Duty to Serve Underserved Markets Plan for the Rural Housing Market

Effective January 1, 2021

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 and safety and soundness standards, the final terms of FHFA's Enterprise Regulatory Capital Framework rule, and market or economic conditions, as applicable.

Table of Contents

I. Fannie Mae's Strategic Priorities for the Rural Housing Market 5

II. Overview of the Rural Housing Market 6

A. Renters and Homeowners in Rural America 6

B. The Single-Family Rural Housing Market 7

C. The Multifamily Rural Housing Market 12

III. Statutory and Regulatory Activities Considered but not Included 18

IV. Activities and Objectives 18

A. Regulatory Activity: Housing in high-needs rural regions (12 C.F.R. § 1282.35 (c)(1)) 18

1. Objective #1: Fannie Mae will increase single-family loan purchases in high-needs rural regions (Do What We Do Best). 18

2. Objective #2: Increase affordable capital through industry outreach in high-needs rural regions (Analyze, Partner and Innovate). 20

3. Objective #3: Create a work-plan and increase multifamily loan purchases in Middle Appalachia, the Lower Mississippi Delta, rural tracts in persistent poverty counties, and the colonias (Analyze, Test and Learn, Do What We Do Best). 24

4. Objective #4: Develop solutions to increase single-family loan purchases in high-needs rural regions (Analyze, Do What We Do Best). 27

5. Develop a data visualization tool to provide rural affordable housing practitioners better insight into the social and economic conditions of high-needs rural regions (Analyze, Test and Learn). 29

B. Regulatory Activity: Housing for high-needs rural populations (12 C.F.R. § 1282.35 (c) (2)) 31

1. Objective #1: Rebrand and market Fannie Mae's Native American Conventional Lending Initiative (NACLI) (Analyze, Partner and Innovate). 31

2. Objective #2: Design an investment pilot program, partnering with a Native American CDFI or other mission driven lenders, to increase access to credit, capital, or financial counseling (Partner and Innovate, Do What We Do Best). 34

3. Objective #3: Create and implement work-plans and advance strategies that support development of affordable multifamily housing for Native Americans and agricultural workers (Analyze, Do What We Do Best). 35

4. Objective #4: Purchase single-family NACLI and/or HUD Section 184 loans and produce loan products via supply variance and appraisals. (Do What We Do Best). 38

5. Objective #5: Conduct activities to expand access to the secondary market for high-needs populations (Do What We Do Best, Test & Learn, Partner and Innovate and Analyze). 40

C. Regulatory Activity: Financing by small financial institutions of rural housing (12 C.F.R. § 1282.35(c) (3)). 42

1. Objective #1: Fannie Mae will increase purchases of single-family loans in rural areas from small financial institutions (Do What We Do Best). 42

2. Objective #2: Purchase single-family rural loans through bulk transactions from small financial institutions (Analyze, Innovate and Do What We Do Best). 43

3. Objective #3: Gain an understanding of the challenges and opportunities for small financial institutions in rural areas through outreach (Do What We Do Best). 44

D. Regulatory Activity: Small multifamily rental properties in rural areas (12 C.F.R. § 1282.35 (c) (4)). 46

1. Objective #1: Identify market opportunities to purchase small multifamily loans in rural areas (Partner and Innovate, Do What We Do Best). 46

E. Additional Activity: Invest in LIHTC properties to facilitate the provision of affordable multifamily housing in rural areas (12 C.F.R. § 1282.35 (d)). 48

1. Objective #1: Invest in LIHTC properties including housing associated with other Statutory and Regulatory Activities (Partner and Innovate, Do What We Do Best). 48

V. Overview of Objectives for Rural Housing 52

I. Fannie Mae's Strategic Priorities for the Rural Housing Market

In 2015, Fannie Mae began to affirmatively engage in a wide variety of outreach activities designed to gather information from market stakeholders about challenges and possible solutions in the three Duty to Serve underserved markets. This included the single-family and multifamily Rural Housing Market.

- We held rural housing roundtables, attended numerous rural housing conferences, and spoke directly with stakeholders in the rural market, including owners, lenders, government entities, non-profits, trade associations, and more.

- Additional information on the Federal Housing Finance Agency (FHFA) Regulations was supplied during the public comment period. These comments provided feedback on implementing the Duty to Serve provisions of the Housing and Economic Recovery Act of 2008 (Regulations) where we heard from a broader group of stakeholders, including rural homeowners.

- Still more information was gathered through the four listening sessions, hosted by FHFA along with Fannie Mae and Freddie Mac (the Enterprises) earlier this year, to enable stakeholders to make recommendations about what they believe should be in the Enterprises' Duty to Serve Underserved Markets Plans (Plans).

From this information we gathered, our own experience and analysis, and the requirements set by FHFA, Fannie Mae established four strategic priorities for our service to all of the underserved markets. Because the issues are numerous and the problems complex in each market, we believe it is essential that we keep our approach simple. This is particularly true for our first Plans. Accordingly, our four strategic priorities for the rural market include the following:

- **Analyze**: Fannie Mae will bring our considerable research and analytical capabilities to bear to understand the toughest challenges facing the rural market, which lacks the deep and broad data-driven understanding that is needed. For example, we need more information on the liquidity requirements of high-needs rural regions and high-needs rural populations. That is why we propose to undertake research on Middle Appalachia, the Lower Mississippi Delta, and the colonias and let that analysis drive the creation of work-plans to address identified problems and set new roles for Fannie Mae. We also need more information on who lends in the rural market and why they are willing to do so. Similarly, we need to know who does not lend in the rural market and why they do not do so. When we are done, we will share our analysis with the public.

- **Test and Learn**: Fannie Mae will propose, test, and evaluate adjustments to our own products and programs to identify ways to better serve rural markets with our existing business activities. We also will revise our terms for Fannie Mae loan products so that they will better serve the rural market and provide special authority to select rural lenders. Where appropriate, with FHFA's approval and ensuring the activity is compliant with Fannie Mae's Charter Act, we will seek to design and implement pilot programs, such as those which contemplate investments in non-profits and community development financial institutions (CDFI) that focus on high-needs rural populations.

- **Partner and Innovate**: Our Plan reflects our strategy to listen to and work closely with existing and new partners to understand how we can best support the rural market. We view collaboration as essential to success. For that reason, our Objectives reflect our intent to work with our other housing partners in the rural market – the U.S. Department of Agriculture (USDA), Native Americans, small financial institutions, community organizations, non-profits, counselors, and owners – to find solutions.

- **Do What We Do Best**: Our commitment to affordable housing is more than just a series of regulatory requirements, it is a fundamental component of who we are as a company. We bring capital to the market by buying loans, it is what we do best. This is reflected in the final step of many of our Objectives, which is simply to buy loans. Getting to these purchases may first include outreach and then product modification, but it is ultimately where we strive to be.

Our four strategic priorities have been woven into our Plan. To highlight their incorporation, one or more of them is referenced for every Objective we put forward. Part V provides an overview of our Objectives.

Several of our Objectives propose investments we want to make, subject to compliance with Fannie Mae's Charter Act and receipt of FHFA approval, or numbers of loans we intend to buy. However, this is an inexact science. Next year or in three years, the market may undercut our ability to achieve these goals. Alternatively, it may support efforts to do even better. Accordingly, we see this Plan as a living document that will have to change over time. We look forward to working with the rural community to be responsive to the ongoing needs of this market, whatever and wherever they may be.

II. Overview of the Rural Housing Market

This overview is provided to place the Plan in the context of this market, including identifying significant data gaps. In addition, it provides information relevant to market needs and opportunities.

A. Renters and Homeowners in Rural America

Fannie Mae plays an important role in helping families and individuals buy or rent homes nationwide. But in rural areas, housing options are affected by persistent and pervasive poverty more so than other areas. Ninety-six of the nation's 100 poorest counties are located in rural areas,[1] and while 14 percent of Americans nationwide live below the poverty line, in rural areas that number increases to approximately 17 percent.[2]

Rural demographics often do not support a flourishing housing market. Rural residents are often older and less well-educated. Consequently, there is a lower demand for new housing and limited ability to finance homeownership.[3]

Additionally, rural households are more likely to pay a large portion of their income for housing. Nearly 30 percent of all rural households and 47 percent of rural renters are cost-burdened. Nearly half are considered to be severely cost-burdened as they are spending more than 50 percent of their monthly incomes on housing.[4] The majority of cost-burdened households are renters, with 21.3 million cost-burdened renter households in 2014. The overwhelming majority of low-income renters were severely rent-burdened.[5]

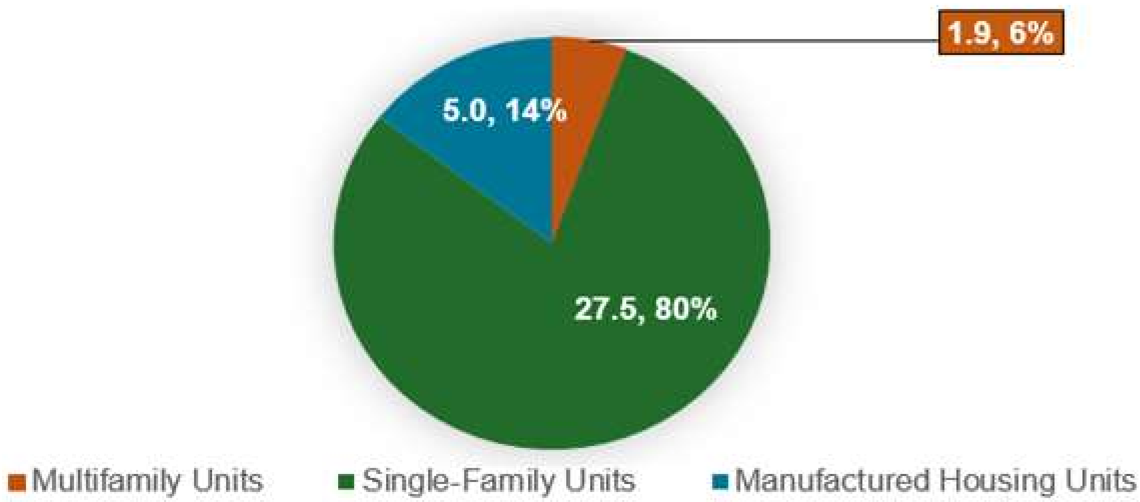
Renters in rural areas are more likely to live in one-unit single-family homes or single-family homes with less than five units than their counterparts in the cities and the suburbs.[6] Rural residents are also much more likely to live in manufactured housing, with nearly two-thirds of all manufactured housing located in rural areas. Twelve percent of rural renter occupied units are manufactured homes. This is more than twice the national rate.[7]

The homes occupied by rural renters are generally older, with 35 percent built before 1960.[8] There are also significant housing condition challenges in rural areas: "Nearly six percent of rural homes are either moderately or severely substandard, without hot water, or with leaking roofs, rodent problems, or inadequate heating systems."[9]

The distribution of housing unit types in rural areas, shown in the chart below, identifies that single-family units account for 80 percent of the rural housing stock, multifamily units account for six percent and manufactured housing units account for the remaining 14 percent.

1 *The Low-Income Housing Tax Credit: Overcoming Barriers to Affordable Housing in Rural America*, Rapoza Associates, 4 (August 2013) (Rapoza).
2 *Rural America's Silent Housing Crisis*, The Atlantic (February 6, 2015).
3*The Silver Lining in Rural Housing: Lower Prices, Less Risk*, Federal Reserve Bank of St. Louis, 19 (May 10, 2016).
4 Rapoza at 3.
5 *The State of the Nation's Housing 2016,* Joint Center for Housing Studies of Harvard University, 31 (June 2016).
6 *Rental Housing in Rural America*, Housing Assistance Council, 3 (April 2013).
7 *Taking Stock: Rural People, Poverty, and Housing in the 21st Century*, Housing Assistance Council, 36 (December 2012).
8 Rapoza at 5.
9 *Housing America's Future: New Directions for National Policy*, Bipartisan Policy Center, 109 (February 2013).

