

2024 Rural Housing Loan Product

ACTIVITY:

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

OBJECTIVE:

3. Improve access to affordable financing for underserved homebuyers.

INFEASIBILITY:

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

SUMMARY OF RESULTS:

<i>Objective's components detailed in the Plan</i>	<i>Corresponding actions taken</i>	<i>Explanation of any deviations from the Plan (if applicable)</i>
<input checked="" type="checkbox"/> Analyze potential policy changes with a focus on increasing borrowers homeownership opportunities in high-needs rural regions and ensuring initiative(s) aligns with enterprise objectives.	Target met through 2024 actions; see subsequent implementation steps.	
<input checked="" type="checkbox"/> Continue to assess the down payment assistance initiative's results from 2023 to identify if additional opportunities exist to further strengthen the program's effectiveness and increase its scale.	Throughout 2024, Fannie Mae periodically analyzed high-needs rural region (HNRR) loan deliveries of products that include down payment assistance (DPA).	
<input checked="" type="checkbox"/> Conduct market research to determine if new barriers exist that impede borrowers from leveraging down payment assistance programs.	<p>In early 2024, we launched a rural component to a national marketing campaign to promote a recent DPA policy enhancement and found that rural audiences were receptive to messaging related to DPA.</p> <p>Separately, we continued to analyze the performance of our DPA tool, both nationally and in counties that contain HNRRs, and found that the information provided remains sought after by potential homebuyers at even higher levels than in 2023.</p>	



SUMMARY OF RESULTS CONTINUED:

Objective's components detailed in the Plan	Corresponding actions taken	Explanation of any deviations from the Plan (if applicable)
<input checked="" type="checkbox"/> Review and assess policies to determine if opportunities exist to enhance or create new guidelines that improves a borrower's ability to access homeownership.	We updated the HomeReady® guidelines in January 2024 to offer a \$2,500 very low-income purchase (VLIP) credit, which is eligible for deliveries from March 1, 2024, through February 2025. This reinforces our commitment to ensuring access to affordable housing by addressing obstacles common to very low-income HNRR borrowers.	
<input checked="" type="checkbox"/> If applicable, evaluate success of SPCP to determine how/if to scale or replicate.	Analysis conducted under this objective is being used to inform a lender outreach plan to expand mortgage lending in the Colonias.	

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?

As in past years, the focus for this objective has been to track the performance of Fannie Mae's programs for supporting mortgage lending in HNRRs that feature DPA. HomeReady® First features down payment or closing cost assistance and free homeownership education to creditworthy first-time homebuyers.

- We have purchased a total of 74 Duty to Serve-eligible purchase money mortgage (PMM) loans under our Special Purpose Credit Program (SPCP), HomeReady First, since this SPCP was expanded to include certain HNRR census tracts in late 2023. 72 of these loans were purchased in 2024. In addition, we purchased an additional 390 such loans secured by properties in rural, but non-HNRR, census tracts.
- Separately, we purchase loans that conform to lenders' own SPCPs. We purchased a total of 91 such PMM loans in 2024 that qualify as Duty to Serve HNRR loans. In addition, Fannie Mae purchased an addition 221PMM loans secured by properties in rural, but non-HNRR, census tracts.



New in 2024 and distinct from HomeReady First, we updated the guidelines for our HomeReady product in January to offer \$2,500 DPA to VLIP borrowers. By the end of 2024, we purchased 144 such PMM loans in HNRRs, 46 of which are secured by properties in the Lower Mississippi Delta and 73 of which in Middle Appalachia, 7 of which in Colonias, and 39 of which in Persistent Poverty tracts. Another 1,881 PMM loans were secured by properties in rural, but non-HNRR, census tracts.

Finally, we have continued to promote DPA in HNRRs through a combination of activities, including standardized documentation for lenders, consumer-facing resources hosted on fanniemae.com, and a marketing campaign aimed at increasing consumers' awareness of enhancements to HomeReady.

As lenders continue to share that housing affordability challenges limit opportunities to lend to low- and moderate-income borrowers in HNRRs, strategies that expand DPA utilization meet one of the key needs of this underserved market.

