



Fannie Mae 2020
Rural Housing
Loan Purchase

ACTIVITY:

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

OBJECTIVE:

3. Create a work-plan and increase multifamily loan purchases in Middle Appalachia, the Lower Mississippi Delta, rural tracts in persistent poverty counties, and the colonias (Analyze, Test and Learn, Do What We Do Best).

SUMMARY OF RESULTS:

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

<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 type="checkbox"/> Based on the work completed in 2018 and 2019, increase loan purchases as follows:	•N/A	•N/A
<input type="checkbox"/> Purchase 54 multifamily loans in high needs rural regions, a 25 percent increase over the 2019 target.	•Fannie Mae purchased 50 loans on multifamily properties in the high-needs rural regions, representing a 47 percent increase over the baseline of 34 loans.	•Partial completion of the Objective expected. Fannie Mae made 50 eligible loan purchases out of the target 54.
<input checked="" type="checkbox"/> Implement additional key actions and/or product enhancements that were potentially identified as part of the updated work-plans.	•Fannie Mae evaluated potential actions and took actions based on that evaluation.	•N/A
<input checked="" type="checkbox"/> Revise and document updated work-plans including considering proposing additional product enhancements or key actions.	•Fannie Mae revised the workplan and considered additional enhancements and actions.	•N/A



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<input checked="" type="checkbox"/> Conduct one annual meeting of the Advisory Council to continue to solicit guidance and information as Fannie Mae implements the activities outlined in the Plan.	•Fannie Mae conducted two virtual meetings of the Rural Housing Duty to Serve (DTS) Advisory Council.	•N/A
<input checked="" type="checkbox"/> Conduct one survey of key stakeholders in Middle Appalachia, the Lower Mississippi Delta, and the colonias to assess the impact of Fannie Mae's work-plan.	•Fannie Mae conducted outreach to key stakeholders in the high-needs rural regions to survey the impact of our work.	•N/A
<input checked="" type="checkbox"/> Identify and document at least four key lessons learned from the work completed during the three years of the Plan and use this information as well as the research results to prepare the next Duty to Serve Plan.	•Fannie Mae identified, as noted within our Impact Explanation, and documented four key lessons learned during 2018-2020 and has considered these lessons and research in developing the subsequent Plan.	•N/A

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:

Partial completion of the objective expected. Fannie Mae made 50 eligible loan purchases out of the target 54. With a baseline of 34 loans, Fannie Mae completed 80 percent of the Objective.



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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?

Multifamily deals in high-needs rural regions are underserved by traditional mortgage finance, including the secondary market. Due to small deal sizes, lower household incomes in rural areas, less experienced deal sponsors and partners, and nominal economic growth, this market is difficult for lenders to serve at scale. These difficulties were made apparent to us during our engagement with developers, Delegated Underwriting & Servicing (DUS®) lenders, and non-Fannie Mae lenders. The high-needs rural regions have particularly challenging characteristics, such as significantly depressed incomes, a severely aging housing stock, and overcrowding. The lack of subsidy contributes to an inadequate affordable supply.

Just prior to 2020, we launched the High Needs Rural Regions Product, which provided a financial incentive to our DUS lender network for transactions with deep affordability in the high-needs rural regions. The program has been extremely successful. Year after year Fannie Mae continues to increase our production. We acquired 48 eligible loans in 2020, the most production we've done since at least 2014, bringing much-needed liquidity to this market. In 2020, the deals served a diverse market, including very small buildings, Manufactured Home Communities (MHCs), bond deals, and transactions utilizing tax credits. The average transaction was under \$7 million, for which we have a dedicated Small Loan team with expertise in small loans. The deals were spread throughout Appalachia, the Delta, and persistent poverty counties, covering 16 states. The overwhelming majority of units in the 48 properties that qualify under this objective are affordable at 80 percent of area median income (AMI), which is considered deeply affordable. Most properties are located outside of metropolitan areas, where financing is most sorely needed. As an industry leader, Fannie Mae's consistent and tangible commitment to this market addresses need and lays a foundation for future impact.

Lender outreach was a core component of our strategy. We engaged heavily with our lender network in 2020, with a special focus on lenders who have an interest in rural and secondary/tertiary markets. Our campaign focused on helping lenders understand where the high-needs rural regions are and how they can identify opportunities and partners operating in the areas. We provided loan-level transaction lists to all lenders, with details that could help them build on a successful business in eligible geographies. We provided state-by-state county-level maps indicating rural and high-needs rural eligibility. We utilized the visualization tool to give lenders a quick and easy way to know which properties qualify for the program and financing incentive. Fannie Mae was intentional in offering competitive pricing on qualifying business, doing all that we could within safety and soundness requirements to provide liquidity to the market.



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As a result of COVID-19, Fannie Mae was only able to partially achieve this objective. However, we remained committed to maintaining a reliable presence in this market as the pandemic raged, continuing to close deals and provide liquidity consistently throughout 2020. During the year, more deals than usual were delayed due to countless sponsor difficulties securing other financing, obtaining approvals from state and local governments, keeping tenants in the properties, working with contractors, etc. Fannie Mae stayed in close contact with lenders, working with them to get deals closed and provide financing where possible.

