



Fannie Mae 2020 Rural Housing Outreach

ACTIVITY:

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

OBJECTIVE:

2. Increase affordable capital through industry outreach in high-needs rural regions (Analyze, Partner and Innovate).

SUMMARY OF RESULTS:

Following are the 2020 Actions under this Objective per the January 1, 2021 Duty to Serve Plan:

Table with 3 columns: Objective's components detailed in the Plan, Corresponding actions taken, and Explanation of any deviations from the Plan (if applicable). It contains two rows of data detailing housing counseling and homebuyer readiness services.



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	counseling agency and a Fahe network member to provide homeownership readiness services and affordable housing construction to the Appalachia region.	
<input checked="" type="checkbox"/> Engage housing counselors in high -needs rural regions identifying capacity challenges that can be addressed through technical assistance.	•We engaged Fahe and other partners to support Fahe’s strategic goal of becoming a HUD Approved Housing Counseling intermediary.	•N/A
<input checked="" type="checkbox"/> Continue engaging CDFIs or other mission driven lenders identifying innovative homeownership or lending models; identify capacity challenges that can be addressed through technical assistance.	•We continued our engagement with the Homeownership Council of America to provide 15 Fahe brokers and correspondents comprehensive technical assistance and business development for their wholesale division.	•N/A
<input checked="" type="checkbox"/> Establish a targeted marketing campaign(s) focused on raising awareness, or highlight an initiative in conjunction with other activities to support an increase in loan deliveries.	•We launched a successful marketing campaign throughout high-needs rural regions highlighting the benefits of our 97 percent loan-to-value (LTV) option to increase product adoption.	•N/A
<input checked="" type="checkbox"/> Finalize and publish a census tract-based colonias definition and identification methodology, including a colonias dataset and mapping to assist with the tracking of loan purchases.	•In partnership with the Housing Assistance Council, we developed the concept of “colonia investment areas.” The research aimed to create a comprehensive, usable, and uniform definition of colonia so that affordable capital and other finance resources can be more	•N/A



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	efficiently directed to these underserved communities.	
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**SELF-ASSESSMENT RATING OF PROGRESS:**

- Objective met
- Objective exceeded
- Objective partially completed: 75-99% (substantial amount)
- Objective partially completed: 50-74% (limited amount)
- Objective partially completed: 25-49% (minimal amount)
- Objective partially completed: 0-24% (less than a minimal amount)
- No milestones achieved

**PARTIAL CREDIT JUSTIFICATION:**

N/A

**IMPACT:**

- 50 – Substantial Impact
- 40 – Between Meaningful and Substantial Impact
- 30 – Meaningful Impact
- 20 – Between Minimal and Meaningful Impact
- 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?**

Despite limitations related to COVID-19, we successfully collaborated with four organizations to execute housing counseling programs for aspiring and current rural borrowers in the Lower Mississippi Delta, Appalachia, and colonias regions.

University of Alabama:

In partnership with the University of Alabama, we launched another program cycle of Home-First, a hybrid service-learning housing counseling course provided remotely to Alabama residents. It was expanded to provide foreclosure and default prevention services in the wake of COVID-19. Between its launch in August 2020 through October 2020, 28 participants completed 77 sessions and observed the following outcomes:

- Participants averaged \$882 in debt paid during the program, with 58 percent stating they made “a lot” of progress in paying down their debt.



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- Eighty-three percent increased frequency of savings, with 67 percent establishing automatic transfer to savings and participants averaging savings of \$604 during this program cycle.
- Not a single participant took out a payday loan or cash advance during the program.
- Ninety-two percent had a budget, and 83 percent had a bank account at program completion.
- Seventy-five percent felt confident in improving their credit score, with 58 percent actually improving their score during the program.
- One hundred percent of participants felt confident in managing their money after completing the program, with 80 percent feeling confident about the home buying process and 90 percent making progress toward preparing to purchase their first home.

