

## 2024 Affordable Housing Preservation Loan Product

### ACTIVITY:

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

### OBJECTIVE:

1. Increase the acquisition of distressed properties by owner-occupants through outreach and new product development focused on the purchase of distressed properties by mission-focused nonprofits or public entities, and/or owner-occupants.

### INFEASIBILITY:

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

### SUMMARY OF RESULTS:

<i>Objective's components detailed in the Plan</i>	<i>Corresponding actions taken</i>	<i>Explanation of any deviations from the Plan (if applicable)</i>
<input checked="" type="checkbox"/> Evaluate and codify strategies based on learnings from geographic specific programs to facilitate owner-occupant and buyer acquisition of distressed properties.	Target met through 2024 actions; see detail in implementation steps below.	
<input checked="" type="checkbox"/> Based upon evaluation findings, incorporate top-performing asset disposition strategies into standard processes and offerings.	Fannie Mae incorporated the Nonprofit Single-Family Rental Financing Variance into our real estate strategy as a standard practice. The HomePath® Housing Solutions and tenant-occupied strategies are also included in our business strategy.	
<input checked="" type="checkbox"/> Evaluate geographic-specific strategies and publish findings as an update or amendment to the 2021 research on interventions undertaken to promote neighborhood stabilization and recovery.	We completed evaluations of the five place-based strategies initiated in 2022 and 2023 as well as two nationwide strategies.	We did not publish the evaluation findings as approved by FHFA.



## SUMMARY OF RESULTS CONTINUED:

<i>Objective's components detailed in the Plan</i>	<i>Corresponding actions taken</i>	<i>Explanation of any deviations from the Plan (if applicable)</i>
<input checked="" type="checkbox"/> Continue outreach to partners that purchase our REO to acquire feedback and facilitate evaluation and iteration of our disposition programs.	<p>We engaged Community First (CF) buyers and met with housing providers.</p> <p>We conducted seven market visits to meet with CF buyers, participated in two national conferences, conducted six well-attended webinars, and launched a digital awareness campaign targeted to real estate professionals.</p> <p>We engaged deeply with partners through the place-based strategy work.</p> <p>We published eight feature stories on HomePath.com to share impacts of the work accomplished with partners.</p> <p>We made HomePath platform enhancements based on user feedback.</p>	
<input checked="" type="checkbox"/> Based on the evaluation of findings for the geographic-specific strategies launched in 2022 and 2023, refine the disposition strategies and achieve a 10% increase in the volume or percentage of properties sold through Community First and First Look programs or directly to owner-occupant purchasers through these initiatives.	<p>Total retail channel real estate owned (REO) dispositions to owner-occupants increased from 2,116 in 2023 to 3,316 in 2024. This totaled 80.5% of all retail sales in 2024 — the highest rate we've achieved to date. Combined CF and Public Entity sales totaled 379 in 2024 (vs. 270 in 2023).</p>	

## SELF-ASSESSMENT RATING OF PROGRESS:

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

## IMPACT:

- ☐ 50 – Very Large Impact  
☒ 40  
☐ 30 – Meaningful Impact  
☐ 20  
☐ 10 – Minimal Impact  
☐ 0 – No Impact



## **IMPACT EXPLANATION:**

### **1. How and to what extent were actions under this objective impactful in addressing underserved market needs, or in laying the foundation for future impact in addressing underserved market needs?**

The results of Fannie Mae's work this year confirm that the programs we've put into place, including the Community First platform, our repair strategy, tenant-occupied solutions, and stakeholder outreach are effective in facilitating owner-occupant and nonprofit acquisition of distressed properties. By continuing these activities and incorporating lessons from the place-based strategies we launched between 2022 and 2024, we will continue to contribute to the affordable housing supply and help stabilize neighborhoods. Establishing these foundational processes and policies has prepared us to continue to perform effectively regardless of REO volume.

In 2024, Fannie Mae REO inventory declined to historic levels as a result of factors including low delinquency rates, home price appreciation trends, and the effectiveness of loss mitigation options helping delinquent borrowers to avoid foreclosure. Even in this low-inventory environment, we made meaningful increases in dispositions that supported sales to owner-occupants, Community First buyers, and homeowners using down payment assistance.

