

2023 Rural Housing Outreach

ACTIVITY:

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

OBJECTIVE:

3. Improve access to affordable financing for underserved homebuyers.

SUMMARY OF RESULTS:

<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"/> Enhance or expand the initiative while working to remove barriers impeding success.	Target met through 2023 actions; see subsequent implementation steps	
<input checked="" type="checkbox"/> Assess the down payment assistance initiative's results from 2022 and identify opportunities to strengthen the program's effectiveness and increase its scale.	Using an internal report that identifies the presence of down payment assistance (DPA) on loan purchases over time, Fannie Mae analyzed high-needs rural region (HNRR) DPA trends before and after 2022 actions and observed a steady increase in DPA usage in HNRRs over time.	
<input checked="" type="checkbox"/> Document lessons learned and share best practices.	We developed a DPA tool and a Consumer Overview that we host on fanniemae.com in support of existing industry efforts to introduce standardization and efficiency. These resources allow consumers to familiarize themselves with and seek DPA programs that might apply to their eventual home purchase.	
<input checked="" type="checkbox"/> Develop an outreach strategy to promote awareness about the down payment assistance initiative.	Through a marketing campaign that promoted the DPA tool in select HNRRs, we promoted eligible DPA programs to low- to moderate-income (LMI) borrowers via targeted social media and radio advertisements.	



<input checked="" type="checkbox"/> Conduct a market analysis to determine if gaps exist and whether expanding or replicating initiative in other high-needs rural regions is feasible. If feasible, engage internal and external stakeholders to determine scope requirements, and obtain necessary approvals.	We produced analyses to inform the expansion of the existing Special Purpose Credit Program (SPCP) pilot to new geographic markets, including the selection of new participating lenders that specialize in impacted HNRRs.	
<input checked="" type="checkbox"/> If appropriate, execute SPCP variance in a high-needs rural region to support greater access to mortgage credit by low- and moderate-income residents of majority minority communities, while exploring ways to reduce SPCP participation hurdles for lenders.	The 2023 expansion of the existing SPCP pilot provided coverage for 236 HNRR census tracts.	

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?

With the commencement of the 2022 plan year and in recognition of the pervasive affordability challenges, Fannie Mae undertook several policy actions to expand the use of DPA for prospective borrowers. In 2023, Fannie Mae expanded on those actions by partnering with Freddie Mac to roll out standardized second lien documents to 16 state Housing Finance Agencies (HFAs) and posting the documents on our website, as well as promoting the HFA1 Affordable Homeownership Lender Toolkit that enables lenders to more easily evaluate state HFA DPA programs and simplifies doing business with state HFAs. Currently, there are 23 participating HFAs, and 124 lenders have signed up for HFA1. Separately, Fannie Mae promoted its DPA tool for consumers to locate DPA options that might suit their needs. Collectively, these efforts are intended to increase DPA usage, particularly for LMI borrowers who could benefit the most.

These actions correlated with increased DPA usage rates in 2023, both nationwide and in HNRRs specifically, continuing a trend we saw in 2022. While there is insufficient data to claim a causal link, it is promising that DPA utilization increased dramatically in the same period that Fannie Mae committed significant resources toward that goal. In every year, DPA usage rates were higher in



HNRRs than nationwide. Both within and outside of HNRRs, DPA tends to support lower credit score, higher debt-to-income, and higher loan-to-value borrowers, or those one would expect to have the most difficulty saving for down payment.

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

DPA clearly remains a valuable tool for expanding homeownership in HNRRs. Both consumers and lenders appear to be receptive to learning more about their options. The percentage of HNRR purchase money mortgages financed by Fannie Mae that included some form of DPA grew to more than 19% in 2023. Several factors that could have contributed to this trend:

- A nationwide marketing campaign promoting Fannie Mae’s Down Payment Assistance Tool through online display and search advertisements was correlated with statistically significant increases in subsequent loan applications with DPA.
- A supplemental marketing campaign targeting HNRR consumers through radio and social media correlated with an increase in the use of the DPA tool, though more testing is needed before drawing conclusions due to small sample sizes.
- HFAs and lenders using HFA1 report positive results. For example, one HFA with a high-needs rural region in its footprint saw a 66% increase in the usage of their HFA1-aligned program in seven months. It also saw cycle times reduced from 16 days to 6 days and reported a significant improvement in lender relationships as a result.

The expansion of Fannie Mae’s SPCP Pilot into additional HNRRs is a recent occurrence, meaning that it is too early to analyze loan purchases in the expanded footprint.

Ultimately, we learned that Fannie Mae can support improved access to homeownership by creating a simpler, more efficient origination process that helps consumers and lenders access available down payment funds. Examples of these efforts include:

- Prioritizing long-term industry collaboration.
- Supporting existing industry efforts to introduce standardization and efficiency in the DPA process.
- Continuing to partner with nonprofit entities and HFAs that have sustainable DPA resources and innovate, where needed.
- Increasing awareness of existing DPA resources.

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

N/A