Fannie Mae

# Duty to Serve – Frequently Asked Questions

**Q1. What is the Duty to Serve (DTS)?**

The Housing and Economic Reform Act of 2008 required Fannie Mae and Freddie Mac (the Enterprises) to serve the manufactured housing, affordable housing preservation, and rural markets—in order to increase the liquidity of mortgage investments and improve the distribution of investment capital available for mortgage financing for very low-, low-, and moderate-income families in those markets.

In December 2016, the Federal Housing Finance Agency (FHFA) issued the Duty to Serve Underserved Markets rule to implement this statutory provision. Under the rule, the Enterprises have developed Underserved Markets Plans addressing the housing challenges in each market.

**Q2. When is Duty to Serve effective, and what other timeline milestones are planned?**

Our first plans are effective January 2018 through December 2020. We'll report on our activities quarterly to FHFA, which will evaluate our performance based on specified guidance available at FHFA.gov.

As we move forward, we will have the opportunity to propose annual adjustments to our Plans to incorporate lessons learned, account for changing market conditions, or for other appropriate reasons.

**Q3. Why is Duty to Serve important?**

Duty to Serve is strongly aligned with our broader mission to finance housing that is safe, sustainable, and affordable, while managing risk to protect homeowners, and taxpayers.

For lenders and the housing industry, DTS will help illuminate challenges and develop innovative solutions within the underserved markets, creating new business and growth opportunities.

We believe that seizing these opportunities will require a high degree of creativity and collaboration with housing partners who best understand the unique challenges of these markets. We also believe that success in serving the DTS markets can set the stage for broader economic benefits and successful, sustainable communities.

**Q4. What is an Underserved Markets Plan?**

Our Underserved Markets Plans, required by the DTS rule, detail the activities we will undertake over a three-year period to support housing finance in the designated underserved markets. The Plans identify specific, realistic objectives and related strategies, measures, time periods, and relevant market opportunities.

The Plans are the product of a year-long collaborative process with FHFA. Each Plan has received a “non-objection” from FHFA allowing us to proceed. FHFA will rate our performance annually based on reporting provided throughout the year. Ratings run from a low of “Fails” to a high of “Exceeds.”

**Q5. Who provided input for the Underserved Markets Plan?**

We listened to the public, our customers, the industry, and the impacted communities. Since 2015 we've collected stakeholder input on the challenges and possible solutions for the three underserved markets through:

- **Outreach and engagement** – We held roundtables, attended conferences, and had a multitude of conversations with lenders, nonprofits, trade associations, consumers, and more.
- **Public comment** – Additional information came in the form of public comments on the rule and our proposed Plans from a broader group of stakeholders, including many homeowners.
- **Listening sessions** – Still more information was gathered through public listening sessions hosted by FHFA, Fannie Mae, and Freddie Mac in Chicago, San Francisco, Washington, D.C., and via webinar.

**Q6. What is Fannie Mae's approach to addressing the challenges of the underserved markets?**

Our Plan is based on the following strategic priorities:

- **Analyze** – We'll use research and analysis to understand the toughest challenges facing each underserved market. These markets lack the data-driven understanding enjoyed by participants in well-served housing markets.
- **Test and Learn** – We'll test and evaluate adjustments to our existing products and programs to identify ways we can serve these markets better. We'll also execute pilot programs, where appropriate.
- **Partner and Innovate** – We're committed to listening to and working closely with existing and new partners who best understand these challenging markets to learn how we can support them in new, efficient ways.
- **Do What We Do Best** – By harnessing the power of the secondary market through increased loan purchases, we strive to bring private capital to make housing more affordable in all markets, and we are excited that we will be focusing in areas that need the most help.

**Q7. What kind of Manufactured Housing (MH) activities are planned?**

- **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).
  - Evaluate opportunities for financing MHC meeting FHFA's minimum tenant pad lease protections

**Q8. What kind of Affordable Housing Preservation activities are planned?**

- **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 our support for state and local workforce housing initiatives.
  - Finance energy or water efficiency improvements on multifamily properties and convene industry to develop standards for multifamily energy efficiency lending.

**Q9. What kind of Rural Housing activities are planned?**

- **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-profit, 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 located along the US-Mexico border region
    - Rural tracts in persistent poverty counties
    - Native Americans
    - Agricultural workers
  - Re-enter the Low Income Housing Tax Credit (LIHTC) equity market to help provide capital for affordable multifamily housing.

**Q10. How can lenders and other housing stakeholders get involved in Duty to Serve?**

We welcome the ideas, creativity, and collaboration of our customers and industry partners. In 2018 and beyond, as we implement our 3-year plans, there will be opportunities to better understand and serve underserved markets as we execute research, outreach, pilots, product enhancements, loan purchases, and other market-focused activities.

**Q11. Where can I get more information about Duty to Serve?**

- Fannie Mae resources for Duty to Serve are available at www.fanniemae.com/dutytoserve, including our Underserved Market Plans, press release, videos, FAQs, and links to FHFA.gov.
- Additional information, including the Duty to Serve Rule and the Final Evaluation Guidance FHFA will use to rate our performance is available on FHFA's website at www.fhfa.gov/duty-to-serve.