The following summaries were prepared by FHFA and provide additional information on selected objectives in Fannie Mae's 2023 Underserved Markets Plan. Discussions with Fannie Mae took place during an on-site meeting held on June 5th, 2024.

## Affordable Housing Preservation Market

### FN_AHP_Sec8_1: Provide a Steady Source of Capital and Liquidity through the Purchase of Loans Secured by Project-Based Section 8 Properties

Fannie Mae is currently trending ahead of the pro-rated attainment percentage and is on track to meet this target in 2024. In 2023, Fannie Mae faced pricing competition and requests from the market for more flexible loan terms (e.g. I/O, amortization), and not all concessions could be made. This resulted in lower acquisition volume in 2023 compared to prior years.

Fannie Mae reported that its strategy has not necessarily changed in 2024 – upholding credit standards while balancing market opportunity – and Fannie Mae's Multifamily Affordable Housing team is working to identify opportunities through engagement with DUS lenders. Fannie Mae's efforts to acquire more Section 8 deals towards the end of 2023 resulted in some deal carryover into 2024 and has supported its strong early performance this year. There has also been more Section 8 HAP deal volume this year compared to last year. Fannie Mae reported that this is due to its and its lenders' increased focus in this area of business.

### FN_AHP_RED_1: Purchase Affordable Loans to Add Liquidity to the Market in FHFA-Determined, RED-Eligible High Opportunity Areas

Fannie Mae's efforts focused on maintaining engagement with DUS lenders to identify opportunities and communicate DTS priorities. In 2023, Fannie Mae's exceeded its RED loan purchase goal to purchase 30 loans by 9 loans. A high proportion of deal volume under LIHTC supported Fannie Mae's RED goal, despite broader LIHTC loan purchase volume falling below target in 2023 and well below the prior year, indicating a high degree of alignment. In 2022, where LIHTC volume was higher under more favorable market conditions, Fannie Mae surpassed its RED goal by a larger margin than in 2023.

### FN_AHP_SF Energy_3: Build tools and create programs to facilitate energy and water improvements

Fannie Mae is analyzing the loan performance of high energy burden households and determine if there are any statistically significant results linking high energy burden to higher delinquency rates. Fannie Mae will work through the internal process to share those results with FHFA staff this year.

Fannie Mae also plans to potentially use this data to conduct outreach to high energy burden households and connect them with available incentives in the market such as utility rebates, the Weatherization Assistance Program, and Inflation Reduction Act incentives. Fannie Mae is developing an outreach strategy for this, including evaluating legal and privacy concerns and determining what can and cannot share with lender partners and servicers. Fannie Mae is also working to expand the Energy Savings Program Finder, which will help consumers connect to energy savings programs. Fannie Mae will conduct this outreach in the next program cycle and has included actions in the 2025-2027 Duty to Serve Plan to build awareness about Inflation Reduction Act incentives for low- and moderate-income homeowners, such as rebates for energy-saving home improvements that are included in the Inflation Reduction Act.

However, Fannie Mae's data on modeled energy consumption and energy costs at the property level may not be accurate enough or provide the borrower with the necessary insight to permit the borrower to make a good decision based on its data alone. Fannie Mae is still evaluating what it can and cannot share with lender partners and servicers.

Fannie Mae believes that low-income and very low-income borrowers should consider (and be connected with) existing market incentives such as Weatherization Assistance, utility rebates, and/or IRA funds before financing energy-saving improvements. This is the most cost-effective approach a homeowner can take to reduce their energy burden. Fannie Mae can create consumer awareness of these incentives, which in turn will reduce the homeowners' energy burden and support affordable housing preservation. This approach aligns with feedback from Duty to Serve stakeholders to help very low-, low- and moderate-income homeowners find more cost-effective solutions to lower their utility bills, rather than continuing to promote HomeStyle Energy and HomeStyle Renovation only. Fannie Mae will try to connect these borrowers with these programs first, while also providing information about HomeStyle Energy and HomeStyle Renovation as a financing resource if the borrower wants, and can afford, to take on additional debt to do deeper retrofits that the incentives do not cover.

