. Achieving these goals, while maintaining safety and soundness, requires substantial effort and use of Fannie Mae resources for activities such as:

- Outreach and market research.
- Analysis activities.
- Product development.
- Systems and operational changes needed to accommodate product changes.
- Monitoring and reporting resources to oversee and report on the performance of product variances.

5. **Objective #5: Increase the purchase volume of single-family loans in high-needs rural regions. (Do What We Do Best).**

**SMART Factors**

Fannie Mae will undertake the following measurable actions in the three Years of the Plan.

In Year One of the Plan, Fannie Mae will:

- Purchase between 10,250 and 10,500 loans originating in high-needs rural regions.
  - **Baseline:** Based on an average of the number of loans purchased by Fannie Mae over the last three years in high-needs rural regions (2014, 10,039; 2015, 9,630; 2016, 10,377), the Baseline for these purchases is 10,015.  

In Year Two of the Plan, Fannie Mae will:

- Purchase between 10,500 and 11,000 loans originating in high-needs rural regions.

In Year Three of the Plan, Fannie Mae will:

- Purchase between 12,500 and 13,000 loans originating in high-needs rural regions.

Loan volume increases may include loans for manufactured housing titled as real estate or personal property. Increasing volume of loans in high-needs rural regions provides direct liquidity to the market. Fannie Mae has a significant presence in the rural housing loan market and has the systems, operations, and resource tools needed to facilitate efficient rural housing loan delivery in a safe and sound manner. In addition, underwriting standards and credit guidelines that are simplified and consistent with safety and soundness will continue to be applied to increased acquisition of this product. Fannie Mae has significant experience purchasing loans in particular markets. Based on this experience and the available resources, Fannie Mae has determined that this Objective is realistic and may be achieved within the time periods.

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**Note:**

66 Given the fairly stable interest rates from 2014-2016, we believe the methodology suggested by FHFA in its proposed *Evaluation Guidance 2018-2020 Plan Cycle* of using an average of three years of data on recent performance to set a baseline for acquisitions of a particular type of loan is justified. Accordingly, unless it is indicated otherwise, this is the methodology we use in each Plan.
described. The ultimate opportunity available in this market is to finance an increased number of high-needs rural regions mortgages.

**Income Levels**

For all Years of the Plan, this Objective will serve very low-, low-, and moderate-income families.

**Evaluation Factors**

| Year One: Loan Purchase | Year Two: Loan Purchase | Year Three: Loan Purchase |

**Proposed Concept Score for each Year**

**50 – Direct Impact:** Over the three year Plan, the output from this Objective is an additional 3,205 to 4,455 loans, which equals an estimated additional $499 million to $693 million of liquidity, over the Baseline for the high-needs rural regions housing market. This is an ambitious outcome given that Fannie Mae forecasts an overall decrease in acquisitions as higher interest rates are projected resulting in the transition to a purchase market which increases the challenge of growing loan volume over the Baseline derived from the lower interest rate and higher acquisition volumes from the 2014 – 2016 three year period.

Achievement of this goal requires significant effort and use of resources including but not limited to:

- All resources required to complete outreach and market research and analysis as outlined in Objective #1, Objective #2, Objective #3 and Objective #4.
- All resources required to complete product enhancement work as outlined in Objective #4.

6. **Objective #6: Create and implement a multifamily work-plan and increase the purchase of loans in Middle Appalachia (Analyze, Test and Learn, Do What We Do Best).**

**SMART Factors**

Fannie Mae will undertake the following measurable actions in the three Years of the Plan.

In Year One of the Plan, Fannie Mae will:

- Based on research and outreach results, document one multifamily Middle Appalachia work-plan that will address key multifamily affordable housing issues, including identification of the three top multifamily housing issues, two potential roles for Fannie Mae multifamily, and two key actions that would enhance Fannie Mae’s ability to serve the multifamily market in Middle Appalachia.

- Identify and document three potential product enhancements that could facilitate the provision of liquidity to Middle Appalachia to be submitted to Fannie Mae’s internal product enhancement and development approval process during Year Two of the Plan.

In Year Two of the Plan, Fannie Mae will:

- Process at least one product enhancement identified in the work-plan through the product enhancement and development approval procedure.
• Implement the two identified key actions that will enhance Fannie Mae’s role in and ability to serve the multifamily market in Middle Appalachia.

• Revise and document one updated work-plan.

• Develop and implement a LIHTC Equity Investment Plan for Middle Appalachia, subject to receipt of FHFA approval.

In Year Three of the Plan, Fannie Mae will:

• Implement the product enhancement approved during Year Two.

• Purchase loans representing a 20 percent increase over the Baseline.

  • Baseline: Based on an average of the number of affordable multifamily units financed by Fannie Mae over the last three years in Middle Appalachia (2014, 5,834; 2015, 4,495; 2016, 10,044), the Baseline for these purchases is 6,800 units of housing.

• In Q3, conduct one survey of key stakeholders to assess the impact of Fannie Mae’s Middle Appalachia work-plan.

• In Q4, identify and document at least four key lessons learned from the work completed during the three Years of the Plan and use this information, as well as the survey results, for the 2021 – 2023 Plan.

The ultimate goal of this Objective is to determine the most impactful strategy Fannie Mae may undertake to increase liquidity to the Middle Appalachian rural market. The ultimate opportunity available in this market is to finance an increased number of mortgages originated in Middle Appalachia. The initial work on this Objective is to establish a deeper understanding of the subject rural markets/submarkets with the aim of ensuring that actions proposed for Year Two and Year Three are realistic. Fannie Mae will be able to draw on its past experience in various local markets across the country as it works through its outreach and research. Any product enhancement and development work will factor in appropriate safety and soundness standards. In order to assure the safety and soundness associated with a balanced LIHTC portfolio, Fannie Mae will implement and develop its LIHTC Investment Plan for Middle Appalachia in connection with its broader LIHTC Equity Investment Plan, subject to receipt of FHFA approval. Fannie Mae has significant experience studying and analyzing submarkets, designing enhanced loan products to address their needs, and purchasing loans in the submarkets. Based on this experience and the available resources, Fannie Mae has determined that this Objective is realistic and may be achieved within the time periods described. Any mortgages purchased under this Objective will be supported by thorough economic, risk and operational analysis, will be subject to Fannie Mae’s governance and approval processes, and will only be made consistent with safety and soundness concerns.

**Income Levels**

For all Years of the Plan, this Objective will serve very low-, low-, and moderate-income families.

**Evaluation Factors**

Year One: Loan Product  Year Two: Loan Product  Year Three: Loan Purchase

**Proposed Concept Score for each Year**

50 – Direct Impact: The creation of the work-plan, development of key products and investments, and ongoing outreach and research will provide a foundation for the loan purchase activity in Year Three which will contribute additional liquidity to Middle Appalachia.
7. **Objective #7: Create and implement a multifamily work-plan and increase the purchase of loans in the Lower Mississippi Delta (Analyze, Test and Learn, Do What We Do Best).**

**SMART Factors**

Fannie Mae will undertake the following measurable actions in the three Years of the Plan.

In Year One of the Plan, Fannie Mae will:

- Based on research and outreach results, document one multifamily Lower Mississippi Delta work-plan that will address key multifamily affordable housing issues, including identification of the three top multifamily housing issues, two potential roles for Fannie Mae multifamily, and two key actions that would enhance Fannie Mae’s ability to serve the multifamily market in the Lower Mississippi Delta.

- Identify and document three potential product enhancements that could facilitate the provision of liquidity to the Lower Mississippi Delta to be submitted to Fannie Mae’s internal product enhancement and development approval process during Year Two of the Plan.

In Year Two of the Plan, Fannie Mae will:

- Process at least one product enhancement identified in the work-plan through the product enhancement and development approval procedure.

- Implement the two identified key actions that will enhance Fannie Mae’s role in and ability to serve the multifamily market in the Lower Mississippi Delta.

- Develop and implement a LIHTC Equity Investment Plan for the Lower Mississippi Delta, subject to receipt of FHFA approval.

- Revise and document one updated work-plan, including proposing additional product enhancements.

In Year Three of the Plan, Fannie Mae will:

- Implement the product enhancement approved during Year Two.

- Purchase loans representing a 20 percent increase over the Baseline.

  - **Baseline:** Based on an average of the number of affordable multifamily units financed by Fannie Mae over the last three years in the Lower Mississippi Delta (2014, 9,157; 2015, 6,486; 2016, 12,631), the Baseline for these purchases is 9,425 units of housing.

- In Q3, conduct one survey of key stakeholders to assess the impact of Fannie Mae’s Lower Mississippi Delta work-plan.

- In Q4, identify and document at least four key lessons learned from the work completed during the three Years of the Plan and use this information, as well as the survey results, for the 2021 – 2023 Plan.

The ultimate goal of this Objective is to determine the most impactful strategy Fannie Mae may undertake to increase liquidity to the Lower Mississippi Delta rural market. The ultimate opportunity available in this market is to finance an increased number of mortgages originated in the Lower Mississippi Delta. The initial work on this Objective is to establish a deeper understanding of the subject rural markets/submarkets with the aim of ensuring that actions proposed for Year
Two and Year Three are realistic. Fannie Mae will be able to draw on its past experience in various local markets across the country as it works through its outreach and research. Any product enhancement and development work will factor in appropriate safety and soundness standards. In order to assure the safety and soundness associated with a balanced LIHTC portfolio, Fannie Mae will implement and develop its LIHTC investment Plan for the Lower Mississippi Delta in connection with its broader LIHTC Equity Investment Plan, subject to receipt of FHFA approval. Fannie Mae has significant experience studying and analyzing submarkets, designing enhanced loan products to address their needs, and purchasing loans in the submarkets. Based on this experience and the available resources, Fannie Mae has determined that this Objective is realistic and may be achieved within the time periods described. Any mortgages purchased under this Objective will be supported by thorough economic, risk, and operational analyses, will be subject to Fannie Mae's governance and approval processes, and will only be made consistent with safety and soundness concerns.

**Income Levels**

For all Years of the Plan, this Objective will serve very low-, low-, and moderate-income families.

**Evaluation Factors**

| Year One: Loan Product | Year Two: Loan Product | Year Three: Loan Purchase |

**Proposed Concept Score for each Year**

**50 – Direct Impact:** The creation of the work-plan, development of key products and investments, and ongoing outreach and research will provide a foundation for the loan purchase activity in Year Three which will contribute additional liquidity to the Lower Mississippi Delta.

8. **Objective #8: Create and implement a multifamily work-plan for the colonias (Analyze, Test and Learn).**

**SMART Factors**

Fannie Mae will undertake the following measurable actions in the three Years of the Plan.

In Year One of the Plan, Fannie Mae will:

- Based on research and outreach results, document one multifamily colonia work-plan that will address key multifamily affordable housing issues, including identification of the three top multifamily housing issues, two potential roles for Fannie Mae multifamily, and two key actions that would enhance Fannie Mae’s ability to serve the multifamily market in the colonias.

- Identify and document three potential product enhancements that could facilitate the provision of liquidity to the colonias to be submitted to Fannie Mae’s internal product enhancement and development approval process during Year Two of the Plan.

In Year Two of the Plan, Fannie Mae will:

- Process at least one product enhancement identified in the work-plan through the product enhancement and development approval procedure.

- Implement the two identified key actions that will enhance Fannie Mae’s role in and ability to serve the multifamily market in the colonias.

- Develop and implement a LIHTC Equity Investment Plan for the colonias, subject to receipt of FHFA approval.
- Revise and document one updated work-plan, including proposing additional product enhancements.

In Year Three of the Plan, Fannie Mae will:

- Implement the product enhancement approved during Year Two.
- In Q3, conduct one survey of key stakeholders to assess the impact of Fannie Mae’s colonias work-plan.
- In Q4, identify and document at least four key lessons learned from the work completed during the three Years of the Plan and use this information, as well as the survey results, for the 2021 – 2023 Plan.

