



# **Duty to Serve**

## **Evaluation Guidance**

Guidance 2025-8

August 18, 2025

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## Overview

The Housing and Economic Recovery Act of 2008 (HERA) established a duty for Fannie Mae and Freddie Mac (the Enterprises) to serve three specified underserved markets — manufactured housing, affordable housing preservation, and rural housing — by increasing the liquidity of mortgage investments and improving the distribution of investment capital available for mortgage financing for very low-, low-, and moderate-income families in those markets.

Under the Duty to Serve regulation that implements this statutory requirement,<sup>1</sup> each Enterprise must prepare an Underserved Markets Plan (Plan) describing the specific activities and objectives it will undertake to fulfill its Duty to Serve obligations in each underserved market over a three-year period. This Evaluation Guidance (Guidance) sets forth expectations for the Enterprises' development and implementation of its Plans, describes the standard for FHFA issuance of a Non-Objection to the Plans, and explains the process by which FHFA will annually evaluate and rate the Enterprises' duty to serve performance based on implementation of their Plans. The Guidance is organized as follows:

- Chapter 1 provides guidance for developing the three-year Plan and describes FHFA's standard for issuing a Non-Objection to each underserved market in the proposed Plan.
- Chapter 2 describes the process by which FHFA will evaluate and rate the Enterprises' achievements under their Plans each year.

This updated Guidance (version 2025-8) replaces the Evaluation Guidance released in November 2024 (version 2024-7). FHFA may continue to make changes to this Guidance during the three-year Plan cycle to improve the process as needed.

### Summary of changes in this revision to the Guidance

This updated Guidance (version 2025-8) is applicable beginning with the 2025-2027 Plans. The Guidance includes the following changes designed to reduce regulatory burden on the Enterprises and promote efficiency in FHFA's administration of the Duty to Serve program:

#### 1. **Reduced Regulatory Burden**

- a) **Streamlined Plan development process** – The revisions reshape FHFA's expectations for Enterprise Plan development by eliminating the suggestion that their Plans include a Strategic Priorities Statement and modifying the standard for FHFA non-objection to

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<sup>1</sup> 12 CFR Part 1282

the Enterprises' proposed Plans. The revised standard for FHFA non-objection eliminates the use of concept scores and allows the Enterprises to count LIHTC investments objectives towards the minimum number of activities that include a loan purchase objective in the rural market. These revisions allow the Enterprises to focus their attention on the Activities and Objectives in their Plans instead of on procedural hurdles.

- b) Simplified Plan modification process** – The revisions phase out a complex framework for modifications to the current year's Plan by removing the "market exception" and "innovation modifications" and allowing flexibility for the Enterprises to add or delete objectives for their 2025 DTS Plans. Starting with Plan year 2026, the Enterprises would only be able to add objectives to the current year's Plan. In addition, the due date for the Enterprises to submit requests for current or future year modifications would be advanced from September 15<sup>th</sup> to July 31<sup>st</sup>, allowing for the Enterprises to receive notice of FHFA's decisions earlier in the calendar year.

## **2. Streamlined FHFA Evaluation and Rating Process**

- a) Reduced number of evaluation steps** – The revisions consolidate the process used to evaluate the Enterprises' performance into two steps. The previous procedure involved a Step One process to determine the Enterprises' compliance with their Duty to Serve obligations, a Step Two process to measure the impact of the Enterprise's activities on an underserved market, and a Step Three process to assign extra credit for particularly challenging activities. The revisions will place the emphasis on the Enterprises' performance and impact, rather than on administrative compliance and will streamline FHFA's evaluation process.
- b) Simplified, focused impact assessment** – The revisions remove a system of averages that served as a proxy for measuring impact in favor of a more direct measure. Under the previous procedure FHFA averaged impact and concept scores for each objective in cases where the impact score exceeded the concept score. The resulting impact score was then used to calculate a simple average for objectives grouped by evaluation area (outreach, loan products, loan purchases, and investments and grants). Then, the averages were weighted by evaluation area and summed to form an overall performance score for the underserved market. The revisions eliminate the calculation to average the impact and concept scores, which could penalize an Enterprise for outperforming targets. The revisions also remove the weighted average calculations, which could have unintended consequences such as assigning outsized importance to an objective when there is only one objective in an evaluation area. Under the revised procedure, a simple average of the impact scores for the objectives in an underserved market will serve as the impact average, subject to upwards adjustment for extra credit. These revisions will encourage the Enterprises to focus on achieving the highest impact for each objective instead of on the unintended consequences of the evaluation

framework and expedite FHFA's evaluation of the Enterprises' performance.

- c) **Revised extra credit calculation and categories** – The revisions change the extra credit calculation from an upward adjustment of 5 percent towards an Enterprise's overall performance score to a 0.5 point upward adjustment per eligible objective to its average impact score (with the adjusted average impact score serving as the final performance score) for the underserved market if the Enterprise undertakes an objective in at least one of these eligible activities and achieves a score of at least a 40. In addition, going forward, in the affordable housing preservation market, any *residential economic diversity* activities will not be eligible for extra credit. These revisions streamline FHFA's review process.

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# Chapter 1. Developing Underserved Markets Plans and FHFA Non-Objection Standard

## Overview

This Chapter describes the regulatory requirements applicable to the Enterprises' Plans, as well as guidance on how to develop effective Plans and FHFA's standard for issuing a Non-Objection to the proposed Plans. It covers the following topics:

- **Plan Structure** – This section describes how the Enterprises' Plans should be structured. Each Plan should be divided into separate sections for each of the three underserved markets. Each of these sections should, in turn, include subsections covering Statutory and Regulatory Activities Considered but Not Included, and Activities and Objectives. The Plans should also include a certification from a senior executive officer of the Enterprise responsible for submitting the Plan to FHFA.
- **Plan Contents** – This section provides more details on each of the subsections, including the regulatory requirements applicable to objectives, which must be strategic, measurable, realistic, time-bound, and tied to an analysis of market opportunities (referred to as "SMART" criteria).
- **FHFA Non-Objection Determination** – This section provides detail on the standard that FHFA will use to issue a Non-Objection for each underserved market.
- **Plan Process** – This section describes the opportunity for the Enterprises or FHFA to revise the Enterprises' Plans. This section also describes how the Enterprises may protect confidential and proprietary information and data included in their Plans.
- **Additional Guidance for Plans** – This section describes best practices for preparing effective Plans. This section also describes how additional research and development could be useful for meeting underserved market needs, which could be included in an Enterprise's Plan.

## **I. Plan Structure**

Each Enterprise is required by regulation to prepare a Plan that describes its proposed actions over a three-year period to meet the needs of the three underserved markets: manufactured housing, affordable housing preservation, and rural housing. Each Enterprise's Plan should be divided into three underserved market sections, and each of these three sections should cover the three-year Plan period. FHFA will evaluate an Enterprise's actions annually under the activities and objectives for the applicable underserved market.