In December, the University of Alabama published their learnings from previous cycles of their service-learning model. Their research validated that the program led to significant and sustained gains by participants in savings, budgeting habits, credit scores, and financial literacy related to banking and predatory lending.

### Come Dream Come Build:

Come Dream Come Build (CDCB) completed 206 pre-purchase housing counseling intake sessions through September 30, 2020. This well exceeded the 135 sessions conducted over the same timeframe in 2019, demonstrating meaningful progress for this curriculum.

Notably, clients who participated in the most recent quarter entered the program with more debt and lower average net worth than past CDCB clients, making this an especially challenging program cycle. These challenges are only exacerbated by those related to COVID-19. These clients had average debt payments of \$1,010 – double that of clients from previous cycles. In reaction, CDCB housing counselors identified lowering those debt payments as a key focus area for this group of consumers.

### Renaissance Community Loan Fund:

Renaissance Community Loan Fund provided pre-purchase counseling, homebuyer education, and post-purchase default and foreclosure prevention to 326 clients between January 2020 and September 2020, with 108 clients becoming “mortgage ready” and 51 households closing on loans.

### Homeownership Council of America:

We continued our technical assistance to improve the secondary market capabilities of Fahe’s wholesale network, comprised of thirteen mortgage brokers and two correspondent lenders. Homeownership Council of America (HCA), a third-party vendor, served as a strategic conduit between Fannie Mae and Fahe. Leveraging HCA’s expertise of both non-profit and corporate homeownership business models, we provided Fahe and their network access to two automated technology tools, Desktop Underwriter® and Optimal Blue. Access to this technology will assist lenders, brokers, and correspondents in generating more conventional loans, boost profitability, improving customer service, and gaining a competitive advantage. In a market traditionally served by government products, we invested in rigorous training efforts for Fahe’s network to demonstrate



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conventional mortgage products' value. This was done through group webinars focused on the benefits of our products and individual training that supported and enhanced lending systems and infrastructure, operations, and marketing. Our efforts will build Fahe's network's capacity, demonstrate the value proposition of conventional products in these markets, and create sustainable mission-business models that provide access to affordable capital and liquidity and methods to reach these underserved communities.

Fahe:

We provided Fahe with technical support to explore their becoming a HUD-Approved Housing Counseling intermediary. A survey was distributed to 24 network members to determine members' capacity challenges and to explore if there was a need for Fahe to become an intermediary. We also facilitated a meeting between Fahe and the Virginia Housing and Development Authority, providing Fahe with critical resources and knowledge to better understand the approval process. We amended Fahe's Statement of Work to allow their in-network housing counseling agencies to be reimbursed to support trainings. In October, Fahe shared with Fannie Mae the next steps on becoming a HUD-Approved Counseling intermediary.

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

Rural participants in Renaissance Community Loan Fund's program required almost triple the length of service from intake to purchase compared to non-rural clients. In their program, rural clients had lower credit scores, lower-income, and higher debt than non-rural clients. Their research emphasized the need for programs to provide customized support for rural borrowers, but tailored approaches require additional organizational capacity.

The University of Alabama's research indicated the need for anchor institutions, such as universities or hospitals, to partner in their community to create sustainable homeownership programs bolstered by the anchor institution's abundant resources and familiarity with the community. Using volunteers in service-learning models reduced the mistrust many participants felt when obtaining similar services from social service agencies. They illustrated the need for culturally competent services by approachable, open-minded instructors who support participants' goals.

Observing how rural counseling organizations shifted to remote delivery in response to COVID-19 was also a learning opportunity. Remote delivery has traditionally been a challenge for rural households, as many prefer in-person services and have struggled with technology. Rural organizations also had to shift gears from only providing pre-purchase counseling to also providing default and/or foreclosure prevention services and COVID-19 workout options. While successful, we believe there is room to improve the delivery of these remote services. In response to these challenges, in 2021, we will look to provide technical support to at least two rural housing organizations. This technical assistance could include webinars on remote services, one-on-one support, and discussion around how-to business plans in response to COVID-19 related economic challenges.