The ultimate goal of this Objective is to determine the most impactful strategy Fannie Mae may undertake to increase liquidity to the colonias rural market. The ultimate opportunity available in this market is to finance an increased number of mortgages originated in the colonias. The initial work on this Objective is to establish a deeper understanding of the subject rural markets/submarkets. Fannie Mae will be able to draw on its past experience in various local markets across the country as it works through its outreach and research. Any product enhancement and development work will factor in appropriate safety and soundness standards. In order to assure the safety and soundness associated with a balanced LIHTC portfolio, Fannie Mae will implement and develop its LIHTC Investment Plan for the colonias in connection with its broader LIHTC Equity Investment Plan, subject to receipt of FHFA approval. Any product enhancement undertaken pursuant to this Objective will be supported by thorough economic, risk, and operational analyses, will be subject to Fannie Mae’s governance and approval processes, and will only be made consistent with safety and soundness concerns. Fannie Mae has significant experience studying and analyzing submarkets and designing enhanced loan products to address their needs. Based on this experience and the available resources, Fannie Mae has determined that this Objective is realistic and may be achieved within the time periods described.

**Income Levels**

For all Years of the Plan, this Objective will serve very low-, low-, and moderate-income families.

**Evaluation Factors**

Year One: Loan Product  
Year Two: Loan Product  
Year Three: Loan Product

**Proposed Concept Score for each Year**

40 – Foundation for Future Impact: The creation of the work-plan, development of key products and investments, and ongoing outreach and research will provide a foundation for future loan purchase activity which will contribute liquidity to the colonias.

9. Objective #9: Implement anchor institution partnerships to increase homeownership opportunities in high-needs rural regions (Partner and Innovate).

**SMART Factors**

Fannie Mae will undertake the following measurable actions in the three Years of the Plan.

In Year One of the Plan, Fannie Mae will:

- Identify and engage two potential anchor institution partners in target geographies.
- Develop one replicable service-learning program model and training curriculum.
Identify and engage three lenders, three non-profit counseling organizations, and two down payment assistance and/or individual development account (IDA) program partners.

Identify and secure two channels for referrals for internships and employment for students.

Work with counselors, educators, and other third parties to engage 25 households (clients).

In Year Two of the Plan, Fannie Mae will:

- Increase by one the number of partnerships using a standardized data collection protocol.

- Work with counselors, educators, and other third parties to engage at least 50 households (clients).

- Assess and document Year One quantitative data and qualitative feedback from two Year One partners to make program enhancements and refinements.

- Provide training and support to three lenders, four non-profit counseling organizations, and two down payment assistance and/or IDA program providers to optimize homeownership opportunities for program clients.

- Create and implement one follow-up survey to assess longer-term impact of service on client outcomes from Year One activities.

In Year Three of the Plan, Fannie Mae will:

- Increase by one the number of partnerships using a standardized data collection protocol.

- Work with counselors, educators, and other third parties to engage 50 more households (clients).

- Assess and document the housing status of 10 program clients.

- Assess and document the career paths and employment prospects of 10 student participants.

- Analyze, assess, and document quantitative data on clients served in Year One and Year Two against target outcome of 20 percent of clients meeting Fannie Mae mortgage eligibility criteria.

Liquidity in high-needs rural areas is significantly constrained due to extremely low household incomes resulting in multiple financial and credit barriers to maintaining stable housing, and accessing homeownership opportunities. Market opportunity is limited due to low household incomes. However, a key consideration is that homeownership is less costly than rental housing in many parts of the high-needs regions. This presents a strong incentive for households for whom improved credit could make homeownership achievable and underscores the need for creative financing mechanisms in these regions. The purpose of this Objective is to increase available liquidity. Fannie Mae has extensive experience and a strong network of existing and potential partners to draw on. A significant component of this Objective is establishing partnerships with institutions of higher education, hospitals, and other anchor institutions as appropriate. These types of institutions are often the strongest institutions serving high-needs regions with the largest reach. These partnerships will enhance outreach and engagement with students and faculty through service-learning programs. Models for engagement will vary by region based on the strength of our partners. Based on this experience and Fannie Mae’s network of potential partners, this Objective may be achieved within the time periods described. Qualification of individuals for homeownership will be undertaken consistent with practices of safety and soundness.

**Income Levels**

For all Years of the Plan, this Objective will serve very low-, low-, and moderate-income families.
Evaluation Factors

Year One: Outreach  Year Two: Outreach  Year Three: Outreach

Proposed Concept Score for each Year

30 – Foundation for Future Impact: The Objective represents a meaningful attempt to lay the foundation for future impact. Anchor institutions are rooted in and tied to specific places/communities through their mission, capital investments, as an employer, as a spender in a community, as a source of industry, as a contributor to the social fabric of a place, and as a connector to the other institutions in a community. Because of this, they have the potential to create opportunities for communities and families through programming, hiring, investment, advocacy and community engagement. Facilitating partnerships with these institutions carries meaningful impact in addressing the needs of high-needs rural regions and populations. The activities supporting this Objective are challenging and are long-term, but have the potential to be very valuable based on the connections between anchor institutions and the communities in which they thrive. Nonetheless, based on our experience and the available resources, Fannie Mae has determined that this Objective is realistic and may be achieved within the time periods described. The ultimate opportunity in this market is to increase the number of mortgages to be purchased. However, these mortgages must be consistent with safety and soundness and working with clients to qualify them for sustainable homeownership is the first step in this process.

10. Objective #10: Expand partnerships to increase access to financial counseling for households in high-needs rural regions and among high-needs rural populations (Partner and Innovate).

SMART Factors

Fannie Mae will undertake the following measurable actions in the three Years of the Plan.

In Year One of the Plan, Fannie Mae will:

- Identify and support two partners developing scalable models to reach those living in dispersed high-needs rural regions and isolated high-needs households, and document actions.

- Develop and/or expand two partnerships targeting one or more of the high-needs regions and high-needs populations.

- Create one set of documented best practices to reach and engage households in need of housing assistance.

In Year Two of the Plan, Fannie Mae will:

- Support outreach and delivery of financial counseling services to 50 households.

- Develop or expand at least three partnerships to establish a service presence for each of the high-needs regions and populations.

- Create, document, and implement one standard data collection protocol.

- Create, document, and implement one follow-up survey process to assess longer-term impact of service on client outcomes.

In Year Three of the Plan, Fannie Mae will:

- Support outreach and delivery of services to 200 households.
Analyze, assess, and document the data on financial and housing status of households served in Year One and Year Two.

Convene one session of partners to identify and discuss adoption of best practices.

Liquidity in rural high-needs regions and populations is significantly constrained due to extremely low household incomes resulting in multiple financial and credit barriers to maintaining stable housing and accessing homeownership opportunities. Accordingly, the market opportunity for secondary financing is similarly limited. However, homeownership is less costly than rental housing in many parts of the high-needs regions and for the high-needs populations. This presents a strong incentive for households for whom improved credit could make homeownership achievable and underscores the need for creative financing mechanisms in these regions. Qualification of individuals for homeownership will provide opportunities to increase liquidity to this high-needs population, but will be undertaken consistent with practices of safety and soundness. Fannie Mae has extensive experience and a strong network of existing and potential partners to draw on to assist high-needs populations. We have developed a vast network of housing counseling organizations and community development organizations to tackle the nation's hardest housing challenges. Learnings leveraged during the creation of this vast network and through tackling some of the national housing challenges have positioned us well to address housing considerations in high-needs rural regions and with high-needs populations. Based on this background, this Objective may be achieved within the time periods described.

**Income Levels**

For all Years of the Plan, this Objective will serve very low-, low-, and moderate-income families.

**Evaluation Factors**

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**Proposed Concept Score for each Year**

**40 – Foundation for Future Impact:** The Objective represents a meaningful attempt to lay the foundation for future impact that could be comprehensive. Non-profits, counseling providers, and community development organizations are deeply rooted in the communities they serve and understand market needs intimately. High-needs rural regions and populations are difficult to serve because of the unique, local challenges present in various markets. Partnering with these organizations to understand the needs of a community, collect data, implement programs, monitor outcomes, innovate, facilitate knowledge transfers, and engage at the ground level is a comprehensive method to serving underserved regions and populations. The activities supporting this Objective are long-term in nature and require a different paradigm about reaching communities in a scalable way than Fannie Mae and the mortgage finance industry have experienced. Therefore, the work is difficult, yet still rooted in the reality of rural housing challenges.

**B. Regulatory Activity:** Housing for high-needs rural populations (12 C.F.R. § 1282.35 (c) (2)).

1. **Objective #1:** Conduct outreach and market research through engagements with single-family and multifamily lenders and cross-functional industry representatives to identify and analyze market challenges, provide information about lending products, facilitate the delivery of loans, and maintain a communication feedback loop to facilitate a continuous improvement process (Analyze, Partner and Innovate).
SMART Factors

Fannie Mae will undertake the following measurable actions in the three Years of the Plan.

In Year One of the Plan, Fannie Mae will:

- Host one rural housing roundtable.
- Participate in two key industry conferences.
- Engage at least 10 Fannie Mae lenders to identify challenges, and address critical issues that impede delivery of loans for high-needs rural populations to Fannie Mae.
- Produce and distribute educational materials that provide information about Fannie Mae’s loan products and assist lenders in meeting loan delivery requirements, including:
  - Engaging 25 Fannie Mae lenders and providing them with educational materials.
  - Hosting two lender webinars for both single-family and multifamily lenders.
- Conduct outreach to key stakeholders and experts in housing for Native Americans and (separately) for agricultural workers, including but not limited to the following:
  - Five non-profits and other organizations.
  - Two CDFI.
  - Four government or tribal entities.
  - Three DUS lenders, banks, and other financial institutions that serve the population.
- Establish and document one work-plan for providing liquidity to high-needs populations, including proposing at least one product enhancement that will increase the provision of liquidity to these populations.
- Establish separate subcommittees focused on housing for Native Americans and agricultural workers respectively as part of the Rural Housing Advisory Board.

In Year Two of the Plan, Fannie Mae will:

- Host one rural housing roundtable.
- Participate in two key industry conferences.
- Engage at least 10 additional Fannie Mae single-family lenders to identify challenges and address critical issues that impede delivery of loans for high-needs rural populations to Fannie Mae.
- Produce and distribute educational materials that provide information about Fannie Mae’s loan products and assist lenders in meeting loan delivery requirements, including:
  - Engaging 25 lenders and providing them with educational materials.
• Hosting two lender webinars for both single-family and multifamily lenders.

  ▪ Based on the work-plan completed in Year One:

    • Hold two meetings with Native American and agricultural workers (separately) to discuss changing market needs.
    
    • Process at least one product enhancement identified in the work-plan through the product enhancement and development procedure.

  ▪ Update and document a revised work-plan.

In Year Three of the Plan, Fannie Mae will:

  ▪ Host one rural housing roundtable.

  ▪ Participate in two key industry conferences.

  ▪ Engage at least 10 additional Fannie Mae single-family lenders to identify challenges and address critical issues that impede delivery of loans for high-needs rural populations to Fannie Mae.

  ▪ Produce and distribute educational materials that provide information about Fannie Mae’s loan products and assist lenders in meeting loan delivery requirements, including:

    • Engaging 25 additional Fannie Mae lenders and providing them with the educational materials.
    
    • Hosting two lender webinars for both single-family and multifamily lenders.

  ▪ Implement three activities identified in the work-plan as revised in Year Two.

  ▪ Hold two meetings with Native American and agricultural workers (separately) to discuss changing market needs.

The challenges faced by high-needs rural populations are substantial. Substandard housing conditions, higher, more persistent levels of poverty and legal complexities of land tenure limit access to affordable mortgage credit. As a result, the available market opportunity is quite limited even though the need for safe and sound housing is significant. In order to effectively serve high-needs rural populations, Fannie Mae must engage a wide variety of market participants to gather information about each population to better understand its needs and address critical issues that impede lending in these areas. The information gathered will be a key contributor to a successful completion of this Objective. Fannie Mae is active in outreach and market engagement. Existing resources dedicated to market outreach will be leveraged and enhanced to accommodate outreach specific to the high-needs rural population market. Based on this experience and the available resources, Fannie Mae has determined that this Objective is realistic and may be achieved within the time periods described. Activities engaged in under this Objective, such as creating educational materials and proposing product enhancements, will be undertaken consistent with notions of safety and soundness.

