

Doing More for Underserved Housing Markets



Overview of Fannie Mae's Duty To Serve Plan



Agenda

- What is the Duty To Serve Rule?
- Why is the Duty To Serve important?
- How are we approaching the challenge?
- Who and where are we trying to help?
- What are the challenges and our planned activities?
- How can you help?
- Where can you find more information?
- Appendix: Maps of rural markets



Disclaimer

Implementation of the activities and objectives in Fannie Mae's Duty to Serve Underserved Markets Plan may be subject to change based on factors including FHFA review for compliance with the Charter Act, specific FHFA approval requirements, application of safety and soundness standards, and market or economic conditions.



What is the Duty To Serve Rule?

- A regulation issued in December 2016 by the Federal Housing Finance Agency
- Driven by the Housing and Economic Recovery Act (HERA) of 2008, which guides our activities at Fannie Mae every day
- It requires Fannie Mae and Freddie Mac to improve access to mortgage financing for those of modest means in three housing markets posing persistent challenges:
 - ❑ **Manufactured housing**
 - ❑ **Affordable housing preservation**
 - ❑ **Rural housing**





Why is Duty To Serve important?

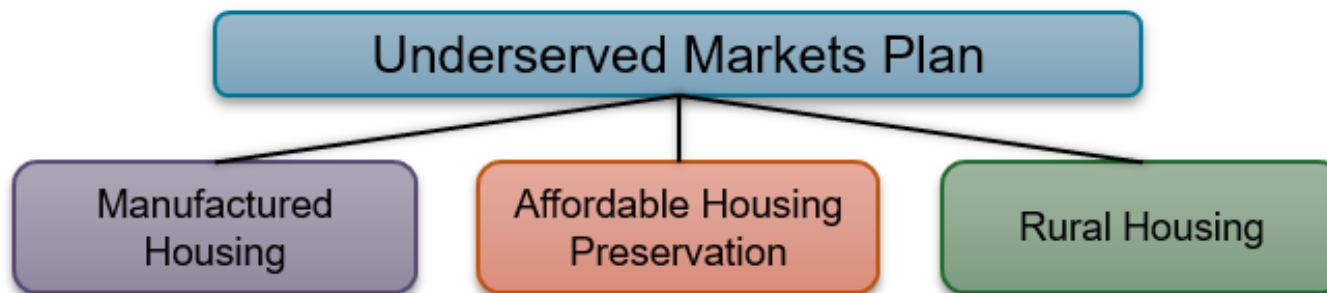
- Helps homeowners and communities
 - ❑ Targets families of modest means
 - ❑ Focuses on underserved market segments
 - ❑ Sets the stage for broader economic benefits
- Creates growth opportunities for the industry
 - ❑ Explores unrealized market opportunities
 - ❑ Encourages innovation to address market challenges and reduce costs
- Aligns with Fannie Mae's mission
 - ❑ Builds on what we do best—tackling tough housing challenges
 - ❑ Promotes access to safe, sustainable, and affordable housing options
 - ❑ Manages risk to protect lenders, homeowners, and taxpayers





How are we approaching this challenge?

We've developed a three-year Underserved Markets Plan as required by FHFA, proposing activities to address the housing challenges in each market.



Our approach is to:

- **Analyze** – Use research and analysis for a data-driven market understanding
- **Test and learn** – Execute pilots and evaluating product and program changes
- **Partner and innovate** – Listen and work closely with market-based experts
- **Do what we do best** – Use the power of the secondary market to increase loan purchases