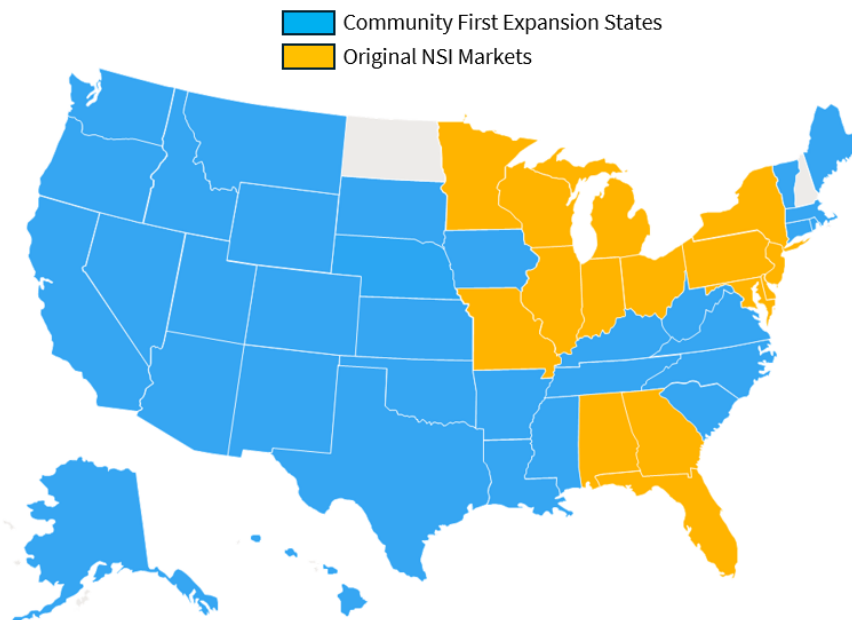
- Total retail channel REO dispositions to owner-occupants increased from 2,116 in 2023 to 3,316 in 2024. This totaled 80.5% of all retail sales in 2024 — the highest rate we've achieved to date.
- There were 77 sales to CF buyers in 2024, including the first sale to a partner in Puerto Rico. As a percentage of sales, this is comparable to 2023 CF sales, even though the volume of vacant properties eligible for the platform declined from 3,065 to 2,134.
- 302 Public Entity (PE) retail sales closed in 2024. These primarily were purchased by owner-occupant buyers using down payment assistance programs. The most active PE market is Puerto Rico, accounting for approximately 24% of all PE sales.

### **Market engagement resulted in more educated partners and more effective processes**

Outreach to nonprofits and public entities in 2024 resulted in increasing the geographic coverage and quality of CF buyers.

- 20 new CF buyers were approved, bringing the total number to 329, with at least one CF partner in each state with the exception of New Hampshire and North Dakota. We continue to cultivate relationships with prospective nonprofit and land trust partners in both states.
- Of the 20 new partners, 11 were Habitat for Humanity affiliates and one was a land bank.

## 2024 Community First Partner Map



We continued to actively engage existing CF buyers to solicit input on disposition strategies and to participate in events to meet with entities producing or financing affordable, stable housing. We also focused on educating real estate agents and shared partner successes working together on affordable housing solutions.

- We participated in the Habitat International Conference and met with current and prospective partners highlighting Community First by Fannie Mae™, HomePath®, and the retail First Look™ program, alongside partners from the Affordable Lending Team who presented on topics including the sweat equity benefits available to homebuyers and nonprofits.
- We participated in the Reclaiming Vacant Properties conference, speaking directly with over 50 organizations about Community First by Fannie Mae, HomePath, HomeView®, and our Area Median Income (AMI) incentives. We hosted an invitation-only breakfast to provide a soft launch of the Nonprofit Single-Family Rental Financing Variance, which could allow CF partners to obtain a 30-year loan on REO utilized for single family affordable rentals. Partners in St. Louis, Chicago, and San Juan expressed interest in pursuing next steps.
- We conducted seven market visits: Jackson, Canton, and Greenville, MS; Atlanta, GA; St. Louis, MO; Chicago, IL; Detroit, MI; Orlando and Tampa Bay, FL, and Muskogee, OK.
- We conducted six webinars to educate listing agents on various program enhancements, including CF and Public Entity Offers, affordable loan products, and HomePath Housing Solutions. Over 200 attendees participated in each webinar.
- We launched a digital awareness campaign targeted to real estate professionals in 10 markets promoting HomePath.com to dispel REO misconceptions and drive consumption of closing cost concessions and down payment assistance. The campaign resulted in doubling the traffic to the Buyers' Agent webpage (109% increase) and increasing the total number of registered buyers' agents by 24%.
- We published eight new feature stories on HomePath.com demonstrating commitment to affordable housing solutions across the county.
- We continue to use CF buyer feedback to inform platform enhancements and future development. This year we implemented technology and process enhancements to allow subsequent CF buyer offers to proceed in circumstances where the original buyer terminates a previously accepted offer. Prior to this, the property was removed from the CF platform if the previous buyer withdrew.