**Income Levels**

For all Years of the Plan, this Objective will serve very low-, low-, and moderate-income families.

**Evaluation Factors**

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Proposed Concept Score for each Year

30 – Foundation for Future Impact: This Objective is a critical component of the overall strategy to increase liquidity to high-needs rural populations through:

- Facilitating partnerships with lenders and other market participants.
- Identifying specific lending needs of high-needs rural populations.

Achievement of the Objective entails material use of Fannie Mae’s staff and budget resources.

2. Objective #2: Update, rebrand, and market Fannie Mae’s Native American Conventional Lending Initiative (NACLI) single-family loan program, and purchase NACLI loans (Do What We Do Best).

SMART Factors

Fannie Mae will undertake the following measurable actions in the three Years of the Plan.

In Year One of the Plan, Fannie Mae will:

- Conduct and document an economic and operational impact analysis to determine the feasibility of reintroducing Fannie Mae’s NACLI loan product back into the marketplace. Currently, Fannie Mae only allows a refinance of an existing NACLI loan in Fannie Mae’s portfolio. This analysis would include purchase money transactions of NACLI loans, including an assessment of the ability to execute appropriate memoranda of understanding with Native American tribes.

- Engage five Fannie Mae lenders which are experienced in working with tribes or are geographically located near Indian areas to discuss opportunities and challenges associated with the delivery of NACLI loans to Fannie Mae.

In Year Two of the Plan, Fannie Mae will:

- Reintroduce and market the NACLI loan product and purchase between 75 and 125 NACLI loans.
  - **Baseline:** Based on an average of the number of NACLI loans purchased by Fannie Mae over the last three years (2014, 38; 2015, 45; and 2016, 9), the Baseline for these purchases is 31 loans.

In Year Three of the Plan, Fannie Mae will:

- Purchase between 200 and 275 NACLI loans.

Conventional lending products are almost non-existent in this particular segment of high-needs populations. Re-introducing and marketing NACLI within the marketplace will directly increase liquidity to this high-needs rural population. Output from Objective #1 will inform and support the development and launch of the NACLI product.

NACLI is an existing, but underutilized product in the Fannie Mae Selling Guide. The memoranda of understanding that are critical to the NACLI product require updating before new NACLI loan deliveries can be received. Based on its previous success in developing and launching this product, Fannie Mae has determined that this Objective is realistic and may be achieved within the time periods described. Product development will be supported by thorough economic, risk, and operational analyses, and will be subject to Fannie Mae’s governance and approval processes. The ultimate opportunity available in this market is to finance more conventional Native American mortgages. To this end, Fannie Mae will conduct loan product work and loan purchases in a safe and sound manner.
Income Levels

For all Years of the Plan, this Objective will serve very low-, low-, and moderate-income families.

Evaluation Factors

Year One: Loan Product  
Year Two: Loan Purchase  
Year Three: Loan Purchase

Proposed Concept Score for each Year

50 – Direct Impact: Given the necessity of negotiating with each tribe, the structure of property ownership, and the limitations placed on secured lending, it is difficult and costly to develop and use appropriate loan products. However, the Objective will result in direct liquidity to the Native American market through the purchase of NACLI loans. It will also signify the return of conventional lending to this population. The Objective requires substantial use of Fannie Mae resources including product development, legal, analytics, and risk and operations.

3. Objective #3: Create and implement a multifamily work-plan and purchase loans on rental housing for Native Americans (Analyze, Do What We Do Best).

SMART Factors

Fannie Mae will undertake the following measurable actions in the three Years of the Plan.

In Year One of the Plan, Fannie Mae will:

- Based on research and outreach results, document one multifamily Native American work-plan that will address key multifamily affordable housing issues, including identification of the three top multifamily housing issues, two potential roles for Fannie Mae multifamily, and two key actions that would enhance Fannie Mae’s ability to serve Native Americans.
- Identify and document three potential product enhancements that could facilitate the provision of liquidity to Native Americans to be submitted to Fannie Mae’s internal product enhancement and development approval process during Year Two of the Plan.

In Year Two of the Plan, Fannie Mae will:

- Process at least one product enhancement identified in the work-plan through the product enhancement and development approval procedure.
- Implement the two identified key actions that will enhance Fannie Mae’s role in and ability to serve Native Americans.
- Revise and document one updated work-plan, including proposing additional product enhancements.
- Develop and implement a LIHTC Equity Investment Plan for Native Americans, subject to receipt of FHFA approval.

In Year Three of the Plan, Fannie Mae will:

- Implement product enhancement(s) approved during Year Two.
- Purchase loans that will support between 200 and 300 units of affordable rental housing for Native American populations.
Baseline: Over the past three years, Fannie Mae has purchased zero multifamily loans on rental housing for Native Americans.

- In Q3, conduct a survey of key stakeholders to assess the impact of Fannie Mae’s work-plan.
- In Q4, identify and document at least four key lessons learned from the work completed under the work-plan and use those findings, as well as the survey results, in the planning process for the 2021 – 2023 Plan.

The opportunity to finance multifamily housing for this population is believed to be very limited. However, the ultimate goal of this Objective is to determine the most impactful strategy for Fannie Mae to increase liquidity to the Native American multifamily market. The initial work on this Objective is to establish a deeper understanding of the subject rural markets/submarkets with the aim of ensuring that actions proposed in Year Two and Year Three are realistic. Fannie Mae will be able to draw on its past experience and relationships in various local markets (including Native American communities) across the country as it works through its outreach and research. Based on its previous experience in conducting outreach and research, product development, and multifamily financing, Fannie Mae has determined that this Objective is realistic and may be achieved within the time periods described. Any product enhancement and loan development work and all loan purchases will factor in appropriate safety and soundness standards. In order to assure the safety and soundness associated with a balanced LIHTC portfolio, Fannie Mae will implement and develop its LIHTC Investment Plan for Native Americans in connection with its broader LIHTC Equity Investment Plan, subject to receipt of FHFA approval.

Income Levels

For all Years of the Plan, this Objective will serve very low-, low-, and moderate-income families.

Evaluation Factors

Year One: Loan Product Year Two: Loan Product Year Three: Loan Purchase

Proposed Concept Score for each Year

50 – Direct Impact: The creation of the work-plan, development of key products and investments, and ongoing outreach and research will provide a foundation for the loan purchase activity in Year Three which will contribute additional liquidity to housing for Native Americans.

4. Objective #4: Create and implement a multifamily work-plan on rental housing for agricultural workers (Analyze).

SMART Factors

Fannie Mae will undertake the following measurable actions in the three Years of the Plan.

In Year One of the Plan, Fannie Mae will:

- Based on research and outreach results, document one multifamily agricultural workers work-plan that will address key multifamily affordable housing issues, including identification of agricultural worker communities, identification of the three top multifamily housing issues, two potential roles for Fannie Mae multifamily, and two key actions that would enhance Fannie Mae’s ability to serve the multifamily market for agricultural workers.
- Identify and document three potential product enhancements that could facilitate the provision of liquidity to agricultural workers to be submitted to Fannie Mae’s internal product enhancement and development approval process during Year Two of the Plan.
In Year Two of the Plan, Fannie Mae will:

- Process at least one product enhancement identified in the work-plan through the product enhancement and development approval procedure.
- Implement the two identified key actions that will enhance Fannie Mae’s role in and ability to serve agricultural workers.
- Revise and document one updated work-plan, including proposing additional product enhancements.
- Develop and implement a LIHTC Equity Investment Plan for agricultural workers, subject to receipt of FHFA approval.

In Year Three of the Plan, Fannie Mae will:

- Implement product enhancement(s) approved during Year Two.
- In Q3, conduct a survey of key stakeholders to assess the impact of Fannie Mae’s work-plan.
- In Q4, identify and document at least four key lessons learned from the work completed under the work-plan and use those findings, as well as the survey results, in the planning process for the 2021 – 2023 Plan.

The opportunity to finance multifamily housing for agricultural workers is believed to be very limited. However, the ultimate goal of this Objective is to determine the most impactful strategy for Fannie Mae to increase liquidity to the agricultural workers multifamily market. The initial work on this Objective is to establish a deeper understanding of the subject rural markets/submarkets. Fannie Mae will be able to draw on its past experience and relationships in various local markets across the country as it works through its outreach and research. Based on its previous experience in conducting outreach and research, product development, and multifamily financing, Fannie Mae has determined that this Objective is realistic and may be achieved within the time periods described. Any product enhancement and development work will factor in appropriate safety and soundness standards. In order to assure the safety and soundness associated with a balanced LIHTC portfolio, Fannie Mae will implement and develop its LIHTC Investment Plan for agricultural workers in connection with its broader LIHTC Equity Investment Plan, subject to receipt of FHFA approval.

**Income Levels**

For all Years of the Plan, this Objective will serve very low-, low-, and moderate-income families.

**Evaluation Factors**

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<th>Year One: Loan Product</th>
<th>Year Two: Loan Product</th>
<th>Year Three: Loan Product</th>
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**Proposed Concept Score for each Year**

40 – Foundation for Future Impact: The creation of the work-plan, development of key products and enhancements, and ongoing outreach and research will provide a foundation for the purchase of loans secured by housing for agricultural workers in the future.

5. **Objective #5: Establish a pilot program for potential entity level investments in non-profit organizations, CDFI, small financial institutions or other entities that have a major focus on high-needs populations (Partner and Innovate).**
SMART Factors

Fannie Mae will undertake the following measurable actions in Year One and Year Two of the Plan.

In Year One of the Plan, Fannie Mae will:

- Design one pilot investment program, including reviewing and addressing:
  - One to five potential investment types.
  - Investment underwriting.
  - Approval process.
  - Maximum portfolio capacity.
  - Asset management.
  - Reporting.
  - Performance measures – traditional financial as well as impact performance.

- Attain preliminary internal approval for proposed pilot program.

- Submit pilot program to FHFA for review.

- If the pilot program complies with Fannie Mae’s Charter Act and receives approval from FHFA, process the proposed investment(s) through Fannie Mae’s internal product development process.

- Close the investments that have been approved internally and received FHFA’s approval.
  - Baseline: No investments of this nature have been made by Fannie Mae in the past three years.

In Year Two of the Plan:

- Based on the experience in Year One, revise pilot program and seek FHFA approval.

The need for capital investments in the underserved markets was raised during the outreach Fannie Mae conducted in 2015, the comments that were received on the proposed Duty to Serve rule in 2016, and in the three listening sessions which took place in 2017. These comments define a significant market opportunity for this action. Investment of this capital would in turn leverage significant funds into rural housing, which would enhance the market for rural housing. Based on Fannie Mae’s significant experience in developing and internally processing products, we believe the internal activities described in this Objective are realistic and may be achieved within the time periods described. Any new investment would be subject to internal approval and FHFA approval, which would incorporate safety and soundness analysis.

Implementation of this Objective is contingent upon a determination that the Objective and related actions are compliant with Fannie Mae’s Charter Act, and receipt of FHFA approval.

Income Levels

For all Years of the Plan, this Objective will serve very low-, low-, and moderate-income families.
Evaluation Factors

Year One: Investment  Year Two: Investment  Year Three: Not applicable

Proposed Concept Score for each Year

50 – Direct Impact: Investing in CDFI or similar organizations that have a strong focus on rural housing/subject high-needs regions and populations would leverage significant additional capital that would support rural housing/subject high-needs regions and populations and the need for more liquidity in these submarkets.

6. Objective #6: Develop strategies to reduce barriers to affordable housing for high-needs populations (Analyze, Test and Learn).

SMART Factors

Fannie Mae will undertake the following measurable actions in the three Years of the Plan.