Distribution of Units in Rural Areas by Type (Millions)

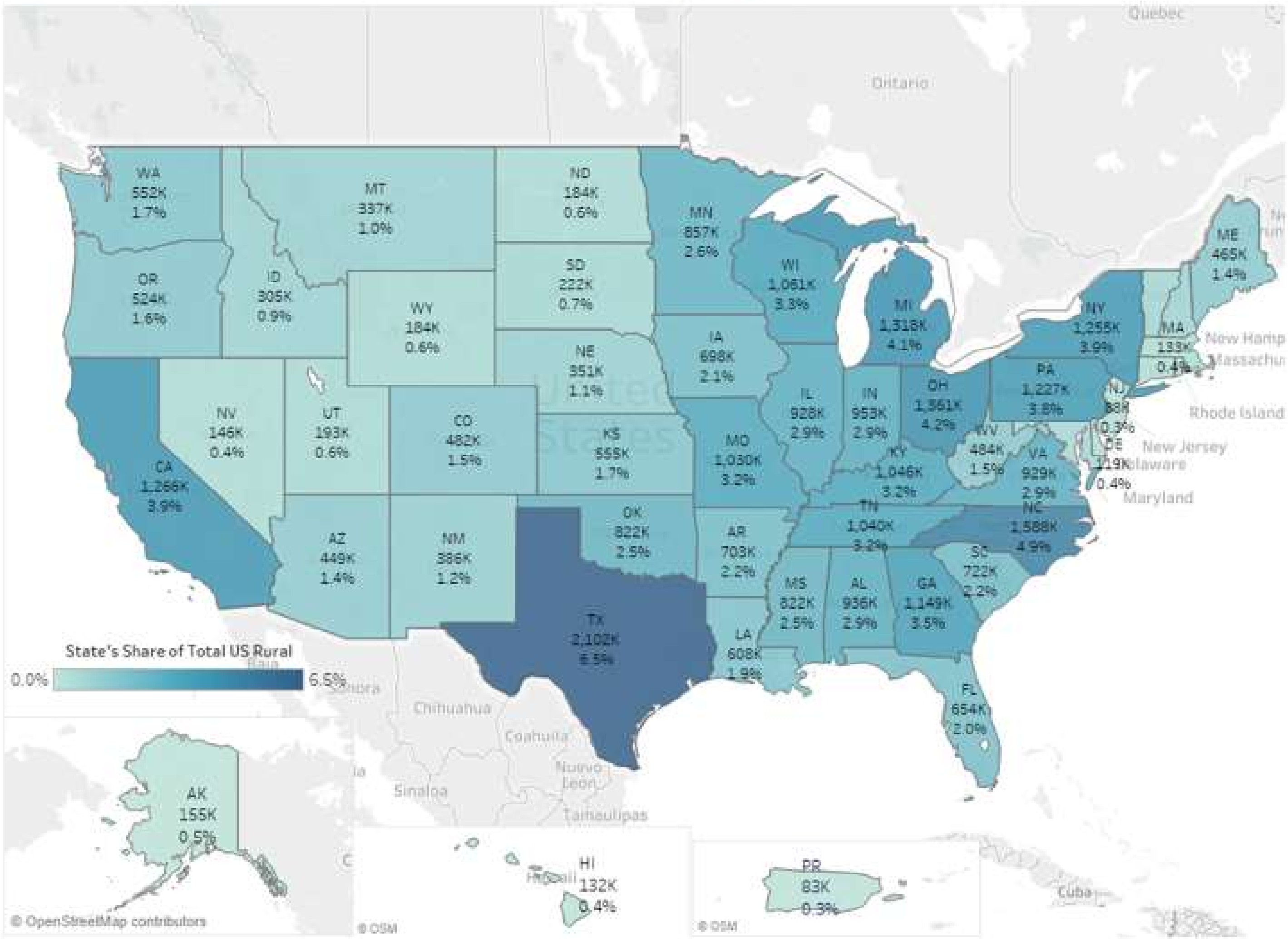


Source: 2015 American Community Survey based on five year estimates, excludes boats and RVs.

B. The Single-Family Rural Housing Market

The map below shows the distribution of rural single-family housing units (*i.e.*, one to four units and manufactured housing units) by State, based on American Community Survey 2011 – 2015 5 year estimates. Texas has the highest share of housing stock in rural areas, with 6.5 percent of the units, followed by North Carolina with 4.9 percent, Ohio with 4.2 percent, and Michigan with 4.1 percent. California and New York each has 3.9 percent share of the stock.

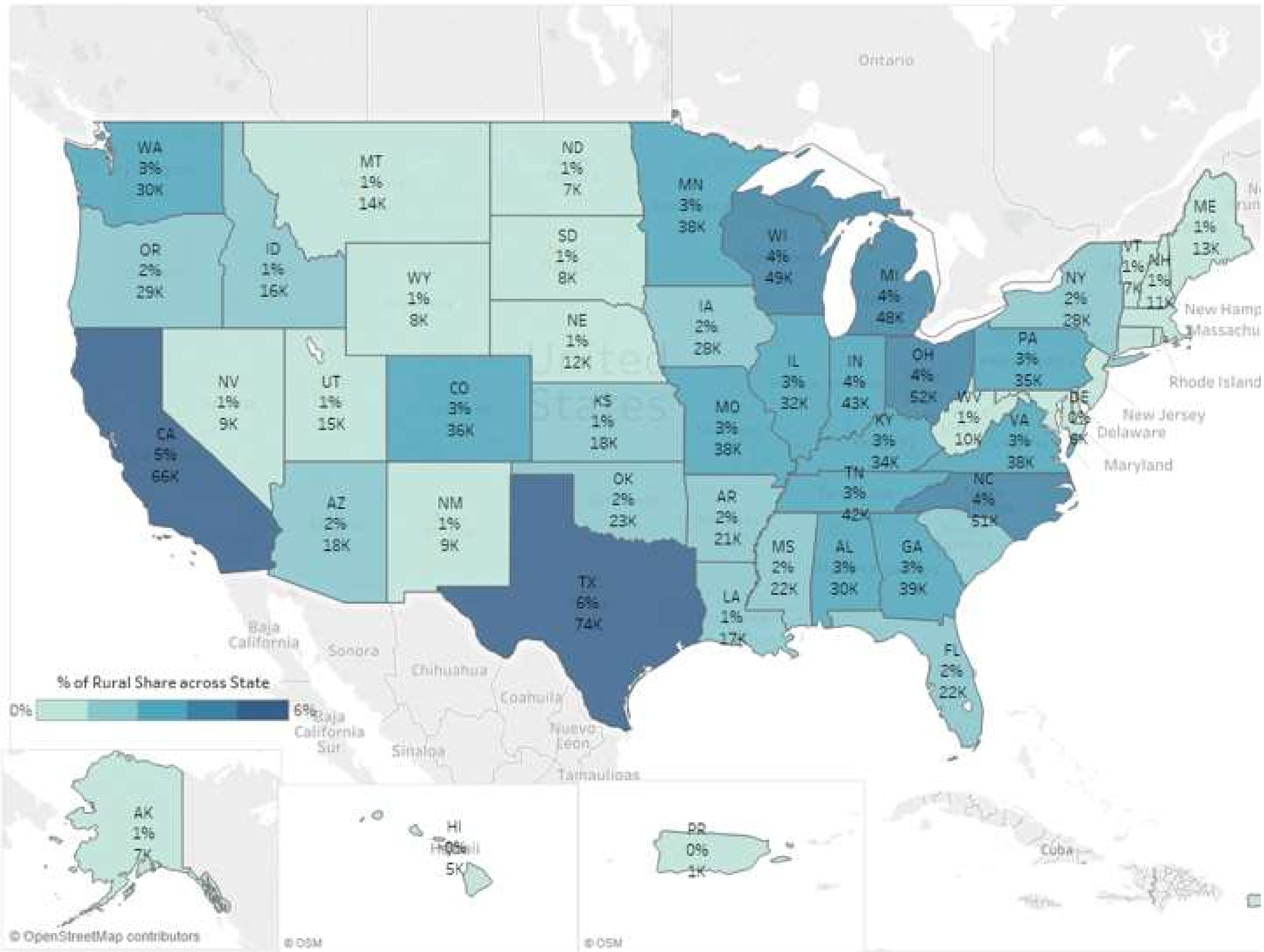
State Share of Total Single Family Housing Stock in Rural Areas
2011-2015 ACS 5-yr estimates



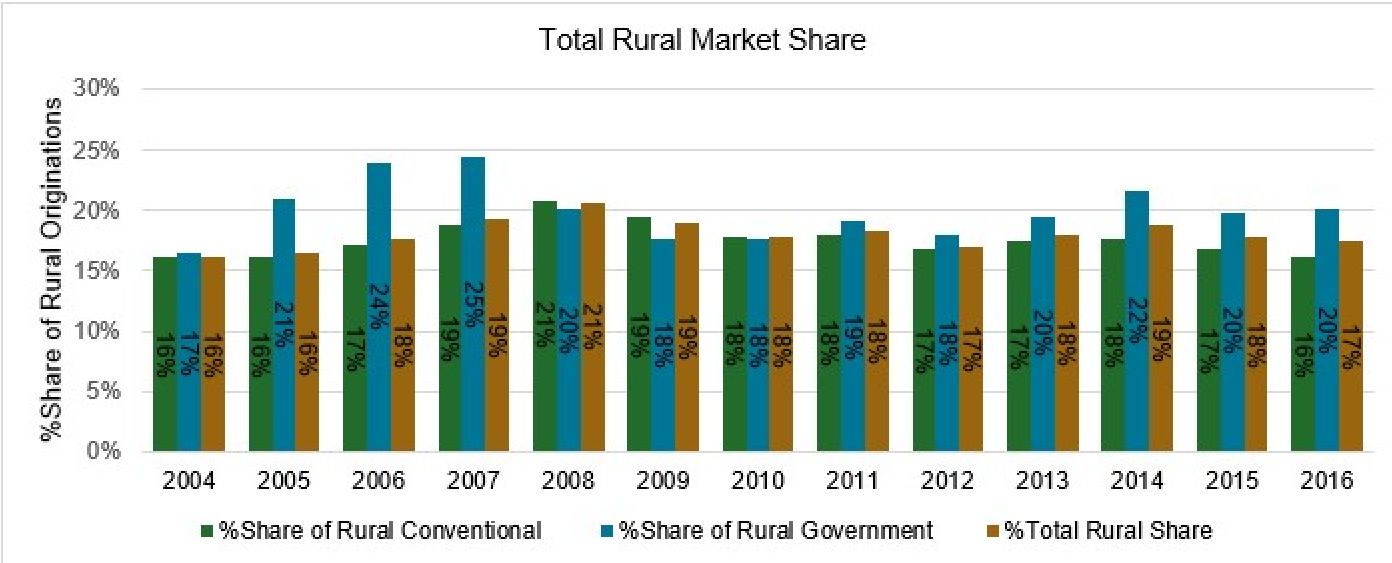
The map below shows the distribution of rural single-family (including manufactured housing) loan originations by State, based on 2016 Home Mortgage Disclosure Act (HMDA) data[10]. Texas has the highest share at six percent, followed by California, Ohio, and North Carolina.

10 Unless otherwise specified, HMDA data utilized for this analysis excludes loans for investor-owned properties, home improvement loans, and second liens.