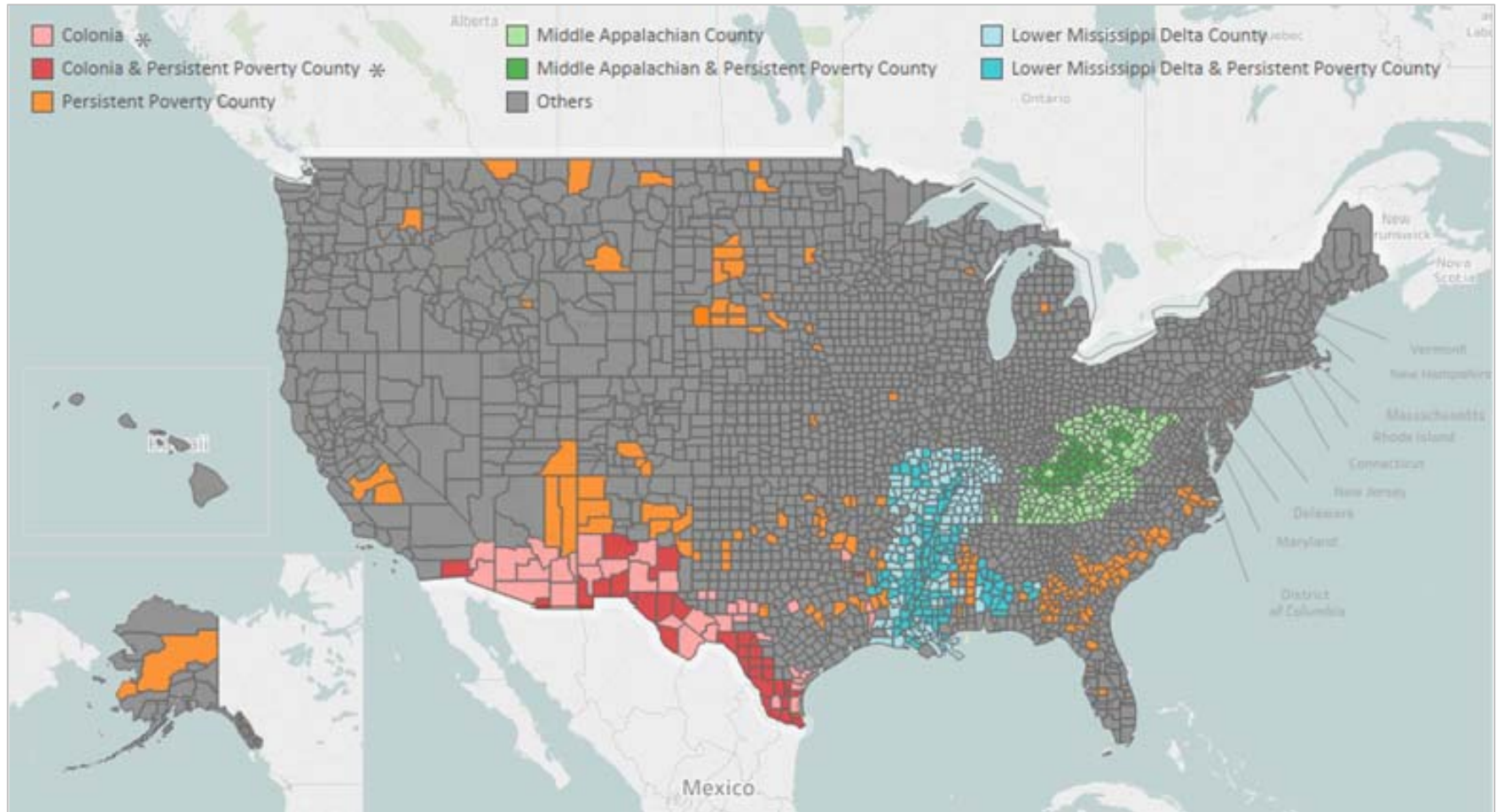


Who and where are we trying to help?

- **Nationwide** – We’re serving very low- to moderate-income families (earning $\leq 100\%$ of Area Median Income) in each of the three underserved housing markets
- **Rural Housing Market** – We’re targeting specific high-needs populations and regions, including:
 - Middle-Appalachia, Lower Mississippi Delta, and colonias
 - Rural tracts in persistent poverty counties
 - Native Americans and agricultural workers