The following subsections should be included under each underserved market:

1. **Statutory and Regulatory Activities Considered but Not Included** – A discussion of the Statutory and Regulatory Activities the Enterprise considered but will not undertake during the Plan cycle for the underserved market.
2. **Activities and Objectives** – A description of the activities and objectives the Enterprise will undertake during the Plan cycle to meet the needs of the underserved market.

These subsections are described in more detail below under Plan Contents.

In addition, in the final version of its Plan, each Enterprise should include a certification from a senior executive officer responsible for submitting the Plan to FHFA stating that, to the best of his/her knowledge and belief, the Enterprise's historical information used to set baselines and targets in the Plan is true, correct, and complete.

To increase the usefulness of the Plans to readers, FHFA strongly encourages the Enterprises to include the following components in their Plans:

- A table listing each objective in the underserved market by activity, year, and evaluation area;
- A table listing loan purchase objectives and targets in the underserved market by activity, year, and market; and
- A table of contents.

An Enterprise may also include in its Plan overview sections that provide general context about an underserved market or an Enterprise's efforts to date to address needs in that market.

## II. Plan Contents

### 1. Statutory and Regulatory Activities Considered but Not Included

While no single Statutory Activity or Regulatory Activity is mandatory, an Enterprise is required to consider a minimum number of Statutory or Regulatory Activities for each underserved market, as designated by FHFA in this Guidance.<sup>2</sup> To “consider” an activity, an Enterprise must choose either to include the activity and related objectives in its Plan or explain in its Plan the reasons it has chosen not to undertake the activity. The minimum number of Statutory or Regulatory Activities for each underserved market is set forth below:

- **Manufactured housing:** The Enterprises must consider and address in their Plans all four of the Regulatory Activities identified for this market.
- **Affordable housing preservation:** The Enterprises must consider and address in their Plans at least five of the Statutory and Regulatory Activities identified for this market.<sup>3</sup> FHFA selected this number to reduce the potential burden associated with considering all 16 of the Statutory and Regulatory Activities for the affordable housing preservation market.
- **Rural housing:** The Enterprises must consider and address in their Plans all four of the Regulatory Activities identified for this market.

For example, if an Enterprise includes five Regulatory Activities under the affordable housing preservation market in its Plan, the Enterprise has satisfied the minimum number to consider for that market in its Plan. By contrast, if an Enterprise includes two Regulatory Activities, two Statutory Activities, and one Additional Activity under the affordable housing preservation market in its Plan, the Enterprise would need to describe why it is not pursuing at least one of the remaining Regulatory or Statutory Activities.

Explanations of why the Enterprises chose not to undertake certain activities will provide FHFA and the public insight about the market conditions, resource availability, or other factors that influenced the Enterprises’ decisions on those activities. These explanations, along with input from the public on the proposed Plans, will contribute to a greater understanding of those activities and their potential impacts and limitations, and may inform FHFA’s Plan reviews in the future.

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<sup>2</sup> 12 C.F.R. § 1282.32(d). For reference, a table of activities that have been identified as Statutory Activities or Regulatory Activities is provided in Appendix A.

<sup>3</sup> The following two statutorily enumerated activities will not count toward the minimum number of activities that the Enterprises must consider in their Plans under the affordable housing preservation market: the HUD Section 811 program and McKinney-Vento Homeless Assistance programs. Because these programs are not structured to make use of Enterprise support, FHFA does not expect the Enterprises to address these two programs in their Plans.



## 2. Activities and Objectives

Activities are broad categories of housing lending that are eligible for Duty to Serve credit. Objectives are the actions underlying each activity that an Enterprise will carry out to accomplish the activity. Each objective is classified according to one of the following “evaluation areas”: loan purchase, investment, loan product, or outreach objective, based on the nature of the actions the Enterprise commits to undertake.

For each underserved market in a Plan, an Enterprise must fully describe the activities it will undertake and their related objectives. An Enterprise has broad discretion to select which Statutory and Regulatory Activities it wishes to undertake and whether to include Additional Activities for a given underserved market. A Plan must include activities in each underserved market that serve all three Duty to Serve income categories<sup>4</sup> in each year of the Plan. Any one activity may serve more than one of the income categories.

### A. Activities

All activities that an Enterprise plans to undertake for Duty to Serve purposes must be described in its Plan, labeled by name and type (*i.e.*, Statutory Activity, Regulatory Activity, or Additional Activity), and have at least one accompanying objective. The Plan must include a description of how the Enterprise will implement its planned activities and achieve the related objectives.

For any Additional Activity included in a Plan, an Enterprise must explain in the Plan how the Additional Activity will be targeted to meet the needs of a segment of the underserved market. In addition, except for any Additional Activities identified by FHFA in this Evaluation Guidance, an Enterprise must describe how the Additional Activity ensures that there are benefits to tenants or homeowners that are consistent with the requirements of the Statutory and Regulatory Activities in the Duty to Serve regulation.<sup>5</sup>

### B. Objectives

Objectives are the actions underlying each activity that an Enterprise will carry out to accomplish the activity. Objectives are central to the evaluation and rating process described in Chapter 2. Each objective in a Plan generally consists of two parts:

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<sup>4</sup> The three Duty to Serve income categories are: very low-income, low-income, and moderate-income. Very low-income means families with incomes not in excess of 50 percent of area median income. Low-income means families with incomes not in excess of 80 percent of area median income. Moderate-income means families with incomes not in excess of 100 percent of area median income.

<sup>5</sup> The preamble to the final Duty to Serve rule states that: “Additional Activities that are very similar to a Statutory or Regulatory Activity will be subject to higher levels of scrutiny, recognizing that the protections embedded in those activities have been either statutorily enumerated by Congress, or subject to the public comment process in the proposed Duty to Serve rule.” 81 Fed. Reg. 96242, 96245 (Dec. 29, 2016).

- **Target.** The most important component of an objective is a clear commitment to a specific target, which can take the form of a core action, achievement, or deliverable. An Enterprise should identify a target for each year of an objective and clearly label the target in its Plan. Criteria for measurable targets, including identification of a baseline, are described below.
- **Implementation steps.** Each objective may also include a description of how the Enterprise plans to accomplish the target under that objective. Any incremental steps included in this description should inform, advance, or otherwise contribute to accomplishing the target. An exhaustive list of individual action items is not required (as long as the objective meets the SMART criteria). However, an Enterprise’s description of implementation steps that goes beyond the minimum level of detail needed to meet the SMART criteria would help FHFA better understand how the Enterprise plans to achieve its target, as well as help FHFA make a well-informed assessment of the likely impact of the Enterprise’s planned actions on liquidity in the underserved market.

An Enterprise does not need to revise its Plan to reflect planned changes to implementation steps in future years of the Plan. For loan purchase objectives and investment objectives, FHFA understands that it may not be appropriate for an Enterprise to identify any implementation steps.

For example, an Enterprise may specify, as a target for a loan product objective, that it will publish at least three Seller/Service Guide changes by the end of the following year. Implementation steps under this target may include reviewing existing products and policies to identify opportunities for improvement, convening five stakeholder roundtables to better understand challenges in the market that could be addressed through a Guide change, and conducting outreach to determine lender interest. If, based on its experience in the current Plan year, an Enterprise decided to convene three stakeholder roundtables and one webinar instead of five stakeholder roundtables in the following year, it would not need to submit a Plan modification describing these changes. However, the Enterprise would need to describe the actual steps it took in its annual reports to FHFA.