In Year One of the Plan, Fannie Mae will:

- Research the range of for-profit and non-profit developers active in the target geography, estimate their capabilities to advance targeted preservation projects, and identify four entities to propose for participation.
- Identify and document at least six significant barriers to accelerating preservation and redevelopment activities including local builders and labor force, building and zoning codes, insurance underwriting and lending standards, etc.
- Research best practices in preservation including assessment of long-term sustainability and propose and document draft statement of same.

In Year Two of the Plan, Fannie Mae will:

- Design, document and implement one scalable technical assistance and training program to expand rural development capacity to serve high-needs regions and populations.
- Provide technical assistance or training to 10 organizations committed to affordable housing in the high-needs regions.
- Design and implement two initiatives to address preservation and redevelopment barriers, which may include convening stakeholders to address common issues, development of model approaches, and documenting and promoting best practices.
- Produce one white paper cataloging the challenges and describing strategies to address them.

In Year Three of the Plan, Fannie Mae will:

- Provide technical assistance or training to 10 affordable housing organizations.
- Monitor, assess, and document the impact of technical assistance and training efforts reflected in progress toward units replaced, rehabilitated, and preserved.
- Convene two live meetings and/or webinars to disseminate white paper findings and analysis.
There are significant systemic barriers to increasing or rehabilitating and refinancing the supply of affordable housing in high-needs regions. Absent that increase, there is little opportunity for secondary financing. Regulatory requirements vary from locality to locality, it is difficult to achieve scale and efficiency and real estate development and finance expertise is in short supply. There is a need to identify and assess the impact of these barriers in order to increase local capacity to construct, redevelop, and rehabilitate affordable housing for rent and for sale in target geographies. As a large institution with a national footprint, we are in a strong position to observe nationwide best practices and best in class partnerships and to leverage these observations to bring solutions to address local community barriers and constraints. Fannie Mae’s single-family and multifamily financing market footprint provides access to a wide range of industry stakeholders and participants. As such, we are uniquely positioned to identify, assess, disseminate and test best practices in both marketplaces. Based on this background and experience, this Objective is achievable in the time periods described. Analysis will be based on proposed solutions and will be consistent with practices of safety and soundness.

**Income Levels**

For all Years of the Plan, this Objective will serve very low-, low-, and moderate-income families.

**Evaluation Factors**

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<th>Year One: Outreach</th>
<th>Year Two: Outreach</th>
<th>Year Three: Outreach</th>
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**Proposed Concept Score for each Year**

**30 – Foundation for Future Impact:** The Objective represents a meaningful attempt to lay the foundation for future impact. This Objective calls upon Fannie Mae to engage in significant research and outreach. While Fannie Mae does not have the tools, power or resources to solve the major barriers to affordable housing, our data capabilities, technical expertise, and housing experience lend well to strategy development. The activities supporting this Objective could contribute in a major way to the reduction of one or more significant barriers to entry, which could help countless households.

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

1. **Objective #1:** Consider loan product and underwriting changes to purchase multifamily mortgage loans from small financial institutions in rural areas and purchase loans (Partner and Innovate, Do What We Do Best).

**SMART Factors**

Fannie Mae will undertake the following measurable actions in the three Years of the Plan.

In Year One of the Plan, Fannie Mae will:

- Conduct outreach to six existing Fannie Mae DUS lenders to determine their interest in providing correspondent services/aggregation to small financial institutions, which originate multifamily mortgage loans in rural areas.

- Should there not be a sufficient number of DUS lenders interested, conduct outreach to two other financial entities that would have the multi-state capacity and underwriting, servicing and asset management infrastructure to become a Fannie Mae lender with a special focus on rural areas (e.g., FHLB with a rural footprint and national CDFI with a rural focus).
- Identify and reach out to at least four small financial institutions, including CDFI, which originate multifamily mortgage loans in rural areas to determine their interest in sales of subject loans into the secondary market.

- Identify at least two Multifamily Selling and Servicing Guide changes to be made consistent with safety and soundness, which will increase the provision of liquidity to rural areas.

- Conduct outreach to three investors to determine potential MBS investor appetite for multifamily mortgage loans in rural areas.

- Obtain necessary approvals to begin purchasing subject loans in Year Two.

In each of Year Two and Year Three of the Plan, Fannie Mae will:

- Purchase at least 15 multifamily loans originated by a small financial institution in rural areas.
  - Baseline: Fannie Mae does not track whether the institutions that originated the multifamily loans it acquired have assets of $304 million or less, thus it is unable to establish a Baseline.

- During Q3, conduct two meetings with Fannie Mae’s lenders involved in the origination of the subject loans and two meetings with designated small financial institutions to get continuous improvement feedback and make any adjustments needed.

- Identify and document at least five lessons learned during each of Year Two and Year Three that can inform planning for the 2021 – 2023 Plan.

There is insufficient data available to determine what the current market opportunity is for the purchase of loans in rural areas from small financial institutions. Fannie Mae will use information gathered through its various outreach and research actions in the rural areas to analyze the liquidity needs of those small financial institutions and provide the necessary secondary market support. Fannie Mae has several lenders who work in or have expressed interest in working in rural areas. Based on its experience doing research, working with a wide variety of lenders, and enhancing products to meet market needs, it has been determined that this Objective can be achieved within the time periods described. Any purchase of the subject loans will be made consistent with notions of safety and soundness.

**Income Levels**

For all Years of the Plan, this Objective will serve very low-, low-, and moderate-income families.

**Evaluation Factors**

<table>
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<th>Year One: Loan Product</th>
<th>Year Two: Loan Purchase</th>
<th>Year Three: Loan Purchase</th>
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**Proposed Concept Score for each Year**

40 – Direct Impact: Because of the dearth of financial institutions active in rural markets, very often the active financial entities are very small and not well known by larger multifamily lenders. By actively engaging with smaller institutions through Fannie Mae’s DUS network (or other acceptable financial partners), Fannie Mae will be able to increase liquidity to rural markets through these smaller financial institutions.
2. **Objective #2: Conduct outreach and market research through engagements with small single-family lenders and cross-functional industry representatives to identify and analyze market challenges, provide information about lending products, facilitate the delivery of loans, and maintain a communication feedback loop to facilitate a continuous improvement process (Analyze, Partner and Innovate).**

**SMART Factors**

Fannie Mae will undertake the following measurable actions in each of Year One, Year Two, and Year Three of the Plan.

- Engage 10 small financial institutions that lend in rural areas to understand more about the needs and challenges these organizations face when serving rural areas.
- Participate in two key industry conferences.
- Produce and distribute educational materials that provide information about Fannie Mae’s loan products and assist lenders in meeting loan delivery requirements, including:
  - Engaging 10 Fannie Mae lenders by distributing the educational materials to them.
  - Hosting two lender webinars.

Meeting Fannie Mae seller/servicer requirements can be challenging for small financial institutions. Net worth requirements are typically not the issue. Rather, loan servicing and investor reporting requirements are common obstacles to obtaining Fannie Mae seller/servicer approval. Aggregator models used by HFA and credit unions will be an important component to supporting financing by small financial institutions that lend in rural areas and this Objective will facilitate conversations and partnerships to further the success of those models. The information gathered under this Objective will also be a key contributor to support loan product changes to increase access to Fannie Mae financing.

Fannie Mae also has identified a need to educate our lenders about our product offerings and requirements. Our strategy to engage lenders will also be a key input into changes that will simplify loan requirements and result in increased delivery of rural housing loans.

Fannie Mae is active in outreach and market engagement. Existing resources dedicated to market outreach will be leveraged and enhanced to accommodate outreach specific to the Rural Housing Market. Based on this experience and the available resources, Fannie Mae has determined that this Objective is realistic and may be achieved within the time periods described. The ultimate opportunity available in this market is to finance an increased number of multifamily mortgages originated by small financial institutions in rural areas. By engaging in outreach and securing additional information, data and other bases for analysis, and different points of view, Fannie Mae broadens its knowledge base which allows it to make more informed decisions that can better incorporate notions of safety and soundness. By educating its lenders about its loan products and how loans are delivered, Fannie Mae helps to assure that its underwriting requirements and credit standards that incorporate notions of safety and soundness are appropriately met.

**Income Levels**

For all Years of the Plan, this Objective will serve very low-, low-, and moderate-income families in.

**Evaluation Factors**

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<th>Year One: Outreach</th>
<th>Year Two: Outreach</th>
<th>Year Three: Outreach</th>
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Proposed Concept Score for each Year

30 – Foundation for Future Impact: This Objective is a critical component of the overall strategy to support financing by small institutions of rural housing through:

- Engaging and collaborating with small financial institutions to understand barriers to loan delivery, and review opportunities to more effectively leverage aggregator delivery models.
- Facilitating partnerships with lenders and other market participants.
- Promoting Fannie Mae’s products and educating lenders to facilitate loan delivery.

Achievement of the Objective entails material use of Fannie Mae’s staff and budget resources.

3. Objective #3: Secure regulatory non-objection to provide liquidity by purchasing single-family rural loans through bulk transactions from small financial institutions, and place loans in our portfolio (Do What We Do Best).

Smart Factors

Fannie Mae will undertake the following measurable actions in the three Years of the Plan.

In Year One of the Plan, Fannie Mae will:

- Pursue internal approval to purchase single-family loans, some of which may not be eligible for MBS securitization.
- Pursue FHFA non-objection to the purchase of single-family loans which may remain on Fannie Mae’s balance sheet for the life of the loans.

Assuming internal approval and non-objection from FHFA, Fannie Mae will undertake the following measurable actions in Years Two and Three of the Plan.

In Year Two of the Plan, Fannie Mae will:

- Purchase between 600 and 675 single-family rural loans through bulk transactions from small financial institutions.
  - Baseline: Zero. In the past three years, Fannie Mae has not purchased any single-family rural housing loans through bulk transactions from small financial institutions.

In Year Three of the Plan, Fannie Mae will:

- Purchase between 600 and 675 single-family rural loans through bulk transactions from small financial institutions.

There is insufficient data available to determine what the current market opportunity is for the purchase of the subject loans in bulk transactions from small financial institutions. However, if the loan purchases are made, it will provide direct liquidity to small financial institutions that lend in rural areas. Fannie Mae has the existing capability to purchase loans through bulk transactions without requiring any additional enterprise-level development. Existing resources that perform this function will be used to achieve this Objective. Based on this experience and the available resources, this Objective may be achieved within the time periods described. All loan purchases made under this Objective will be supported by thorough economic, risk, and operational analyses, will be subject to Fannie Mae’s governance and approval processes, and will only be made consistent with safety and soundness concerns.
Income Levels

For all Years of the Plan, this Objective will serve very low-, low-, and moderate-income families.

Evaluation Factors

Year One: Outreach  Year Two: Loan Purchase  Year Three: Loan Purchase

Proposed Concept Score for each Year

50 – Direct Impact: The Objective provides direct liquidity of between $100 million and $125 million per year to small financial institutions that serve rural communities.

The Objective requires substantial use of Fannie Mae resources including capital markets, analytics, risk, and operations.

4. Objective #4: Increase the purchase volume of single-family loans in rural areas from small financial institutions (Do What We Do Best).

SMART Factors

Fannie Mae will undertake the following measurable actions in the three Years of the Plan.

In Year One of the Plan, Fannie Mae will:

- Purchase between 14,350 and 14,850 loans in rural areas from small financial institutions.
  
  - Baseline: The Baseline for this Objective is the average of the number of single-family loans that Fannie Mae has purchased in the last three years in rural areas from small financial institutions (2014, 10,384; 2015, 14,401; 2016, 17,209), which is 13,998 loans.

In Year Two of the Plan, Fannie Mae will:

- Purchase between 14,850 and 15,350 loans in rural areas from small financial institutions.

In Year Three of the Plan, Fannie Mae will:

- Purchase between 17,500 and 18,000 loans in rural areas from small financial institutions.