Rural market: Combined high-needs rural areas

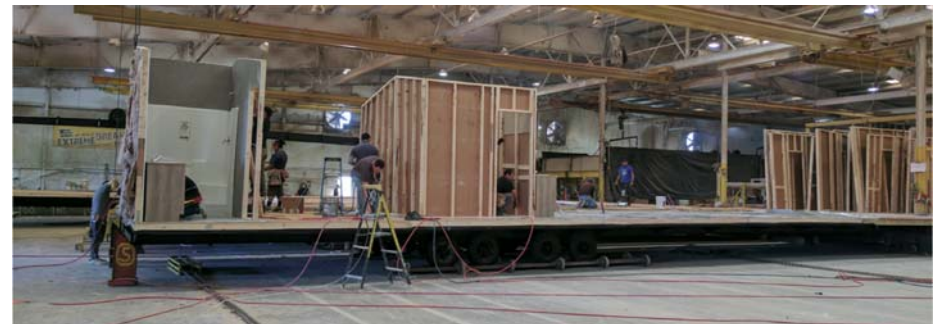


* Under the DTS rule, a colonia must be a community identified under a federal, State, tribal, or local program. Colonia information shown on the map above is courtesy of the State of Texas and the University of New Mexico.



Manufactured Housing: Challenges

- Financing options are limited and expensive.
- Eighty percent of manufactured home loans are “chattel” loans, titled as personal property, rather than real estate that may be eligible for a conventional mortgage.
- Chattel loans typically have:
 - ❑ Shorter loan terms
 - ❑ Higher interest rates
 - ❑ Limited lender options—most rely on in-house financing, given the absence of secondary market financing
- Data for Manufactured Housing Communities (MHC) is very limited, and inconsistent across state lines, making it difficult to size the market.
- MHC ownership is highly fragmented and populated with many single-site operators.





Manufactured Housing: Activities

Single-family examples

- Increase the purchase volume of conventional manufactured housing loans.
- Enhance existing products to offer more flexible financing for modern, high-quality manufactured homes.
- Purchase and test a pool of chattel loans—personal property loans that make up 80% of MH financing today—subject to approval by our regulator.

Multifamily examples

- Purchase loans secured by Government, non-profit, and resident owned Manufactured Housing Communities (MHC).
- Launch a pilot to invest in non-profits, small financial institutions, or other entities that develop and finance MHC.
- Evaluate opportunities for financing MHC meeting FHFA's minimum tenant pad lease protections.



Affordable Housing Preservation: Challenges

- Many very low- to moderate-income people live in older homes in need of upgrades and repairs.
- Some homeowners lack understanding of equipment and financing options that can achieve savings.
- In many markets, renters are spending significantly more than 30% of their income on housing; the level at which housing is deemed “affordable.”
- At the same time, affordable rental housing stock across the country is at risk of being lost due to expiring subsidy contracts and potential budget cuts.
- In some markets, debt alone cannot provide sufficient capital to maintain affordability.
- There is a lack of data on lending for subsidized properties, with the exception of lending done through a government program.





Affordable Housing Preservation: **Activities**

Single-family examples

- Work to increase liquidity for shared equity models such as community land trusts and resale restricted properties.
- Increase financing options for energy and water efficiency improvements and rehabilitation of distressed properties.

Multifamily examples

- Explore preservation strategies and make additional loan purchases under a number of existing federal programs.
- Increase purchases of small multifamily rental property loans.
- Finance energy or water efficiency improvements on multifamily properties and convene industry to develop standards for multifamily energy efficiency lending.



Rural Housing: Challenges

- Poverty is more persistent and pervasive in rural communities.
- Rural owners and renters have a relatively higher housing cost burden.
- Rural areas attract less attention from the housing industry than urban areas with larger populations.
- Substandard housing conditions are widespread in rural areas.
- Legal complexities of land ownership/tenure limit access to conventional mortgages in certain areas, such as on Native American land.
- Very few multifamily mortgage secondary market deliveries compared with single family.
- Housing problems in rural areas are unique to these local communities and are often driven by factors not directly related to housing.





Rural Housing: **Activities**

Single-family examples

- Enhance mortgage products to meet the needs of rural and Native American families.
- Increase loan purchases in high-needs rural regions, including purchases from small financial institutions.
- Increase our collaboration with lenders, non-profits, and government entities that support affordable housing in rural areas, including the deployment of onsite staff.

Multifamily examples

- Increase purchases of loans secured by multifamily housing for specific high-needs populations and regions, including:
 - ❑ Middle-Appalachia, Lower Mississippi Delta, and colonias along the US-Mexico border region
 - ❑ Rural tracts in persistent poverty counties
 - ❑ Native Americans
 - ❑ Agricultural workers
- Renew and revitalize our Low Income Housing Tax Credit (LIHTC) program to help provide capital for affordable multifamily housing.