## **Fannie Mae programs and operations are impactful in selling REO to owner-occupants and public entities**

We continue to make significant investments to increase REO purchases by owner-occupants.

- Our repair strategy led to an investment of more than \$393.4 million in repairs, delivering move-in ready and energy efficient homes. This helped lead to the highest percentage of retail sales to owner-occupant homebuyers ever (80.5%). Approximately 93.5% of properties repaired sold directly to owner-occupant buyers. 72.8% of retail REO dispositions were repaired.
- Our closing cost concession — up to 3% of the sales price for HomePath buyers with an AMI at or below 100% and a \$500 loan-level price adjustment (LLPA) credit for buyer's appraisal cost — continues to help make these homes more affordable. In 2024, 679 REO sales closed in which buyers used the AMI closing cost concession, with an average buyer cost credit of \$6,214 and a total credit amount of over \$4.2 million. We acquired 242 loans in which the LLPA appraisal credit was included during this period.
- Our HomePath Housing Solutions program conducts repairs on REO properties that either come into inventory as vacant land or are in a condition beyond a reasonable state of restoration. In 2024, we invested more than \$20.6 million in vacant home repairs. We sold 66 properties to owner-occupants and nonprofit buyers in 28 states. Owner-occupants accounted for 96.5% of the purchases. As of December 31, 2024, there were 134 properties in the HomePath Housing Solutions repair process or available for sale.

Responding to user input, we made improvements to our workflow and to the HomePath platform. Enhancements increased the efficiency and effectiveness of the offer submission process and promoted affordable transactions. Enhancements included:

- Embedding links to an existing down payment assistance tool on fanniemae.com, connecting prospective homebuyers to programs that can help reduce the cost to purchase a home.
- Updating the Real Estate Professionals page to include resources and links to the HomeReady® First mortgage product.
- Redesigning the property details page to allow viewers to easily navigate and gather property information. This also made HomePath an educational tool for homebuyers and real estate agents to learn more about Fannie Mae loan products and incentives.
- Enhancing the property details page with additional flood risk information to increase consumer flood risk education and awareness.

Our enhanced tenant-occupied solutions helped REO tenants become homeowners and provided housing stability to those not yet ready.

- 2024 brought the first closing where a tenant participated in the full tenant-occupied solutions process: completing the HomeView education course and qualifying for the low- to moderate-income credit, thereby receiving 6% in total closing costs concessions. With this sale, the tenant was able to purchase the home in which they had lived for 10 years.
- From the beginning of the program through the end of 2024, we have successfully closed 31 total sales to tenant-occupants of our REO properties. Buyers have benefited from additional incentives and education: 12 of the purchasers qualified for the REO AMI closing cost credit, and 11 qualified for the 3% closing cost credit for completing the HomeView education course. One buyer completed one-on-one counseling services with GreenPath. We also provided tenant-occupants with 77 affordable leases and had six tenants engage in counseling services.
- In May 2024, we developed new marketing collateral to provide tenants with additional information on their options.

## **Placed-based approaches can preserve affordable housing supply, support long-term stability, and strengthen relationships**

In 2024, we completed the final market-specific REO disposition strategies initiated to support the acquisition and rehabilitation of Fannie Mae REO properties by mission-focused nonprofits and/or owner-occupants.

- Butte County, CA: In May 2024, FHFA approved an expanded skeleton variance to the REO nonprofit variance first employed with Community Housing Improvement Program (CHIP) for the purchase of new homes on vacant REO lots in Paradise and Magalia, CA, where the original house was lost to wildfire. The pilot allowed Fannie Mae to provide liquidity to support the REO acquisition in that CHIP leveraged the *Selling Guide* variance to allow the nonprofit as the borrower



for MH Advantage® financing. With approval from FHFA, we exited the pilot and made the Nonprofit Single-Family Rental Financing Variance available nationwide to support affordable rental strategies leveraging REO properties. We also developed six new homes, concluding development on all our vacant REO lots following the fire. Nine were sold to owner-occupants or family members of the new resident this year, completing sales of all the homes. These homes provided valuable affordable housing to the community.