Loan volume increases may include loans for manufactured housing titled as real estate or personal property. Increasing purchase volume of loans in rural areas from small financial institutions of rural housing provides direct liquidity to the market. Fannie Mae has a significant presence in the rural area housing loan market and maintains established relationships with small financial institutions in rural housing. Fannie Mae has the systems, operations, and resource tools needed to facilitate efficient rural area housing loan delivery in a safe and sound manner. In addition, underwriting standards and credit guidelines that are simplified and consistent with safety and soundness will continue to be applied to improve acquisition of this product. Fannie Mae has significant experience purchasing loans in particular markets. Based on this experience and the available resources, Fannie Mae has determined that this Objective is realistic and may be achieved within the time periods described. The ultimate opportunity available in this market is to finance an increased number of rural area loans from small financial institutions of rural housing.

Income Levels

For all Years of the Plan, this Objective will serve very low-, low-, and moderate-income families.
**Evaluation Factors**

Year One: Loan Purchase  
Year Two: Loan Purchase  
Year Three: Loan Purchase

**Proposed Concept Score for each Year**

**50 – Direct Impact:** The output of this Objective has significant impact in providing liquidity to the market. Over the three year plan, it contemplates the acquisition of an additional 4,706 to 6,206 loans, which equals an estimated additional $819 million to $1.1 billion of liquidity, over the Baseline for rural housing loans originated by small financial institutions. This is an ambitious outcome given that Fannie Mae forecasts an overall decrease in acquisitions as higher interest rates are projected resulting in the transition to a purchase market which increases the challenge of growing loan volume over the Baseline derived from the lower interest rate and higher acquisition volumes from the 2014 – 2016 three year period.

Achievement of this goal requires significant effort and use of resources, including but not limited to:

- All resources required to complete outreach and market research as outlined in Objective #2.

**D. Regulatory Activity: Small multifamily rental properties in rural areas. (12 C.F.R. § 1282.35 (c) (4)).**

1. **Objective #1: Identify market opportunities, lenders, and other partners and product(s) to prepare to proactively purchase small multifamily loans and purchase loans (Partner and Innovate, Do What We Do Best).**

**SMART Factors**

Fannie Mae will undertake the following measurable actions in the three Years of the Plan.

In Year One of the Plan, Fannie Mae will:

- Conduct outreach to six Fannie Mae DUS lenders to determine their level of interest in purchasing small multifamily loans in rural areas.

- If there is not a sufficient number of DUS lenders interested, conduct outreach to two other financial entities that would have the capacity and knowledge to become a Fannie Mae lender with a special focus on rural areas (e.g., FHLB with a rural footprint and national CDFI with a rural focus).

- Conduct and document a review of Fannie Mae’s RD 538 program to determine if it could be used efficiently to purchase small multifamily loans.

- Conduct and document a review of a seasoned loan approach to increase liquidity to small affordable multifamily loans in rural areas.

- In conjunction with the activities under the Affordable Housing Preservation section of this Plan, research potential USDA 515 refinance opportunities.

- Educate at least six lenders on the small affordable loan product(s) offered by Fannie Mae.

- Approve one to three changes to the Multifamily Selling and Servicing Guide to facilitate the purchase of the subject loans, taking into consideration notions of safety and soundness.
Position at least one existing Fannie Mae lender(s) to start originating loans in Year Two of the Plan.

If new financial entities are to be brought on as a special affordable rural lenders, begin the new lender on-boarding process.

In Year Two of the Plan, Fannie Mae will:

- Increase the number of loan purchases on small multifamily properties in rural areas by 20 percent over the Baseline.
  - **Baseline:** Based on an average of the number of small multifamily loans financed by Fannie Mae over the last three years (2014, 59; 2015, 41; 2016, 53), the Baseline for these purchases is 51 loans.
  - Complete the on-boarding process for new lenders.
  - Train new lenders.

In Year Three of the Plan, Fannie Mae will:

- Increase the number of loan purchases on small multifamily properties in rural areas by 20 percent over the Baseline.

Fannie Mae believes that by strategically identifying lenders (existing or new) who have an interest in and focus on rural areas housing and actively working with those lenders to generate business, it can increase liquidity to the rural multifamily housing market. With an active approach with specific interested lenders, Fannie Mae believes the market opportunity available in this market will accommodate significant increases in loan purchases. Fannie Mae has significant experience working with its lenders and engaging in activities to increase lending in specific markets. Based on this experience and the available resources, Fannie Mae has determined that this Objective is realistic and may be achieved within the time periods described. All product enhancements, approval of new lenders, and loan purchases will be supported by thorough economic, risk, and operational analyses, subject to Fannie Mae’s governance and approval processes, and only undertaken consistent with safety and soundness concerns.

**Income Levels**

For all Years of the Plan, this Objective will serve very low-, low-, and moderate-income families.

**Evaluation Factors**

Year One: Loan Product  
Year Two: Loan Purchase  
Year Three: Loan Purchase

**Proposed Concept Score for each Year**

40 – **Direct Impact:** By focusing proactively on the acquisition of mortgages on small multifamily properties in rural areas and Fannie Mae’s existing and potentially new lenders that have a rural focus, Fannie Mae will increase liquidity to the market in a significant way.

E. **Additional Activity:** Invest in LIHTC properties to facilitate the provision of affordable multifamily housing in rural areas (12 C.F.R. § 1282.35 (d)) (Partner and Innovate, Do What We Do Best).
1. **Objective #1: Acquire equity investments in LIHTC properties to facilitate the provision of affordable rural areas housing, including but not limited to, housing associated with other Statutory and Regulatory Activities.**

**SMART Factors**

Fannie Mae will undertake the following measurable actions in the three Years of the Plan.

In Year One of the Plan, Fannie Mae will:

- Conduct and document a market opportunities analysis with respect to potential equity investments in LIHTC housing designed to support affordable rural housing, including but not limited to, the following Statutory and Regulatory Activities:
  - The project-based rental assistance housing programs under Section 8 of the U.S. Housing Act of 1937, 42 U.S.C. § 1437f (Section 8).
  - The supportive housing program for the elderly under Section 202 of the Housing Act of 1959, 12 U.S.C. § 1701q.
  - Section 515. The rural rental housing program under Section 515 of the Housing Act of 1949, 42 U.S.C. § 1485.
  - Small multifamily properties financed by entities with assets of $10 billion or less.
- Establish and document one set of reasonable investment goals related to rural housing.
- Adopt one work-plan to complete the following:
  - Buildout and re-establish Fannie Mae’s LIHTC infrastructure and partner relationships.
  - Identify best-in-class syndicators as potential partners.
  - Leverage Fannie Mae’s longstanding relationships in the LIHTC industry.

In Year Two of the Plan, Fannie Mae will:

- Acquire at least five equity investments in LIHTC projects in rural areas.
  - **Baseline:** Fannie Mae has not made any investments in LIHTC properties in rural areas in the past three years.

In Year Three of the Plan, Fannie Mae will:

- If approved by FHFA, acquire at least 10 equity investments in LIHTC projects in rural areas.

While not identified as a Regulatory Activity, FHFA “. . . has determined that, under the final rule, Enterprise equity investments in rural areas will be eligible for Duty to Serve credit, subject to approval of such investments by FHFA as
conservator.” Fannie Mae proposes this Additional Activity pursuant to this determination and subject to receipt of FHFA approval.67

Further, this Additional Activity is justified because it contemplates investment in housing which otherwise constitutes a Statutory or Regulatory Activity, and, therefore, is comparable. Moreover, it may be significantly more effective to invest in these properties rather than attempt to finance them given the often limited ability of these properties to support debt. To the extent that this Additional Activity represents investments outside of the referenced Statutory and Regulatory Activities, it nonetheless serves the same targeted very low- and low-income families coupled with the same intent of facilitating the provision of affordable rural housing and, therefore, is comparable to other Statutory and Regulatory Activities. The fact that there is a greater share of families with incomes less than or equal to 80 percent of AMI in rural markets than in urban markets in all recent years, coupled with the fact that these families are very likely to be housing burdened, firmly supports the conclusion that existing and potential tenants will benefit from the creation or continued existence of LIHTC properties.

Fannie Mae believes this Objective can be achieved in the time periods described, based on its lengthy and successful history of investing in LIHTC and its ability and capacity to reenter the LIHTC rural equity market. LIHTC investment in rural areas will be based on market research and safety and soundness principles. Principles of safety and soundness may require that Fannie Mae not undertake this Objective.

The available market opportunity is best illustrated through an examination of the existing data. For example, while not all Section 515 projects receive LIHTC, using the data for the USDA 515 market as a proxy for market opportunity for rural LIHTC investments provides a reasonable approach to estimating market opportunity. According to the USDA, approximately 15,210 units of Section 515 housing will become eligible for prepayment during the timeframe of this Plan. Many Section 515 properties will need LIHTC in order to be or remain financially sound. Using a modest assumption of a $15,000 per unit of needed financing, the total potential market for refinancing/recapitalization could be $228,150,000 over the three year Plan.

### Income Levels

For all Years of the Plan, this Objective will serve very low-, low-, and moderate-income families.

### Evaluation Factors

| Year One: Outreach | Year Two: Investment | Year Three: Investment |

**Proposed Concept Score for each Year**

**50 – Direct Impact:** Due to some of the inherent challenges of rural housing, having the ability to invest equity into rural areas is probably one of the most important tools available. Many affordable multifamily properties have limited capacity to support debt products. In addition, as heard in listening sessions and meetings with rural housing advocates, smaller rural communities are often overlooked. Utilizing investments in LIHTC equity will result in significantly more impact under the Plan.

### V. Manufactured Housing Plan Activities and Objectives

Because a significant percentage of manufactured housing is situated in rural areas, to the extent the activities listed below also serve the rural underserved market, Fannie Mae incorporates them by this reference from its Proposed Duty to Serve Manufactured Housing Plan of even date.
A. Regulatory Activity: Manufactured homes titled as real property. Mortgages on manufactured homes titled as real property (12 C.F.R. § 1282.33 (c) (1)).

B. Regulatory Activity: Chattel. Loans on manufactured homes titled as personal property, including both pilot and ongoing initiatives (12 C.F.R. § 1282.33 (c)(2)).

C. Regulatory Activity: Manufactured housing communities (MHC) owned by a governmental entity, nonprofit organization, or residents (12 C.F.R. § 1282.33(c) (3)).

D. Regulatory Activity: MHC with certain pad lease protections (12 C.F.R. § 1282.33 (c)(4)).

VI. Affordable Housing Preservation Plan Activities and Objectives

Because a significant percentage of affordable housing preservation is situated in rural regions, to the extent the activities listed below also serve the rural underserved market, Fannie Mae incorporates them by this reference from its Duty to Serve Affordable Housing Preservation Plan of even date.

A. Regulatory Activity: Objective #1: Work with USDA and other stakeholders to develop and implement a meaningful approach to Section 515 preservation, which will largely consist of small loans (Partner and Innovate).

B. Regulatory Activity: Objective #2: Process proposed Section 515 solution(s) through appropriate internal product development process (Test and Learn).
### VII. Attachment A – Overview of Activities and Objectives for Rural Housing

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<tr>
<th>Evaluation Factor</th>
<th>Year 1 Objectives</th>
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<tr>
<td>Outreach</td>
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<td>Loan Product</td>
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<td>Loan Purchase</td>
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<td>Investment</td>
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#### A. Regulatory Activity: Housing in high-needs rural regions (12 C.F.R. § 1282.35 (c) (1)).