Table 1 summarizes how the target and the implementation steps are used during the Plan development and evaluation processes. The role of the target and the role of the implementation steps are discussed in more detail in the Plan Process section of this Chapter and throughout Chapter 2.

Table 1. Role of Target and Implementation Steps in Plan Development and Evaluation

Event	Role of the Target	Role of the Implementation Steps
Revisions to an Enterprise’s Plan	Proposed changes to targets are treated as modifications and subject to the modification process described later in this Chapter	Proposed changes to implementation steps are not treated as modifications, but any deviations from actions in the Plan should be fully described in the Enterprise’s second quarter and annual reports to FHFA
Step One: Impact Determination	Factor used by FHFA to qualitatively and quantitatively assess the impact of an objective including the extent to which a target has been achieved	Factor used by FHFA to assess the impact of an objective

An Enterprise may, in its discretion, choose to include in its Plan any additional information and analysis that explain how it set the target for an objective, as well as the extent to which the objective will have an impact in addressing needs of the specific underserved market in light of the challenges, time commitment, and resources involved. To avoid duplicating the same information in multiple sections of its Plan, this description may be included as an overarching summary for an objective or an activity, rather than as part of the discussion of actions to be undertaken in a specific year.

### 1. “SMART” Criteria

Objectives must be strategic, measurable, realistic, time-bound, and tied to an analysis of market opportunities.<sup>6</sup> For each objective, an Enterprise should elaborate in its Plan on how the objective will meet each of these “SMART” criteria, as described below.

- **Strategic.** Each objective in a Plan must directly or indirectly maintain or increase liquidity to the underserved market. The Plan should explain how the objective directly or indirectly meets the needs of the underserved market, and to what extent achievement of the objective is likely to have an impact on meeting the needs of the underserved market.

#### Setting Objectives

FHFA will consider each objective and the contextual information the Enterprise submits about that objective in evaluating the Enterprise’s performance of the objective under the evaluation process.

<sup>6</sup> 12 C.F.R. § 1282.32(e).

- **Measurable.** Each objective in a Plan must provide a measurable target for the objective that enables FHFA to determine whether the Enterprise has achieved the objective.

Loan purchase and investment objectives. For each loan purchase and investment objective, an Enterprise must provide in its Plan both a measurable target for the objective and a baseline representing measurable past performance by the Enterprise.

- **Baselines.** The baseline is a measure of past performance by an Enterprise that will facilitate FHFA’s evaluation of the objective by providing context for the target. An Enterprise must identify a baseline for each loan purchase and investment objective in its Plan, where available, and justify the methodology used to select it. This methodology may include adjustments for market and other factors. As part of its justification, the Enterprise should describe in detail the assumptions underlying its methodology, including how it defines and will identify the loans or investments that are included in the baseline and that will count toward the target. If FHFA disagrees with an Enterprise’s baseline, it will disregard the baseline in its final evaluation of the Enterprise’s performance.
  - Among other potentially acceptable methodologies for setting baselines for loan purchase and investment objectives, an Enterprise may use an average of its performance data from the three most recent years. This approach helps adjust for fluctuations in annual activity. If using a three-year average, an Enterprise should provide the individual data points for all three years.
  - To be acceptable, a baseline methodology must be based on a close analysis of the underlying causes for observed trends in historical data and also may reflect an analysis of market conditions. For example, if an Enterprise sets a baseline at its level of performance in the most recent year (or a straight-line projection from that trend line), the Enterprise would need to explain in its Plan the reasons that the level selected will continue into the future and is not subject to annual fluctuations.
  - For any objective, the methodology that an Enterprise uses to identify eligible loan purchases and investments in its reports to FHFA must be identical to the methodology the Enterprise used to identify past eligible loan purchases and investments that established the baseline and target. If an Enterprise intends to use a different methodology in a report to FHFA, the baseline and target must be updated through a Plan modification.

FHFA recognizes that when an Enterprise proposes to enter a new sub-market, it may not have the data to determine a baseline for an objective in its proposed Plan

submitted for Non-Objection. An Enterprise may proceed without a baseline for the first year of the objective. However, the Enterprise should include in its Plan a brief explanation of why it is unable to establish a baseline for the objective and how it intends to establish a baseline in subsequent years. The Enterprise also must make technical edits to its Plan to add a baseline for subsequent years.

- Targets. Targets for loan purchase and investment objectives establish a commitment to purchase a specified volume of loans or make a specified number of equity investments in each Plan year. Within a market and property type (multifamily or single-family), targets for loan purchase and investment objectives should be expressed with a consistent unit of measurement (*e.g.*, dollar amount, number of loans, number of units, etc.) to facilitate comparison across activities. For multifamily objectives, targets should include the number of units covered by loan purchases or investments the Enterprise plans to pursue. To evaluate objectives that express targets as units, transactions, loans, and/or properties with multiple ways to satisfy the target, FHFA will evaluate all possibilities for satisfying the target and will recognize that one measure might make the target significantly easier to accomplish.

In general, and if market conditions support, FHFA expects that targets in each Plan year will represent an increase in actions relative to the baseline, or an increase in actions from year to year for objectives included in multiple years. FHFA recognizes that Enterprise targets and their changes in future years will depend, at least in part, on an Enterprise's previous activity level in a specific loan purchase or investment area. For years in which a target would result in loan purchases or investments that are essentially unchanged from or lower than the previous year, the Enterprise should justify in its Plan why the loan purchases or investments will not increase from year to year (*e.g.*, if market conditions do not support an increase). FHFA recognizes that market factors, such as rising interest rates, decreased supply, and regulatory actions, can impact the level at which an Enterprise's target is set.

- Range. If an Enterprise chooses to provide a numerical range, rather than an actual numeric target, for a target in its Plan in order to protect confidential and proprietary information or data, FHFA will presume that the Enterprise has set the target at the lowest end of the range for purposes of evaluating the objective. Alternatively, an Enterprise may provide to FHFA on a confidential and proprietary basis the actual numeric target for that objective. Upon releasing its evaluation results of an objective the following year, FHFA may make public any actual numeric target that was provided on a confidential and proprietary basis.

- Anticipation of Certain Future Events. In setting targets, an Enterprise should not speculate about the possible effects of certain future events, such as legislative or regulatory changes, or economic shocks. An Enterprise should not set a lower baseline or a lower target in its Plan due to the possibility that such future events may occur. During the evaluation phase, FHFA will consider any effects attributable to specific events that occurred as potentially acceptable reasons for an Enterprise not meeting a target if the events made the target infeasible. FHFA will also consider the effects of any such events in evaluating the impact of an Enterprise’s achievements in Step One of the evaluation.

Outreach and loan product objectives. For each outreach and loan product objective, an Enterprise must provide in its Plan both a measurable target for the objective and a baseline representing measurable past performance by the Enterprise. The Plan must also include the expected level of effort to complete the objective.