Duty to Serve: How can you help?

Look for opportunities to help us implement our plan in 2018 and beyond:

- Engage and innovate with Fannie Mae representatives and industry partners
- Support future research, outreach, and pilots.

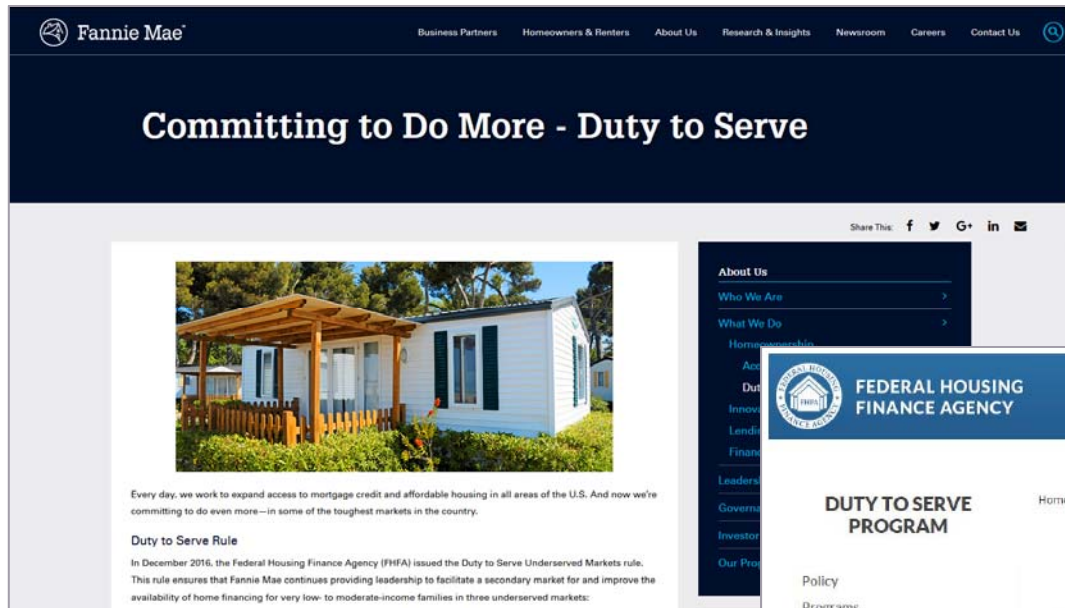


We welcome your ideas and creativity!