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

Learnings from work performed under this objective in 2024 will influence our support for HNRRs in future years. For example, as part of our 2024 analysis, we conducted a deep dive on HomeReady First utilization in the Colonias, with a goal of identifying lenders and geographies where there has been established success and where we might focus our future efforts. We observed that since the expansion into the Colonias Census Tracts in late 2023, 10 distinct lenders have leveraged HomeReady First in the Colonias, and another one has delivered loans that meet the requirements of a lender SPCP.

In addition to the analysis of our own book of business, we have also learned from data collected through the DPA tool that we host on fanniemae.com and through our own DPA-focused marketing campaign. Together, these findings reveal that we can effectively drive awareness of DPA to a rural audience because the content is relevant to their needs.

- The DPA tool that we launched in late 2022 and have been hosting ever since was used by more than 3,000 users located in counties containing HNRR tracts, constituting about 8% of traffic for this tool in 2024.
- Fannie Mae's Experience Design Team conducted usability research in 2024 to seek ways to make the DPA tool simpler and easier for consumers to use; this research led to improvements to the tool that were implemented in December 2024
- In March and April 2024, we launched a digital marketing campaign to promote the new DPA available to VLIP borrowers as part of HomeReady and found that rural promotions were successfully driving lenders and mortgage professionals to learn more about HomeReady. Encouragingly, engagement, as measured by click-through rates, was higher for rural audiences than for nationwide audiences.

Together, the information gathered in 2024 will enable us to continue supporting lenders and prospective borrowers who seek to use DPA to bridge the affordability gap in HNRRs.

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

N/A



Rural Housing Second Quarter Report: April 1 - June 30, 2024 Loan Product

REGULATORY ACTIVITY:

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

OBJECTIVE:

3. Improve access to affordable financing for underserved homebuyers.

SUMMARY OF PROGRESS:

Fannie Mae is on track to meet the 2024 loan product target to “Analyze potential policy changes with a focus on increasing borrowers homeownership opportunities in high-needs rural regions and ensuring initiative(s) aligns with enterprise objectives” as well as all associated implementation steps.

Analyzing past down payment assistance initiatives and their impacts in high-needs rural regions (HNRRs), we can report that Fannie Mae has purchased a total of 30 DTS-eligible purchase money mortgage (PMM) loans under its SPCP program, HomeReady First since this SPCP was expanded to include certain HNRR census tracts in late 2023. HomeReady First features down payment or closing cost assistance and free homeownership education to creditworthy first-time homebuyers. 28 of these loans were purchased in 2024; 24 of which were secured by properties located in Colonias census tracts. Finally, it is worth noting that Fannie Mae purchased an additional 131 PMM loans in 2024 secured by properties in rural, but non-HNRR, census tracts.

Separately, Fannie Mae purchases of loans that conform to lenders’ own SPCPs. Fannie Mae purchased 39 such PMM loans in 2024 that are also eligible for DTS HNRR. In addition, Fannie Mae purchased an additional 109 PMM loans secured by properties in rural, but non-HNRR, census tracts.

New in 2024, Fannie Mae updated the guidelines for its HomeReady product in January to offer \$2,500 in down payment assistance to very low-income (VLIP) borrowers. In just four months’ worth of loan deliveries, Fannie Mae has purchased 42 such PMM loans in HNRRs, 19 of which are secured by properties in the Lower Mississippi Delta and 16 of which in Middle Appalachia. Another 577 PMM loans were secured by properties in rural, but non-HNRR, census tracts.



Rural Housing
Second Quarter Report: April 1 - June 30, 2024
Loan Product

Beyond these innovative loan product offerings, Fannie Mae has continued to promote down payment assistance in HNRRs through a combination of activities, including standardized documentation for lenders, consumer-facing resources hosted on Fanniemae.com, and a marketing campaign aimed at increasing consumers' awareness of the previously mentioned 2024 enhancement to HomeReady. Notably, even though the latter was a national marketing campaign, the activity in rural areas has been robust with rural click-through rates exceeding initial targets.

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):