**FN_AHP_RED_2: Introduce a pilot product to accept Housing Choice Vouchers (HCVs) in markets without source of income (SOI) protections**

FHFA requested information from Fannie Mae on this objective's pricing incentive terms, lessons learned through its pilot, and how those lessons will be applied to future iterations of the pilot. Fannie Mae provided this information and requested confidentiality for its responses.

Fannie Mae confirmed that properties that already have a requirement to accept HCVs as a condition of financing, such as LIHTC properties, are ineligible for the EHC pricing initiative.

## Manufactured Housing Market

**FN_MH_Real_Prop_1: Acquire Purchase Money Mortgage Loans Secured by MHRP**

Based on 2021 - 2022 HMDA data, Fannie Mae noted a 3% year-over-year decline in its market share for conventional, owner-occupied purchase-money MH loans, which was consistent with the decline in Fannie Mae's overall Single-Family market share during that time period.

Broadly, Fannie Mae's market share in recent years has been impacted by a modest increase in private-label security issuances, and this has been true in the manufactured housing market as well. HMDA data shows that private-label securitization of conventional, real property MH loans more than doubled year-over-year from 2021-2022. Almost all this increase came from large institutional lenders who appear to be issuing private-label securities comprised of both personal property and real property MH loans.

Fannie Mae continues to subsidize Duty to Serve manufactured housing business by waiving up-front loan-level pricing adjustments for Duty to Serve-eligible loans. This has led to almost $3 million in loan-level subsidy for MH loans purchased in 2023 that would not have otherwise been made available.

Looking at acquisition data from 2018 – 2023:

- Fannie Mae's top 10 states by MH loan volume have remained generally consistent in the years since Duty to Serve began, with Washington, California, Arizona, Oregon, and Florida consistently in the top 5 and Texas, North Carolina, and Michigan consistently in the top 10. Fannie Mae's top 10 states in 2023 represented around 63% of total MH loan acquisitions.
- In 2022, Tennessee and South Carolina entered the top 10 for the first time since Duty to Serve began and remained there in 2023. This trend appears to coincide with a slight increase in the number of new homes shipped to these states in recent years.
- States which receive a high share of total annual MH shipments but do not comprise a large share of Fannie Mae MH loan acquisitions include Alabama, Louisiana, and Mississippi. Fannie Mae attributed this difference to the large number of manufactured housing communities in these states, as well as the comparatively higher share of landowners living in these states who choose to title their homes as personal property instead of real estate.
- In summary, Fannie Mae believes MH loan acquisitions will continue to be highest in states where improvements in home quality and aesthetics have allowed manufactured housing to blend into the broader Single-Family housing stock more seamlessly, such as the Pacific Northwest and California.

Fannie Mae engaged with lenders throughout 2023 and identified several policy updates with the goal of increasing certainty in its MH policies and reducing complexity for lenders. These actions attempt to increase liquidity by increasing lender participation in this market. This includes:

- Removing an exclusion on temporary interest rate buy-downs, which is a program flexibility that's more relevant in a heightened interest rate environment.
- Removing the requirement for a closing protection letter for MH loans, which was perceived as an additional barrier for MH loans and adds marginal closing costs that are typically passed on to the borrower.
- Fannie Mae began work in 2023 that finished in 2024 focused on extending the term of cash-out refinances for MH loans from 20 years to 30 years.

**FN_MH_Comm Govt_1: Increase Loan Purchases of MHCs Owned by Government Entities, Nonprofit Organizations, or Residents**

Fannie Mae stated that there has been increased competition in this segment of the market in recent years. State HFAs, CDFIs, and other bank lenders have all produced permanent financing products that often exceed Fannie Mae’s credit limits for the Multifamily DUS platform. In June of this year, HUD also announced a revamped MHC financing product specifically targeting communities under these ownership groups.

While Fannie Mae has observed increased competition in this segment of the market, that competition all converges on a very small part of the overall manufactured housing community industry (estimated at fewer than 1,000 communities or roughly 2% of the overall MHC market). Fannie Mae believes that the market is being well-served today, which is the basis for its infeasibility claim for 2023.