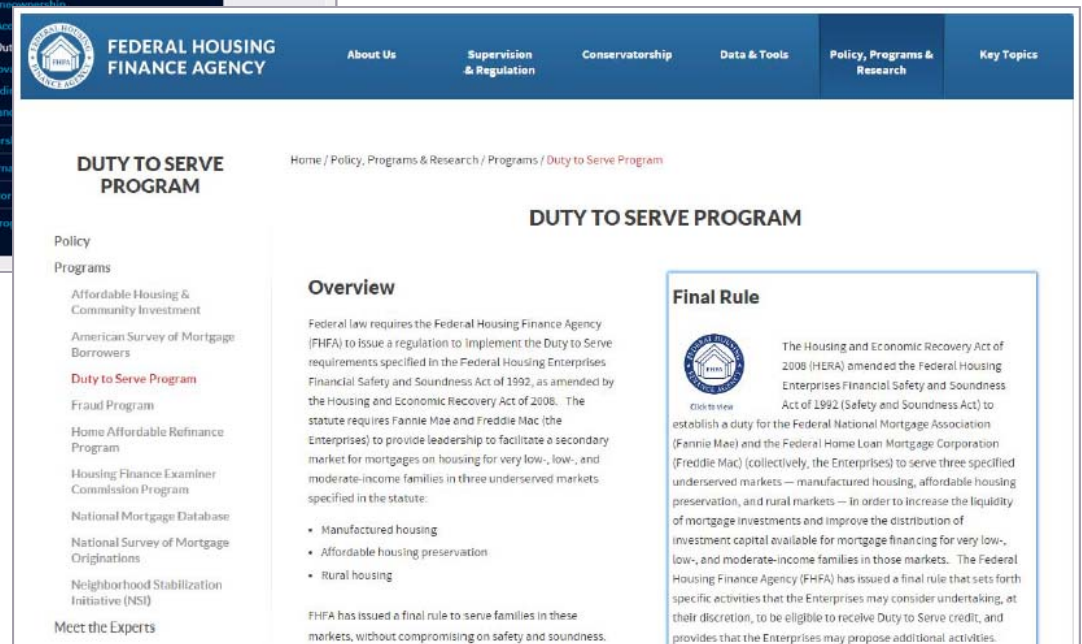


Where can you get more information?

fanniemae.com/dutytoserve



www.fhfa.gov/dts



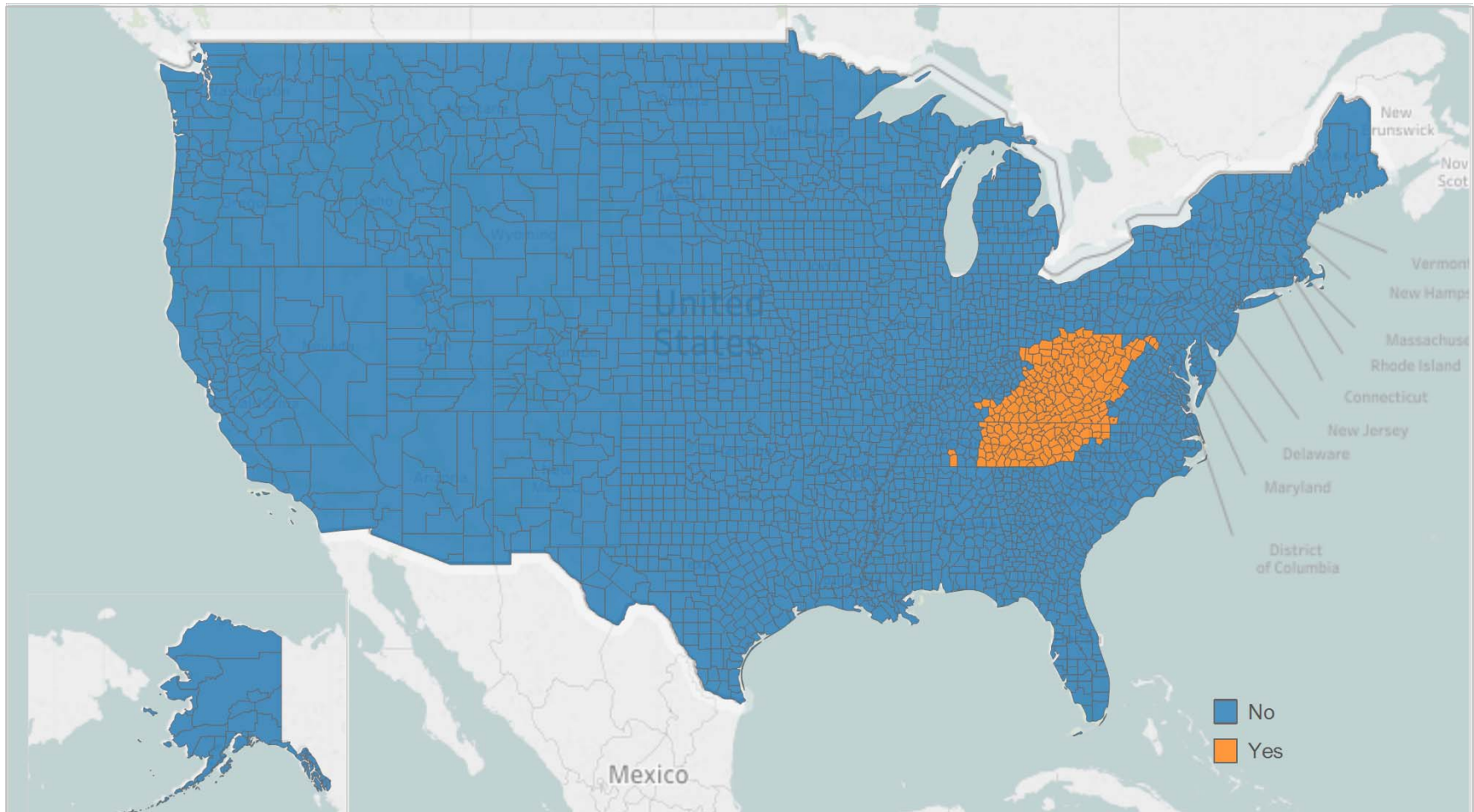


Appendix: Maps of rural markets

- Middle Appalachian region
- Lower Mississippi Delta region
- Persistent poverty counties
- Example of the colonias region