- Baselines. A baseline is required for each outreach and loan product objective, where available. The baselines for outreach and loan product objectives will necessarily be less precise than the baselines for loan purchase and investment objectives due to the differing nature of outreach and loan product development. The Plan must describe the justification for the baseline selected based on past similar outreach or loan product actions by the Enterprise.
  - For each outreach objective, the baseline should describe the actions of the Enterprise in the past three years that would support the targets associated with the objective. This information will enable FHFA to understand the extent to which the outreach objective’s targets are an improvement over, or are expected to have a greater impact than, prior years.
  - For each loan product objective, the baseline should describe the Enterprise’s current loan product rules or policies that the objective is intended to change or enhance. This information will enable FHFA to understand the extent to which the loan product objective’s targets are an improvement over, or are expected to have a greater impact than, prior policies.

As is the case for loan purchase and investment objectives, an Enterprise may proceed without a baseline in its Plan for the first year of outreach and loan product objectives in new sub-markets. However, the Plan should include a brief explanation of why the Enterprise is unable to establish a baseline and how it intends to do so in subsequent years. Additionally, the Enterprise must make technical edits to its Plan to add baselines for subsequent years as they are developed.

- **Targets.** Targets for loan product and outreach objectives will be more varied than targets for loan purchase and investment objectives.
  - For loan product objectives, a target could be a commitment to publish a guide change or variance, develop and implement a pilot program, analyze potential loan product changes, publish a research report or white paper, or take some other measurable loan product action, achievement, or deliverable as identified by the Enterprise.
  - For outreach objectives, a target could be a commitment to implement a business-to-business outreach campaign to increase knowledge of an existing loan product, prepare a lessons-learned report after an outreach campaign or pilot program, prepare and publish a dataset, design or implement a homebuyer education or financial counseling curriculum in partnership or conjunction with a third party, or take some other measurable outreach action, achievement, or deliverable as identified by the Enterprise.

An Enterprise should fully describe the targets in its Plan so that they are as measurable as possible. For example, if an Enterprise proposes to execute a pilot program, it should describe the expected size of the pilot, the work product(s) expected, the types of lenders intended to be engaged, the location of the pilot (if known), the populations expected to be served and their incomes, the timeline (milestones occurring within the Plan year), and how the Enterprise will determine if the pilot is successful.

- **Realistic.** Each objective in a Plan must be calibrated so that the Enterprise has a reasonable chance of meeting the objective with appropriate effort within the designated time period in the Plan. The Plan should include the basis for the Enterprise's determination and any supporting analysis undertaken by the Enterprise prior to setting the objective.
- **Time-bound.** The Plan must identify the specific evaluation year or years in which the objective will be completed. An objective may cover actions within a single year (*e.g.*, purchasing [X] loans in Year 1 of the Plan), or actions over multiple years (*e.g.*, conducting outreach on an existing loan product in Year 1 and making a change to the loan product in Year 2 of the Plan). For multi-year objectives, an Enterprise must clearly identify the objectives and targets for each year, along with the specific evaluation areas for each year.

- **Tied to Analysis of Market Opportunities.** Each objective in a Plan must be based on assessments and analyses of market opportunities in the applicable underserved market, taking into account safety and soundness considerations. The Plan should explain how the objective meets one or more of the market opportunities the Enterprise analyzed and identified in that underserved market. The Plan should also demonstrate how safety and soundness was taken into consideration in developing the objective.

## **2. Designating One Evaluation Area for Each Objective**

The Duty to Serve statute and regulation require FHFA to evaluate separately whether each Enterprise has complied with its Duty to Serve obligations for each underserved market, taking into consideration four evaluation areas: outreach, loan products, loan purchases, and investments and grants. For each objective included in an Enterprise's Plan, the Enterprise must designate one evaluation area under which the objective will be evaluated. This requirement is intended to ensure that objectives are sufficiently focused and is not intended to constrain the Enterprise's actions. An Enterprise may designate an evaluation area for an objective in one year and a different evaluation area for the same objective in a subsequent year within a Plan cycle.

The designated evaluation area provides an important framework for FHFA's assessment of each objective. The Enterprises are encouraged to review the description of each evaluation area in the Duty to Serve final rule's preamble to inform their designation of evaluation areas before submitting their proposed Plans to FHFA for Non-Objection. In the event FHFA disagrees with the evaluation area designated by an Enterprise, FHFA will re-designate the objective as appropriate. FHFA will share the final designation of each objective's evaluation area with the Enterprise following FHFA's Non-Objections to the Plan, noting where it changed the evaluation area designated by the Enterprise, if applicable.

## **3. Identifying More Than One Underserved Market for An Objective**

An objective may receive Duty to Serve credit in more than one underserved market in a Plan. For example, an Enterprise may receive credit under both the affordable housing preservation market and the rural housing market for purchasing loans on small multifamily rental housing in rural areas where the objective meets the Duty to Serve regulatory requirements for both underserved markets. If an Enterprise would like an objective to receive credit in more than one underserved market, it should identify the objective in each of the applicable underserved market sections in its Plan, adhering to the "SMART" criteria format.

The description in the Plan of any objective that is identified for credit in multiple underserved markets, including any loan purchases that meet the requirements for two separate markets, should address the impact that the objective will have on each market. Cross-referenced activities or objectives that do not provide an explanation of how the Enterprise's actions will target the specific needs of an underserved market will not be considered in FHFA's final evaluation. An objective included in multiple underserved markets will be evaluated separately on its impact on



meeting needs within each of the underserved markets.

#### **4. Identifying More Than One Objective for a Loan Purchase or Investment**

FHFA recognizes that in some instances a single loan purchase or investment may qualify under multiple objectives within an underserved market. An Enterprise should clearly indicate in its Plan any instances where the baseline and target for a loan purchase or investment objective include loans or investments that will also be counted in the baseline and target for another objective in that market. In reporting to FHFA, the Enterprises should identify each instance where a single loan purchase or investment qualifies under multiple objectives within an underserved market. For the affordable housing preservation market, the Enterprises also should report to FHFA an unduplicated count of multifamily units supported by loan purchases in the affordable housing preservation market. The Quarterly and Annual Reporting Protocols provided by FHFA to the Enterprises contain additional instructions on the process for submitting the Enterprises' reports to FHFA.

#### *C. Extra Credit-Eligible Activities*

An Enterprise may receive Duty to Serve extra credit for activities that are particularly challenging to accomplish in an underserved market or that serve a segment of an underserved market that is relatively less well-served. Activities that FHFA has designated as eligible for extra credit for each underserved market are identified in Chapter 2 of this Guidance. FHFA may, in its discretion, change the activities eligible for extra credit in subsequent revised Guidance.

### **III. FHFA Non-Objection Determination**

The Duty to Serve regulation provides for FHFA to issue three Non-Objections for a proposed Plan — one for each underserved market in the Plan — after FHFA is satisfied that all of its comments on the underserved market in the proposed Plan have been addressed. A Non-Objection serves as FHFA's determination that a proposed Plan adequately addresses the needs of the underserved market.