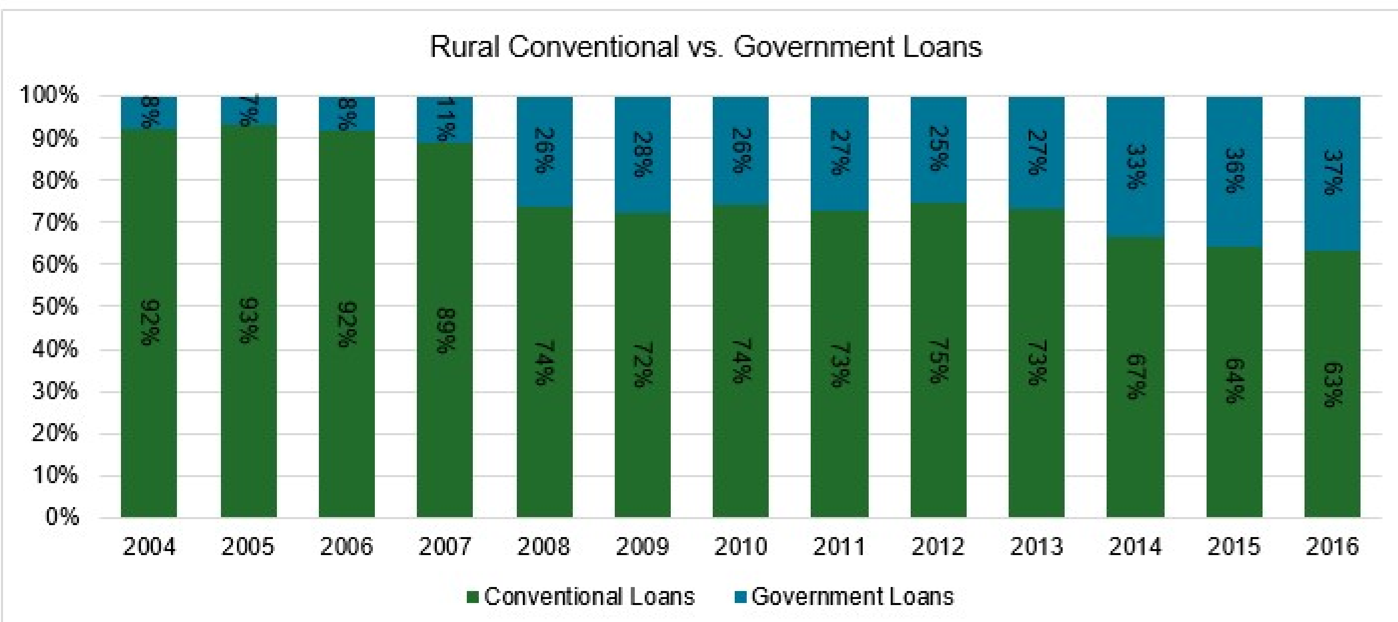
2016 State Distibution of Rural Single Family Loan Origination



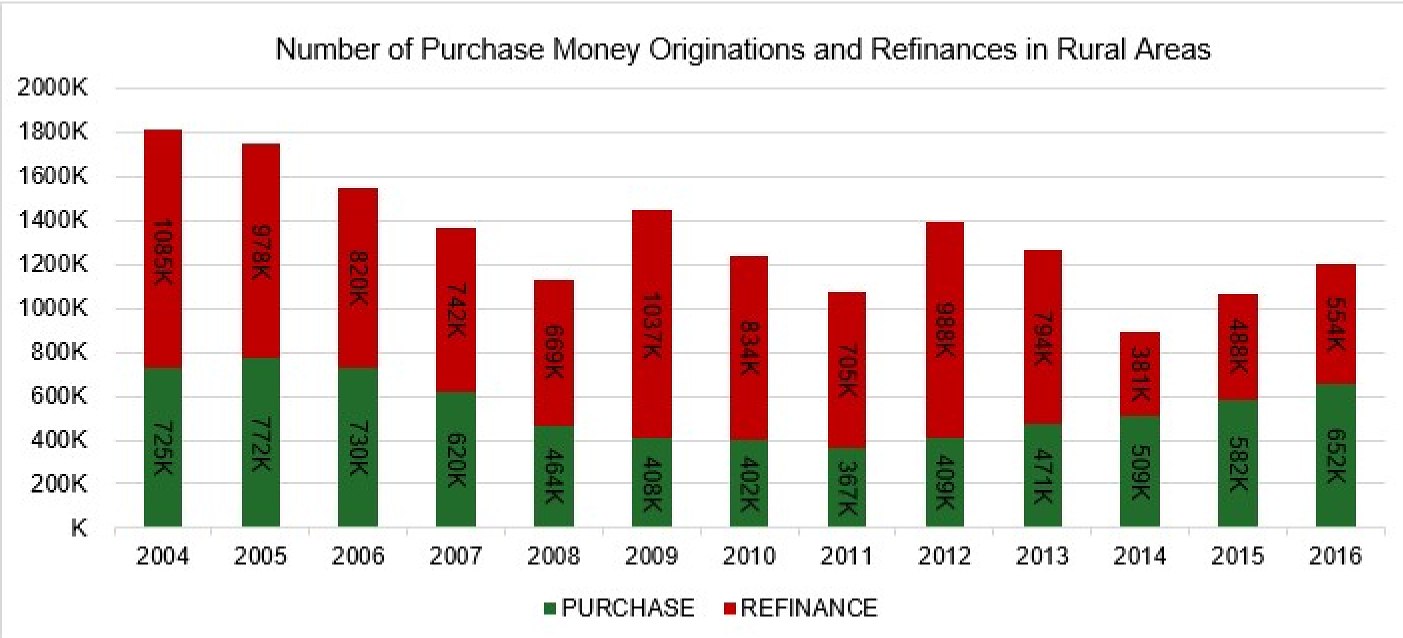
Rural loan origination accounts for approximately 20 percent of government loans, 16 percent of conventional loans, and 17 percent of total originations.



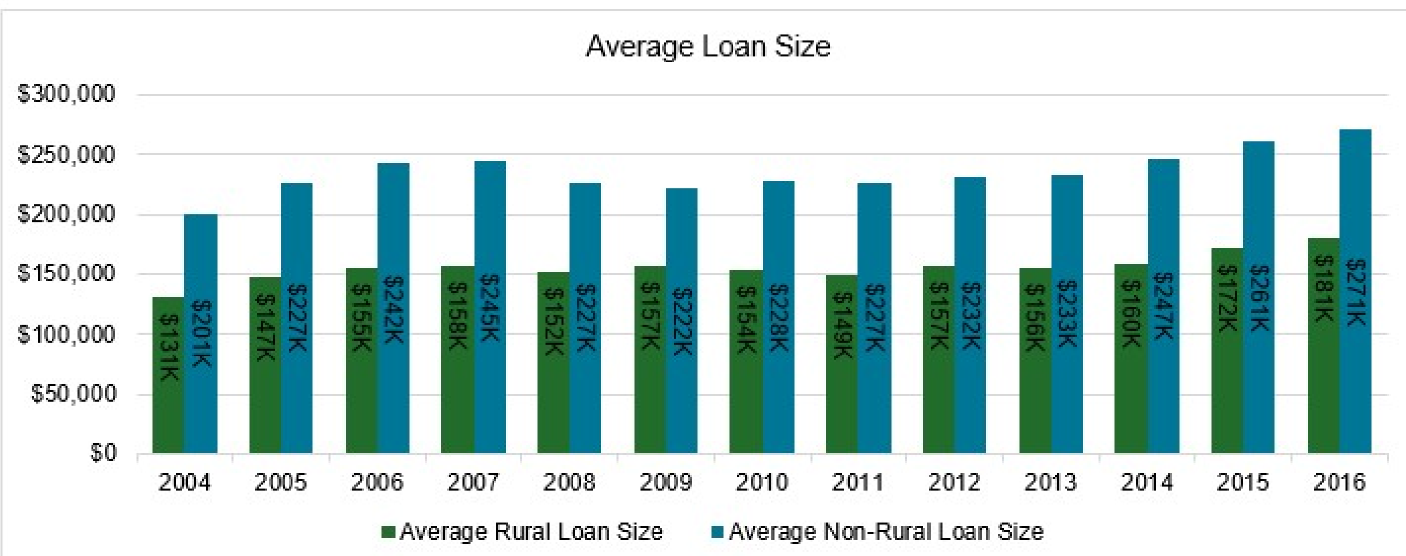
Although government loan origination has a higher share of rural loans, the market share of government loans within the Rural Housing Market is about half of that of the conventional loans in recent years.



Applying the definition of “rural area” utilized by FHFA in the Regulations and using 2016 HMDA data, the national rural home purchase and refinance originations are reflected below. In more recent years, the share of refinance originations in rural areas has been decreasing, with the greater activity in rural areas being in purchase money originations.

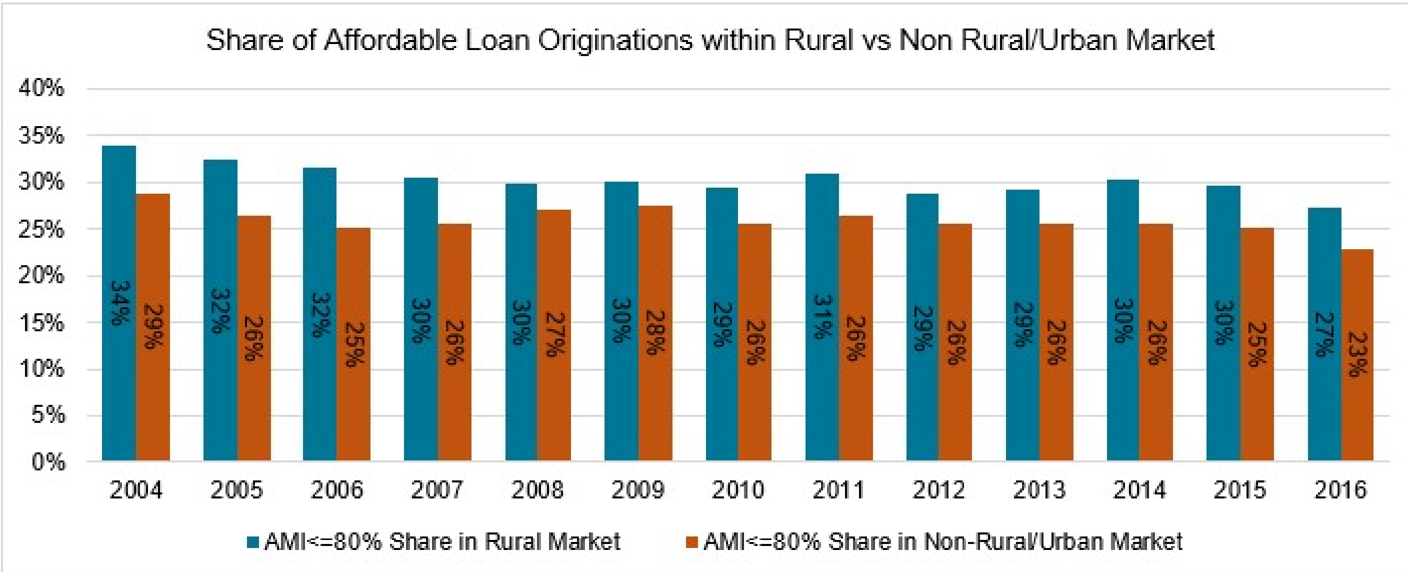


Rural loans are usually smaller than non-rural loans and the gap has been widening in recent years, with urban loan size increasing faster than rural loan size.



Rural housing is an important part of the affordable housing market. In the last 10 years, on average about 30 percent of rural loans fit the definition of affordable loans.[11] The share of affordable loans in rural markets has slightly increased since 2013 and rural markets have had a greater share of borrowers with incomes less than or equal to 80 percent of Area Median Income (AMI) than urban markets in all recent years.

11 Based on the share of loans originated to borrowers with incomes of 80 percent or less of Area Median Income.

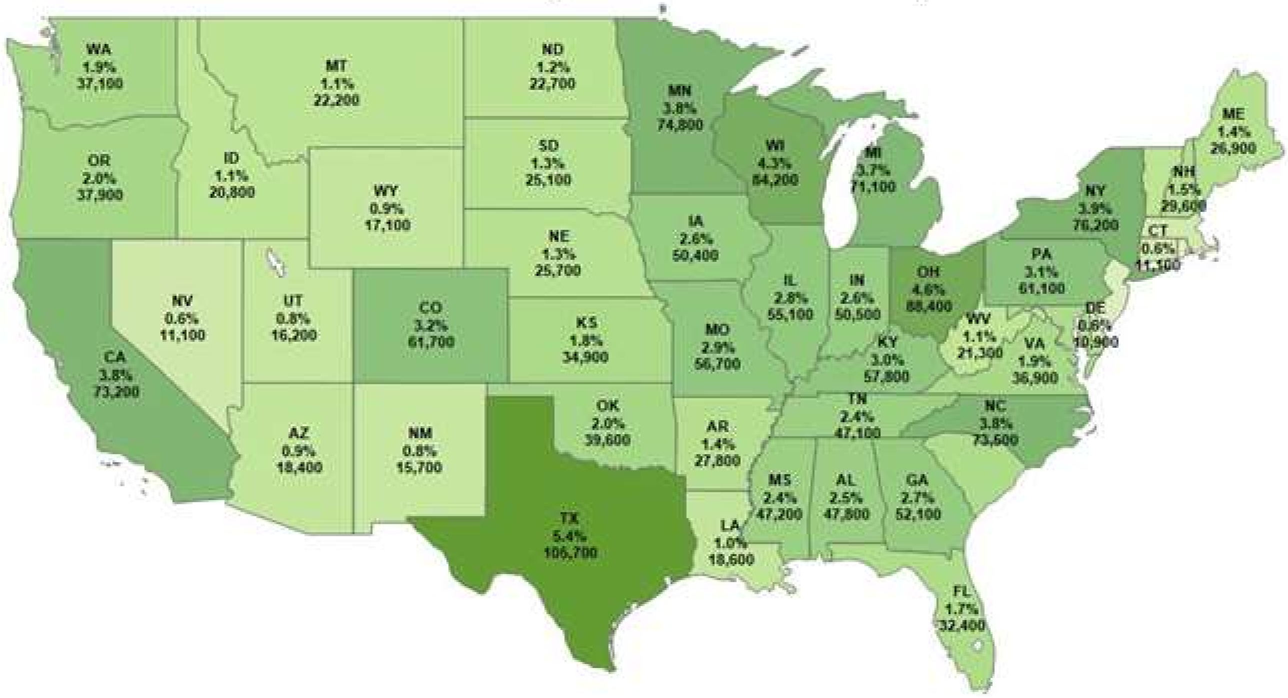


C. The Multifamily Rural Housing Market

The total number of multifamily units in rural areas is estimated at approximately 1.9 million units out of an estimated 24.1 multifamily units nationwide, applying the definition of “rural area” utilized in the Regulations and using American Community Survey data. These 1.9 million multifamily units represent six percent of housing stock in rural areas, as compared to 14 percent for manufactured housing and 80 percent for single-family rentals.