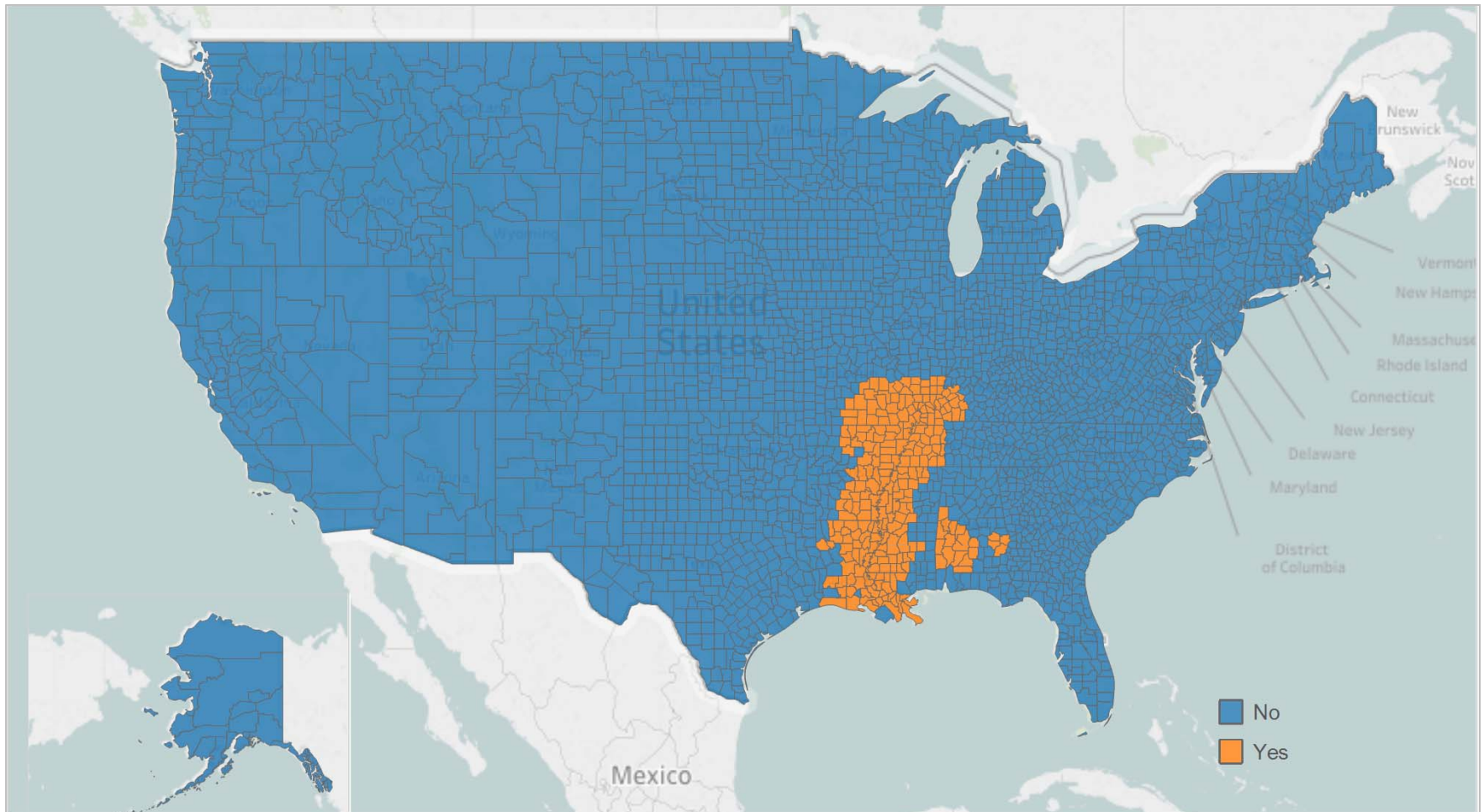


Rural market: Middle Appalachian region



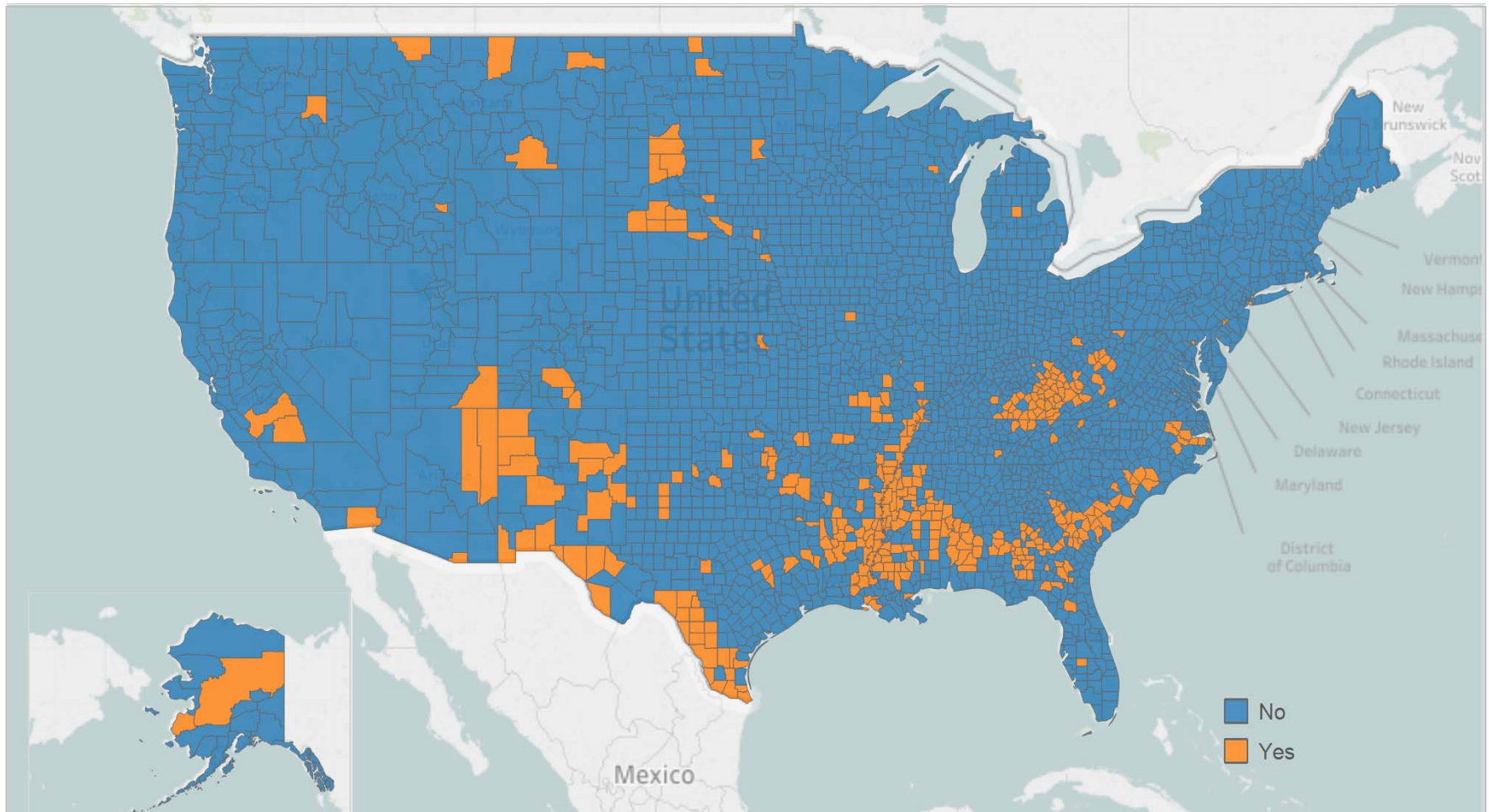