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<tr>
<td>1</td>
<td>Conduct outreach and market research through engagements with single-family and multifamily lenders and cross-functional industry representatives to identify and analyze market challenges, provide information about lending products, facilitate the delivery of loans, and maintain a communication</td>
<td>▪ Host one rural housing roundtable with cross-functional industry representation.</td>
<td>▪ Host one rural housing roundtable with cross-functional industry representation.</td>
<td>▪ Host one rural housing roundtable with cross-functional industry representation.</td>
<td>Outreach</td>
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<td></td>
<td></td>
<td>▪ Participate in two key industry conferences.</td>
<td>▪ Participate in two key industry conferences.</td>
<td>▪ Participate in two key industry conferences.</td>
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<td></td>
<td>▪ Establish one Fannie Mae Rural Housing Advisory Board to provide guidance and information as Fannie Mae undertakes this Plan. The Rural Housing Advisory Board will include stakeholders from the key high-needs regions and from the high-needs populations.</td>
<td>▪ Hold one Rural Housing Advisory Board and subcommittee meetings.</td>
<td>▪ Hold one Rural Housing Advisory Board and subcommittee meetings.</td>
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Fannie Mae’s Duty to Serve Underserved Markets Plan must receive a non-objection from FHFA before becoming effective. The Objectives in the proposed and final Plan may be subject to change based on factors including public input, FHFA comments, compliance with Fannie Mae’s Charter Act, safety and soundness considerations, and market or economic conditions.
A. Regulatory Activity: Housing in high-needs rural regions (12 C.F.R. § 1282.35 (c)(1)).

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<td></td>
<td>feedback loop to facilitate a continuous improvement process (Analyze, Partner and Innovate).</td>
<td>▪ Establish subcommittees for the Rural Housing Advisory Board for each of the high-needs regions and populations.</td>
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<td>▪ Hold one Rural Housing Advisory Board meeting.</td>
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<td></td>
<td>▪ Engage 10 Fannie Mae lenders to identify challenges that impede the delivery of loans from high-needs regions to Fannie Mae, including large and small lenders and single-family and multifamily lenders that serve the different high-needs regions.</td>
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<td>▪ Engage 10 stakeholders for the subject market, including, non-profits and organizations, such as CDFI, DUS and non-DUS multifamily lenders, banks, FHLB, and HFA.</td>
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<td></td>
<td></td>
<td>▪ Produce and distribute educational materials</td>
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</table>
A. Regulatory Activity: Housing in high-needs rural regions (12 C.F.R. § 1282.35 (c) (1)).

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<td>2</td>
<td>Establish dedicated staff located within high-needs rural regions (Partner and Innovate).</td>
<td>- Assign one or more staff (or continue to retain) to certain high-needs rural regions such as Middle Appalachia, the Lower Mississippi Delta, and the colonias.</td>
<td>Outreach</td>
<td>- Assign one or more staff (or continue to retain) to certain high-needs rural regions such as Middle Appalachia, the Lower Mississippi Delta, and the colonias.</td>
<td>Outreach</td>
<td>- Assign one or more staff (or continue to retain) to certain high-needs rural regions such as Middle Appalachia, the Lower Mississippi Delta, and the colonias.</td>
<td>Outreach</td>
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that provide information about Fannie Mae’s loan products and assist lenders in meeting loan delivery requirements, including:

- Engage and distribute educational material to 25 Fannie Mae lenders.
- Host four lender webinars for both single-family and multifamily lenders.
- Identify five key strategic goals for each submarket to inform creation of a multifamily work-plan for the submarket.

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Fannie Mae’s Duty to Serve Underserved Markets Plan must receive a non-objection from FHFA before becoming effective. The Objectives in the proposed and final Plan may be subject to change based on factors including public input, FHFA comments, compliance with Fannie Mae’s Charter Act, safety and soundness considerations, and market or economic conditions.
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</table>
| 3 | Perform market research, analyze Fannie Mae’s portfolio specific to high-needs rural regions, distribute findings, and develop protocols to identify colonias beyond county-based definitions (Analyze). | ▪ Conduct market research and portfolio analysis and publicize one set of findings on the market and the performance of Fannie Mae’s portfolio of mortgages in high-needs rural regions.  
▪ Establish and document one methodology to identify colonias. | ▪ Conduct market research and portfolio analysis and update and publicize one analysis on the market and the performance of Fannie Mae’s portfolio of mortgages in high-needs rural regions.  
▪ Publicize one set of protocols and standards to identify colonias. | ▪ Conduct market research and portfolio analysis and update and publicize one analysis on the market and the performance of Fannie Mae’s portfolio of mortgages in high-needs rural regions.  
▪ Publicize one set of protocols and standards to identify colonias. | Outreach |
| 4 | Increase access to Fannie Mae financing by making changes to single-family loan products that increase the population of loans eligible for sale to Fannie Mae, simplify product parameters and loan requirements, and maintain appropriate risk | ▪ Create variance terms for one or more changes to Fannie Mae loan products.  
▪ Conduct and document one economic and operational impact analysis to determine feasibility of Fannie Mae purchase of loans under the variance terms.  
▪ Engage five Fannie Mae lenders to discuss opportunities and challenges to sell | ▪ Create variance terms for one or more changes to Fannie Mae loan products.  
▪ Conduct and document one economic and operational impact analysis to determine feasibility of Fannie Mae purchase of loans under the variance terms.  
▪ Engage five Fannie Mae lenders to discuss opportunities and challenges to sell | ▪ Create variance terms for one or more changes to Fannie Mae loan products.  
▪ Conduct and document one economic and operational impact analysis to determine feasibility of Fannie Mae purchase of loans under the variance terms.  
▪ Engage five Fannie Mae lenders to discuss opportunities and challenges to sell | Loan Product |
### A. Regulatory Activity: Housing in high-needs rural regions (12 C.F.R. § 1282.35 (c) (1)).

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<td>5</td>
<td>controls (Test and Learn).</td>
<td>variance program loans to Fannie Mae.</td>
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<td>variance program loans to Fannie Mae.</td>
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<td>variance program loans to Fannie Mae.</td>
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<td>- Issue one or more variances to select lenders.</td>
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<td>- Issue one or more variances to select lenders.</td>
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<td>- Issue one or more variances to select lenders.</td>
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<td>5</td>
<td>Increase the purchase volume of single-family loans in high-needs rural regions (Do What We Do Best).</td>
<td>Purchase between 10,250 and 10,500 loans originating in high-needs rural regions.</td>
<td>Loan Purchase</td>
<td>Purchase between 10,500 and 11,000 loans originating in high-needs rural regions.</td>
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<td>Purchase between 12,500 and 13,000 loans originating in high-needs rural regions.</td>
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<td></td>
<td>- <strong>Baseline:</strong> Based on an average of the number of loans purchased by Fannie Mae over the last three years in high-needs rural regions, the Baseline for these purchases is 10,015.</td>
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<td>6</td>
<td>Create and implement a multifamily work-plan and increase the purchase of loans in Middle Appalachia (Analyze, Test and Learn, Do What We</td>
<td>Based on research and outreach results, document one multifamily Middle Appalachia work-plan that will address key multifamily affordable housing issues, including identification of the three</td>
<td>Loan Product</td>
<td>Process at least one product enhancement identified in the work-plan through the product enhancement and development approval procedure.</td>
<td>Loan Product</td>
<td>Implement the product enhancement approved during Year Two.</td>
<td>Loan Purchase</td>
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<td>Do)</td>
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<td>- Implement the two identified key actions that</td>
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<td>- Purchase loans representing a 20 percent increase over the Baseline.</td>
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<td>- <strong>Baseline:</strong> Based on an average of the number</td>
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<td></td>
<td>Do Best)</td>
<td>top multifamily housing issues, two potential roles for Fannie Mae multifamily, and two key actions that would enhance Fannie Mae’s ability to serve the multifamily market in Middle Appalachia.</td>
<td></td>
<td>will enhance Fannie Mae’s role in and ability to serve the multifamily market in Middle Appalachia.</td>
<td></td>
<td>of affordable multifamily units financed by Fannie Mae over the last three years in Middle Appalachia, the Baseline for these purchases is 6,800 units of housing.</td>
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<td></td>
<td>▪ Identify and document three potential product enhancements that could facilitate the provision of liquidity to Middle Appalachia to be submitted to Fannie Mae’s internal product enhancement and development approval process during Year Two of the Plan.</td>
<td></td>
<td>▪ Revise and document one updated work-plan.</td>
<td></td>
<td>▪ In Q3, conduct one survey of key stakeholders to assess the impact of Fannie Mae’s Middle Appalachia work-plan.</td>
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<td></td>
<td>▪ Develop and implement a LIHTC Equity Investment Plan for Middle Appalachia, subject to receipt of FHFA approval.</td>
<td></td>
<td>▪ In Q4, identify and document at least four key lessons learned from the work completed during the three Years of the Plan and use this information, as well as the survey results, for the 2021-2023 Plan.</td>
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A. Regulatory Activity: Housing in high-needs rural regions (12 C.F.R. § 1282.35 (c) (1)).

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<tr>
<td>7</td>
<td>Create and implement a multifamily work-plan and increase the purchase of loans in the Lower Mississippi Delta (Analyze, Test and Learn, Do What We Do Best).</td>
<td>▪ Based on research and outreach results, document one multifamily Lower Mississippi Delta work-plan that will address key multifamily affordable housing issues, including identification of the three top multifamily housing issues, two potential roles for Fannie Mae multifamily, and two key actions that would enhance Fannie Mae’s ability to serve the multifamily market in the Lower Mississippi Delta. ▪ Identify and document three potential product enhancements that could facilitate the provision of liquidity to the Lower Mississippi Delta to be submitted to Fannie Mae’s internal product enhancement and loan product process.</td>
<td>Loan Plan</td>
<td>▪ Process at least one product enhancement identified in the work-plan through the product enhancement and development approval procedure. ▪ Implement the two identified key actions that will enhance Fannie Mae’s role in and ability to serve the multifamily market in the Lower Mississippi Delta. ▪ Develop and implement a LIHTC Equity Investment Plan for the Lower Mississippi Delta, subject to receipt of FHFA approval. ▪ Revise and document one updated work-plan, including proposing additional product enhancements.</td>
<td>Loan Plan</td>
<td>▪ Implement the product enhancement approved during Year Two. ▪ Purchase loans representing a 20 percent increase over the Baseline. • Baseline: Based on an average of the number of affordable multifamily units financed by Fannie Mae over the last three years in the Lower Mississippi Delta, the Baseline for these purchases is 9,425 units of housing. ▪ In Q3, conduct one survey of key stakeholders to assess the impact of Fannie Mae’s Lower Mississippi Delta work-plan. ▪ In Q4, identify and document at least four</td>
<td>Loan Purchase</td>
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## A. Regulatory Activity: Housing in high-needs rural regions (12 C.F.R. § 1282.35 (c) (1)).

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<td>8</td>
<td>Create and implement a multifamily work-plan for the colonias (Analyze, Test and Learn).</td>
<td>development approval process during Year Two of the Plan.</td>
<td></td>
<td>key lessons learned from the work completed during the three Years of the Plan and use this information, as well as the survey results, for the 2021-2023 Plan.</td>
<td></td>
<td>Loan Product. Implement the product enhancement approved during Year Two.</td>
<td>Loan Product. In Q3, conduct one survey of key stakeholders to assess the impact of Fannie Mae’s colonias work-plan.</td>
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## A. Regulatory Activity: Housing in high-needs rural regions (12 C.F.R. § 1282.35 (c)(1)).

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<td>9</td>
<td>Implement anchor institution partnerships to increase homeownership opportunities in high-needs rural regions (Partner and Innovate).</td>
<td>facilitate the provision of liquidity to the colonias to be submitted to Fannie Mae’s internal product enhancement and development approval process during Year Two of the Plan.</td>
<td>one updated work-plan, including proposing additional product enhancements.</td>
<td>Increase by one the number of partnerships using a standardized data collection protocol.</td>
<td>Increase by one the number of partnerships using a standardized data collection protocol.</td>
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<td>Increase by one the number of partnerships using a standardized data collection protocol.</td>
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- **Outreach**
  - Identify and engage two potential anchor institution partners in target geographies.
  - Develop one replicable service-learning program model and training curriculum.
  - Identify and engage three lenders, three non-profit counseling organizations, and two down payment assistance and/or individual development account (IDA) program partners.
  - Identify and secure two channels for referrals for outreach.
  - Increase by one the number of partnerships using a standardized data collection protocol.
  - Work with counselors, educators, and other third parties to engage at least 50 households (clients).
  - Assess and document Year One quantitative data and qualitative feedback from two Year One partners to make program enhancements and refinements.
  - Provide training and support to three lenders, four non-profit partners.
  - Increase by one the number of partnerships using a standardized data collection protocol.
  - Work with counselors, educators, and other third parties to engage 50 more households (clients).
  - Assess and document the housing status of 10 program clients.
  - Assess and document the career paths and employment prospects of 10 student participants.
  - Analyze, assess and document quantitative data on clients served in outreach.
A. Regulatory Activity: Housing in high-needs rural regions (12 C.F.R. § 1282.35 (c) (1)).