As shown on the map below, rural multifamily units are not heavily concentrated in any particular State. Thirty-two States have two percent or less of the 1.9 million estimated multifamily units in rural areas. The remaining States have between two percent and five percent. Texas has the highest share of units in rural areas with 5.4 percent of the units, followed by Ohio with 4.8 percent, and Wisconsin with 4.6 percent. California has a 3.8 percent share of the multifamily stock and New York has 3.9 percent. States with the lowest share of multifamily units in rural areas include Rhode Island with less than a 0.1 percent share of units and Delaware with a 0.6 percent share of units.

Number of Multifamily Units in Rural Areas by State

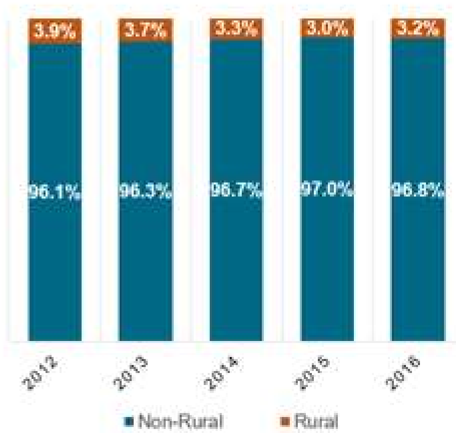


Source: 2015 American Community Survey Data, 5 year estimates.
Note: Alaska with 0.6% share and Hawaii with a 1.7% share are not shown.

<u>Financing Characteristics</u>

There are very few rural multifamily loan originations when compared to non-rural originations. Rural multifamily originations only represented 3.2 percent of all originations in 2015 according to HMDA data, down from 3.9 percent in 2012.

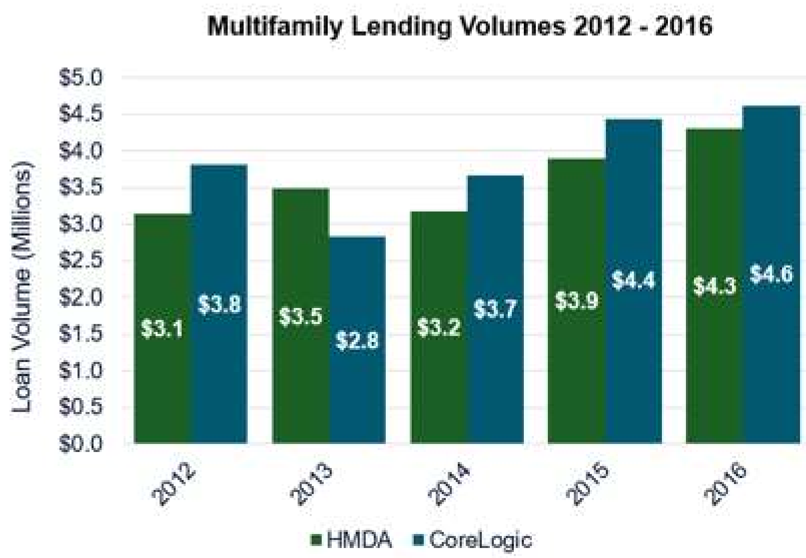
Multifamily Rural vs. Non-rural Originations



Note: Rural Loans identified via file provided by FHFA, based on first lien loans
Source: HMDA

HMDA and CoreLogic data show similar lending volumes in most years, as shown in the chart below. For instance, HMDA reported that lending on multifamily properties in rural areas totaled $4.3 billion in 2016, while CoreLogic estimates it was slightly higher at $4.6 billion.

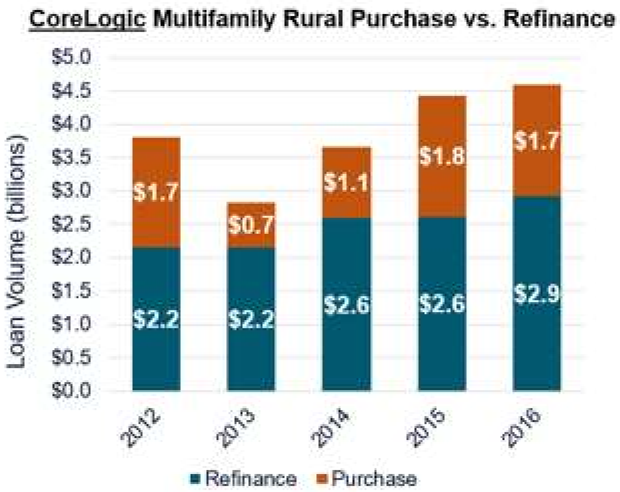
Both HMDA and CoreLogic data show that multifamily lending in rural areas has been growing modestly since 2013. HMDA data shows that lending volume grew to $4.3 billion in 2016, from $3.5 billion in 2013, while CoreLogic data shows that lending volume grew to $4.6 billion in 2016, compared to just $2.8 billion in 2013. However, both data sources show that overall multifamily lending volumes in rural areas are low, totaling less than $5 billion annually.



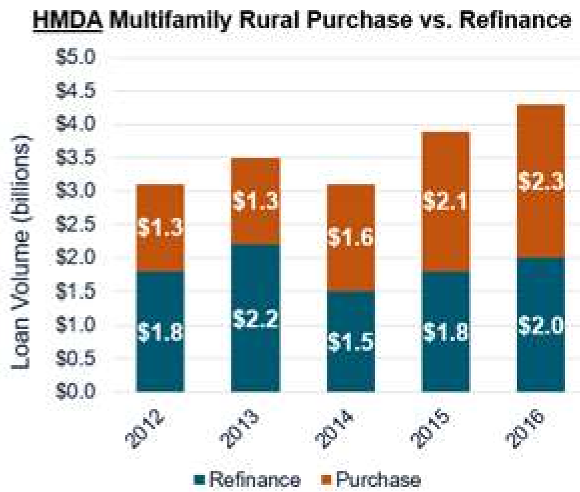
Note: Rural Loans identified via file provided by FHFA, based on first lien loans. Source: HMDA, CoreLogic

As shown on the chart below, in 2012 and 2013, both HMDA and CoreLogic showed similar trends in the volume of loans used to purchase multifamily properties compared to the volume of loans used to refinance multifamily properties, with a greater volume of refinances than purchase volume. In 2013, both CoreLogic and HMDA recorded a volume of $2.2 billion used to refinance rural multifamily properties, greater than either the $0.7 billion volume recorded by CoreLogic or the $1.3 billion recorded by HMDA to purchase rural multifamily properties.

However, in 2016, the last year for which data from CoreLogic and HMDA is available, HMDA data showed this trend reversing itself, with just $2.0 billion recorded for refinancing rural multifamily properties and $2.3 billion recorded for purchases of such properties.

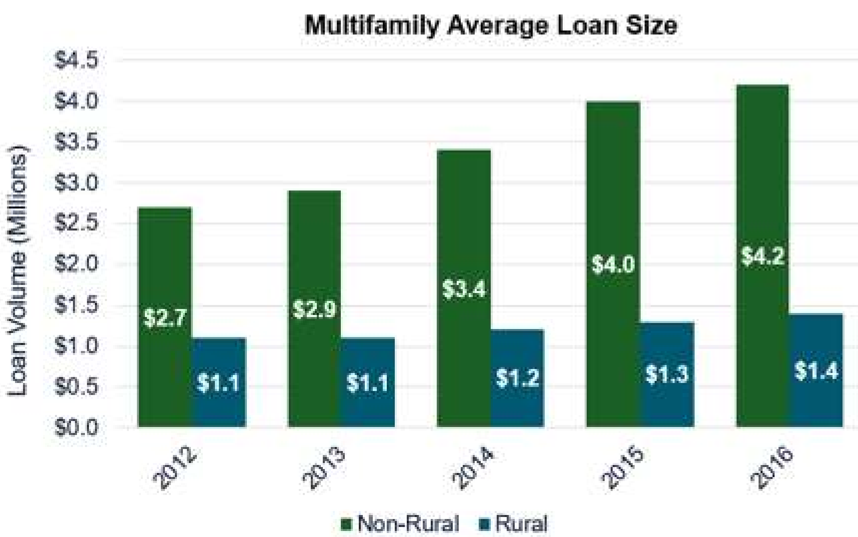


Note: Rural Loans identified via file provided by FHFA, based on first lien loans
Source: CoreLogic



Note: Rural Loans identified via file provided by FHFA, based on first lien loans
Source: HMDA

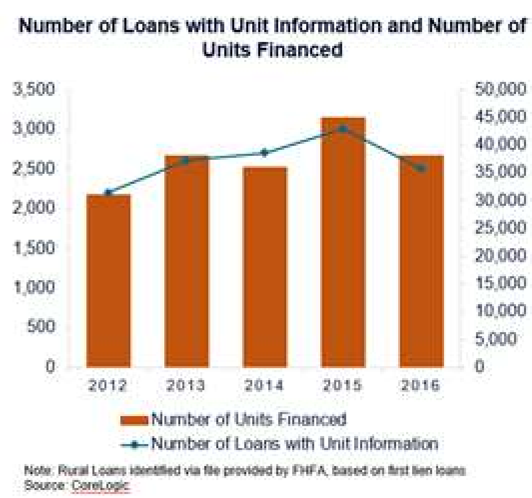
The average loan size tends to be much smaller, as shown in the chart below. In 2016, the average loan size for a rural multifamily loan was just $1.4 million, compared to $4.2 million for loans in non-rural areas. While the average multifamily loan size has grown in both rural and non-rural areas, average loan volume in rural areas grew much more slowly. The average rural multifamily loan volume grew by 27 percent from 2012 to 2016, compared to a 56 percent increase in the average multifamily loan size in non-rural areas.

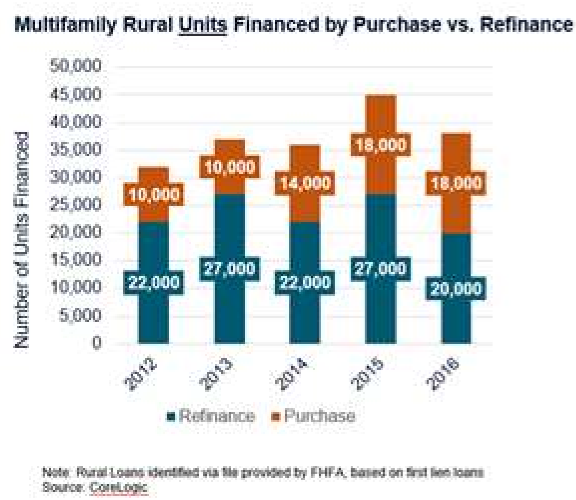


Note: Rural Loans identified via file provided by FHFA, based on first lien loans
Source: HMDA

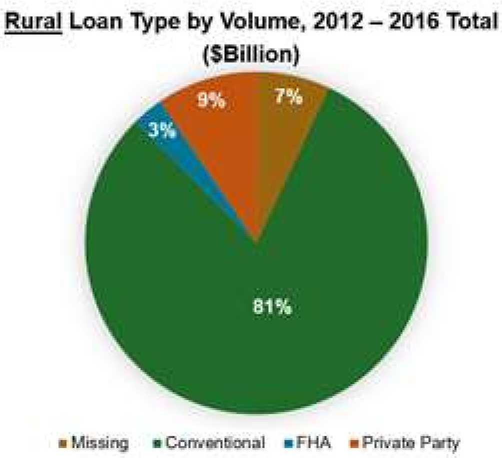
The number of rural multifamily loans for the purchase of homes has been slowly increasing. The number of Purchase Money Mortgage (PMM) multifamily loans in rural areas totaled 1,700 in 2016, compared to 1,100 in 2012.

