

**2022**  
**Affordable Housing Preservation**  
**Loan Product**

**REGULATORY ACTIVITY:**

- I. Purchase or rehabilitation of certain distressed properties (12 C. F.R. § 1282.34 (d) (7)).

**OBJECTIVE:**

- 1. Increase the acquisition of distressed properties by owner-occupants through outreach and new product development focused on the purchase of distressed properties by mission-focused nonprofits or public entities, and/or owner-occupants.

**INFEASIBILITY:**

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

**SUMMARY OF RESULTS:**

Objective’s components detailed in the Plan	Corresponding actions taken	Explanation of any deviations from the Plan (if applicable)
<input checked="" type="checkbox"/> Continue to partner with mission-focused nonprofits or public entities and other interested partners to increase owner-occupant purchases of distressed properties.	The implementation steps that follow, collectively, constitute completion of this target.	N/A
<input checked="" type="checkbox"/> Leveraging the extensive network of public and nonprofit organizations developed through outreach activities in the 2018 – 2021 shared equity and distressed Underserved Market Plans, continue outreach and engagement efforts to promote and facilitate the acquisition and/or renovation of distressed properties to support subsequent owner-occupant purchases via our Community First platform and, when possible, leveraging CLTs, shared equity, and other affordable programs.	<p>Fannie Mae approved 17 new Community First buyers, increasing the number of expansion states beyond the Neighborhood Stabilization Initiative states by 23%. Of the new Community First buyers approved in 2022, 29% were CLTs.</p> <p>Fannie Mae attended and presented at the Northwest Community Land Trust Coalition conference and collaborated with Grounded Solutions Network to present and promote the Community First platform. We also held a Coffee with Community First event and a breakout session at the Reclaiming Vacant Properties conference.</p> <p>Fannie Mae also completed a five-month social media campaign to raise awareness and promote the Community First platform. In 2022, we sold 130</p>	N/A



	<p>properties through Community First. Additionally, we continued our real estate owned (REO) repair strategy, investing over \$65.4 million in properties sold, with 92.9% of repaired properties selling to owner-occupant homebuyers.</p> <p>Finally, Fannie Mae created and promoted a new closing cost concession for HomePath buyers with household income at or below the area median income (AMI) as well as a \$500 appraisal lender credit to drive owner-occupant purchases of our REO properties.</p>	
<p><input checked="" type="checkbox"/> Leveraging findings from the neighborhood stabilization research completed in 2021, deploy an REO disposition strategy in at least two target geographies to facilitate the acquisition and rehabilitation of Fannie Mae REO properties by mission-focused nonprofits, and/or owner-occupants. The strategies may include our enhanced REO repair strategy and/or affordable financing features such as shared equity and CLT transactions to increase and preserve affordability for low- and moderate-income owner occupant buyers.</p>	<p>Fannie Mae closed on three tenant-occupied purchases through an innovative engagement.</p> <p>We expanded disposition strategies in Paradise, California, to build new homes on vacant REO lots and sell them to a local non-profit organization.</p> <p>Fannie Mae also engaged possible partners in Cleveland, Chicago, and Detroit to explore place-based initiatives and launched a new engagement with a group of CLTs in Baltimore to support their property acquisition strategy and acquire a new pipeline of qualified HomePath buyers.</p>	N/A
<p><input checked="" type="checkbox"/> Review outcomes of the expansion of the First Look program from 20 to 30 days to inform future REO disposition strategies.</p>	<p>Fannie Mae performed research that shows that increasing the First Look period from 20 to 30 days resulted in a 28% increase in the average number of offers per property and a 19% increase in First Look sales.</p>	N/A



### SELF-ASSESSMENT RATING OF PROGRESS:

- Target met
- Target exceeded
- Target partially completed
- No milestones achieved

