

2025 Rural Housing Outreach

ACTIVITY:

A. Support the rural housing market, as most broadly defined by the Regulation (12 C.F.R. § 1282.35 (d)).

OBJECTIVE:

3. Develop single-family requirements that enable rural CDFIs to access secondary market liquidity more frequently.

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"/> Research, identify and develop requirements that enable rural community development financial institutions (CDFIs) to access secondary market liquidity more frequently and with limited changes to existing product strategy.	<p>Fannie Mae conducted significant outreach and engagement with CDFIs to acquire feedback on the most effective product changes to improve their access to Fannie Mae financing.</p> <p>Internally, lender-facing teams, analytics, product, and policy teams were engaged throughout the year to review CDFI feedback and assess feasibility of a potential CDFI product variance.</p>	
<input checked="" type="checkbox"/> Meet with at least 10 rural CDFIs to inform potential feature and requirement updates that meets the needs of a wide range of rural CDFI customers.	<p>A group of approved CDFI seller/servicers met with us several times. Additionally, we met with three other CDFIs that are not approved to sell and service loans but could theoretically deliver loans through a third party. In all, a wide variety of perspectives informed this work.</p>	<p>Fannie Mae focused its engagement with four geographically diverse CDFIs already actively delivering loans and likely to increase deliveries. In addition, we met with three CDFIs not yet approved to sell loans directly to Fannie Mae.</p>
<input checked="" type="checkbox"/> Identify an update to a new or existing variance or a <i>Selling Guide</i> enhancement or update.	<p>We identified several potential variance parameters.</p>	
<input checked="" type="checkbox"/> Determine eligibility and identification methodology that could be deployed, including whether the CDFI must be a direct Fannie Mae customer or whether a CDFI could sell loans indirectly.	<p>Fannie Mae determined that the proposed variance will be allowed for direct sellers, including loans they originate or loans they acquire and subsequently sell to Fannie Mae.</p> <p>Identification of loan deliveries can be achieved through use of existing special feature codes.</p>	



<input checked="" type="checkbox"/> Work with CDFIs to establish reasonable projections for potential loan acquisition.	Through CDFI engagement and other loan delivery analysis, we estimate that the proposed variance terms could produce a 25% increase in our annual loan purchases from CDFIs.	
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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?

Fannie Mae conducted significant outreach and engagement with currently approved CDFI lenders to gather feedback on loan product changes that will most effectively increase their utilization of conventional mortgage financing. This effort was intentionally designed to surface operational barriers, uncover innovation opportunities, and build trust through transparent, two-way dialogue. This approach helped deepen our engagement and relationships with our CDFI lenders by bringing them directly into problem-solving conversations and allowed us the opportunity to use direct feedback to establish parameters for a proposed loan product variance. By elevating CDFI voices early in the product-design process, we strengthened alignment on shared objectives and signaled our commitment to expanding responsible access to credit in underserved communities. Through these engagements, we gathered valuable market insights, many of which are reflected in the detailed findings summarized in Impact Question #2 below and which will continue informing future product development and policy decisions.

While we are unable to implement every product suggestion received, the feedback from these engagements directly informed the proposed CDFI product variance terms, which target multiple structural challenges that CDFIs identified as limiting their ability to scale conventional lending. These terms aim to address key limitations and pain points raised by CDFIs. Collectively, these proposed flexibilities expand the ecosystem of allowable support tools, reduce friction in CDFI-driven transactions, and better align Fannie Mae’s requirements with CDFIs’ mission-oriented business models. The proposed variance terms respond to CDFI feedback to provide greater flexibility in layering assistance sources and recognition of their homebuyer education programs.

We estimate that the proposed variance terms may increase our annual CDFI loan purchases by almost 25%. Pending leadership approval, we anticipate piloting the variance in 2026 with a small group of CDFIs to validate operational feasibility and delivery impact before broader roll-out. This phased approach ensures we can closely monitor performance, identify implementation challenges early, and refine the product structure to maximize impact and scalability for a national release."



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

A frequent request from CDFIs was to increase the allowable combined loan-to-value (CLTV) ratio beyond the current 105% permitted under Community Seconds[®], with some even suggesting that CLTV limits be removed entirely. While we recognize that higher CLTV allowances could expand down payment assistance and other financial support, thereby opening the door to homeownership for more borrowers and increasing access to conventional financing, such an expansion would materially heighten the risk profile of the loans. Removing or significantly increasing CLTV limits would challenge core safety-and-soundness principles that underpin responsible lending and portfolio management.

This feedback supports what is happening in the broader housing market — that the increase in the price of housing has dramatically outpaced household income growth, leaving a sizeable financial gap for many people who want to purchase a home. This gap appears in both the costs to close a mortgage transaction, most notably down payment, and the monthly mortgage payment. The monthly mortgage payment is also influenced by factors beyond higher home prices, such as higher interest rates and higher monthly escrow payments driven by dramatically increased homeowners insurance premiums.

To close the gap, buyers need more assistance at closing to bring down the amount financed. The fact that some CDFIs suggested completely eliminating CLTV limits speaks clearly to the housing affordability issue. Our conclusion is that in today's housing market, other non-debt closing assistance and monthly cost solutions are needed to fill the sizeable financial gap that exists for many buyers at 100% of the area median income or less.

CDFIs also cited USDA section 502 loans as often the best option for low-income, rural buyers. Section 502 loan product options, such as subsidized monthly payments and waiver of mortgage insurance, are effective in addressing the financial gap for some buyers. However, these product options are not feasible for a Fannie Mae product variance or *Selling Guide* change.

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

N/A