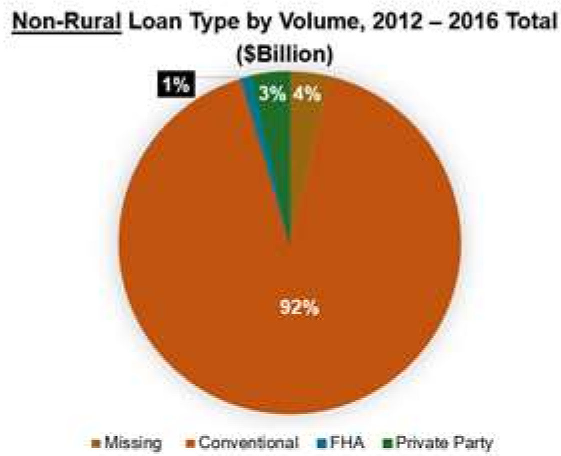
CoreLogic provides unit information, but it is incomplete. Based on this data, the number of multifamily units financed in rural areas totaled an estimated 38,000 in 2016, down from 45,000 in 2015, as shown in the left chart below. These estimates likely represent the minimum number of units financed given that only about half of all transactions in the CoreLogic database record unit information. Further, most of the units financed in rural areas are in refinanced properties, as shown in the right chart below. In 2016, an estimated 20,000 units were in refinanced properties compared to 18,000 units in purchased multifamily properties.





Multifamily loans in rural areas are less likely to be financed with conventional loans, as seen in the two charts below. An estimated 81 percent of multifamily loans in rural areas are financed by conventional mortgages. The Federal Housing Administration (FHA) financed another estimated three percent, and private parties financed the remaining estimated nine percent. In contrast, an estimated 92 percent of non-rural multifamily mortgages were financed with conventional mortgages, an estimated one percent were financed with FHA mortgages, and an estimated three percent were financed by private parties.

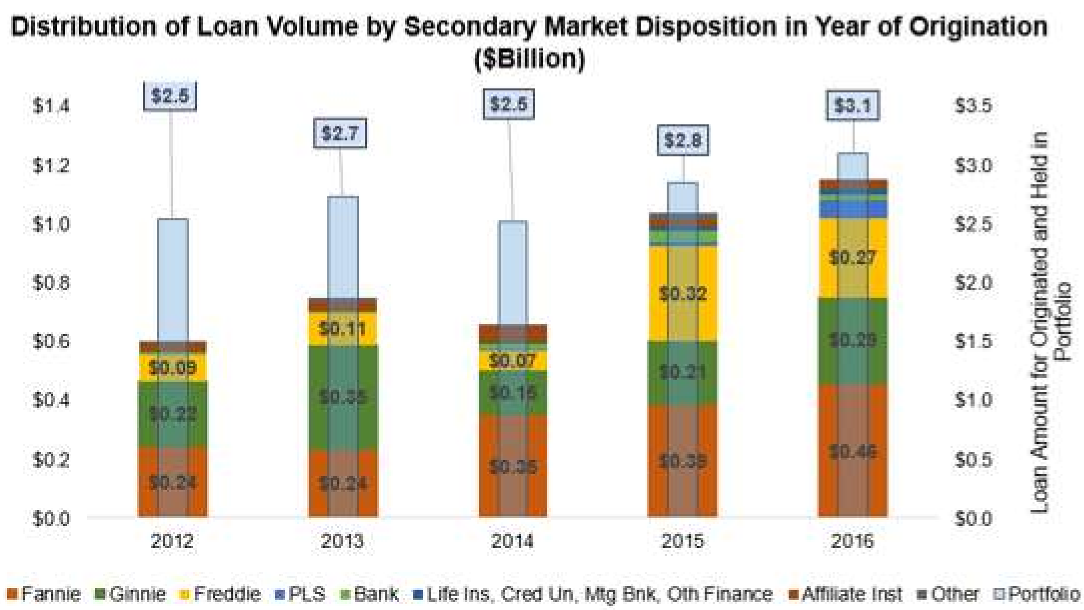




Note: Rural Loans identified via file provided by FHFA, based on first lien loans   Source: CoreLogic

HMDA provides information on the disposition of loans into the secondary market in the year of origination. The majority of multifamily loans appear to remain in lenders' portfolios, as shown in the chart below. From 2012 to 2016, the volume of multifamily loans in rural areas remaining in lenders' portfolios ranged from $2.5 billion to $3.1 billion.

For rural loans sold into the secondary market, Fannie Mae led the market in most years. As shown in the HMDA data reflected in the chart below, in 2016, Fannie Mae financed $460 million in rural multifamily loan volume followed by Ginnie Mae with $290 million, and Freddie Mac with $270 million.



Note: Rural Loans identified via file provided by FHFA, based on first lien loans
Source: HMDA

III. Statutory and Regulatory Activities Considered but not Included

Under the Regulations, the Enterprises are required to identify any Statutory or Regulatory Activities that they considered but did not address. There are no Statutory Activities for the Rural Housing Market. All Regulatory Activities identified in the Regulations have been considered and are included in this Plan.

IV. Activities and Objectives

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

Note: Fannie Mae seeks extra credit for this Activity.

1. *Objective #1: Fannie Mae will increase single-family loan purchases in high-needs rural regions (Do What We Do Best).*

Meeting the Challenges
High-needs rural regions lack conventional mortgage liquidity: • The 2015 concentration of rural conventional loans relative to non-rural conventional loans is slightly lower than in the nation overall. In rural areas, 61 percent of purchase loans and 69 percent of all loans were conventional, compared to national rates of 66 percent and 72 percent, respectively. • Lenders tend to retain loans originated in rural areas in their portfolios, particularly loans in high-needs rural regions, rather than selling them into the secondary market and replenishing their capital. Nationwide, 26.1 percent of originated loans were not sold into the secondary market. The rate was 35 percent in rural areas, 50 percent in the rural Lower Mississippi Delta, and 46.3 percent in rural Middle Appalachia. • The denial rate for loan applications in rural areas is higher than the nationwide rate of 18.5 percent. Denial rates were 21.8 percent in rural areas overall, 25.8 percent in the rural Lower Mississippi Delta, 26.1 percent for rural Middle Appalachia, and 28.8 percent for rural tracts in persistent poverty counties. To address this challenge, Fannie Mae will increase our purchase volume of single-family loans in high-needs rural regions by an additional 3,569 to 4,869 loans, which equals an estimated additional $555 million to $758 million of liquidity over the Baseline.

SMART Factors
Fannie Mae will undertake the following measurable Actions in the years indicated.

Year	Actions
2018	• Purchase between 10,700 and 11,000 single-family loans in high-needs rural regions, representing a three to six percent increase over the Baseline.[12]

---

12 Of this group, a target of 505 loans will be manufactured housing loans, as provided under Fannie Mae's Manufactured Housing Plan. In addition, of this group, a target of between 100 and 105 loans will finance the purchase or rehabilitation of distressed properties under Fannie Mae's Affordable Housing Preservation Plan.

Year	Actions
	○ **Baseline**: Given that the three year average for the purchase of these loans (10,015) is lower than the total number of loans Fannie Mae purchased in 2016, using the three year average is not appropriate and the Baseline for these purchases is being set at the 2016 level of 10,377 loans. (2014: 10,042; 2015: 9,632; 2016: 10,377).
2019	• Purchase between 11,000 and 11,500 single-family loans in high-needs rural regions, representing a six to 11 percent increase over the Baseline.[13]
2020	• Purchase between 13,000 and 13,500 single-family loans in high-needs rural regions, representing a 25 to 30 percent increase over the Baseline.[14] This includes the loan purchases referenced in Objective #2.
2021	• Purchase between 12,000 and 12,500 single-family loans in high-needs rural regions, representing a 16 to 20 percent increase over the Baseline.

Fannie Mae purchases loans in high-needs rural regions and has the systems, operations, and resource tools needed to facilitate efficient loan delivery in a safe and sound manner. In addition, underwriting standards and credit guidelines that are simplified and consistent with safety and soundness will continue to be applied to acquisition of this product. Based on Fannie Mae's experience, we believe this Objective is reasonable and can be achieved within the time periods described. The ultimate opportunity available in high-needs rural regions is to purchase increased numbers of conventional loans.

Criteria	2018	2019	2020	2021
Evaluation Factor:	Loan Purchase	Loan Purchase	Loan Purchase	Loan Purchase
Income Levels:	Very Low-, Low-, and Moderate-Income Levels for all Years			

13 Of this group, a target of: (a) 750 loans will be manufactured housing loans, as provided in Fannie Mae's Manufactured Housing Plan; (b) 95-100 loans will be for the purchase or rehabilitation of distressed properties, as provided in Fannie Mae's Affordable Housing Preservation Plan; and (c) 20 loans will be for the financing of single-family energy or water efficiency Improvements, as provided in Fannie Mae's Affordable Housing Preservation Plan.

14 Of this group, a target of: (a) 1,250 loans will be manufactured housing loans, as provided in Fannie Mae's Manufactured Housing Plan; (b) 120-125 loans will be for the purchase or renovation of distressed properties, as provided in Fannie Mae's Affordable Housing Preservation Plan; and (c) 25 loans will be for the financing of single-family energy or water efficiency Improvements, as provided in Fannie Mae's Affordable Housing Preservation Plan.

2. *Objective #2: Increase affordable capital through industry outreach in high-needs rural regions (Analyze, Partner and Innovate).*

Meeting the Challenges
High-needs rural regions face substantial challenges that make it difficult to attract lenders, investors, and real estate developers. These challenges include: • Economic obstacles such as declining populations, unemployment, high housing cost burdens, persistent poverty, and limited access to lenders providing affordable capital. • Potential borrowers have lower incomes, affecting affordability, are more likely to be self-employed, increasing their risk of unstable and unreliable income, and are less likely to be a first-time homebuyer, a criterion often required to receive down payment or matched savings dollars assistance. • Existence of geographic market differentiation; rural loans should not be viewed as one homogenous group. • Lack of quality housing stock; older homes may be in substandard condition and in need of rehabilitation, or could benefit from energy or water efficiency improvements. • Appraising rural properties tends to be more challenging. • Rural properties are more likely to be manufactured homes and have larger lot sizes. • Rural properties have smaller loan balances, and note rates are marginally higher than those for urban loans. • Housing demand is weak, and housing is not highly promoted and does not receive an adequate amount of attention given small, dispersed populations as compared to urban areas. • Homeownership can be less expensive than renting in high-needs rural regions; however, poor credit history, financial barriers, and a lack of knowledge about homeownership limit opportunity. To address these challenges, Fannie Mae will: • Perform outreach and market research; use the information gathered to identify appropriate product enhancements that, when implemented, will increase borrower and property eligibility and simplify loan requirements, resulting in the provision of increased liquidity. • Analyze and share the information gathered by publishing and distributing findings to the public. Providing transparency to the industry will encourage new capital sources to venture into or invest in mortgage lending. This activity will provide additional affordable capital to high-needs rural regions. • Employ a test and learn approach to enhance a loan product or policy to reach more very low-, low-, and moderate-income families. Evaluate the success and develop affordable lending best practices. • Strengthen the housing demand by building partnerships with anchor institutions, housing counseling organizations, and financial capability service providers. This collaboration will provide homebuyers with the necessary knowledge to overcome credit and budget barriers, thus improving financial stability and facilitating access to affordable rental housing and homeownership opportunities. • Address the lack of housing supply by advocating for manufactured housing as an affordable option. Approximately 67 percent of all manufactured homes are located in rural communities. Across the nation manufactured housing makes up about 10.3 percent of occupied, single-family detached housing, but is much more prevalent in high-needs rural regions. For example, manufactured housing makes up nearly 21 percent of the single-family detached housing in Middle Appalachia and approximately 17 percent in the Lower Mississippi Delta. • Work with both internal and external partners to better understand the impact of the COVID-19 pandemic in high-needs rural regions.

SMART Factors
Fannie Mae will undertake the following measurable Actions in the years indicated.