For an underserved market in a Plan to receive a Non-Objection, all of the following requirements must be satisfied<sup>7</sup>:

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<sup>7</sup> Under section 1282.32(g)(5)(iii) of the Duty to Serve regulation, FHFA may, at its discretion, designate one Statutory Activity or Regulatory Activity in each underserved market that FHFA will significantly consider in determining whether to provide a Non-Objection to that underserved market in a proposed Plan. This provision allows FHFA to encourage the Enterprises to consider certain activities that could require more time and effort than other activities to make an impact on the underserved market. FHFA has not made such a designation in this Guidance.

1. Each Plan year contains a minimum number of activities that include at least one Loan Purchase Investment objective, as set forth in Table 2:

Table 2. Minimum Number of Activities with at Least One Loan Purchase and Investment Objective

Underserved Market	Year 1	Year 2	Year 3
Manufactured Housing	2	2	2
Rural Housing*	3	3	3
Affordable Housing Preservation	5	5	5
*Low-income housing tax credit (LIHTC) equity investments in the rural market are the only investment eligible for Duty to Serve credit.			

2. The Enterprise has demonstrated that it made good faith efforts to: (1) evaluate the public input received on its proposed Plan, (2) incorporate the input where appropriate, and (3) incorporate the comments that FHFA provided to the Enterprise on its proposed Plan.

## IV. Plan Process

### 1. Revisions to Plans

An Enterprise may request to revise its Plan at any time during the year. FHFA will categorize revisions to the Plans as technical edits, or modifications, as described below and in Table 3 at the end of this section. FHFA may also require an Enterprise to modify its Plan during the three-year term. Instances in which FHFA might require a modification include significant changes in market or regulatory conditions, such as unexpected obstacles or opportunities, or safety and soundness concerns.

#### A. Technical Edits

A technical edit is a change that does not substantially alter the Plan. Examples of the types of changes that will be considered technical edits include, but are not limited to:

- Adding baselines to objectives for future Plan years for which an Enterprise lacked the data to determine a baseline when it submitted its proposed Plan for Non-Objection;
- Changes to overview sections that do not contribute to FHFA’s assessment of the likely impact of individual objectives;
- Changes to the organization, format, or layout of the Plan;

- Correcting grammatical or clerical errors;<sup>8</sup> or
- Changes in implementation steps to achieve a target.

FHFA does not expect an Enterprise to revise its Plan to reflect changes in the implementation steps the Enterprise takes to achieve a target; however, any such changes that an Enterprise chooses to submit to FHFA will be considered technical edits.

Technical edits do not require justification, will not be subject to public input, and will not be subject to FHFA Non-Objection. If an Enterprise makes technical edits to its Plan, it should submit a redlined version of the revised Plan to FHFA. FHFA will review the technical edits to verify that the changes meet the qualifications to be considered technical edits. After FHFA reviews and publishes the revised Plan on its public website, the Enterprise may proceed to publish the revised Plan on its public website.

If an Enterprise makes a change to its Plan that FHFA deems to be a modification rather than a technical edit, the guidance for modifications in the following section applies. FHFA will notify the Enterprise accordingly and request submission of a justification for the change as it would for other modifications.

### *B. Modifications*

All changes to a Plan that do not qualify as technical edits will be considered modifications (*i.e.*, changes substantially altering a Plan).

#### **1. Current Plan Year Modifications**

- Adding or Removing Objectives (Plan Year 2025 Only)*. An Enterprise may submit a request to add a new objective or to remove a current objective only for the 2025 Plan year. Enterprise requests to add a new objective or remove current objectives must include a reasonable justification and should be submitted to FHFA by September 30, 2025, or on the first business day thereafter if September 30 falls on a weekend or holiday. FHFA may, but is not likely to, seek public input on a request to add or remove current objective for the 2025 Plan year.
- Adding New Objectives (Other Plan Years)*. An Enterprise may submit requests to add new objectives to the current Plan year. Enterprise requests to add new objectives must include a reasonable justification and should be submitted to FHFA by July 31, or on the first business day thereafter if July 31 falls on a

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<sup>8</sup> As long as the clerical errors are not otherwise considered to be modifications.

weekend or holiday. FHFA may, but is not likely to, seek public input on a request to add a new objective.

## **2. Future Year Modifications**

Requests for modifications that pertain to future years in a Plan may be submitted for any reason. Examples of such modifications include, but are not limited to:

- Delaying an objective (*e.g.*, requesting in Year 1 to move a Year 2 objective to Year 3);
- Eliminating an objective;
- Adding a new objective;
- Adding a new target under an existing objective;
- Changing or eliminating a target; or
- Changing a baseline.

For example, an Enterprise might request to adjust the numeric targets for certain objectives in its Plan for the subsequent year based on the accomplishment of certain actions or lessons learned during the current year.

Starting in calendar year 2026, all requests for future year modifications should be submitted to FHFA by July 31, or on the first business day thereafter if July 31 falls on a weekend or holiday, of the preceding calendar year. (Future year modification requests submitted to FHFA during calendar year 2025 should be submitted by September 30, 2025, or on the first business day thereafter if September 30 falls on a weekend or holiday.)

FHFA may seek public input on an Enterprise's request to modify its Plan for future years if FHFA determines that public input would assist its consideration of the proposed modification. Examples of modification requests for which FHFA is more likely to seek public input because it would benefit FHFA's consideration of the proposed changes include:

- Reducing a numeric target by 40 percent or more, especially when that reduction is not accompanied by a change in the baseline for that action; and
- Eliminating an objective entirely.

Examples of future year modification requests for which FHFA is not likely to seek public input because it would not benefit FHFA's consideration of the proposed changes include:

- Adding a new objective;
- Changing a baseline or numerically measurable target due to a miscalculation. In light of the wide variety of activities in the Plans, it is conceivable that the Enterprises and FHFA may disagree about how to conceptualize or count certain metrics, such as the number of units eligible for Duty to Serve credit under a certain activity. As FHFA and the Enterprises reconcile these discrepancies, an Enterprise may need to change its baseline or target accordingly, and should provide the explanation for this change in its modification justification; and
- Modifying the measurable quantity of an objective by a modest amount, which FHFA deems to be a change of less than 10 percent in either direction.

## **2. FHFA Non-Objections for Modification Requests**

Any request for a current year or future year modification, even if minor, is subject to FHFA Non-Objection. When submitting a modification request, an Enterprise need only submit the portion of its Plan pertaining to the activities that it requests to modify and not the entire market section or the entire Plan.

To receive a Non-Objection from FHFA, the proposed modification must satisfy the criteria described in Chapter 1, IV.B, and the relevant market in the Enterprise's Plan, as modified, must satisfy all of the requirements to receive a Non-Objection described in Chapter 1, Sections III. This specifically includes the requirement that at least the required minimum number of activities that include at least one loan purchase or investment objective.