### IMPACT:

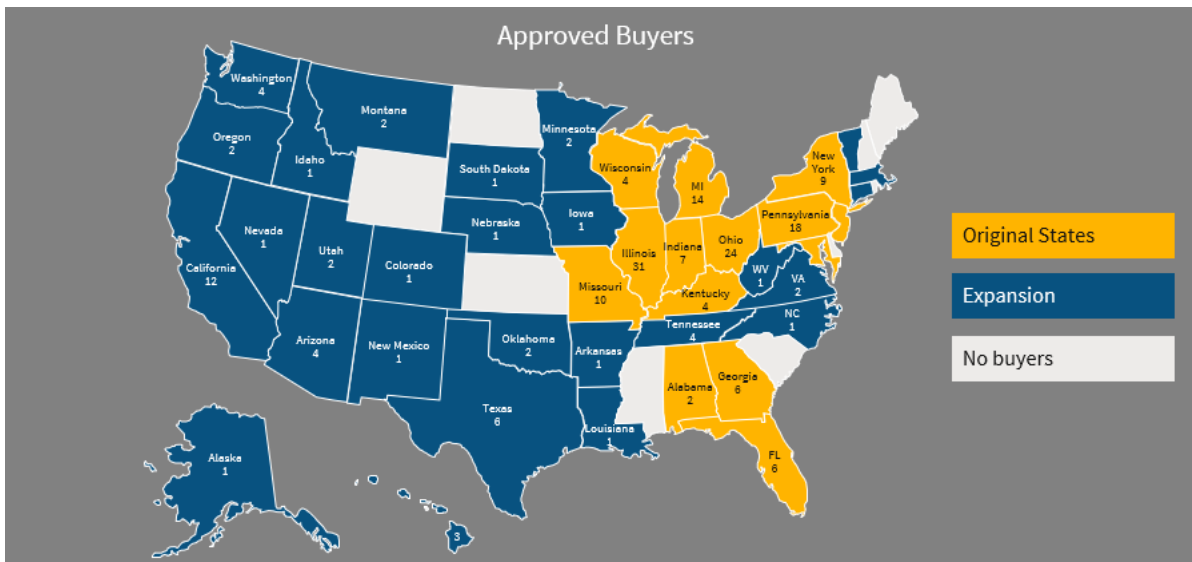
- 50 – Very Large Impact
- 40
- 30 – Meaningful Impact
- 20
- 10 – Minimal Impact
- 0 – No Impact

### 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?

Despite historically low REO volumes, throughout 2022 Fannie Mae continued to be active in outreach activities with non-profits and public entities to increase the geographic coverage of Community First buyers and increase the number of REO sales to these entities. These activities are described in the summary table. This had a positive impact on our sales to Community First buyers in 2022 and establishes a strong foundation for future impact when REO volume may increase due to the lifting of COVID moratoriums.

- Seventeen new Community First buyers were approved, expanding buyer coverage to six new states where we previously had no buyers (Colorado, Connecticut, Louisiana, Oklahoma, Rhode Island, and West Virginia).
- Three hundred sixty-eight sales to Community First buyers since the program launched in 2020; 130 of these were in 2022, representing 35% of all sales to date.
- Five of the 17 buyers approved in 2022 were Community Land Trusts.





In May 2022, Fannie Mae attended the Northwest Community Land Trust Coalition virtual conference and collaborated with Grounded Solutions Network to present/promote Community First as well as our shared equity and community land trust certification platform. In August 2022, Fannie Mae held a Coffee with Community First event focused on organizations whose clients are minority populations or with a geographic focus that supported minority populations. Additionally, we were a sponsor of the Center for Community Progress' Reclaiming Vacant Properties conference in September, where we conducted an invite-only breakout session to promote Community First and engage organizations that support local economic development, housing stability, and racial equity through strategies that focus on solutions for vacant and distressed properties. May 8 Consulting also presented the Neighborhood Stabilization white paper commissioned by Fannie Mae and published in early 2021. Direct outreach continues to be an effective way to promote our REO disposition programs.

In June 2022, Fannie Mae launched a five-month social media campaign to raise awareness and promote the Community First platform. The goal of this campaign was to increase the number of quality non-profit and public entity registrants in addition to the direct outreach described in the summary table. A targeted marketing strategy was used to focus on five states (Arkansas, Connecticut, Oklahoma, Mississippi, and South Carolina) where Fannie Mae has REO properties but few approved Community First buyers. The campaign highlighted price savings and exclusive access, helping drive 40 new Community First registrations.

**Fannie Mae increased REO purchases by owner-occupants by selling repaired units, offering closing cost concessions, and supporting tenant purchases.**

Fannie Mae invested over \$65.4 million in the repair and rehabilitation of its REO properties sold in 2022. Repairs were completed to help facilitate the availability of affordable homes for owner-occupant purchasers – properties that, without improvements, would be much more likely to sell to investor purchasers. The repairs included the installation of energy and water-efficient appliances and products to help make the home more sustainable and reduce the ongoing cost of utilities. Our repair strategy continues to drive purchases by owner-occupant homebuyers.