Year	Actions

2018	• Facilitate one rural housing roundtable with 15 cross-functional industry representatives including lenders, mission based financial institutions, non-profit organizations, and housing counseling agencies focused on or located in a particular high-needs rural region. Topics for discussion may include opportunities to expand access to credit, regional needs, challenges in access to housing, and/or financing options, market trends, and potential solutions that addresses the housing challenges facing each high-needs rural region.
	• Establish a Fannie Mae Rural Housing Advisory Council with subcommittees representing industry stakeholders from each high-needs rural region, and conduct one annual meeting. Responsibilities could include providing recommendations and strategic information, evaluating performance of an activity outlined in the Rural Housing Plan, serving as an advocate to promote Duty to Serve, assisting in the future development of the Plan, and gathering and presenting material when necessary.
	• Participate in two regionally based affordable housing conferences as a means to obtain rural housing market insight, share knowledge, gain visibility, communicate the “Duty to Serve” message, collaborate, and build and maintain relationships with important industry stakeholders. Information gathered will be shared and evaluated to highlight current policies that support the market that are underutilized, and to identify the need to develop new or enhance existing products, policies, or activities outlined in the Plan.
	• Obtain a comprehensive understanding of one high-needs rural region and customize appropriate solutions by dedicating staff or resources. In order to determine meaningful impact, Fannie Mae will perform due diligence around the target location and roles and responsibilities and create metrics to evaluate success. If expectations are exceeded, Fannie Mae may look to expand activity to other high-needs rural regions.
	• Expand availability of financial or housing counseling to households in a high-needs rural region by entering into a fee for service contract with two non-profit partners. Develop an outreach strategy to serve at least 100 households through these partnerships.
	• Identify opportunities to share detailed information around Fannie Mae technology with the U.S. Department of Housing and Urban Development and/or the USDA and collectively explore ways to deepen penetration into rural communities.
	• Establish a marketing campaign focused on affordable lending products and policies that address known challenges in rural areas with a focus on high-needs rural regions. Target 25 lenders and 10 additional stakeholders that could include appraisers, mortgage insurance companies, non-profit organizations, CDFI, Housing Finance Agencies (HFA), down payment assistance providers, and/or individual development account (IDA) program providers, and:
	  ○ Produce and market material through social media, webinars, Fannie Mae’s Rural Housing Advisory Council, and conferences.
	  ○ Create a “rural specific” segment in Fannie Mae’s appraiser newsletter that addresses issues unique to rural areas with a focus on high-needs rural regions.
	  ○ Develop a training module focused on appraising in rural areas with a focus on high-needs rural regions and publish it in Fannie Mae’s existing appraiser training curriculum.
	• Provide technical support such as educational training to stakeholders located in rural areas with a focus on high-needs rural regions to include three lenders, six community based non-profit agencies, and three appraisers to optimize homeownership opportunities for potential homebuyers.
	  ○ Create and implement follow-up surveys to assess longer-term impact of service on client outcomes.

Year	Actions
	• Review Fannie Mae's collateral policies and procedures to identify opportunities to streamline or enhance guidelines around appraisals in rural areas. • Work to create a beyond county-based definition of colonias; develop identification or database and a map of colonias including surrounding impact areas to enable accurate targeting and tracking.
2019	• Develop and make available market research and/or rural housing data sets. Fannie Mae will define topics that (1) have meaningful impact on high-needs rural regions and (2) are chosen to work toward a solution to a problem. Some topics could include challenges of originating low balance loans or appraising properties in high-needs rural regions. This information will be made available to the public and industry stakeholders on Fannie Mae's website, through the use of targeted email campaigns, and other highly visible mechanisms. This activity of market research promotes transparency, educates the public and housing industry stakeholders, and provides insights and solutions to potential challenges. • Provide technical assistance such as resources to assist lenders serving high-needs rural regions to become approved sellers. • Facilitate innovative partnerships between two lenders to increase availability of conventional mortgage financing in high-needs rural regions. • Identify opportunities to educate the industry to widely accept the definition of "colonias" developed in 2018. • Continue to expand the capacity of homebuyer readiness providers, including those who provide homebuyer education, housing counseling and/or financial counseling: ○ Provide cumulative reporting on metrics of households served to achieve homeownership of the two partnerships created in 2018. ○ Create, enhance or expand two partnerships targeting certain high-needs rural regions creating one documented business plan to reach and engage households in need of housing assistance. ○ Increase homeownership opportunities by identifying and engaging two potential anchor institution partners in high-needs rural regions. ○ Support two partners with models to teach those living in high-needs rural regions and document best practices to reach and engage households needing financial coaching or counseling. ○ Enhance and expand one test and learn service-learning program model and training curriculum. • Work with the industry to promote access to appropriate types of products, resources, and financing that will help very low-, low-, and moderate-income families access appropriate financing and assistance, including third-party grants for renovations and energy and water efficiency improvements. • Expand and enhance the high-needs rural marketing campaign developed in 2018 and document measurements of success. • Engage CDFIs or other mission driven lenders to identify innovative homeownership or lending models and to identify capacity challenges that can be addressed through technical assistance.
2020	• Analyze, assess, document, and publish results on success metrics of the work completed in 2019 with the one test and learn service-learning program model. • Support homebuyer readiness services or programs in high-needs rural regions. • Engage housing counselors in high-needs rural regions identifying capacity challenges that can be addressed through technical assistance.

Year	Actions
	• Continue engaging CDFIs or other mission driven lenders identifying innovative homeownership or lending models; identify capacity challenges that can be addressed through technical assistance. • Establish a targeted marketing campaign(s) focused on raising awareness, or highlight an initiative in conjunction with other activities to support an increase in loan deliveries. • Finalize and publish a census tract-based colonias definition and identification methodology, including a colonias dataset and mapping to assist with the tracking of loan purchases.[15]
2021	• Develop and employ an engagement strategy to increase the pipeline of qualified homebuyers while continuing to address needs of existing homeowners impacted by COVID-19. ○ Launch a marketing campaign targeting borrowers at or below 100 percent AMI with a focus on increasing consumer knowledge and dispelling common misconceptions about the homebuying process by highlighting topics like credit scores and down payments. Marketing channels may include paid search, display/social, streaming audio, and animatic videos. ○ Develop metrics to measure impact. ○ Partner with two organizations in a high-needs rural region that will provide pre-purchase education, job training, counseling or placement services to bolster or sustain homeownership rates. Establish a minimum of two partnerships with non-profit organizations or housing counseling agencies to bolster or sustain homeownership through support of programmatic services. Services could include but are not limited to pre- or post-purchase counseling or education, job training, or loss mitigation education. ○ Partner with two organizations to help them train staff or expand mortgage lending or counseling services. Engage a minimum of two rural CDFIs or other mission driven lenders identifying mortgage lending knowledge gaps or opportunities to support housing counseling services to homebuyers and homeowners. ○ Support business continuity among providers of mortgage credit and affordable housing construction in high-needs rural communities. We will contract with a third party to provide technical support to at least two rural housing organizations. This technical assistance could include webinars on offering remote services, one-on-one support with budgets and revising business plans in light of COVID-19 related economic challenges. ○

The long-term activities in this Objective are challenging. Activities supporting this Objective require a different paradigm designed to reach communities in a scalable way and, therefore, the work is difficult. Achieving these goals, while maintaining safety and soundness, requires substantial effort and use of Fannie Mae resources. Fannie Mae has significant experience evaluating, developing, and enhancing loan products and policy. Accordingly, Fannie Mae believes this Objective is reasonable and can be achieved within the time periods described. Product changes will be critical to increasing access to affordable capital and reducing limitations and requirements while opening access to Fannie Mae financing to those who otherwise do not meet eligibility requirements. Any variances, which create changes in credit parameters and product guidelines, will be supported by thorough economic, risk, and operational analysis, will be subject to Fannie Mae's governance and approval processes, and will only be made consistent with safety and soundness concerns. The ultimate opportunity available in this market is to finance an increased number of single-family loans in high-needs rural regions.

15 Achievement is based upon a non-objection from FHFA on publishing the census tract-based colonias definition and identification methodology.

Criteria	2018	2019	2020	2021
Evaluation Factor:	Loan Product	Outreach	Outreach	Outreach
Income Levels:	Very Low-, Low-, and Moderate-Income Levels for all Years			

3. *Objective #3: Create a work-plan and increase multifamily loan purchases in Middle Appalachia, the Lower Mississippi Delta, rural tracts in persistent poverty counties, and the colonias (Analyze, Test and Learn, Do What We Do Best).*

Meeting the Challenges

The multifamily housing markets in Middle Appalachia, the Lower Mississippi Delta, rural tracts in persistent poverty counties, and the colonias, respectively, face substantial challenges, including:

- Economic challenges such as declining rural populations and employment, higher housing cost burdens, persistent poverty, and limited access to lenders that can provide affordable capital.
- High construction costs and operating expenses.
- Rents, which when affordable to low-income residents, undermine the ability of multifamily properties to support debt.
- Small rural communities which lack appropriate multifamily underwriting information, including market comparables, analyses of economic health, and supply/demand indicators.
- Rural loans that cannot be viewed as one homogeneous group but require geographic market differentiation.
- Much of the housing is in substandard condition and needs renovation and energy or water efficiency improvements.
- There is little to no standardization across the rural multifamily debt market which results in a significant barrier to reliable liquidity.
- Traditional lenders cannot attain "economies of scale" in lending in these areas due to the small project sizes coupled with the lack of readily available market information.
- Community Reinvestment Act (CRA) investors are not necessarily interested in these markets based on the size of and geographic distance between communities in these and other rural markets.

To address these challenges, Fannie Mae will:

- Work to establish a deeper understanding of the subject rural markets/submarkets through outreach and research activities in order to determine the most impactful multifamily housing strategy for these high-needs rural regions.
- Upon completion of the identified outreach and research activities, create a work-plan and develop key loan products and enhancements that will provide a foundation for the future purchase of loans secured by housing in these high-needs rural regions.
- Based on the outreach and research activities completed, create a multifamily work-plan and complete updates and/or product enhancements that will provide a foundation for the purchase of loans secured by housing in these high-needs rural regions in the future. Elements to be addressed in the work-plans include the following:
    - Collaborating with partners that have strength in and knowledge of rural markets.
    - Identifying opportunities for standardization of multifamily debt in rural markets.
    - Identifying providers of non-debt capital, including Fannie Mae, subject to FHFA's approval of Fannie Mae's participation in the Low Income Housing Tax Credits (LIHTC) equity market.

Meeting the Challenges
◦ Determining how Fannie Mae can serve as a catalyst to facilitate the provision of reliable capital based on the specific needs of each high-needs rural region. ◦ Finding workable strategies to address economies of scale issues faced by financial institutions active in these high-needs rural regions. • Purchase multifamily loans in Middle Appalachia, the Lower Mississippi Delta, rural tracts in persistent poverty counties, and the colonias.

SMART Factors
Fannie Mae will undertake the following measurable Actions in the years indicated.

Year	Actions
2018	• In conjunction with Fannie Mae Single-Family: ◦ Facilitate one rural housing roundtable with cross-functional industry representation to discuss, analyze, and solve for the challenges facing high-needs rural regions. ◦ Establish a Fannie Mae Rural Housing Advisory Council with subcommittees representing each of the high-needs rural regions to gain a deeper understanding of the market challenges affecting the high-needs rural regions and discuss how these challenges can be met. ◦ Conduct one annual meeting of the Advisory Council and semi-annual meetings of each subcommittee to solicit guidance and information as Fannie Mae implements the activities outlined in the Plan. ◦ Participate in two key conferences as a means to network with key industry stakeholders and to communicate the "Duty to Serve" message. • Based on research and outreach results, create one multifamily work-plan each for Middle Appalachia, the Lower Mississippi Delta, and the colonias that will address key multifamily affordable housing issues, including (1) identification of the three top multifamily housing issues that need to be addressed in these high-needs rural regions; (2) identification of two potential roles for Fannie Mae Multifamily in serving these high-needs rural regions (including an assessment of how potential LIHTC equity investments can facilitate liquidity to the market); and (3) two key actions that would enhance Fannie Mae's ability to serve these high-needs rural regions. The work-plan will also address customizing appropriate solutions by dedicating staff or resources to one or more specific high-needs rural regions which will include the determination of a full time employee, partnership or vendor relationship, definition of roles and responsibilities, and appropriate metrics to evaluate success. • Identify three potential product enhancements the purpose of which is to facilitate the provision of liquidity to Middle Appalachia, the Lower Mississippi Delta, and the colonias, to be submitted to Fannie Mae's internal product enhancement and development approval process during 2019. • Identify at least one strategy that could facilitate increased standardization for multifamily loans in the high-needs rural regions.
2019	Based on the work completed in 2018: • Process at least one product enhancement and one standardization element identified in the work-plan through the product enhancement and development approval procedure, and implement the product enhancement(s) and standardization element.

