Fannie Mae

2024
Rural Housing
Loan Purchase

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

OBJECTIVE:
2. Acquire single-family purchase money mortgage (PMM) loans in high needs rural regions.

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

SUMMARY OF RESULTS:
This objective was modified. Please see the impact explanation section below for more detail.

Objective's components detailed in the Plan	*Corresponding actions taken*	*Explanation of any deviations from the Plan (if applicable)*
☒ Purchase 6,100 single family mortgage loans in high-needs rural regions.	Fannie Mae purchased 6,465 high-needs rural regions (HNRR) loans in 2024. This was a meaningful level of support of the HNRR market that, beyond meeting the target, represented the highest share of HNRR lending as a percentage of our single-family loan acquisitions in any year since at least 2017.	

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?

While purchasing 6,465 HNRR loans falls about one percent short of the baseline set using 2017 to 2020 volumes, it represents a substantially higher share of Fannie Mae's Single-Family business than in any of those years. Specifically, HNRR loans constituted 0.83 percent of all single-family loan purchases in 2024, as compared to 0.47 in 2017, 0.55 in 2018, 0.60 in 2019, and 0.63 in 2020. In fact, the share of Fannie Mae Single-Family loans that qualify as HNRR loans has steadily risen every year since at least 2017 and represents progress in our support of this underserved market, even as market conditions have made lending more challenging.

Approximately 67% of the HNRR Duty to Serve loans were made to low- or very low-income homebuyers, similar to the rate in 2023. Additionally, 19% of the loans had loan balances of up to $100,000, and 45% had loan balances of up to $150,000, which were each slightly lower than the respective shares in 2023. Finally, 58% of the loans were made to first-time homebuyers, which was a higher share than in 2023. HNRR loan purchases ultimately served a diverse group of borrowers and made significant impact for homebuyers in HNRRs.

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

In 2024, the acquisition of single-family purchase money mortgage (PMM) loans in HNRRs continued to face market challenges. This necessitated a modification of the loan purchase target to a realistic yet ambitious number of loans, given the current housing market conditions.

During 2024 we increased our lender engagement in an effort to obtain timely feedback and be responsive to market challenges by providing training and continued marketing of our affordable products and solutions. Overall, our lender engagement provided direct insight into the many factors that drove the decline of single-family PMM loans in HNRR, which highlighted:

- Higher interest rates and decreased affordable housing supply presented major challenges to Duty to Serve-eligible lending in HNRRs. These factors directly influenced the decline of affordability, which remains a lead driver of fewer acquisitions of PMM loans.
- Along with affordability challenges, our lender engagement revealed a number of additional trends. Market challenges have resulted in a shift in lending behavior. Lenders, in response to current market conditions, have had to seek alternative lending solutions to support their borrowers. Additional down payment assistance/grants, portfolio lending, and government loan product deliveries have increased in usage by lenders. This shift directly impacts our purchase of PMMs in HNRRs.
- In addition to pursuing alternate lending options, lenders shared additional stressors to affordability in rural markets. Natural disasters and recovery continue to be a strain on rural communities. The frequency and severity of natural disasters have increased and drastically changed rural communities. Housing stock is further challenged by the cost to rebuild, leading to many homes damaged by natural disasters remaining in disrepair. Lastly, insurance companies have continued to change their coverage costs in rural areas. Some insurance companies have opted to no longer cover vulnerable communities, while others have raised premiums substantially — directly impacting affordability.

Continued support, engagement, and strategic planning with lenders and key stakeholders remain critical to ensuring liquidity in rural regions. As we look ahead, we will continue to seek feedback and explore additional ways to support homeownership expansion in HNRRs.

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

N/A

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Rural Housing
First Quarter Report: January 1 - March 31, 2024
Loan Purchase

ACTIVITY:

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

OBJECTIVE:

2. Acquire single-family purchase money mortgage (PMM) loans in high-needs rural regions.

SUMMARY OF PROGRESS:

The following are the 2024 Actions under this Objective:

- Purchase 8,700 single-family mortgage loans in high-needs rural regions, which represents approximately a 33% increase over the baseline.