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

Because of insufficient affordable housing supply, demand remains consistent and reliable in the high-needs rural regions. Certain industries continue to thrive in rural America, even as the rural population nationwide is decreasing. In the high-needs rural regions, we have seen a handful of examples of innovative economic policies at the state and local levels that have led to economic resilience in a number of communities, creating viable development and preservation opportunities supported by debt.

Also, the high-needs rural region census tracts can be a confusing eligibility requirement for our partners. Fannie Mae is making efforts to make it easier and faster for Fannie Mae deal teams and lenders to identify rural eligibility.

Underserved communities are hit the hardest by health and economic crises, especially in rural America, where health outcomes are less promising than in metropolitan areas. High-needs rural areas are especially at risk for high COVID-19 death rates due to the widespread closure of hospitals and clinics, the lack of broadband in many places, and aging populations. In general, rural communities have less access to resources that promote successful health outcomes, like hospitals with available beds within 15 minutes. It's well-documented that the level of broadband access affects employment opportunities, income levels, business relocations, civic engagement, and health. In rural areas where schools, governments, and places of business have less broadband access, reduced employment opportunities may force individuals to risk more exposure to Covid to keep their jobs and income. Further, without broadband access, individuals living in rural areas may be unable to access important health information, or to access it quickly, so for example, they may not learn the most recent Centers for Disease Control guidance or sign up for a Covid vaccine as soon as others with broadband access.

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

COVID-19 presented significant obstacles in meeting this objective. The economy experienced economic uncertainty, business closures, and job losses, which were felt acutely in rural America. These forces created a perception of heightened credit risk within the lender and investor community, leading to tightened credit requirements and greater returns demanded by investors. Therefore, the pipeline of eligible deals was smaller than expected, and the time to close deals was longer than expected.



**Fannie Mae
Rural Housing
First Quarter Report: January 1 - March 31, 2020
Loan Purchase**

ACTIVITY:

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

OBJECTIVE:

3. Create a work-plan and increase multifamily loan purchases in Middle Appalachia, the Lower Mississippi Delta, rural tracts in persistent poverty counties, and the colonias (Analyze, Test and Learn, Do What We Do Best).

SUMMARY OF RESULTS:

During the first quarter of 2020, we rolled out a pricing enhancement for transactions in the high-needs rural regions. We communicated this change to all our lenders and held a series of targeted conversations with the subset of our lenders who are especially well positioned to do business in the high-needs rural regions.

In addition, we deployed our data visualization platform to provide maps and detailed information about eligible geographies.

Despite these efforts, we are currently behind pace on our loan purchase goal and believe that the market disruptions resulting from the COVID-19 pandemic puts us further in jeopardy of meeting our year-end target.

Following are the 2020 Actions under this Objective:

- Based on the work completed in 2018 and 2019, increase loan purchases as follows:
 - Purchase 54 multifamily loans in high needs rural regions, a 25 percent increase over the 2019 target.
 - Implement additional key actions and/or product enhancements that were potentially identified as part of the updated work-plans.
 - Revise and document updated work-plans including considering proposing additional product enhancements or key actions.
 - Facilitate one rural housing roundtable with cross-functional industry representation to continue to discuss, analyze, and solve the challenges facing high-needs rural regions.
 - Conduct one annual meeting of the Advisory Council to continue to solicit guidance and information as Fannie Mae implements the activities outlined in the Plan.



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First Quarter Report: January 1 - March 31, 2020
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Participate in two key conferences as a means to continue to network with key industry stakeholders and to communicate the Duty to Serve message.

Conduct one survey of key stakeholders in Middle Appalachia, the Lower Mississippi Delta, and the colonias to assess the impact of Fannie Mae's work-plan.

Identify and document at least four key lessons learned from the work completed during the three years of the Plan and use this information as well as the research results to prepare the 2021 - 2023 Duty to Serve Plan.

SELF-ASSESSMENT RATING OF PROGRESS:

On-target to meet or exceed the objective

Progress delayed and/or partial completion of the objective expected

Unlikely to achieve any milestones of the objective

ADDITIONAL INFORMATION (IF APPLICABLE):

Partial completion of the objective is expected due to unforeseen market challenges.



**Fannie Mae
Rural Housing
Second Quarter Report: April 1 - June 30, 2020
Loan Purchase**

ACTIVITY:

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

OBJECTIVE:

3. Create a work-plan and increase multifamily loan purchases in Middle Appalachia, the Lower Mississippi Delta, rural tracts in persistent poverty counties, and the colonias (Analyze, Test and Learn, Do What We Do Best).