### **3. (Optional): If applicable, why were all components of this objective not completed?**

N/A



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**OBJECTIVE:**

2. Increase affordable capital through industry outreach in high-needs rural regions (Analyze, Partner and Innovate).

**SUMMARY OF RESULTS:**

We continued our partnership with the University of Alabama’s “Home-First” Program. In 2020, the university will expand their services to 100 families in a virtual capacity and also provide these families with post-purchase housing counseling.

We supported the expansion of CDC of Brownsville’s (CDCB) “Abriendo Puertas” program in the Rio Grande Valley colonias by engaging with three employer partners and serving a total of 730 Financial Empowerment Workshop participants. The program will focus on assisting individuals with little to no savings relying on high-cost predatory lenders for unforeseen expenses. The program’s asset-building services include housing counseling, financial coaching, financial literacy education 'lunch and learn' seminars, VITA tax preparation, IDA matched savings, and access to the Community Loan Center’s affordable Small-Dollar Loan. The program aims to cultivate a robust pre-purchase pipeline to homeownership for its program participants. Given the increased financial stress associated with the COVID-19 outbreak in the Colonias region of Texas, CDCB will also provide home retention support to existing homeowners as part of this program.

To address the deficit in homebuyer readiness and financial literacy service providers in the Lower Mississippi Delta region, we’ve partnered with Renaissance, a CDFI and HUD-approved Housing Counseling Agency, to provide pre-purchase housing counseling, homebuyer education, and post-purchase default and foreclosure-prevention to low-income and minority households throughout Mississippi.

We are working with Fahe to support their goal of becoming a HUD-Approved intermediary creating a potential revenue stream, as well as additional quality control and support for network members providing housing counseling. To date, with our facilitation, Fahe has identified interested member organizations and researched the level of effort to become an intermediary. As a result of our existing partnership with Oweesta for similar work, we’ve learned that this project is labor intensive and requires extensive resources. Lastly, we are collaborating with Fahe and NeighborWorks America to provide network members’ housing



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counseling staff with online trainings to address capacity and knowledge gaps to support future buyers and current homeowners.

Fahe is also a newly approved seller and delivered their first loan in February. To continue momentum and increase knowledge of the secondary market, we've engaged Fahe through a partnership with the Housing Council of America. The objective of this work is to grow their wholesale channel and build secondary market capabilities for approximately 13 brokers and two correspondents. This work will include the development and onboarding of organizations through trainings, joint access to newly built portal streamlining documentation review and the development of training materials. We aim to build capacity and productivity of these organizations around conventional affordable products because these products are less commonly known and used in their markets.

To support our 2020 loan origination goals, we worked to design a marketing campaign for high-needs rural regions. The campaign will promote our suite of affordable products to lenders who originate in these regions. Research determined 97% LTV Standard was the most commonly used affordable loan option in high-needs rural regions and as a result we will showcase the key benefits of this product. Tactics will be introduced to drive product consideration and adoption. The scheduled launch date is early July.

Following are the 2020 Actions under this Objective:

- Analyze, assess, document, and publish results on success metrics of the work completed in 2019 with the one test and learn service-learning program model.
- Support homebuyer readiness services or programs in high -needs rural regions.
- Engage housing counselors in high -needs rural regions identifying capacity challenges that can be addressed through technical assistance.
- Continue engaging CDFIs or other mission driven lenders identifying innovative homeownership or lending models; identify capacity challenges that can be addressed through technical assistance.
- Establish a targeted marketing campaign(s) focused on raising awareness, or highlight an initiative in conjunction with other activities to support an increase in loan deliveries.

**SELF-ASSESSMENT RATING OF PROGRESS:**

- On-target to meet or exceed the objective
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- Progress delayed and/or partial completion of the objective expected
- Unlikely to achieve any milestones of the objective

**ADDITIONAL INFORMATION (IF APPLICABLE):**