- The majority (70.4%) of retail REO dispositions were repaired, and 76.1% of all retail dispositions were sold to owner-occupant home buyers.
- We found 92.9% of properties repaired were sold directly to owner-occupant homebuyers.

In 2022, Fannie Mae began offering a closing cost concession of up to 3% of the sales price for HomePath buyers with a household income equal to or less than the area median income. We marketed the offering to real estate agents, closing and title suppliers, and potential buyers via the HomePath website, email and paid digital advertising. Last year, 152 REO sales closed in which the buyer utilized the low- and moderate-income (LMI) closing cost concession, with an average buyer closing cost credit benefit of \$5,893. Of these, we acquired 15 loans financing the purchase of distressed properties that have benefitted from the closing cost concession.

In February 2022, we also updated the Selling Guide to include our \$500 appraisal credit for the purchase of HomePath properties and programmed the update into Desktop Underwriter. As of December 2022, we have acquired 47 loans that utilized this credit.

In 2022, we enhanced the opportunity for tenant occupants of REO properties to purchase the home or enter into a streamlined lease. We created the business processes to support the initial rollout of the enhanced options, including drafting process checklists, best practices, and procedure documents. The initial phase of the enhanced tenant solutions was implemented in April 2022 and focused on tenant occupants of properties that have been in REO inventory during the COVID-19 eviction moratoriums. With this phase of the project, tenants now can benefit from a streamlined lease and/or purchase process, exclusive opportunity to purchase the property before it is listed on the market, and potential price incentives.

In 2022 tenant purchase transaction activity amounted to 12 sales closed, with an additional five tenants have expressing interest in purchasing.

The new tenant strategy and solutions have been promoted and communicated to various internal and external stakeholders. Multiple communications have been sent to our agent network highlighting the enhancements and their alignment with our mission. We have also distributed a Quick Reference Guide with key information on the process and



updated the Know Your Options (KYO) form. We also launched a credit counseling service for interested tenants as an additional core enhancement to help position renters to become homeowners. The statement of work with the counseling provider was executed in the third quarter; to date, four homebuyers have been referred for counseling services.

Fannie Mae's ongoing work with [] has resulted in three purchases by tenants occupying Fannie Mae REO properties. A fourth property is scheduled to close pending the final occupancy certification. This involved a significant level of effort, working with [] for over a year to identify properties, conduct due diligence, determine pricing, and complete these transactions. It is an innovative approach to REO disposition, allowing the purchaser the option to review multiple properties for purchase (like a bulk transaction), but allows the purchaser to acquire specific properties without the obligation to close on the entire offering. Since the acquisition, [] has begun tenant assessments to tailor individual paths to homeownership.

Fannie Mae also built on our prior engagement with Community Housing Improvement Program (CHIP), a local non-profit focused on housing development in Paradise, CA. Consistent with our repair strategy, and leveraging MH Advantage®, we executed strategies to develop new homes on vacant REO lots where the original house was lost to wildfire, in addition to selling vacant lots to partners for development. Our work supporting Paradise disaster recovery:

- Fannie Mae developed a *Selling Guide* variance that allows a non-profit to act as a borrower for MH Advantage financing for the acquisition of additional homes. CHIP leveraged this variance to acquire two homes and is under contract to purchase four more in 2023. This variance creates another path to acquisition for non-profits and sets the foundation for more property dispositions to non-profit entities that support the growth of the affordable housing supply.
- Additionally, we sold two vacant lots to CHIP, one of which they have completed construction of a new home on in October 2022.
- We completed the construction of three homes, with an additional home pending final completion, that are pending purchase by CHIP in early 2023.
- In total we have completed four new homes and have an additional ten properties in various stages of completion. These properties will be made available exclusively to owner occupants and non-profit organizations through an increased First Look period of 45 days.
- One property was listed for sale on the market in December 2022 and sold to an owner-occupant buyer in February 2023.

### **A place-based approach to support long-term affordable homeownership and rental**

As a result of our outreach, in November 2022, we launched a contract-based engagement with SHARE Baltimore. SHARE is a city-wide CLT collaborative that currently includes five CLTs. SHARE will centralize and streamline various repetitive functions of the CLTs to gain time and cost efficiencies, and to increase each CLT's access to funding (they can seek funding together instead of separately) and property financing options. While the CLTs collaborate through the new SHARE entity, they also maintain independent organizations, so each continues to be driven by unique community needs and locally governed interests.