Despite Fannie Mae’s infeasibility claim, Fannie Mae is still in the market for these deals. In May, Fannie Mae completed an acquisition loan which supported a non-profit to acquire its first MHC in the Denver, CO market. This was Fannie Mae’s first-ever acquisition loan in this segment of the market – all the others have been refinancings of existing debt.

Fannie Mae’s Multifamily team has recently observed non-profit entities purchase MHCs with the explicit intent of establishing and transferring ownership to a resident co-op board within a few years. This innovative model, as well as direct outreach to other well capitalized non-profits, may increasingly support non-traditional ownership in the MH market moving forward.

Beyond Multifamily, Fannie Mae is focused on improving its Single-Family offerings for communities under these forms of land tenure. In 2023, Fannie Mae expanded its Single-Family mortgage eligibility to include homes located in resident-owned cooperative communities, in select states which recognize such homes as being real estate. Fannie Mae was previously just in one state, New Hampshire, and has now expanded to an additional three states.

Expanding Fannie Mae’s Single-Family lending programs for ROCs will provide the option for residents to lower monthly mortgage payments on their homes by providing 30-year fixed rate financing for homes in these communities. Fannie Mae believes this will improve the outlook for multifamily financing by bolstering the cooperative’s ability to take on new debt financing.

**FN_MH_MHC Renters_2: Supporting renters in manufactured housing communities through credit building activities**

Fannie Mae noted that while enrollment and program rollout are managed between the borrower and system vendor, they did establish an internal team to engage with borrowers and explain the benefits of the positive rental payment program and answer any questions regarding implementation. This resulted in numerous enrollments, including one large institutional MHC owner committing to roll out the program across its MHC portfolio.

Fannie Mae also launched a national digital marketing campaign from June to November 2023, targeting both Multifamily borrowers and lenders to demonstrate the impact the program was having on renters. With FHFA approval, Fannie Mae also extended the pilot from September 2023 to December 2024. During this extension period, Fannie Mae will continue to cover the costs of adoption for a 12-month term. Beyond covering the cost of the first year of adoption, Fannie Mae did not provide any additional financial support for this program.

## Rural Housing Market

### FN_RH_Small MF Rental_2: Small rural multifamily rental outreach

The Fannie Mae Multifamily team's engagement direct to DUS lenders over the past several years has increased awareness of rural Duty to Serve objectives, with lender web traffic to rural market DTS tools increasing year over year. Based on lender feedback, Fannie Mae began automating rural market DTS flagging on pipeline deals, allowing the Multifamily business to better consider Duty to Serve eligibility when evaluating prospective acquisitions.

The Fannie Mae Multifamily team achieved a high-water mark for both the loan volume which qualified for Small Rural DTS and for win rates for these deals. As such, Fannie Mae is not currently considering any incentives but will continue evaluating pricing strategies in 2024 and beyond.

Fannie Mae uses direct input from lenders to enhance tools for originators and to predict future market trends. Lender feedback contributed to the current enhancements to the AMI Look Up tool (which directly supports the Rural DTS market objectives), including the addition of rural sub-markets to the address look up feature. Fannie Mae also plans to implement longer-term enhancements such as bulk look-up for properties.

Fannie Mae expects that soliciting and acting on lender feedback during times of high rural DTS production will support Multifamily purchases in this market when non-Agency competition increases on rural deals.

### FN_RH_Small Fin Inst_1: Acquire Single-Family Purchase Money Mortgage Loans in Rural Areas from SFIs

Fannie Mae reported that both Rural loans and the subset of Rural Loans made by SFIs have steadily declined in recent years. However, as a share of the total single-family business, rural loans have steadily been increasing while SFI loans have declined. Comparing 2023 against the recent peak for rural lending in 2021, Fannie Mae noted that 231 non-SFI lenders increased their DTS rural lending over that period, accounting for a total of 6,361 incremental rural loans made by non-SFIs. 85% of these incremental rural loans were sold by just the top 30 lenders. 55% were sold by the top 5 lenders. Of the top 30, 11 were depositories and of the top 5, one was a depository. There are also several non-SFI lenders that had a slight decline between 2021 - 2023 but still sold a significant number of DTS rural loans in 2023. Note that rural loans, in aggregate, declined by 43% during this period, so lenders that nearly held steady or that demonstrated a smaller decline could be perceived as increasing their prominence in the rural market.