- In Mississippi, we worked with a new nonprofit Community First partner, Home Again, as they deployed a process to act as a centralized REO buyer on behalf of eight affordable housing providers around the state. This single point of contact viewed 25 properties; only four, however, were in their geographic areas of interest. A member of the collaborative purchased a property from HomePath. Through this engagement, we learned more about the challenges of working in rural areas where there's little overlap between housing providers and inventory.
- Informed by a 2023 listening session in Philadelphia, we worked with a consultant to create a “developer calculator” — a flexible and easy-to-use tool to evaluate property acquisition decisions based on acquisition price, estimated development costs, available subsidies, and end-buyer AMIs. We solicited feedback from CF partners and will determine next steps, informed by thorough assessment of benefits and risks.

We completed evaluations of the five place-based strategies initiated in 2022 and 2023 as well as two nationwide strategies:

- Nonprofit Acquisitions of REO in Disaster Areas Pilot (Butte County, CA)
- HomePath Housing Solutions (National)
- Tenant-Occupied Solutions with New Jersey Community Capital (State of New Jersey)
- Tenant-occupied Strategies (National)
- Home Again Statewide Community First Clearinghouse (State of Mississippi)
- SHARE Baltimore Community Land Trust Collaborative Clearinghouse (Baltimore, MD)
- Stakeholder-Informed Property Acquisition Assessment Tool (Philadelphia, PA)

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

As a result of our activities, we gained the following insights into the distressed property marketplace:

- Deploying place-based scalable strategies underscored how challenging it can be to achieve mission-driven REO disposition when there is low volume and scattered site inventory. The efforts however, helped show that our existing programs are working and have prepared us to effectively address any future REO volume increase.
- The statewide clearinghouse strategy in Mississippi highlighted the challenge of REO disposition in rural areas. In the first 10 months that Home Again was a CF partner, only four of 25 properties viewed were in a partner's target geography, and location was the top factor for the partners in deciding whether to purchase a property. Even with a multi-city housing provider network, there was limited geographic alignment.
- Scattered-site, often rural inventory also makes our HomePath Housing Solutions difficult. As a result, builders are not able to offer scale discounts.
- Macro-market-level factors have impacted housing providers serving underserved markets. High interest rates, supply cost increases, and timeline delays for renovations on existing inventory made some organizations averse to taking on additional property due to increased risk.
- The market-specific strategies helped highlight what's already working and how to clearly message to nonprofit organizations. For example, engaged nonprofit organizations were interested in hearing about the opportunity to become CF buyers and about the quality repaired properties available through HomePath. They didn't always understand the difference between the programs, however. In response, we are developing a Frequently Asked Questions document to compare and contrast CF, First Look, and HomePath offerings.
- Regular engagement with housing providers and real estate professionals ensures that they better understand our products. It also ensures that we can continuously build trust and improve processes and products based on market input. This communication is paramount as we continue to make HomePath the premiere affordable housing platform.

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

N/A



## **Affordable Housing Preservation Second Quarter Report: April 1 - June 30, 2024 Loan Product**

### **ACTIVITY:**

I. Purchase or rehabilitation of certain distressed properties

### **OBJECTIVE:**

1. Increase the acquisition of distressed properties by owner-occupants through outreach and new product development focused on purchasing distressed properties by mission-focused nonprofits or public entities, and/or owner-occupants.

### **SUMMARY OF PROGRESS:**

Fannie Mae continues to actively reach out to existing Community First buyers to solicit input on disposition strategies and continues outreach to non-profits and public entities to increase the geographic coverage of Community First buyers and increase the number of REO sales to these entities.

- As of June 2024, 17 new Community First partners have been added bringing the total number of Community First partners to 325.
- Year-to-date 45 Community First transactions have closed, bringing the program total to 520 sales.
- Year-to-date as of June 30, 2024, 143 Public Entity retail transactions have closed, surpassing 2023 totals. The majority have sold to owner occupant buyers utilizing down payment assistance programs. The most active DPA market is Puerto Rico, where 36% of retail transactions utilize down payment assistance.
- We published four new feature stories on Homepath.com® demonstrating commitment to affordable housing solutions across the country.
- Outreach efforts continued for partner organizations located in North Dakota resulted in initial registrations by a community land trust and a housing authority. Completion of the entity applications are pending.
- Fannie Mae implemented technology and process enhancements to allow subsequent Community First buyer offers to proceed in circumstances where the original buyer terminates a previously accepted offer. Prior to this the property was removed from Community first if the previous buyer withdrew.
- Market visits were conducted in Mississippi and Atlanta, GA. The Mississippi market visit supported the place-based strategy described later in this document. In Atlanta, the



## **Affordable Housing Preservation Second Quarter Report: April 1 - June 30, 2024 Loan Product**

team presented at the Habitat International Conference and met with current and prospective partners highlighting Community First by Fannie Mae™, HomePath®, and the retail First Look™ program, alongside partners from the Affordable Lending Team who presented on topics including the sweat equity benefits available to homebuyers and non-profits.