Table 3. Categories of Plan Revisions

Type	Description	Conditions	Justification Required	Public Input	Subject to FHFA Non-Objection
<b>Technical Edit</b>					
Any (e.g., correcting errors, changing Plan layout)	Change that does not substantially alter the Plan	None	No	No	No
<b>Current Year Modifications</b>					
Add new objectives	Change that adds a new objective to the Plan in the current Plan year	Submit request to FHFA by July 31 of current year	Yes	At FHFA's discretion	Yes
Add or Remove current objectives	Change that add or removes a current objective in the 2025 Plan year only	Submit request to FHFA by September 30, 2025	Yes	At FHFA's discretion	Yes
<b>Future Year Modifications</b>					
Any (e.g., add or remove objectives or adjust targets)	Change that alters the Plan in future years	Submit request to FHFA by July 31 of the preceding calendar year (except, in calendar year 2025, submit request to FHFA by September 30)	Yes	At FHFA's discretion	Yes

## **2. Publication of Revised Plans**

The Enterprises must publish all revised Plans, subsequent to FHFA Non-Objection as applicable, including those resulting from technical edits and any type of modification, in a timely manner on their respective websites. FHFA intends to publish the following documents on FHFA’s public website, with confidential and proprietary information and data omitted:

- A clean copy of the complete revised Plan;
- A redlined version of the complete revised Plan that contains all technical edits and modifications; and
- A copy of the Enterprise’s request for modification that received a Non-Objection from FHFA.

## **3. Treatment of Confidential or Proprietary Information and Data**

FHFA recognizes that some information and data in the descriptions of activities, objectives, and narratives for an underserved market in a Plan may be confidential or proprietary. At the same time, FHFA has determined that informed public input on a proposed Plan is important to the Plan development, review, and evaluation processes. FHFA may allow certain information and data in a Plan’s descriptions of activities, objectives, and narratives in each underserved market to be treated as confidential or proprietary and omitted from the Plan when made public. Any Plan content that an Enterprise believes requires confidential or proprietary treatment should be clearly identified by the Enterprise, and the Enterprise should explain why the information and data should be afforded confidential or proprietary treatment.

## **V. Additional Guidance for Plans**

The previous sections of this Chapter describe the required elements for each of the underserved markets in a Plan to receive a Non-Objection from FHFA. This section summarizes best practices and suggestions for the Enterprises to consider in developing effective Plans, and recommends that the Enterprises consider conducting research that supports increased liquidity in the underserved markets.

### **1. Best Practices for Developing Underserved Markets Plans**

Below are some best practices and suggestions the Enterprises should consider in developing effective Plans:

- Given the Duty to Serve goal to improve the distribution of investment capital available for mortgage financing in the underserved markets, many of the objectives undertaken by

the Enterprises should span the Plan’s three-year term, with corresponding targets to be achieved in each of the three years.

- An Enterprise should carefully research and construct its Plan to minimize the need for later modifications of the Plan.
- An Enterprise should consider how to serve a diversity of geographic areas, such as a variety of localities, states, or regions, for each activity in its Plan. FHFA will favorably consider activities that serve a geographically diverse set of underserved market needs when assessing the activities’ impact on the underserved market.
- An Enterprise should consider how to serve both single-family and multifamily activities for each underserved market in its Plan.
- FHFA invites the Enterprises to consider undertaking Additional Activities in their Plans. Any Additional Activity should meet a need in an underserved market, and be reasonable and achievable based on the Enterprises’ capacity, market conditions, and safety and soundness considerations.<sup>9</sup>
- Outreach objectives should include sufficient detail to demonstrate that the Enterprise has developed a coherent set of implementation steps that will add significant value to stakeholders. The description should show that the Enterprise understands the problem it is trying to solve and has a strategic plan for how to address it. The description should demonstrate that the outreach efforts represent meaningful progress over prior Enterprise outreach efforts in the area and should include an explanation of how the Enterprise plans to translate the lessons learned from the planned outreach into future action.
- Loan product objectives should include a description of the problem that the new or enhanced product is designed to solve and an explanation of how the development of the new or enhanced product will help meet an underserved market need. The Enterprise should describe how the objective represents progress over the Enterprise’s prior loan product offerings, and how it will lay the foundation for future loan purchases that meet an underserved market need.
- To inform development of activities and objectives for future years in the Plan, the Enterprises should track and report to FHFA, on a quarterly and annual basis, total single-family loan purchases and total multifamily loan purchases targeting very low, low-, and moderate-income households in all rural areas. FHFA may report this data publicly. No later than the 2027 Plan year, FHFA expects each Enterprise to modify its Plan to include

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<sup>9</sup> Id.



two objectives with single-family and multifamily loan purchase targets applicable in all rural areas. FHFA will begin evaluating each Enterprise’s loan purchase performance in the entire rural housing market as part of the annual evaluation process once these objectives have been added to the Enterprise’s Plan. The Reporting Protocols and Requirements provided by FHFA to the Enterprises contain additional instructions on the process for submitting the Enterprises’ reports to FHFA.

## **2. Research that Supports Increased Liquidity in the Underserved Markets**

The Enterprises should consider conducting research — including outreach to stakeholders, market research, pilot testing, and product development — to close any knowledge gaps that currently limit progress towards meeting the needs of each of the underserved markets. FHFA encourages the Enterprises to share data, lessons learned, and other research findings with the public to provide better information about how to meet the challenges in each underserved market. By publishing research findings, the Enterprises could contribute to market knowledge needed to diagnose challenges and develop solutions.

FHFA also notes, however, that research activities are not a substitute for loan purchases and other actions that directly increase liquidity in the underserved markets and encourages the Enterprises to prioritize research projects that lay the foundation for future loan purchase objectives. The Enterprises should make clear efforts to demonstrate in their Plans how their research will supplement or enhance existing knowledge for stakeholders rather than duplicate existing work.

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## Chapter 2. Evaluation Process for Rating Enterprise Performance

### Overview

This Chapter describes how FHFA will evaluate and rate the Enterprises' performance under their Plans. FHFA will annually evaluate each Enterprise's performance in each of the three underserved markets, comparing the achievements of the Enterprise against the targets it established in its Plan for the applicable year.

To evaluate an Enterprise's performance under its Plan, FHFA will use a two-step process:

- **In Step One**, FHFA will evaluate the Enterprise's performance under each underserved market in its Plan from a qualitative and quantitative perspective, assessing the impact the Enterprise achieved in meeting a need of the applicable underserved market through actions taken under each objective.
- **In Step Two**, FHFA will determine whether and how much extra credit to award for the Enterprise's achievement of extra credit-eligible activities. Activities eligible for extra credit must be particularly challenging or serve a segment of an underserved market that is relatively less well-served. (See Section II of this Chapter for the specific activities that are eligible for extra credit.)

After assessing impact and awarding extra credit, FHFA will calculate a final performance score for each underserved market. The final performance score will then be converted to a rating that indicates whether and the extent to which the Enterprise complied with its statutory Duty to Serve obligations for each underserved market.

The five possible ratings for an Enterprise are: Exceeds, High Satisfactory, Low Satisfactory, Minimally Passing, and Fails.

## I. Step One: Impact Determination

Step One is a qualitative and quantitative evaluation designed to determine the impact of each objective on the needs of the underserved market. Under Step One, FHFA will consider information provided by the Enterprises in their Duty to Serve Plans and reports, research by FHFA or external parties, and input from stakeholders in evaluating impact.