Year	Actions
	• Purchase 43 multifamily loans in high-needs rural regions. ○ **Baseline**: Between 2014 and 2018, Fannie Mae's multifamily loan purchase totals in the high-needs rural regions were 23, 20, 34, 34, and 34, respectively. For purposes of the Baseline, Fannie Mae will use the highest and most common purchase level of 34 loans. Fannie Mae's initial loan purchase goal of 45 multifamily loans will be based on increasing multifamily loan purchases by 25 percent over the Baseline. • Implement the two identified key actions that will enhance Fannie Mae's role in and ability to serve the multifamily market in Middle Appalachia, the Lower Mississippi Delta, rural tracts in persistent poverty counties, and the colonias. • Revise and document updated work-plans including considering proposing additional product enhancements or key actions. • Facilitate one rural housing roundtable with cross-functional industry representation to continue to discuss, analyze, and solve the challenges facing high-needs rural regions. • Conduct one annual meeting of the Advisory Council to continue to solicit guidance and information as Fannie Mae implements the activities outlined in the Plan. • Participate in two key conferences as a means to continue to network with key industry stakeholders and to communicate the "Duty to Serve" message. • Confirm 2020 multifamily loan purchase goals.
2020	Based on the work performed in 2018 and 2019, increase loan purchases as follows: • Purchase 54 multifamily loans in high-needs rural regions, a 25 percent increase over the 2019 target. • Implement additional key actions and/or product enhancements that were potentially identified as part of the updated work-plans. • Revise and document updated work-plans including considering proposing additional product enhancements or key actions. • Conduct one annual meeting of the Advisory Council to continue to solicit guidance and information as Fannie Mae implements the activities outlined in the Plan. • Conduct one survey of key stakeholders in Middle Appalachia, the Lower Mississippi Delta, and the colonias to assess the impact of Fannie Mae's work-plan. • Identify and document at least four key lessons learned from the work completed during the three years of the Plan and use this information as well as the research results to prepare the next Duty to Serve Plan.
2021	• Purchase 45 multifamily loans in the high-needs rural regions, which represents approximately 4,275 units[16], an 18 percent increase over the Baseline. ○ **Baseline**: Fannie Mae will use the three-year average acquisition data to set the Baseline at 38 loans.

16 Unit count based on average historical Duty to Serve eligible units per multifamily loan in a high-needs rural region.

Year	Actions
	(continued)

	2017	2018	2019	Three-year average
High-Needs Rural Regions Loan Purchases	33	33	47	38

- Conduct outreach with active lenders in rural areas to share Fannie Mae's interest in qualifying business and provide eligibility data to stimulate production.
- Evaluate the loan product enhancement to encourage increased production from lenders through the analysis of historical metrics and consultation with the DUS lender network and rural partners.

The ultimate goal in these markets is to increase liquidity to Middle Appalachia, the Lower Mississippi Delta, and the colonias. Fannie Mae will be able to draw on our past experience in various local markets across the country as we work through our outreach and research. Any product enhancement and development work will factor in appropriate safety and soundness standards. Fannie Mae has significant experience studying and analyzing submarkets, designing enhanced loan products to address their needs, and purchasing loans in the submarkets. Based on this experience and the available resources, Fannie Mae has determined that this Objective is realistic and may be achieved within the time periods described. Any mortgages purchased under this Objective will be supported by thorough economic, risk, and operational analysis, will be subject to Fannie Mae's governance and approval processes, and will only be made consistent with safety and soundness concerns.

Criteria	2018	2019	2020	2021
Evaluation Factor:	Outreach	Loan Purchase	Loan Purchase	Loan Purchase
Income Levels:	Very Low-, Low-, and Moderate-Income Levels for all Years			

4. *Objective #4: Develop solutions to increase single-family loan purchases in high-needs rural regions (Analyze, Do What We Do Best).*

Meeting the Challenges
High-needs rural regions face substantial challenges that make it difficult to attract lenders, investors, and real estate developers. These challenges include: • Economic obstacles such as declining populations, unemployment, high housing cost burdens, persistent poverty, and limited access to lenders providing affordable capital. • Potential borrowers have lower incomes, affecting affordability, are more likely to be self-employed, increasing their risk of unstable and unreliable income, and are less likely to be a first-time homebuyer, a criterion often required to receive down payment or matched savings dollars assistance. • Existence of geographic market differentiation; rural loans should not be viewed as one homogenous group. • Lack of quality housing stock; older homes may be in substandard condition and in need of rehabilitation, or could benefit from energy or water efficiency improvements. • Appraising rural properties tends to be more challenging.

Meeting the Challenges
• Rural properties are more likely to be manufactured homes and have larger lot sizes. • Rural properties have smaller loan balances, and note rates are marginally higher than those for urban loans. • Housing demand is weak, and housing is not highly promoted and does not receive an adequate amount of attention given small, dispersed populations as compared to urban areas. • Homeownership can be less expensive than renting in high-needs rural regions, but poor credit history, financial barriers, and a lack of knowledge about homeownership limit opportunity. To address these challenges, Fannie Mae will: • Perform outreach and market research; use the information gathered to identify appropriate product enhancements that, when implemented, will increase borrower and property eligibility and simplify loan requirements, resulting in the provision of increased liquidity. • Analyze and share the information gathered by publishing and distributing findings to the public. Providing transparency to the industry will encourage new capital sources to venture into or invest in mortgage lending. This activity will provide additional affordable capital to high-needs rural regions. • Employ a test and learn approach to enhance a loan product or policy to reach more very low-, low-, and moderate-income families. Evaluate the success and develop affordable lending best practices. • Strengthen the housing demand by building partnerships with anchor institutions, housing counseling organizations, and financial capability service providers. This collaboration will provide homebuyers with the necessary knowledge to overcome credit and budget barriers, thus improving financial stability and facilitating access to affordable rental housing and homeownership opportunities. • Address the lack of housing supply by advocating for manufactured housing as an affordable option. Approximately 67 percent of all manufactured homes are located in rural communities. Across the nation manufactured housing makes up about 10.3 percent of occupied, single-family detached housing, but is much more prevalent in high-needs rural regions. For example, manufactured housing makes up nearly 21 percent of the single-family detached housing in Middle Appalachia and approximately 17 percent in the Lower Mississippi Delta.

SMART Factors
Fannie Mae will undertake the following measurable Actions in the years indicated.

Year	Actions
2019	• Because of known barriers such as a lack of affordable supply and an aging housing stock in need of updates and renovation in high-needs rural regions, Fannie Mae will review credit and/or collateral policy to identify opportunities to customize, enhance, or simplify products. We will revise policy or establish a test and learn approach issuing one negotiated variance to select lenders in high-needs rural regions. • Identify an innovative approach to address housing affordability, the inventory shortage or the replacement of substandard homes. This work could include but is not limited to the development of an innovation, work to scale the opportunity, revise policy or produce at least one protype home.
2020	• Continue to address the lack of affordable housing supply and an aging housing stock in high-needs rural areas by reviewing and updating Fannie Mae policies. • Create opportunity by exploring the potential for partnerships that could enhanced product offerings. • Support an innovative model to increase the housing stability and economic mobility of low-income residents of rural communities.

The long term activities in this Objective are challenging. Activities supporting this Objective require a different paradigm designed to reach communities in a scalable way and, therefore, the work is difficult. Achieving these goals, while maintaining safety and soundness, requires substantial effort and use of Fannie Mae resources. Fannie Mae has significant experience evaluating, developing, and enhancing loan products and policy. Accordingly, Fannie Mae believes this Objective is reasonable and can be achieved within the time periods described. Product changes will be critical to increasing access to affordable capital and reducing limitations and requirements while opening access to Fannie Mae financing to those who otherwise do not meet eligibility requirements. Any variances, which create changes in credit parameters and product guidelines, will be supported by thorough economic, risk, and operational analysis, will be subject to Fannie Mae's governance and approval processes, and will only be made consistent with safety and soundness concerns. The ultimate opportunity available in this market is to finance an increased number of single-family loans in high-needs rural regions.

Criteria	2018	2019	2020	2021
Evaluation Factor:	N/A	Loan Product	Loan Product	n/a
Income Levels:	Very Low-, Low-, and Moderate-Income Levels for all Years			

5. Develop a data visualization tool to provide rural affordable housing practitioners better insight into the social and economic conditions of high-needs rural regions (Analyze, Test and Learn).

Meeting the Challenges
The high-needs rural regions are areas that have been underserved by the traditional mortgage finance system due to economic and demographic challenges of rural cities and towns, higher construction costs, small deal sizes, and less readily available underwriting information. These hurdles have led to limited access to lenders that can provide affordable capital and mortgage solutions, as traditional lenders cannot attain "economies of scale" in lending there. Smaller financial institutions, CDFIs, nonprofits, and state housing agencies in the high-needs rural regions are dedicated to serving the needs of their communities, including providing and supporting affordable homeownership and rental opportunities to the families they serve. However, they are burdened by the following challenges: • Key data that impacts affordable housing outcomes in rural America either does not exist, is scattered among many sources, or is unreliable in some cases (including market comparables, economic health, and supply/demand indicators). • Rural affordable housing practitioners are typically smaller, not profit-focused, and have access to fewer tools and resources to support their data analysis capabilities than their peers who are either profit-focused or located in less rural areas. While community-focused institutions do have access to publicly available information, such information is scattered across many sources, presented in incompatible formats, and may require a fee. In addition, deeper market analysis is not typically available in rural communities. Lastly, current real estate data is often unavailable, incomplete, or inaccurate. To address these challenges, Fannie Mae will develop and implement a strategy that directly addresses market challenges by truly harnessing the power of data innovation through partnership with the goal of supporting the capacity of our affordable housing partners in rural America, and creating impact that will help them to achieve our shared affordable homeownership and rental housing goals.

SMART Factors

Fannie Mae will undertake the following measurable Actions in the years indicated.

Year	Actions
2019	• Develop a customizable mapping platform that visualizes a wide array of data indicative of successful housing outcomes in communities in the high-needs rural regions. Execute the development in partnership with a technology vendor with deep expertise in data-driven solutions and economic development in rural America. • Provide access to the rural visualization tool on a test basis to a small group of affordable housing practitioners in rural America who serve communities in the high-needs regions, which may include smaller financial institutions, CDFIs, nonprofits, and state housing agencies. Determine use cases for each organization, implement mapping solutions for each organization, provide support for the tool, and obtain feedback on the effectiveness and value of the tool. • Determine how the technology solution could sustainably impact the market, and develop a market strategy for enhancement, use, and implementation of the tool for use by affordable housing organizations in the high-needs rural regions.
2020	• Enhance the tool based on learnings and insights obtained during 2019. • Provide access to the rural visualization tool on a test basis to a second small group of affordable housing practitioners in rural America who serve communities in the high-needs regions, which may include smaller financial institutions, CDFIs, nonprofits, and state housing agencies. Determine use cases for each organization, implement mapping solutions for each organization, provide support for the tool, and obtain feedback on the effectiveness and value of the tool.

Fannie Mae has significant experience in outreach, market engagement, data collection and analysis, consumer research, and product development. Accordingly, we believe this Objective is realistic and can be achieved within the time periods described. Any work done will factor in appropriate safety and soundness standards. The relevant market opportunity is to provide in-depth rural market analysis and tools to rural affordable housing practitioners.

Criteria	2018	2019	2020	2021
Evaluation Factor:	n/a	Outreach	Outreach	n/a
Income Levels:	Very Low-, Low-, and Moderate-Income Levels for all Years			

B. Regulatory Activity: Housing for high-needs rural populations (12 C.F.R. § 1282.35 (c) (2)).

Note: Fannie Mae seeks extra credit for this Activity.