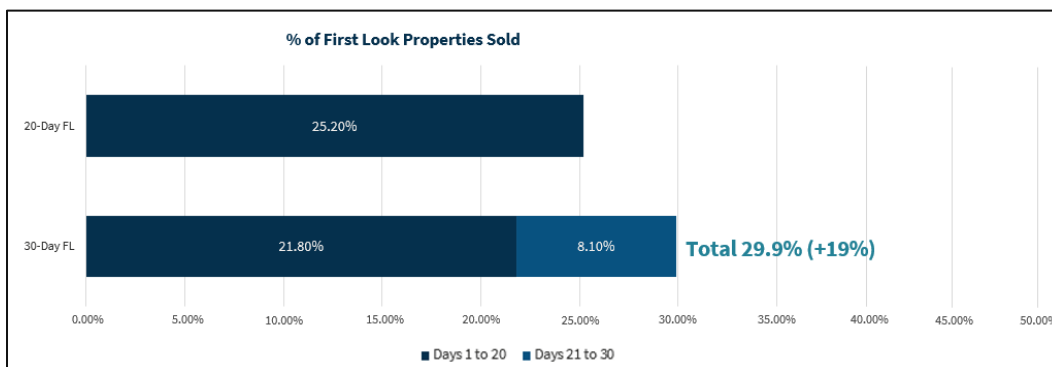
The lead organization in the collaborative intends to become an approved Community First buyer and as such can serve as the buyer for other CLTs in the collaborative. With one Community First buyer, the effort has the geographic coverage and purchasing power of five CLTs. Also, participants in the SHARE Baltimore program receive financial coaching and homebuyer readiness services that make them well-qualified buyers, and they are eligible to receive substantial financial subsidies. SHARE Baltimore will refer their pipeline of well-qualified buyers to HomePath, so this project creates two opportunities for REO disposition: first, to the SHARE CLTs through Community First, and second, to their pipeline of qualified buyers who also receive substantial subsidies from Baltimore City's program to help them afford the purchase of a home. Lessons learned from this project also establish a foundation for future impact as we expand our understanding of the inner workings of CLTs and explore new strategies to sell our REO to mission-oriented organizations and directly to owner-occupants.



## Longer First Look period led to an increase in sales to owner-occupants

Fannie Mae analyzed the results of the extension of the First look period from 20 days to 30 days, which took effect in September 2021. The analysis revealed that increasing the First Look period from 20 to 30 days resulted in a 28% increase in the average number of offers received per property during the First Look period, and a 19% increase in First Look sales. These results support the value of increasing the exclusive period for owner occupant buyers, and some non-profits, providing additional opportunity for these buyers to make an offer to purchase REO properties without competition from investors.

First Look Period	# of REOs	First Look Offers per Property
20 Day	8,800	1.45
30 Day	934	1.86 (+28.3%)



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

Our initial conversations with organizations in Atlanta, Chicago, Detroit, Memphis, and New Jersey highlighted both the need for additional outreach and potential opportunities to use our REO to help meet local goals. One example of an opportunity we pursued was [], who recently completed multiple neighborhood plans in partnership with community development corporations throughout the state. To implement the plans, some of the organizations were applying for the state's Neighborhood Revitalization Tax Credit, and site control of properties would present a more competitive application. At the time, however, Fannie Mae had no REO in the priority areas. We will continue to stay in contact with the Community Strategies staff to identify future property disposition opportunities that can help implement these or other plans.



Through our outreach to stakeholders to identify opportunities for place-based REO disposition, we heard common concerns, not the least of which was the lack of affordable and stable housing. One of the most urgent concerns is getting ahead of the wave of investors continuing to buy up properties, which has a disparate negative impact in Black communities. Additional problems to solve include heirs' properties, tenant-occupied tax, mortgage foreclosed properties, and the increase in home values and rent. Some of the solutions discussed include collaborations across sectors, property acquisition and disposition through land banks, and layering activity and resources in targeted areas of the cities. These discussions and ongoing engagement with stakeholders will guide our place-based activities in 2023.

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

Not applicable



## Affordable Housing Preservation Second Quarter Report: April 1 - June 30, 2022 Loan Product

### ACTIVITY:

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

### OBJECTIVE:

1. Increase the acquisition of distressed properties by owner-occupants through outreach and new product development focused on the purchase of distressed properties by mission-focused nonprofits or public entities, and/or owner-occupants.