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| 10 | Expand partnerships to increase access to financial counseling for households in high-needs rural regions and among high-needs rural populations (Partner and Innovate). | internships and employment for students.  
- Work with counselors, educators, and other third parties to engage 25 households (clients). | counseling organizations, and two down payment assistance and/or IDA program providers to optimize homeownership opportunities for program clients.  
- Create and implement one follow-up survey to assess longer-term impact of service on client outcomes from Year One activities. | Year One and Year Two against target outcome of 20 percent of clients meeting Fannie Mae mortgage eligibility criteria. | | |
| 10 | Identify and support two partners developing scalable models to reach those living in dispersed high-needs rural regions and isolated high-needs households, and document actions.  
- Develop and/or expand two partnerships targeting one or more of the high-needs regions and high-needs | Support outreach and delivery of financial counseling services to 50 households.  
- Develop or expand at least three partnerships to establish a service presence for each of the high-needs regions and populations.  
- Create, document, and implement one standard data collection protocol. | Support outreach and delivery of services to 200 households.  
- Analyze, assess, and document the data on financial and housing status of households served in Year One and Year Two.  
- Convene one session of partners to identify and discuss adoption of best practices. | | |

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<td>Create one set of documented best practices to reach and engage households in need of housing assistance.</td>
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<td>Create, document, and implement one follow-up survey process to assess longer-term impact of service on client outcomes.</td>
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### B. Regulatory Activity: Housing for high-needs rural populations (12 C.F.R. § 1282.35 (c) (2)).

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| 1 | Conduct outreach and market research through engagements with single-family and multifamily lenders and cross-functional industry representatives to identify and analyze market challenges, provide information about lending products, facilitate the delivery of loans, and maintain a communication feedback loop to facilitate a continuous improvement process (Analyze, Outreach) | ▪ Host one rural housing roundtable.  
▪ Participate in two key industry conferences.  
▪ Engage at least 10 Fannie Mae lenders to identify challenges, and address critical issues that impede delivery of loans for high-needs rural populations to Fannie Mae.  
▪ Produce and distribute educational materials that provide information about Fannie Mae’s loan products and assist lenders in meeting loan delivery requirements, including:  
  ▪ Engaging 25 Fannie Mae lenders and providing them with | Outreach | ▪ Host one rural housing roundtable.  
▪ Participate in two key industry conferences.  
▪ Engage at least 10 additional Fannie Mae single-family lenders to identify challenges and address critical issues that impede delivery of loans for high-needs rural populations to Fannie Mae.  
▪ Produce and distribute educational materials that provide information about Fannie Mae’s loan products and assist lenders in meeting loan delivery requirements, including:  
  ▪ Engaging 25 lenders and providing them with | Outreach | ▪ Host one rural housing roundtable.  
▪ Participate in two key industry conferences  
▪ Engage at least 10 additional Fannie Mae single-family lenders to identify challenges and address critical issues that impede delivery of loans for high-needs rural populations to Fannie Mae.  
▪ Produce and distribute educational materials that provide information about Fannie Mae’s loan products and assist lenders in meeting loan delivery requirements, including:  
  ▪ Engaging 25 additional Fannie Mae lenders | Outreach | }
### B. Regulatory Activity: Housing for high-needs rural populations (12 C.F.R. § 1282.35 (c) (2)).

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<tr>
<td></td>
<td>Partner and Innovate</td>
<td>educational materials. • Hosting two lender webinars for both single-family and multifamily lenders. ▪ Conduct outreach to key stakeholders and experts in housing for Native Americans and (separately) for agricultural workers, including but not limited to the following: • Five non-profits and other organizations. • Two CDFI. • Four government or tribal entities. • Three DUS lenders, banks and other financial institutions that serve the population.</td>
<td></td>
<td>with educational materials. • Hosting two lender webinars for both single-family and multifamily lenders. ▪ Based on the work-plan completed in Year One: • Hold two meetings with Native American and agricultural workers (separately) to discuss changing market needs. • Process at least one product enhancement identified in the work-plan through the product enhancement and development procedure. • Update and document a revised work-plan.</td>
<td>and providing them with the educational materials. • Hosting two lender webinars for both single-family and multifamily lenders. ▪ Implement three activities identified in the work-plan as revised in Year Two. • Hold two meetings with Native American and agricultural workers (separately) to discuss changing market needs.</td>
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B. **Regulatory Activity: Housing for high-needs rural populations (12 C.F.R. § 1282.35 (c) (2)).**

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- Establish and document one work-plan for providing liquidity to high-needs populations, including proposing at least one product enhancement that will increase the provision of liquidity to these populations.
- Establish separate subcommittees focused on housing for Native Americans and agricultural workers respectively as part of the Rural Housing Advisory Board.
B. Regulatory Activity: Housing for high-needs rural populations (12 C.F.R. § 1282.35 (c) (2)).

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<th>Year 3 Evaluation Factor</th>
<th>Loan Purchase</th>
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<tr>
<td>2</td>
<td>Update, rebrand, and market Fannie Mae’s Native American Conventional Lending Initiative (NACLI) single-family loan program and purchase NACLI loans (Do What We Do Best).</td>
<td>▪ Conduct and document an economic and operational impact analysis to determine the feasibility of reintroducing Fannie Mae’s NACLI loan product back into the marketplace. Currently, Fannie Mae only allows a refinance of an existing NACLI loan in Fannie Mae’s portfolio. This analysis would include purchase money transactions of NACLI loans, including an assessment of the ability to execute appropriate memoranda of understanding with Native American tribes. ▪ Engage five Fannie Mae lenders which are</td>
<td>Loan Product</td>
<td>▪ Reintroduce and market the NACLI loan product and purchase between 75 and 125 NACLI loans.</td>
<td>Loan Purchase</td>
<td>▪ Purchase between 200 and 275 NACLI loans.</td>
<td>Loan Purchase</td>
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Fannie Mae’s Duty to Serve Underserved Markets Plan must receive a non-objection from FHFA before becoming effective. The Objectives in the proposed and final Plan may be subject to change based on factors including public input, FHFA comments, compliance with Fannie Mae’s Charter Act, safety and soundness considerations, and market or economic conditions.
B. Regulatory Activity: Housing for high-needs rural populations (12 C.F.R. § 1282.35 (c) (2)).

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<tr>
<td>3</td>
<td>Create and implement a multifamily work-plan and purchase loans on rental housing for Native Americans (Analyze, Do What We Do Best).</td>
<td>- Based on research and outreach results, document one multifamily Native American work-plan that will address key multifamily affordable housing issues, including identification of the three top multifamily housing issues, two potential roles for Fannie Mae multifamily, and two key actions that would enhance Fannie Mae’s</td>
<td>Loan Product</td>
<td>- Process at least one product enhancement identified in the work-plan through the product enhancement and development approval procedure.</td>
<td>Loan Product</td>
<td>- Implement product enhancement(s) approved during Year Two.</td>
<td>Loan Purchase</td>
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• Baseline: Over the past three years, Fannie Mae has purchased zero

Fannie Mae’s Duty to Serve Underserved Markets Plan must receive a non-objection from FHFA before becoming effective. The Objectives in the proposed and final Plan may be subject to change based on factors including public input, FHFA comments, compliance with Fannie Mae’s Charter Act, safety and soundness considerations, and market or economic conditions.
### B. Regulatory Activity: Housing for high-needs rural populations (12 C.F.R. § 1282.35 (c) (2)).

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| 1  | ability to serve Native Americans.  
   ▪ Identify and document three potential product enhancements that could facilitate the provision of liquidity to Native Americans to be submitted to Fannie Mae’s internal product enhancement and development approval process during Year Two of the Plan.  
   ▪ Including proposing additional product enhancements.  
   ▪ Develop and implement a LIHTC Equity Investment Plan for Native Americans, subject to receipt of FHFA approval. | | | | | | |
| 2  | multifamily loans on rental housing for Native Americans.  
   ▪ In Q3, conduct a survey of key stakeholders to assess the impact of Fannie Mae’s work-plan.  
   ▪ In Q4, identify and document at least four key lessons learned from the work completed under the work-plan and use those findings, as well as the survey results, in the planning process for the 2021-2023 Plan. | | | | | | |
### B. Regulatory Activity: Housing for high-needs rural populations (12 C.F.R. § 1282.35 (c) (2)).

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<td>4</td>
<td>Create and implement a multifamily work-plan on rental housing for agricultural workers (Analyze).</td>
<td>▪ Based on research and outreach results, document one multifamily agricultural workers work-plan that will address key multifamily affordable housing issues, including identification of agricultural worker communities, identification of the three top multifamily housing issues, two potential roles for Fannie Mae multifamily, and two key actions that would enhance Fannie Mae’s ability to serve the multifamily market for agricultural workers. ▪ Identify and document three potential product enhancements that could</td>
<td>Loan Product</td>
<td>▪ Process at least one product enhancement identified in the work-plan through the product enhancement and development approval procedure. ▪ Implement the two identified key actions that will enhance Fannie Mae’s role in and ability to serve agricultural workers. ▪ Revise and document one updated work-plan, including proposing additional product enhancements. ▪ Develop and implement a LIHTC Equity Investment Plan for agricultural workers, subject to receipt of FHFA approval.</td>
<td>Loan Product</td>
<td>▪ Implement product enhancement(s) approved during Year Two. ▪ In Q3, conduct a survey of key stakeholders to assess the impact of Fannie Mae’s work-plan. ▪ In Q4, identify and document at least four key lessons learned from the work completed under the work-plan and use those findings, as well as the survey results, in the planning process for the 2021-2023 Plan.</td>
<td>Loan Product</td>
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### B. Regulatory Activity: Housing for high-needs rural populations (12 C.F.R. § 1282.35 (c) (2)).

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<td></td>
<td>facilitate the provision of liquidity to agricultural workers to be submitted to Fannie Mae’s internal product enhancement and development approval process during Year Two of the Plan.</td>
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## B. Regulatory Activity: Housing for high-needs rural populations (12 C.F.R. § 1282.35 (c) (2)).

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</table>
| 5 | Establish a pilot program for potential entity level investments in non-profit organizations, CDFI, small financial institutions or other entities that have a major focus on high-needs populations (Partner and Innovate). | • Design one pilot investment program, including reviewing and addressing:  
  • One to five potential investment types.  
  • Investment underwriting.  
  • Approval process.  
  • Maximum portfolio capacity.  
  • Asset management.  
  • Reporting.  
  • Performance measures – traditional financial as well as impact performance.  
  • Attain preliminary internal approval for proposed pilot program.  
  • Submit pilot program to FHFA for review. | Investment | • Based on the experience in Year One, revise pilot program and seek FHFA approval. | Investment | | |

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### B. Regulatory Activity: Housing for high-needs rural populations (12 C.F.R. § 1282.35 (c) (2)).

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<td>If the pilot program complies with Fannie Mae’s Charter Act and receives approval from FHFA, process the proposed investment(s) through Fannie Mae’s internal product development process.</td>
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<td></td>
<td>Close the investments that have been approved internally and received FHFA’s approval.</td>
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<td></td>
<td><strong>Baseline:</strong> No investments of this nature have been made by Fannie Mae in the past three years.</td>
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### B. Regulatory Activity: Housing for high-needs rural populations (12 C.F.R. § 1282.35 (c) (2)).