Based on FHFA's impact evaluation, FHFA will assign a score of 0, 10, 20, 30, 40, and 50 to each objective.

FHFA's impact evaluation will focus on one of two different kinds of impact, depending on the nature of the objective: direct impact or future impact. Each is described below:

- **Direct Impact.** In evaluating direct impact, FHFA will consider the extent to which an Enterprise achieved an impact under each objective that addresses a present need in an underserved market. This evaluation will apply the criteria for the impact levels in Appendix B, which include a focus on the size or difficulty of the objective. The difficulty of an objective may involve, for example, the extent to which the Enterprise served a sub-market that has a high need for housing assistance (for example, purchasing loans in Appalachia versus purchasing loans in rural areas that are comparatively better served).
- **Future Impact.** In evaluating future impact, FHFA will consider the extent to which an Enterprise's achievements under an objective lay the groundwork for future work and improvements that would achieve a meaningful impact in addressing an underserved market need. These early steps could include, for example, undertaking a pilot, developing a new loan purchase platform, meeting with stakeholders to develop new loan purchase relationships, or collecting needed data. This evaluation will apply the criteria for the impact levels in Appendix B, which include a focus on the size or difficulty of the objective.

If an Enterprise does not meet its target for an objective, then FHFA will evaluate the objective in its entirety, taking a holistic view to assess the extent to which the Enterprise made meaningful progress toward achieving the intended outcome. In such cases, FHFA may consider market factors, implementation challenges, and other relevant context in determining whether the objective was substantially impactful and score accordingly.

After assigning an impact score for each objective, FHFA will calculate a simple average of the impact scores of the objectives in that underserved market, excluding any objectives it agrees are infeasible. The result of this calculation, the impact average, will be a single numerical score for each underserved market which will serve as the measure of impact that an Enterprise had on the

underserved market.

### **A. Infeasibility Requests**

If market conditions or other extenuating circumstances outside of an Enterprise’s control substantially interfere with an Enterprise’s accomplishment of an objective, the Enterprise may submit an infeasibility request as part of its annual report to FHFA. An infeasibility request may be subject to a 30-day public input period at FHFA’s discretion. FHFA generally will not seek public input on Enterprise infeasibility requests but is more likely to do so for infeasibility requests that are based on a claim of weak underserved market conditions.

If FHFA agrees that an infeasibility request is reasonable, FHFA will approve the request and exclude the objective from its impact evaluation under Step One.<sup>10</sup> In such cases, failure to complete the objective will not harm or benefit the Enterprise’s performance score under Step One. However, FHFA may consider the underlying actions taken by an Enterprise for Plan objectives that FHFA agrees are infeasible in determining the Enterprise’s impact average under Step One.

If FHFA disagrees that an infeasibility request is reasonable, it will notify the Enterprise and will include the objective in its impact evaluation of the Enterprise’s performance under Steps One and Two.

## **II. Step Two: Extra Credit Evaluation**

An Enterprise may receive an upward adjustment of 0.5 points to its Step One impact average for a market for each objective scored 40 or higher that involves undertaking activities that FHFA considers particularly challenging. This adjusted impact average, which reflects extra credit adjustments, is the final performance score for the market and is used to determine the Enterprise’s rating for the market.

FHFA has determined that the activities set forth below are extra credit-eligible activities:

### **MANUFACTURED HOUSING**

- Regulatory Activity 1: Manufactured homes chattel pilot initiative
- Regulatory Activity 3: Support manufactured housing communities owned by

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<sup>10</sup> In the unlikely situation that every objective in an underserved market is deemed to be infeasible, FHFA will render a “no rating” decision and provide an explanation for its decision in its Annual Housing Report to Congress.

government instrumentalities, nonprofits, or residents

## **AFFORDABLE HOUSING PRESERVATION**

- **Additional Activity: Rehabilitation of single-family homes**  
Actions under this activity should help to increase or improve the quality of single-family homes, such as for safety, habitability, repair or replacement of major systems, energy efficiency, and sanitary conditions.
- **Additional Activity: Disaster preparedness and weather resiliency**  
Actions under this activity should help prepare single-family homes and multifamily properties to adapt to and withstand natural disasters or weather-related risks or disasters.

## **RURAL**

- **Regulatory Activity 1: High-needs rural regions**
- **Regulatory Activity 2: High-needs rural populations**
- **Additional Activity: Certified Community Development Financial Institutions (CDFIs) that serve the rural housing market**  
Actions under this activity should help to increase loan purchases from CDFIs that serve rural areas, including through loan product development and associated outreach targeted to such CDFIs.

## **III. Conversion of Final Performance Scores to Compliance Determinations and Ratings**

After computing an Enterprise’s adjusted impact average, also known as the final performance score, for each market in Step Two of the evaluation process, the final performance scores will be converted to ratings that indicate whether and the extent to which the Enterprise complied with its statutory Duty to Serve obligations for each underserved market. If an Enterprise receives a final performance score of less than 25 for an underserved market, FHFA will assign a rating of “fails” and the Enterprise will be considered in noncompliance with its statutory Duty to Serve for the market. If an Enterprise receives a final performance score of 25 or higher, FHFA will assign one of four passing ratings and the Enterprise will be considered in compliance with its statutory Duty to Serve for the market.

### **Ratings Chart for Final Performance Scores**

<i>Rating</i>	<i>Fails</i>	<i>Minimally</i>	<i>Low</i>	<i>High</i>	<i>Exceeds</i>
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		<i>Passing</i>	<i>Satisfactory</i>	<i>Satisfactory</i>	
<i>Final Performance Score</i>	< 25	<u>25</u> – 30	<u>30</u> – 35	<u>35</u> – 40	≥ 40

Appendix C illustrates the complete evaluation process for a hypothetical underserved market in a Plan.

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## Appendix A: Duty to Serve Statutory and Regulatory Activities

Activities	UNDERSERVED MARKETS		
	Manufactured Housing	Affordable Housing Preservation	Rural Area
<b>Statutorily-Enumerated Activities</b>	None	<ol style="list-style-type: none"> <li>1. Section 8</li> <li>2. Section 236 (rental and cooperative housing)</li> <li>3. Section 221(d)(4) (moderate-income and displaced families)</li> <li>4. Section 202 (elderly)</li> <li>5. Section 811 (persons with disabilities)</li> <li>6. Permanent supportive housing projects (homeless assistance)</li> <li>7. Section 515 (rural rental)</li> <li>8. Low-Income Housing Tax Credits (LIHTCs- debt)</li> <li>9. Comparable state or local affordable housing programs</li> </ol>	None
<b>Regulatory Activities</b>	<ol style="list-style-type: none"> <li>1. Support manufactured homes titled as real property</li> <li>2. Support manufactured homes titled as personal property</li> <li>3. Support manufactured housing communities owned by government instrumentalities, nonprofits, or residents</li> <li>4. Support manufactured housing communities with specified tenant pad lease protections</li> </ol>	<ol style="list-style-type: none"> <li>1. Support small multifamily rental properties financing</li> <li>2. Support multifamily energy efficiency improvements financing</li> <li>3. Support single-family, first lien energy efficiency improvements financing</li> <li>4. Support affordable homeownership preservation (shared equity) financing</li> <li>5. Support HUD's Choice Neighborhoods Initiative (CNI)</li> <li>6. Support HUD's Rental Assistance Demonstration (RAD) Program</li> <li>7. Support purchase or rehabilitation financing of distressed properties</li> </ol>	<ol style="list-style-type: none"> <li>1. Support housing in high needs rural regions:</li> <li>2. Middle Appalachia</li> <li>3. Lower Mississippi Delta</li> <li>4. Colonias</li> <li>5. Rural tracts in persistent poverty counties</li> <li>6. Support housing for high- needs rural populations:</li> <li>7. Native Americans in Indian Areas</li> <li>8. Agricultural workers</li> <li>9. Support rural small financial institution financing</li> <li>10. Support rural small multifamily rental property activity</li> </ol>