### SUMMARY OF PROGRESS:

Through Q2 of 2022 Fannie Mae has continued to be active in outreach activities with non-profits and public entities to increase the geographic coverage of Community First buyers and increase the number of REO sales to these entities.

- Six new Community First buyers approved in Q1 and Q2 expanding buyer coverage to five new states where we previously had no buyers (CO, CT, LA, OK and WV)
- Two of the six approved buyers during this period were Community Land Trusts.
- At present, there has been 297 sales to Community First buyers since the program launched in 2020, 70 of these were in Q1-Q2 2022 and accounts for 24% of all sales.
- Northwest Community Land Trust Coalition conference in May – attended by Fannie Mae who collaborated with Grounded Solutions Network to present/promote Community First as well as our shared equity and community land trust certification platform.
- In April 2022, we released an updated Community First landing page in HomePath.com to improve user experience for organizations seeking to register to become approved buyers. This update leveraged lessons learned from the prior social media campaign and feedback from external organizations.
- In June 2022, Fannie Mae launched a five-month social media campaign to raise awareness and promote the Community First platform. The goal of this campaign is to increase the number of quality nonprofit and public entity registrants and buyers across the nation where REO properties are available. Additionally, a targeted marketing strategy is being used to focus on 5 states (Arkansas, Connecticut, Oklahoma, Mississippi, and South Carolina) where Fannie Mae has REO properties but few approved Community First buyers. Early activity reaffirms that advertisements promoting and highlighting price savings and exclusive access resonate the most with





potential partners. The entire campaign drives traffic directly to the Community First landing page.

- As part of our 2022 DTS socialization campaign, in February-March of this year we promoted the Neighborhood Stabilization white paper on LinkedIn to industry stakeholders, including housing-focused nonprofits and lender C-suite roles. The campaign has proved effective driving 134 downloads of the Neighborhood Stabilization paper through Q2 2022, which also demonstrates that this research is of interest to external stakeholders.

Fannie Mae has also actively promoted our strategies to increase REO purchases by owner-occupants.

- Fannie Mae has invested over \$32.8 million in repair and rehabilitation of its REO properties sold through 2022-Q2.
  - 93% of properties repaired sold directly to owner-occupant homebuyers.
  - Repairs made include installation of energy and water efficient appliances and products to help make the home more sustainable.
  - Through 2022 Q2 74.3% of retail REO dispositions were repaired, and 76.3% of all retail dispositions were sold to owner-occupant home buyers.
- Fannie Mae offers a closing cost concession for up to 3% of the sales price for HomePath buyers with an area median income (AMI) <100%:
  - In February we sent an email blast to our real estate agent network, closing and title suppliers promoting the availability of the concession to qualified HomePath buyers.
  - Fannie Mae released additional marketing of the REO LMI closing cost concession on 3/31/22 to include advertising on multiple external websites. We also built reporting to track overall usage of the concession.
  - The closing cost concession is also highlighted on a page banner on HomePath.com.
  - Six REO sales closed in Q2 2022 in which the buyers utilized the LMI closing cost concession, with an average buyer closing cost credit benefit of \$5,000.
- Implemented a \$500 appraisal credit update to Selling Guide in February and programmed into Desktop Underwriter and announced in both our Selling and Servicing News and our Tech Digest (for DU lenders) in March. For the first half of 2022, we have purchased 11 loans that have benefitted from the closing cost concession.



- In Q2 2022, we began providing enhanced purchase opportunities for tenant occupants of REO properties. This work has included establishing business processes to support the initial rollout of the enhanced options including drafting initial process checklists, best practices and procedure documents which will be finalized in Q3 2022.
  - The initial phase of the enhanced tenant solutions was implemented in April 2022 and focused on tenant occupants of properties that have been in REO inventory during the COVID19 eviction moratoriums. Through the initial outreach of our rental property managers, we received strong interest in the new tenant purchase value proposition. With this phase of the project, tenants now can benefit from a streamlined lease and/or purchase process, exclusive opportunity to purchase the property before it is listed on the market, and potential pricing incentives.
  - The current tenant purchase transaction pipeline is as follows: 3 closed; 3 Under Contract; 11 Tenant Expressed Interest-In Progress.
  - The first tenant occupied purchase under the new process closed in June 2022.
  - The new tenant strategy and solutions have been promoted and communicated to various internal and external stakeholders. Multiple communications have been sent to our agent network highlighting the enhancements and their alignment with our mission. We have also distributed a Quick Reference Guide with key information on the process and updated the Know Your Options (KYO) form.
  - Additionally, the team is working with a credit counseling service provider to launch credit counseling services for interested tenants as an additional core enhancement to help position renters into becoming homeowners. The Statement of Work is expected to be executed in Q3 2022.
- Continued conversations to expand on the tenant-occupied sale work we are doing such as connecting our REO disposition strategies to the neighborhood revitalization plans they have developed.
- We have been assessing opportunities to partner with local nonprofit organizations and municipalities to coordinate REO disposition where it would help support their affordable housing, neighborhood stabilization, and community-level priorities. This work has included conducting research, drafting engagement profiles, and outreach.