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| 6 | Develop strategies to reduce barriers to affordable housing for high-needs populations (Analyze, Test and Learn). | ▪ Research the range of for-profit and non-profit developers active in the target geography, estimate their capabilities to advance targeted preservation projects, and identify four entities to propose for participation.  
▪ Identify and document at least six significant barriers to accelerating preservation and redevelopment activities including local builders and labor force, building and zoning codes, insurance underwriting and lending standards, etc.  
▪ Research best practices in preservation including assessment of long-term | ▪ Design, document and implement one scalable technical assistance and training program to expand rural development capacity to serve high-needs regions and populations.  
▪ Provide technical assistance or training to 10 organizations committed to affordable housing in the high-needs regions.  
▪ Design and implement two initiatives to address preservation and redevelopment barriers which may include convening stakeholders to address common issues, development of model approaches, and documenting and | ▪ Provide technical assistance or training to 10 affordable housing organizations.  
▪ Monitor, assess, and document the impact of technical assistance and training efforts reflected in progress toward units replaced, rehabilitated, and preserved.  
▪ Convene two live meetings and/or webinars to disseminate white paper findings and analysis. | Outreach |

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<td>sustainability and propose and document draft statement of same.</td>
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<td>promoting best practices.</td>
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<td>Produce one white paper cataloging the challenges and describing strategies to</td>
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<td>address them.</td>
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C. Regulatory Activity: Financing by small financial institutions of rural housing (12 C.F.R. § 1282.35(c) (3)).

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<tr>
<td>1</td>
<td>Consider loan product and underwriting changes to purchase multifamily</td>
<td>• Conduct outreach to six existing Fannie Mae DUS lenders to determine their</td>
<td>Loan Product</td>
<td>• Purchase at least 15 multifamily loans originated by a small financial institution in rural areas.</td>
<td>Loan Purchase</td>
<td>• Purchase at least 15 multifamily loans originated by a small financial institution in rural areas.</td>
<td>Loan Purchase</td>
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<td>mortgage loans from small financial</td>
<td>interest in providing correspondent services/aggregation to small financial</td>
<td></td>
<td>• Baseline: Fannie Mae does not track whether the institutions that</td>
<td></td>
<td>• During Q3, conduct two meetings with Fannie Mae’s lenders involved in</td>
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C. Regulatory Activity: Financing by small financial institutions of rural housing (12 C.F.R. § 1282.35(c) (3)).

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|   | institutions in rural areas and purchase loans (Partner and Innovate, Do What We Do Best). | institutions, which originate multifamily mortgage loans in rural areas.  
  ▪ Should there not be a sufficient number of DUS lenders interested, conduct outreach to two other financial entities that would have the multi-State capacity and underwriting, servicing and asset management infrastructure to become a Fannie Mae lender with a special focus on rural areas (e.g., FHLB with a rural footprint and national CDFI with a rural focus).  
  ▪ Identify and reach out to at least four small financial institutions, including CDFI, which originate multifamily mortgage loans in rural areas to determine their | originated the multifamily loans it acquired have assets of $304 million or less, thus it is unable to establish a Baseline.  
  ▪ During Q3, conduct two meetings with Fannie Mae’s lenders involved in the origination of the subject loans and two meetings with designated small financial institutions to get continuous improvement feedback and make any adjustments needed.  
  ▪ Identify and document at least five lessons learned during each of Year Two and Year Three that can inform planning for the 2021-2023 Plan. | | | | |
## C. Regulatory Activity: Financing by small financial institutions of rural housing (12 C.F.R. § 1282.35(c) (3)).

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<td>interest in sales of subject loans into the secondary market.</td>
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<td>▪ Identify at least two Multifamily Selling and Servicing Guide changes to be made consistent with safety and soundness, which will increase the provision of liquidity to rural areas.</td>
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<td></td>
<td>▪ Conduct outreach to three investors to determine potential MBS investor appetite for multifamily mortgage loans in rural areas.</td>
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<td></td>
<td>▪ Obtain necessary approvals to begin purchasing subject loans in Year Two.</td>
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<td>2</td>
<td>Conduct outreach and market research through engagements with small single-family lenders and cross-</td>
<td>▪ Engage 10 small financial institutions that lend in rural areas to understand more about the needs and challenges these</td>
<td>Outreach</td>
<td>▪ Engage 10 small financial institutions that lend in rural areas to understand more about the needs and challenges these</td>
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<td>▪ Engage 10 small financial institutions that lend in rural areas to understand more about the needs and challenges these</td>
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C. Regulatory Activity: Financing by small financial institutions of rural housing (12 C.F.R. § 1282.35(c) (3)).

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|   | functional industry representatives to identify and analyze market challenges, provide information about lending products, facilitate the delivery of loans, and maintain a communication feedback loop to facilitate a continuous improvement process (Analyze, Partner and Innovate). | organizations face when serving rural areas.  
- Participate in two key industry conferences.  
- Produce and distribute educational materials that provide information about Fannie Mae’s loan products and assist lenders in meeting loan delivery requirements, including:  
  - Engaging 10 Fannie Mae lenders by distributing the educational materials to them.  
  - Hosting two lender webinars. | organizations face when serving rural areas.  
- Participate in two key industry conferences.  
- Produce and distribute educational materials that provide information about Fannie Mae’s loan products and assist lenders in meeting loan delivery requirements, including:  
  - Engaging 10 Fannie Mae lenders by distributing the educational materials to them.  
  - Hosting two lender webinars. | organizations face when serving rural areas.  
- Participate in two key industry conferences.  
- Produce and distribute educational materials that provide information about Fannie Mae’s loan products and assist lenders in meeting loan delivery requirements, including:  
  - Engaging 10 Fannie Mae lenders by distributing the educational materials to them.  
  - Hosting two lender webinars. |  |
C. Regulatory Activity: Financing by small financial institutions of rural housing (12 C.F.R. § 1282.35(c) (3)).

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| 3  | Secure regulatory non-objection to provide liquidity by purchasing single-family rural loans through bulk transactions from small financial institutions, and place loans in our portfolio (Do What We Do Best). | • Pursue internal approval to purchase single-family loans, some of which may not be eligible for MBS securitization.  
• Pursue FHFA non-objection to the purchase of single-family loans which may remain on Fannie Mae's balance sheet for the life of the loans. | Outreach | • Purchase between 600 and 675 single-family rural loans through bulk transactions from small financial institutions  
• **Baseline:** Zero. In the past three years, Fannie Mae has not purchased any single-family rural housing loans through bulk transactions from small financial institutions. | Loan Purchase | • Purchase between 600 and 675 single-family rural loans through bulk transactions from small financial institutions. | Loan Purchase |
| 4  | Increase the purchase volume of single-family loans in rural areas from small financial institutions (Do What We Do Best). | • Purchase between 14,350 and 14,850 loans in rural areas from small financial institutions.  
• **Baseline:** The Baseline for this Objective is the average of the number of single-family loans which Fannie Mae has purchased in the last three years in rural areas from small | Loan Purchase | • Purchase between 14,850 and 15,350 loans in rural areas from small financial institutions. | Loan Purchase | • Purchase between 17,500 and 18,000 loans in rural areas from small financial institutions. | Loan Purchase |
### C. Regulatory Activity: Financing by small financial institutions of rural housing (12 C.F.R. § 1282.35(c) (3)).

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<td>financial institutions which is 13,998 loans.</td>
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### D. Regulatory Activity: Small multifamily rental properties in rural areas. (12 C.F.R. § 1282.35 (c)(4)).

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</table>
| 1 | Identify market opportunities, lenders, and other partners and product(s) to prepare to proactively purchase small multifamily loans and purchase loans (Partner and Innovate, Do What We Do Best). | ▪ Conduct outreach to six Fannie Mae DUS lenders to determine their level of interest in purchasing small multifamily loans in rural areas.  
▪ If there is not a sufficient number of DUS Lenders interested, conduct outreach to two other financial entities that would have the capacity and knowledge to purchase loans. | Loan Product | ▪ Increase the number of loans purchase on small multifamily properties in rural areas by 20 percent over the Baseline.  
▪ **Baseline:** Based on an average of the number of small multifamily loans financed by Fannie Mae over the last three years, the Baseline for these purchases is 51 loans. | Loan Purchase | ▪ Increase the number of loans purchase on small multifamily properties in rural areas by 20 percent over the Baseline. | Loan Purchase |
### D. Regulatory Activity: Small multifamily rental properties in rural areas. (12 C.F.R. § 1282.35 (c)(4)).

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<td>become a Fannie Mae lender with a special focus on rural areas (e.g., FHLB with a rural footprint and national CDFI with a rural focus).</td>
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<td>Conduct and document a review of Fannie Mae’s RD 538 program to determine if it could be used efficiently to purchase small multifamily loans.</td>
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<td>Conduct and document a review of a seasoned loan approach to increase liquidity to small affordable multifamily loans in rural areas.</td>
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<td>In conjunction with the activities under the Affordable Housing Preservation section of this Plan, research potential USDA 515 refinance opportunities.</td>
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<td>Educate at least six</td>
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- Complete the on-boarding process for new lenders.
- Train new lenders.
D. Regulatory Activity: Small multifamily rental properties in rural areas. (12 C.F.R. § 1282.35 (c)(4)).

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|   |           | lenders on the small affordable loan product(s) offered by Fannie Mae.  
|   |           | - Approve one to three changes to the Multifamily Selling and Servicing Guide to facilitate the purchase of the subject loans, taking into consideration notions of safety and soundness.  
|   |           | - Position at least one existing Fannie Mae lender(s) to start originating loans in Year Two of the Plan.  
|   |           | - If new financial entities are to be brought on as a special affordable rural lenders, begin the new lender on-boarding process. | | | |

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### E. Additional Activity: Invest in LIHTC properties to facilitate the provision of affordable multifamily housing in rural areas (12 C.F.R. § 1282.35 (d)).

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</table>
| 1  | Acquire equity investments in LIHTC properties to facilitate the provision of affordable rural areas housing, including but not limited to, housing associated with other Statutory and Regulatory Activities. | ▪ Conduct and document a market opportunities analysis with respect to potential equity investments in LIHTC housing designed to support affordable rural housing, including but not limited to, the following Statutory and Regulatory Activities:  
  • The project-based rental assistance housing programs under Section 8 of the U.S. Housing Act of 1937, 42 U.S.C. § 1437f (Section 8).  
  • The supportive housing program for the elderly under Section 202 of the Housing Act of 1959, 12 U.S.C. § 1701q.  
  • Debt financing of low-income housing tax | Outreach | ▪ If approved by FHFA, acquire at least five equity investments in LIHTC projects in rural areas.  
  • **Baseline:** Fannie Mae has not made any investments in LIHTC properties in rural areas in the past three years. | Investment | ▪ If approved by FHFA, acquire at least 10 equity investments in LIHTC projects in rural areas. | Investment |

Fannie Mae’s Duty to Serve Underserved Markets Plan must receive a non-objection from FHFA before becoming effective. The Objectives in the proposed and final Plan may be subject to change based on factors including public input, FHFA comments, compliance with Fannie Mae’s Charter Act, safety and soundness considerations, and market or economic conditions.
E. Additional Activity: Invest in LIHTC properties to facilitate the provision of affordable multifamily housing in rural areas (12 C.F.R. § 1282.35 (d)).

<table>
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<tr>
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<th>Year 1 Evaluation Factor</th>
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<td></td>
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<td>Section 515. The rural rental housing program under Section 515 of the Housing Act of 1949, 42 U.S.C. § 1485.</td>
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<td>Small multifamily properties financed by entities with assets of $10 billion or less.</td>
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<td>Establish and document one set of reasonable investment goals related to rural housing.</td>
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<td>Adopt one work-plan, to complete the following:</td>
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<td>• Buildout and re-establish Fannie Mae’s LIHTC infrastructure and partner relationships.</td>
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<td>• Identify best-in-class</td>
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**E. Additional Activity: Invest in LIHTC properties to facilitate the provision of affordable multifamily housing in rural areas (12 C.F.R. § 1282.35 (d)).**

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<td>syndicators as potential partners. Leverage Fannie Mae’s longstanding relationships in the LIHTC industry.</td>
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