

2024 Rural Housing Loan Purchase

ACTIVITY:

D. Regulatory Activity: Support small multifamily rental properties financing (12 C.F.R. § 1282.35 (d)).

OBJECTIVE:

1. Support rural small multifamily rental property activity.

INFEASIBILITY:

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

Loan purchases under this Objective are correlated with multifamily loan purchase volume. Unfortunately, Multifamily loan purchase volume in 2024 was significantly lower than in recent years. Specifically, Fannie Mae saw 7% fewer loan purchases in 2024 compared to 2023 and a 38% reduction compared to the annual average number of purchases made between 2017 and 2020, the years used to determine baseline targets. These unfavorable market circumstances and other factors are discussed in more detail under Question 3, below.

In this light, surpassing the baseline in 2024 represents a meaningful accomplishment amid challenging market conditions.

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>
☐ Purchase 76 loans, approximately a 17% increase over the baseline.	Fannie Mae purchased 66 loans under this Objective, which surpassed the baseline of 65 loans but fell short of the target of 76 loans.	Market conditions made achieving this target infeasible in 2024.

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?

Purchases under this Objective in 2024 achieved the baseline but missed the target as measured by loan count. This reflects two consecutive years of gradual declines since a recent high of 77 loans purchased in 2022. However, Multifamily purchases financed more properties than in 2023 and, when measured as a percentage of overall multifamily loan purchases rather than a count, 2024 displayed our largest commitment to the small rural rental (SRR) market since 2020. Specifically, 2.5% of all our multifamily loan purchases financed SRR properties, while the share was only 2.2% in 2022. Compared to 2020, the share of loans financing SRR properties has nearly doubled, from 1.3 % to 2.5%, demonstrating consistent commitment to this underserved market even as market conditions have suppressed loan volumes in recent years.

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

In 2024, we found that changes to the Multifamily Credit Facilities offering — a specialized product that allows borrowers to substitute, add, or remove property collateral to a single line of credit over time — negatively impacted this loan attainment objective even as Multifamily purchases financed more small properties in rural regions than in 2023.

Specifically, the change that increased the deal size threshold for an opportunity to qualify for the Multifamily Credit Facility product resulted in fewer loan purchases compared to previous years. The higher deal size threshold drove many potential rural opportunities that are typically smaller properties and lower collateral values than properties found in major Metropolitan Statistical Areas, away from Structured Transactions and toward Flow and Bulk Delivery products. These Flow and Bulk Delivery products can finance multiple properties through a single loan and thereby understate the impact of a loan acquisition compared to previous years.

In 2023, we acquired 73 loans that financed 83 unique SRR properties. Our 2024 loan attainment was 66 loans, short of the annual target, but financed 88 unique SRR properties, a 6% increase over last year. In previous years, a proportion of these loans would have used a Credit Facility execution contributing multiple loans toward attainment for the Objective, but the current metric suggests that we acquired fewer SRR loans in 2024 despite those loans financing more qualifying properties. For comparison, there were no SRR loans delivered under Credit Facilities in 2024, but Credit Facilities generated about 7% of the objective attainment volume over the prior four years.

While our loan count for the SRR Objective appears lower than in previous years, our commitment and impact on this market remains strong. This is evidenced by the total properties financed by loans that were acquired, the proportion of overall acquisitions financing SRR properties, and the proportion of quoted opportunities won by Fannie Mae that qualify for this objective. We learned that our market “win rate” (the percentage of loans we purchased compared to the number of applications we received) was higher than the prior years used to calculate the baseline and was on par with other years in the current Plan cycle. These findings demonstrate that we remain competitive in serving this market despite market contraction that made achieving targets infeasible.

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

The primary driver of the recent decline in SRR loan purchases has been a contraction in multifamily volume since 2020. Compared to 2020, 2024 multifamily loan purchases are down 44%. However, with the consistent focus on this underserved market, SRR loan purchases were slightly higher in 2024 than in 2020.

Analysis of our loan pipeline shows that overall deal registration volume has also diminished.

Against these challenging market circumstances, our attainment of the baseline target has made a meaningful contribution to this underserved market.



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

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D. Support small multifamily rental properties financing

OBJECTIVE:

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SUMMARY OF PROGRESS:

MF has acquired 59 loans which contribute to the Small Rural objective, on par with the straight-line attainment for the year. The deal pipeline remains active with 5 deals committed and 7 more under application, however, the newly quoted volume at the end of Q3 is low making it unlikely that we will acquire enough eligible loans in Q4 to meet the plan target. The objective baseline, however, is highly attainable.

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):

Though 2024 attainment appears at risk of falling short of the target, it is important to note that the share of Small Rural business as proportion of Multifamily acquisitions in 2024, approximately 3.4%, nearly doubles that in the years used to establish the baseline and target, indicating that Fannie Mae has provided significant support to this market segment. The potential shortfall in 2024 is primarily attributable to the > 50% drop in Multifamily acquisition volume overall, and not to a lack of 5-50 unit or rural production specifically.