- We conducted internal and external desktop research for approximately 35 locations to qualify local need (e.g., understand our REO inventory and local housing and economic context and pressures) and assess opportunities and risk (e.g., identify sufficient potential REO purchasers, aligned municipal or mission-based organization priorities, overlap with Enterprise priorities).
- Based on initial data assessment, we narrowed our initial priority locations to 13-15 cities and states and have begun stakeholder mapping and outreach. One outreach example is our engagement with the South Baltimore Community Land Trust about their goals and exploring benefits of registering in Community First and becoming a certified FNM shared equity program. We also learned what lenders they have been working with in order to add them to the shared equity lender platform outreach. We will continue this work, engaging the network of CLTs in Baltimore which are collectively increasing capacity, to explore place-based strategy options. We developed three categories of potential engagement efforts: “transactional” where we will ID new REO purchasers in states where there are few or none; “targeted” where we will partner with one or more local stakeholders, using our REO as an entry point to tap into other resources to help them implement existing plans or initiatives; and “transformational” where we will collaboratively develop goals, strategies, and activities and implement them over a sustained period.
- We are also leveraging our relationship with the Center for Community Progress to help inform our place-based work. We have spoken with them about some of the geographic priorities, seeking their input about key stakeholders and local community revitalization efforts and beginning to identify shared areas of interest including Atlanta and Detroit. Additionally, we are a sponsor of the upcoming Reclaiming Vacant Properties conference where we will be conducting an invitation-only breakout session to promote Community First and engage organizations that support local economic development and housing stability through strategies that focus on solutions for vacant and blighted properties.
- Paradise, CA
  - In alignment with our repair strategy, combined with leveraging MH Advantage, we are developing new homes on vacant Fannie Mae REO lots where the original house was lost to wildfire. We have a total of 15 properties in this market identified, completed, or in process of construction or installation of new houses. When marketing these new homes, we have expanded First Look to 45 days to increase opportunity for owner occupants purchasing as their primary residence or non-profit organizations.



- We sold two property lots to a local partner, Community Housing Improvement Program (CHIP) on which they will rebuild and or install a new housing unit for affordable rental purposes. In addition, the local non-profit will leverage a selling guide variance to allow a non-profit as the borrower for MHA financing for the acquisition of additional homes.
- In May 2022, the Fannie Mae Collateral Risk and Disaster Recovery teams visited the Paradise property sites and met with the town of Paradise, CHIP and Rebuild Paradise. Along with other external partners, they discussed progress to date and strategies to increase impact for the community.

## **FOLLOWING ARE THE 2022 ACTIONS UNDER THIS OBJECTIVE:**

- Continue to partner with mission-focused nonprofits or public entities and other interested partners to increase owner-occupant purchases of distressed properties.
  - Use the extensive network of public and nonprofit organizations developed through outreach activities in the 2018 – 2021 shared equity and distressed Underserved Market Plans, continue outreach and engagement efforts to promote and facilitate the acquisition and/or renovation of distressed properties to support subsequent owner-occupant purchases via our Community First platform and, when possible, leveraging CLTs, shared equity, and other affordable programs.
  - Leverage findings from the neighborhood stabilization research completed in 2021, deploy an REO disposition strategy in at least two target geographies to facilitate the acquisition and rehabilitation of Fannie Mae REO properties by mission-focused nonprofits, and/or owner-occupants. The strategies may include our enhanced REO repair strategy and/or affordable financing features such as shared equity and CLT transactions to increase and preserve affordability for low- and moderate-income owner occupant buyers.
  - Review outcomes of the expansion of the First Look program from 20 to 30 days to inform future REO disposition strategies.

## **SELF-ASSESSMENT RATING OF PROGRESS:**

- On-target 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):**

Not applicable

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