Under this Objective, Fannie Mae has a loan purchase target of 8,700 PMM loans and a baseline of 6,526 PMM loans. As of March 31, 2024, Fannie Mae has purchased 1,232 loans eligible for this loan purchase target, representing 14.2% progress towards meeting the target and 19% progress towards meeting the baseline. At this rate, the chance of meeting the target is unlikely, according to internal forecast models. However, the same forecast, which accounts for seasonality and other economic conditions, projects a modest chance of meeting the baseline.

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):

Loan purchases under this objective in Q1 2024 are about 1 percent lower than those made in Q1 2023. Notably, when comparing the same time periods, single-family PMMs dropped by about 9%, indicating that high-needs rural regions (HNRR) lending has been slightly more

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resilient than the broader single-family business in the face of persistent macroeconomic challenges.

Given this context, unless there is an unexpected shift in market conditions during the remainder of 2024, we are likely to request a modification to this loan purchase target. As market headwinds affecting loan purchase activity in 2023 have persisted into the first quarter of 2024, it is reasonable to expect that a 2024 modification might be of similar magnitude to the one in 2023, given loan purchase targets were set in 2021 under dramatically different macroeconomic circumstances.

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Second Quarter Report: April 1 - June 30, 2024
Loan Purchase

REGULATORY ACTIVITY:

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

OBJECTIVE:

2. Acquire single-family purchase money mortgage (PMM) loans in high-needs rural regions.

SUMMARY OF PROGRESS:

Under this Objective, Fannie Mae has a loan purchase target of 8,700 PMM loans and a baseline of 6,526 PMM loans. As of June 30, 2024, Fannie Mae has purchased 3,016 loans eligible for this loan purchase target, representing 35 percent progress towards meeting the target and 46 percent progress towards meeting the baseline. At this rate, the chance of meeting the target is unlikely, according to internal forecast models. However, the same forecast, which accounts for seasonality and other economic conditions, projects a modest chance of meeting the baseline.

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):

Loan purchases under this objective in the first half of 2024 are about 5 percent lower than those made in Q1 2023. Notably, when comparing the same time periods, single-family PMMs dropped by about 7 percent, indicating that high-needs rural regions (HNRR) lending has been slightly more resilient than the broader single-family business in the face of persistent macroeconomic challenges.

Qualitative research that Fannie Mae conducted in Q2 captures the most common market challenges that lenders identified. Challenges highlighted in 2024 are similar to those from

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2023, including housing supply issues, low inventory of affordable homes, and interest rates, all of which limit opportunities for first-time homebuyers. Lenders also note that competition is strong, including pay-ups by aggregator investors for servicing released loans. They also note some demand from borrowers with credit profiles that do not been Fannie Mae's underwriting standards and are better suited for government programs.

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Rural Housing
Third Quarter Report: July 1 - September 30, 2024
Loan Purchase

ACTIVITY:

A. Housing in high-needs rural regions

OBJECTIVE:

2. Acquire single-family purchase money mortgage (PMM) loans in high-needs rural regions.

SUMMARY OF PROGRESS:

Under this Objective, Fannie Mae has a loan purchase target of 8,700 PMM loans and a baseline of 6,526 PMM loans. As of September 30, 2024, Fannie Mae has purchased 4,938 loans eligible for this loan purchase target, representing 57% progress towards meeting the target and 76% progress towards meeting the baseline. At this rate, the chance of meeting the target is unlikely while there is a chance of meeting or exceeding the baseline, according to internal forecast models.

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):

Loan purchases under this objective through the first three quarters of 2024 are about half a percentage point higher than those made through the same time period in 2023. Notably, when comparing the same time periods, single-family PMMs dropped by about four percent, indicating that high-needs rural regions (HNRR) lending continues to be a slightly more resilient than the broader single-family business in the face of persistent macroeconomic challenges.

In recent market outreach and engagement, persistent challenges were revealed in meeting the needs of HNR regions. The limited supply of affordable housing, combined with a higher interest rate market has made government loan products, often at 100% financing and lower interest rates, the most affordable lending solution. Additionally, lenders have opted to broaden their underwriting requirements and portfolio loans that do not meet Fannie Mae's guidelines. Housing practitioners have also expressed a need for more down-payment assistance and grant programs to support homeownership. Lastly, rising insurance costs, particularly in areas impacted by natural disasters, threaten to push housing beyond affordable levels, compounding the existing challenges in HNRR loan deliveries.