## Appendix B: Assigning Step One Impact Scores to Each Objective

At the conclusion of each Plan year, FHFA will conduct a quantitative and qualitative evaluation of the impact of an Enterprise's performance under each of the objectives in its Plan (Step One of the evaluation). For each objective, FHFA will assign an impact score from 0 to 50 that reflects the actual level of direct or future impact of the objective on underserved market needs.

FHFA will use criteria in the table below to assign impact scores. For any given objective, some of the impact criteria included in the table may not be applicable. An Enterprise's anticipated or actual performance on an objective need not meet all of the criteria for a particular score level in order to receive that score. At FHFA's discretion, exceptional anticipated or actual performance on some of the criteria for a particular score level may compensate for anticipated or actual underperformance on others. However, an Enterprise's anticipated or actual performance of an objective should generally be consistent with the criteria for a particular score level in order to receive that score.

Notes:

- A score of 20 represents anticipated or actual impact that exceeds the criteria associated with a score of 10 but falls short of the criteria associated with a score of 30.
- A score of 40 represents anticipated or actual impact that exceeds the criteria associated with a score of 30 but falls short of the criteria associated with a score of 50.



*Appendices*

**Criteria for Assigning Step One Impact Scores**

FHFA will use criteria in the table below to assign impact scores.

Impact Characteristic	Score Criteria: Impact Scores				
	10	20	30	40	50
Contribution to liquidity	Had minimal direct or future impact, in absolute terms or relative to market needs		Direct or future increases were of sufficient size and scope to have a meaningful, if not necessarily large, impact in absolute terms or relative to market needs		Had very large direct or future impact, in absolute terms or relative to critical market needs
Extent of achievements relative to baseline	Achievements represented a decline from recent practice or performance		Achievements represented a meaningful expansion of recent practice or performance		Achievements far surpassed recent practice or performance
Level of effort, in light of applicable market conditions	Actions were not challenging and required minimal expenditure of effort or commitment of resources; no indication the Enterprise would have encountered difficulty in doing more		Actions were routine and required a moderate expenditure of effort or commitment of resources		Actions were complex and required a very large expenditure of effort or commitment of resources
Approach and design	Actions were poorly designed or poorly targeted to address an underserved market need		Actions were well-designed and well-targeted to address an underserved market need, but not necessarily innovative		Actions represented extraordinary innovation to effectively address a critical underserved market need
Contribution to future practice	Enterprise provided no indication that actions or findings will inform future practice		Enterprise indicated an openness to incorporating what it learned into future practice		Enterprise committed to specific next steps that build on actions or findings
Contribution to knowledge	Did not advance the field's knowledge of underserved market needs or how to address them		Made meaningful contribution to knowledge of underserved market needs or how to address them		Broke new ground on the field's understanding of underserved market needs or provided actionable insights on how to address them

## Appendix C: Illustrating the Evaluation and Rating Process

This Appendix provides a hypothetical scenario illustrating the annual evaluation process that results in a publicly released rating.

### Step One: Impact Determination

Under Step One, FHFA first evaluates the Enterprise’s performance and assigns an impact score to each objective based on the criteria described in Appendix B. An example based on a hypothetical Plan for the rural market is provided below.

Activity	Obj.	Evaluation Area	Impact Score
CDFIs that serve the rural housing market	1	Loan purchase	30
	2	Outreach	40
	3	Loan product	50
Support for All Rural Areas	4	Loan purchase	30
	5	Loan product	30
	6	Outreach	10
High-Needs Rural Region	7	Loan product	40
	8	Investment	40

Based on a simple average, the Enterprise received an impact average of 33.75 for the rural market.

If there are no extra credit adjustments, the score of 33.75 would be converted to a rating of “Low Satisfactory.”

### Step Two: Extra Credit Evaluation

An Enterprise may be eligible to receive an extra credit upward adjustment of 0.5 points to its Step One impact average for a market for objectives under extra credit-eligible activities, depending on the impact scores it received. For example, assume FHFA has designated CDFIs that serve the rural housing market and High-Needs Rural Regions as eligible for extra credit. FHFA would adjust the impact average to reflect extra credit for objectives 2, 3, 7 and 8 — excluding objective 1 because scores of 39 and below do not count for extra credit. The remaining four objectives (2, 3, 7 and 8) have an impact score of at least 40 and therefore, the Enterprise receives an upward adjustment of 0.5-point to the market impact average for each of the four objectives. The market’s Step Two adjusted impact average, or final performance score, reflecting the extra credit awarded, is shown below.

Activity	Obj.	Evaluation Area	Step One Impact Score	Eligible for Extra Credit
CDFIs that serve the rural housing market	1	Loan purchase	30	No
	2	Outreach	40	Yes
	3	Loan product	50	Yes
Support for All Rural Areas	4	Loan purchase	30	Not Applicable
	5	Loan product	30	Not Applicable
	6	Outreach	10	Not Applicable
High-Needs Rural Regions	7	Loan product	40	Yes
	8	Investment	40	Yes

Step One Impact Average	33.75
Additional Points for Extra Credit (0.5 x 4 = 2)	<u>+2.00</u>
FINAL PERFORMANCE SCORE	35.75

With the addition of 0.5 points for each four objectives (2 points total) in the activities eligible for extra credit (CDFIs that serve the rural housing market and High-Needs Rural Regions) where the objective had an impact score of 40 or more (objectives 2, 3, 8 and 9) to the impact average of 33.75 for the market, the adjusted impact average, or final performance score for the market is 35.75. The final performance score for the market determines whether, and the extent to which, an Enterprise has complied with its Duty to Serve for that underserved market. If the Enterprise's score is at least a 25, it indicates that the Enterprise has complied with its statutory Duty to Serve obligation for the market. In addition, this score converts to a rating of "High Satisfactory," based on the conversion chart shown below.

#### Ratings Chart for Final Performance Scores

<i>Rating</i>	<i>Fails</i>	<i>Minimally Passing</i>	<i>Low Satisfactory</i>	<i>High Satisfactory</i>	<i>Exceeds</i>
<i>Final Performance Score</i>	< 25	<u>25</u> – 30	<u>30</u> – 35	<u>35</u> – 40	≥ 40