SUMMARY OF RESULTS:

In Q2, we developed a reporting process to identify and highlight eligible deals when they first enter our deal management system. We have shared additional materials directing lenders to multiple online resources for determining high-needs rural eligibility, as this continues to be a challenge. We used the Rural Visualization Tool to produce and share with lenders detailed, state-by-state maps that highlight high needs rural counties and high-needs rural areas within counties. The high-needs rural regions loan product was positively received. These efforts have been helpful in winning deals; however, Fannie Mae has seen fewer deal submissions than we anticipated. We believe this is the result of a slowdown in rural markets due to COVID-19 and the resulting economic uncertainty. Lender focus appears to be pivoting from origination activities, to an increased need to manage their loss mitigation pipeline; thereby reducing overall acquisitions. Given the current trajectory, we believe we are at risk of missing the loan target for this goal. As of the end of Q2, we have acquired 27 loans.

Following are the 2020 Actions under this Objective:

- Based on the work completed in 2018 and 2019, increase loan purchases as follows:
 - Purchase 54 multifamily loans in high needs rural regions, a 25 percent increase over the 2019 target.
 - Implement additional key actions and/or product enhancements that were potentially identified as part of the updated work-plans.
 - Revise and document updated work-plans including considering proposing additional product enhancements or key actions.
 - Facilitate one rural housing roundtable with cross-functional industry representation to continue to discuss, analyze, and solve the challenges facing high-needs rural regions.



**Fannie Mae
Rural Housing
Second Quarter Report: April 1 - June 30, 2020
Loan Purchase**

- Conduct one annual meeting of the Advisory Council to continue to solicit guidance and information as Fannie Mae implements the activities outlined in the Plan.
- Participate in two key conferences as a means to continue to network with key industry stakeholders and to communicate the Duty to Serve message.
- Conduct one survey of key stakeholders in Middle Appalachia, the Lower Mississippi Delta, and the colonias to assess the impact of Fannie Mae's work-plan.
- Identify and document at least four key lessons learned from the work completed during the three years of the Plan and use this information as well as the research results to prepare the 2021 - 2023 Duty to Serve Plan.

SELF-ASSESSMENT RATING OF PROGRESS:

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

ADDITIONAL INFORMATION (IF APPLICABLE):

Fannie Mae plans to submit a modification this year.



**Fannie Mae
Rural Housing
Third Quarter Report: July 1 - September 30, 2020
Loan Purchase**

ACTIVITY:

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

OBJECTIVE:

3. Create a work-plan and increase multifamily loan purchases in Middle Appalachia, the Lower Mississippi Delta, rural tracts in persistent poverty counties, and the colonias (Analyze, Test and Learn, Do What We Do Best).

SUMMARY OF RESULTS:

During Q3, progress toward our year-end goals was slower than in the first half of the year. We believe this to be due to a slowdown in rural markets and economic uncertainty resulting from COVID-19.

We focused our efforts in Q3 on managing our existing pipeline, including targeting pipelines of lenders active in high-needs rural markets (in particular, the Mississippi Delta). We have built awareness of this goal within both the Affordable and Conventional business lines, which helps eligible business to be managed effectively. We reviewed our book of business to better understand how lenders view rural markets, through an analysis of rural business within metropolitan areas, micropolitan areas, and neither metropolitan nor micropolitan areas. This information is important in understanding how lenders credit risk in high-needs rural markets. We analyzed eligibility requirements for the High-Needs Rural Regions Loan Product against our 2020 production as we monitor its effectiveness in helping us meet our year-end target.

While these actions will help us maximize the pipeline, Fannie Mae still sees a slower pipeline than expected at this point in the year. Loss mitigation activities remain a strong lender focus. Given the current trajectory, we believe that we are at risk of missing the loan target for this goal.

Following are the 2020 Actions under this Objective:

- Based on the work completed in 2018 and 2019, increase loan purchases as follows:
 - Purchase 54 multifamily loans in high needs rural regions, a 25 percent increase over the 2019 target.
 - Implement additional key actions and/or product enhancements that were potentially identified as part of the updated work-plans.



**Fannie Mae
Rural Housing
Third Quarter Report: July 1 - September 30, 2020
Loan Purchase**

- Revise and document updated work-plans including considering proposing additional product enhancements or key actions.
- Facilitate one rural housing roundtable with cross-functional industry representation to continue to discuss, analyze, and solve the challenges facing high-needs rural regions.
- Conduct one annual meeting of the Advisory Council to continue to solicit guidance and information as Fannie Mae implements the activities outlined in the Plan.
- Participate in two key conferences as a means to continue to network with key industry stakeholders and to communicate the Duty to Serve message.
- Conduct one survey of key stakeholders in Middle Appalachia, the Lower Mississippi Delta, and the colonias to assess the impact of Fannie Mae's work-plan.
- Identify and document at least four key lessons learned from the work completed during the three years of the Plan and use this information as well as the research results to prepare the 2021 - 2023 Duty to Serve Plan.

SELF-ASSESSMENT RATING OF PROGRESS:

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

ADDITIONAL INFORMATION (IF APPLICABLE):

Fannie Mae submitted a modification this year. Given current trajectory, Fannie Mae believes we will fall short of our year end loan purchase goal.