Rural market: Lower Mississippi Delta region



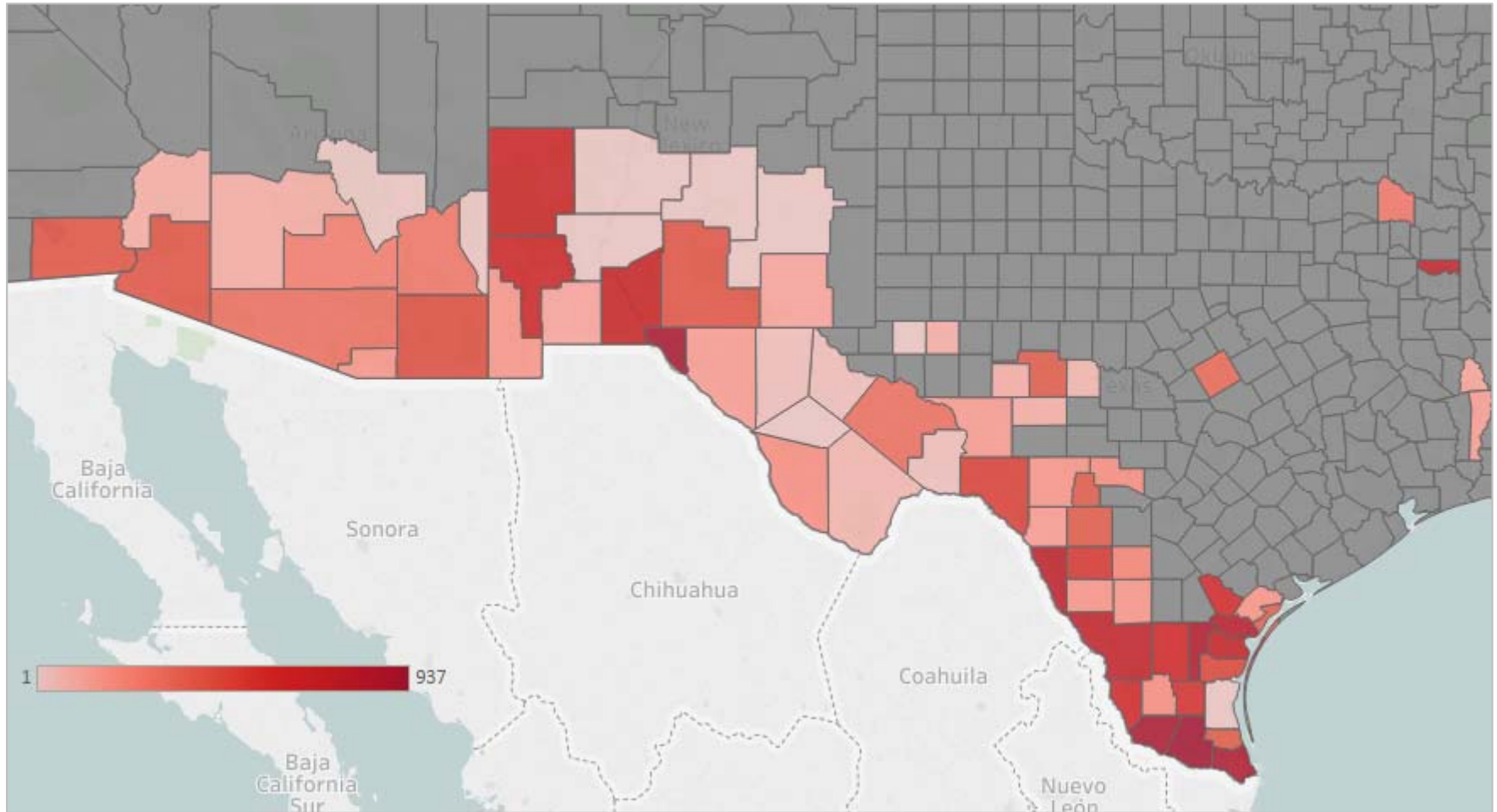


Rural market: Persistent poverty counties





Rural market: Example of the colonias region*



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