- Fannie Mae launched a digital awareness campaign in ten cities to promote Homepath.com and our REO Inventory, dispel REO misconceptions, and drive utilization of affordability tools such as available closing cost concessions.
- We conducted two webinars to educate listing agents on Community First and Public Entity Offers, and affordable loan products. Over 200 attendees participated in each webinar.

Through Q2 of 2024, Fannie Mae continued implementing geographic-specific strategies launched in 2022-2023. We have developed an evaluation framework for all the strategies and begun the assessments.

- Paradise, CA: In May 2024, FHFA approved the REO nonprofit variance first employed with Community Housing Improvement Program (CHIP) for the purchase of new homes on vacant REO lots in Paradise and Magalia, California where the original house was lost to wildfire. The pilot in Paradise allowed Fannie Mae to provide liquidity to support the REO acquisition in that CHIP leveraged the *Selling Guide* variance to allow the nonprofit as the borrower for MH Advantage financing. With the approval from FHFA, the pilot has concluded, and the variance is now available nationwide to support affordable rental strategies leveraging REO properties.
- In Mississippi we worked with a new nonprofit Community First partner as they deployed a process to act as a centralized REO buyer on behalf of eight affordable housing providers around the state. Home Again, a subsidiary of Hope Enterprise Corporation, became a buyer in late 2023 and is the only one in the state. In Q2 we conducted a site visit with Home Again and four of the partners in Jackson, Canton, and Greenville. Home Again is refining their clearinghouse role and process with the eight partners, including offering a line of credit for organizations to purchase and repair properties. In June, one of the Jackson organizations executed a purchase contract with Fannie Mae on a property offered through HomePath First Look.
- Informed by the 2023 listening session in Philadelphia, in early 2024 we continued working with a consultant to develop a “calculator” that can provide a nimble tool to affordable housing developers to make more informed property acquisition decisions





## **Affordable Housing Preservation Second Quarter Report: April 1 - June 30, 2024 Loan Product**

based on estimated development costs, available subsidies, and end-buyer incomes. In Q2 we socialized the tool internally and will be soliciting feedback from select Community First partners in Q3.

- Other place-based strategies substantially wrapped in 2023 and are being evaluated. These are the tenant-occupied sales to a nonprofit in New Jersey and expanding community land trust purchases in Baltimore efforts.

Fannie Mae continues to make significant investments to increase REO purchases by owner-occupants.

- This year, Fannie Mae has invested \$187.5 million to repair REO properties disposed in the first half of 2024. Of which, 94% of properties repaired sold directly to owner-occupant buyers and 72.1% of all retail REO dispositions during this period were repaired.
- Through HomePath Housing Solutions we sold 26 properties in 16 states in the first half of 2024. Owner occupants purchased 25 of them. As of June 30, we had 119 properties in repair or available for sale (94 under construction and 25 in Listed/Pending status).
- Our closing cost concession for up to 3% of the sales price for HomePath buyers with an Area Median Income (AMI) at or below 100% and a \$500 loan-level price adjustment (LLPA) credit for buyer's appraisal cost continues to help make these homes more affordable. In the first half of 2024, 321 REO sales closed in which buyers utilized the AMI closing cost concession, with an average buyer cost credit of \$6,026 and a total credit amount of over \$1.9 million. We acquired 148 loans in which the LLPA credit was included during this period.

Fannie Mae's tenant-occupied solutions are having an impact.

- As of end of Q2 2024, the tenant purchase solutions have successfully closed 27 sales to tenant occupants of our REO properties since beginning the program. Some of the purchasers in these transactions have also qualified for the REO AMI closing cost credit (11 buyers), the 3% closing cost credit for completing the HomeView® education course (11 buyers), and one buyer completed counseling services. We have also provided tenant-occupants with 69 affordable leases and had six tenants engage in counseling services. Additionally, in May 2024, we developed new marketing collateral to provide tenants with additional information on their options.



**Affordable Housing Preservation  
Second Quarter Report: April 1 - June 30, 2024  
Loan Product**

**SELF-ASSESSMENT RATING OF PROGRESS:**

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

**ADDITIONAL INFORMATION (IF APPLICABLE):**