



Fannie Mae 2021
Affordable Housing Preservation
Outreach

ACTIVITY:

K. Regulatory Activity: Purchase or rehabilitation of certain distressed properties (12 C. F.R. § 1282.34 (d) (7)).

OBJECTIVE:

2. Increase the purchase of mortgage loans that finance the purchase or rehabilitation of certain distressed properties (Do What We Do Best).

SUMMARY OF RESULTS:

Following are the 2021 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 checked="" type="checkbox"/> Explore new options for leveraging the sale of Fannie Mae REO properties to create or preserve affordable housing supply.	<p>We engaged with non-profits and organizations that purchase tenant-occupied properties and we initiated a project to evaluate potential resources to support current tenants interested in purchasing the REO property they occupy.</p> <p>We also implemented cost concessions on REO properties for owner occupants buying on HomePath® by launching a national initiative offering 3% closing cost concession on Fannie Mae REO properties for owner occupants with incomes up to 100% AMI. We worked with Shared Equity programs to increase the number of CLTs as approved Community First buyers.</p>	N/A
<input checked="" type="checkbox"/> Building upon preliminary outreach performed in 2020, conduct targeted training and marketing to increase the number of shared equity programs eligible to purchase Fannie Mae REO	<p>Northwest Community Land Trust Coalition on 5/5/21 convened Fannie Mae leaders and Housing Finance Authorities from ID, WA, MT, ID and OR.</p>	N/A



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<p>properties via the Community First platform.</p>	<p>In partnership with Grounded Solutions Network (GSN), and Housing Partnership Network, and Neighborworks America, Fannie Mae hosted two virtual external partner engagements called Coffee with Fannie Mae’s Community First and launched a social media campaign to promote the Community First platform.</p>	
<p><input checked="" type="checkbox"/> In coordination with partners, identify shared equity programs with capacity and interest to acquire tenant-occupied Fannie Mae REO properties, and if feasible, facilitate REO property sales with at least one shared equity program.</p>	<p>Fannie Mae hosted webinars with Florida CLT, Long Island Housing Partnership CLT, Champlain Housing Trust CLT, Oakland CLT, and New Jersey Community Capital CDFI.</p> <p>Fannie Mae additionally worked with the New Jersey Community Capital CDFI to evaluate a potential bulk transaction of approximately 20 Fannie Mae REO properties.</p>	<p>N/A</p>

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



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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?

In 2021, Fannie Mae took a two-pronged approach to support community land trust (CLT) transactions, which are one of the most effective paths available to Fannie Mae to directly support supply of long-term, affordable housing. To help CLT programs build their inventory:

- We grew the list of approved CLTs in our Community First program, adding six CLTs in 2021. Community First offers priority access to Fannie Mae REO properties to approved non-profits and public entities and sends notification to participants when new properties that meet their needs are available in the platform.
- We also partnered with Grounded Solutions Network (GSN) to create a Duty to Serve self-certification platform that allowed CLT programs to easily certify that they meet the requirements of the Duty to Serve plan, relieving lenders of a resource-intensive responsibility and making it easier to do this business. Details of this program are provided in the “Shared Equity Objective 1” section of this report.

We also paired real estate-owned (REO) initiatives with shared equity efforts to help promote investment in communities through property repair and rehabilitation, with the goal of delivering more Fannie Mae REO sold to owner-occupants.

Fannie Mae also worked to evaluate alternative solutions for managing and selling tenant-occupied REO properties. In 2021, we began assessing strategies to support improved outcomes for tenant-occupied properties that promote sustainable rental and homeownership opportunities, including potentially selling to qualified non-profit partners with experience in delivering positive outcomes.

Fannie Mae has engaged a community development financial institution (CDFI) to evaluate the feasibility of selling up to 20 occupied REO properties. The intent of this work is to determine if selling occupied properties to non-profit partners with appropriate experience in managing rental portfolios can be a viable strategy for occupied-property sales in support of sustainable rental housing and affordable homeownership opportunities for occupants. We worked with the CDFI to identify potential properties within their geographical areas of interest and consider their requests for information on the properties, including valuations, reports, and property management information. As of December, we have provided the detailed property list to the CDFI for their review, and we expect to receive their feedback on the property offerings in Q1 2022, with a potential sale of any properties to be completed in late Q1 or early Q2 2022. While some organizations prefer bulk transactions for acquisition in which multiple properties are included in a single transaction, this offering has been made available at the individual property level, which allows the purchaser to acquire specific properties without obligation to close on the entire offering. The CDFI has expressed that they prefer this optionality for occupied sales.



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

The moratorium on foreclosures has driven down new supply of REO inventory, hampering our ability to test, repeat, and scale efforts to sell distressed properties to non-profits, CLTs, and other affordable housing practitioners. Some of our specific geographic targeted initiatives are showing limited impact simply due to the lack of overall volume of REO property. Partner organizations frequently cite the challenge of sourcing available inventory for acquisition. In 2021, we focused on expanding the active buyer network in Community First to promote geographical coverage when REO inventory increases. This included outreach to HFA's, CLT's, and other housing-focused non-profits that resulted in 20 new buyers being approved in Community First. Additionally, our engagement with housing practitioners, and information collected from a social media marketing campaign, reinforced early access and price concessions as key benefits of Community First that help support partner organizations in fulfilling their housing-related missions.

Through our engagement with a CDFI, Fannie Mae gained important insight into how we can better engage potential non-profit buyers of our REO properties through structured sales. The lack of interior access to an occupied REO property prevents completion of a full interior inspection by the non-profit which is a challenge for potential buyers in completing their due diligence. Providing the non-profits with documentation, reports, and other requested information about the REO properties, which is not typically requested by buyers of REO properties, assists the non-profit purchaser in their preliminary evaluation of the REO properties offered for sale. However, providing the requested information requires Fannie Mae to consider potential legal risks and adds complexity and processing time to the transaction.

For the purchaser, the volume and geographical concentration of the properties offered for sale are a key consideration so they can scale their asset management platform and capabilities. Additionally, rental income is likely to be a key consideration in evaluating asset pricing.

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

N/A