**FN_RH_HN Reg_3: Improve Access to Affordable Financing for Underserved Homebuyers**

FHFA requested that Fannie Mae share its terms for the SPCP pilot for perspective on the expansion centered around Down Payment Assistance. Fannie Mae provided this information and requested confidentiality for its response.

**FN_RH_HN Reg_4: Conduct outreach in high-needs rural regions to improve knowledge of local market conditions**

The outreach efforts described under the first target will directly inform Fannie Mae's product development commitments in the next Plan, including a Colonias strategy and a Rural CDFI product. Fannie Mae's second target under this objective, Heirship research, is leading towards three areas to design a comprehensive product strategy. Those areas are:

- Loan product
    - Conduct a feasibility analysis of a mortgage loan enhancement that would allow the heirs' property owner to clear title by buying out the other heirs and finance home repairs and resilience improvements.
- Servicer requirements for recent heirs
    - Identify best practices for servicers to address successors in interest.
- Prevention
    - Develop an estate planning guide in the Housing Journey and integrate messaging within New Homebuyer Emails.
    - Launch consumer panel testing and search engine optimization research to inform preventative heirship education content.
    - Expand title education and include heirship highlights in HomeView.
    - Leverage estate planning and heirship content to create a toolkit for B2B partners and community partners.

**FN_RH_HN Pop_1: Support Technical Assistance Programs that Enhance the Development Capacity of Organizations Serving High-Needs Rural Populations**

Enterprise Community Partners hosted a webinar on the Native Housing Developers Guide in January 2023 to kick off Fannie Mae's technical assistance on Native multifamily housing for the year. Several groups reached out to as a result for support on specific developments, including organizations affiliated with Navajo (AZ), Shinnecock (NY), and Swinomish (WA). Early meetings with Enterprise Community Partners helped them to plan for upcoming housing development plans which eventually contributed to:

- HUD Section 4 grant of 45K for Shinnecock
- HUD Section 4 grant of 45K for Swinomish
- Wells Fargo Invest Native grant for 400K for Navajo

As of the time of these meetings, Fannie Mae reported that California Tribal Homekey funding has not yet been publicly allocated. Enterprise Community Partners shared that two tribes reported having been informed of their award but were told they cannot make any public announcements. Other partners have reported that they are still in the process of review.

This is the link to check for any new updates, which has not been updated since February 2024: Awards Dashboard | California Department of Housing and Community Development

**FN_RH_HN Pop_2: Create Additional Homeownership Opportunities for High-Needs Populations by Strengthening Native CDFIs' Lending Capacity and Skill Set to Operate in the Secondary Mortgage Market**

Fannie Mae reported that there were four MOUs active throughout 2023 and none were signed during the year. However, Fannie Mae negotiated two new MOUs, with San Ildefonso and Jemez, both in New Mexico, throughout 2023 and finalized in early 2024; this leaves Fannie Mae with six MOUs. Fannie Mae is actively negotiating with six tribes and has less advanced discussions with several more. As negotiations continue over outstanding issues, however, there is no guarantee that all six MOUs will be finalized during 2024.

Additionally, Fannie Mae submitted an identification typo in a previous report – this identification was an error and an edit to the narrative is forthcoming. 1,111 households identified as Native American or Alaska Native (*not* Pacific Islander), which matches the DTS definition for HNRP. In addition to 1,111 Native American and Alaskan Natives, Oweesta's housing counseling network served 21 households that identified as Native American or Pacific Islander. Oweesta has an organization in their housing counseling network that in Hawaii.

In response to a question about the measures used to determine how households tangibly improve their financial capacity, Fannie Mae referred to Oweesta's definition. According to Oweesta, "improved financial capacity" includes metrics such as: increased credit score, increased savings, and decreased debt load. This definition is consistent with the data captured to measure financial capacity on the HUD 9902 form, the reporting required of HUD approved intermediaries and counseling agencies.