1. *Objective #1: Rebrand and market Fannie Mae's Native American Conventional Lending Initiative (NACLI) (Analyze, Partner and Innovate).*

Meeting the Challenges
Native American tribes are one of the most underserved, impoverished minority populations in the country. The Native American Indian Housing Council (NAIHC) estimates that the homeownership rate in Native American areas is about 33 percent, substantially below the national average, and Native Americans are four times more likely than the average American family to live in substandard housing. Potential homebuyers wanting to purchase homes on Native American land are faced with substantial challenges making it difficult to attract investors and lending products. These challenges include: • Each tribe has a unique structure of governance, culture, history, and identity. • There are legal complexities involving Native American land (e.g., federally restricted trust land and allotted lands). • Housing located on reservations can be in substandard condition; overcrowding is common due to a high level of unemployment, persistent poverty, and lack of affordable rental housing. • The mortgage lending process on Native American land is confusing and can be overwhelming, compounded by a general lack of understanding of the home purchase and ownership process. • Conventional lending is nearly non-existent, leaving Native American tribes to rely on government lending programs to finance home purchases and refinance transactions. • In order to determine effective ways to finance housing on tribal lands, a better understanding is required of Native American culture, history, and identity as it relates to home ownership. To address these challenges, Fannie Mae will: • Partner with tribal leadership and Tribally Designated Housing Entities (TDHE) to establish a Memoranda of Understanding (MOU) adopting the necessary procedures to participate in Fannie Mae's NACLI loan program, resulting in the provision of increased liquidity. • Increase lending opportunities on Native American lands by fostering collaboration between tribes and Fannie Mae approved lenders. • Collect and analyze mortgage data and loan performance; this information will be made available on Fannie Mae's website, through the use of targeted email campaigns and other highly visible mechanisms to bring clarity to the market. Providing factual information addressing misconceptions about Native American lending, which will help provide additional liquidity to the market. Promoting Fannie Mae's presence in this market and ultimately providing critical information will support and encourage capital sources to venture into lending and investing in this market where they may not have done so previously. • Employ a test and learn approach to enhance a loan product or policy to reach more very low-, low- and moderate-income families. Evaluate the success and aim to develop affordable lending best practices. • Strengthen homeownership knowledge of tribal members by building partnerships with anchor institutions, housing counseling organizations, and financial capability service providers. This collaboration will provide potential homebuyers with assistance to overcome credit and budget barriers, thus improving financial stability for increasing access to affordable rental housing and homeownership opportunities.

SMART Factors
Fannie Mae will undertake the following measurable Actions in the years indicated.

Year	Actions

2018	• Facilitate one rural housing roundtable with 10 cross-functional industry representatives including lenders, mission based financial institutions, non-profit organizations, tribal leadership, and TDHE. Topics of discussion may include opportunities to expand access to housing and financing, regional needs, housing market challenges, market trends, and potential solutions that address the challenges facing Native American tribes.
	• Visit and engage with at least two tribes on their own lands to listen and learn about their homeownership goals; educate tribes about Fannie Mae and our suite of mortgage products.
	• Facilitate at least one Fannie Mae selling guide change that benefits or simplifies access to conventional financing.
	• Engage three appraisers from two different tribal regions or States with experience in appraising properties on Native American lands to gather intelligence and knowledge about the unique challenges, and use the information to develop and share best practices.
	• Conventional lending is not available to Native American tribes seeking to buy or construct homes on trust lands or other restricted areas. Fannie Mae will identify and engage two lenders with the ability to actively originate loans on tribal trust land.
	• Execute at least one variance with a lender to accept delivery of loans on tribal trust land.
	• Partner with one housing counseling agency and create one specialized Native American focused homebuyer education and financial counseling curriculum.
	• Execute at least two MOUs with two Native American tribes.
	• Research Native Americans' underlying views of home and first-time home ownership and document learnings. Interview 25 tribal member households by working with trusted counselors, educators, and other third parties.
	• Establish a marketing campaign focused on the NACLI product, targeting 10 lenders geographically located near Native American land, and 10 other stakeholders including, TDHE, non-profit organizations, Native American CDFI, HFA, and down payment assistance and/or IDA program partners.
	    ○ Market information via social media, webinars, and other mechanisms.
	    ○ Provide training and/or support to three lenders, four non-profit counseling agencies, and two TDHE to optimize homeownership opportunities for Native Americans.

2019	• Expand lender outreach to an additional two lenders geographically located near Native American land (i.e., lenders not approached in 2018). • Explore opportunities to bring a culturally specific homebuyer or financial literacy curriculum to an online platform. • Provide technical assistance or identify other opportunities for lenders, Native CDFI or tribe to enhance homeownership opportunities or access affordable capital and liquidity on tribal trust lands. • Explore the opportunity of a Native CDFI becoming a Fannie Mae seller. • Support post-purchase housing counseling for Native borrowers. • Interview at least 10 lenders and/or tribal stakeholders about the challenges and opportunities associated with mortgage lending on tribal trust land and document findings.

Year	Actions
2020	• Facilitate a training to educate tribes and appraisers on the challenges of appraisals on tribal trust land; if feasible, develop a partnership to pilot a solution. • Expand lender outreach to an additional two lenders geographically located near Native American land (i.e., lenders not approached in 2018 or 2019). • Continue to provide technical assistance to a Native CDFI or tribe(s) to enhance and/or sustain tribal homeownership opportunities.
2021	• Employ an engagement strategy to raise awareness of conventional mortgage lending, and either improve the Native American mortgage lending process or address the needs of communities impacted by COVID-19. ○ Participate in at least two Native American forums. ○ Support an existing initiative or facilitate the creation of a new initiative focused on new homebuyers or sustainable homeownership. ○ Engage a Native CDFI with significant mortgage lending capacity and the Native American tribes with whom they work with to better understand their business model, goals, and how conventional lending could complement existing business lines. Conduct and share financial analysis on the potential benefits of conventional lending for the CDFI, tribe, and borrowers. Based on these learnings, create a conventional lending value proposition tool kit that can be leveraged with other Native CDFIs and tribes. ○ Support New Mexico pueblos as they explore opportunities under the HEARTH ACT of 2012 to expedite leasing, thereby reducing the mortgage process timeline.

Fannie Mae has a long history of demonstrated commitment to finding ways to create affordable housing opportunities for Native American families living on tribal trust lands since as early as 1994 and launched our first rendition of NACLI in 1999. Yet today, NACLI is an existing refinance-only product, and an underutilized product in the Fannie Mae Selling Guide and we purchase very few HUD 184 loans. In order to better support mortgage lending among Native Americans, we are committed to providing more liquidity for government-backed loans and to reviving the NACLI product.

Fannie Mae will establish legal agreements, MOUs, with tribes in order to allow for conventional financing. The MOU is a critical piece to the NACLI product and requires updating before new loan acquisitions can be made. Under a MOU, the tribe agrees to maintain certain legal standards supporting mortgage lending—primarily laws permitting land leasing, pledging of leaseholds, mortgage foreclosures, and evictions. Without a legal framework of this type, Fannie Mae cannot safely and soundly purchase mortgages on Native American lands. The MOU also sets forth Fannie Mae's offer to purchase loans secured by Native American lands and to respect tribal sovereignty through the acknowledgment of tribal court jurisdiction. The legal structure is similar with the HUD Section 184. Based on these significant factors along with our prior knowledge of working with Native American tribes, Fannie Mae has determined that this Objective is realistic and may be achieved within the time periods described. Achieving these goals, while maintaining safety and soundness, requires substantial effort and use of Fannie Mae resources. The ultimate opportunity available in this market is to finance more conventional Native American mortgages. To this end, Fannie Mae will conduct loan product work and loan purchases in a safe and sound manner. Activities supporting this Objective require a different paradigm designed to reach disparate communities in a scalable way and, therefore, the work is difficult.

Criteria	2018	2019	2020	2021
Evaluation Factor:	Loan Product	Outreach	Outreach	Outreach
Income Levels:	Very Low-, Low-, and Moderate-Income Levels for all Years			

2. *Objective #2: Design an investment pilot program, partnering with a Native American CDFI or other mission driven lenders, to increase access to credit, capital, or financial counseling (Partner and Innovate, Do What We Do Best).*

Meeting the Challenges
CDFI and other mission-driven lenders provide much needed capital, financial or homeownership counseling, and other programs to communities that typically cannot be served by traditional financial institutions**.** These organizations specialize in unique housing and lending programs that meet the particular market, but have a constant need for funding from various sources to support their unique programs at affordable interest rates. CDFI can supplement traditional financial institutions and have the capability to support Native American tribal members wanting to purchase homes despite some of the challenges that include: • Lack of funding to support innovative programs including financial literacy and homebuyer education. • Absence of depositories and financial institutions on or near Native American lands that provide mortgage lending. • Native Americans' limited experience with and trust of mainstream banking institutions. To address these challenges, Fannie Mae will: • Look to design or invest in one pilot investment program that addresses one or more unique challenges with a CDFI experienced in working with tribal leadership and tribe members providing appropriate financial services that make homeownership more achievable.

SMART Factors
Fannie Mae will undertake the following measurable Actions in the years indicated.

Year	Actions
2018	• Engage three CDFI or other mission driven lenders, identifying one to five potential innovative homeownership, lending, or investment opportunities that have the potential to meet FHFA approval and are consistent with Fannie Mae's Charter Act. • Perform outreach and research, data collection, and analysis in order to: (1) improve Fannie Mae's understanding of the needs, opportunities and factors that will drive improvements and outcomes for Native American tribes; (2) establish and identify methodologies to determine a level of investment that meets those needs; and (3) establish the investment underwriting criteria. • Achieve internal approval and submit proposed pilot program to FHFA for review and approval. • Establish reporting mechanisms and performance measures. • The completion of outreach and research, data collection, and analysis, and all actions pertaining to the internal and FHFA approval process in 2018 will inform any or all future actions in 2019 and 2020, including Fannie Mae's internal product development process.

The need to invest in CDFI or other mission driven lenders and participate in pilot programs in the underserved markets was raised during the outreach Fannie Mae conducted in 2016 and more recent public comment received in response to our proposed Underserved Markets Plan. These comments define a significant market opportunity for this action. Investment in homeownership programs in Native American areas is meaningful and impactful.

Because Fannie Mae has experience with investments in years past, we believe the internal activities described in this Objective are realistic and may be achieved within the time period described. Any new investment would be subject to internal approval and FHFA approval, which would incorporate safety and soundness analysis.
Implementation of this Objective is contingent upon a determination that the Objective and related actions are compliant with Fannie Mae's Charter Act and receipt of FHFA approval.

Criteria	2018	2019	2020	2021
Evaluation Factor:	Outreach	n/a	n/a	n/a
Income Levels:	Very Low-, Low-, and Moderate-Income Levels for all Years			

3. *Objective #3: Create and implement work-plans and advance strategies that support development of affordable multifamily housing for Native Americans and agricultural workers (Analyze, Do What We Do Best).*

Meeting the Challenges

The rental housing markets for Native Americans and for agricultural workers face a number of challenges, including:

- The opportunity to finance multifamily housing for each of these high-needs rural populations is believed to be very limited given:
  - Economic challenges such as persistent poverty and limited access to lenders that can provide affordable capital.
  - Communities in the areas in which these high-needs rural populations reside often lack appropriate multifamily underwriting information, including market comparables and analyses of economic health and supply/demand indicators.
  - Loans in the rural areas in which these high-needs rural populations often reside, cannot be viewed as one homogeneous group but require geographic market differentiation.
  - Much of the housing in which these high-needs rural populations reside is in substandard condition and needs energy or water efficiency improvements.
  - Traditional lenders cannot reach "economies of scale" in lending in the areas in which these high-needs rural populations reside due to the small project sizes coupled with the lack of readily available market information.
  - CRA investors are not necessarily interested in the markets in which these high-needs rural populations reside based on the size of and geographic distance between communities.
  - Native American communities are sovereign States and tribal lands have significant restrictions that may create barriers to acquiring a traditional mortgage.

To address these challenges, Fannie Mae will:

- Work to establish a deeper understanding of the subject rural markets/submarkets through outreach and research activities in order to determine the most impactful multifamily housing strategy for these high-needs rural populations.

Meeting the Challenges
• Upon completion of the identified outreach and research activities, create work-plans and develop key loan products and enhancements that will provide a foundation for the future purchase of loans secured by affordable housing for Native Americans and agricultural workers. • Purchase multifamily loans that support affordable housing for Native Americans and agricultural workers.

SMART Factors
Fannie Mae will undertake the following measurable Actions in the years indicated.

Year	Actions

2018	• In conjunction with Fannie Mae Single-Family efforts:
	  ○ Facilitate one rural housing roundtable with cross-functional industry representation to discuss, analyze, and solve the challenges facing high-needs rural populations.
	  ○ Establish a Fannie Mae Rural Housing Advisory Council with subcommittees representing each of these high-needs rural populations to gain a deeper understanding of the market challenges affecting these high-needs rural populations and discuss how these challenges can be met.
	  ○ Conduct one annual meeting of the Advisory Council to solicit guidance and information as Fannie Mae implements the activities outlined in the Plan.
	  ○ Participate in two key conferences as a means to network with key industry stakeholders and to communicate the “Duty to Serve” message.
	• Based on research and outreach results, create one multifamily Native American work-plan and one agricultural workers work-plan that will address key multifamily affordable housing issues, including, respectively, (1) identification of Native American and agricultural worker communities; (2) identification of the three top multifamily housing issues that need to be addressed in these communities; (3) two potential roles for Fannie Mae Multifamily in serving each of these communities; and (4) two key actions (e.g., reviewing Fannie Mae’s current products to determine what potential changes could be made to increase liquidity to these populations, or survey lenders to document barriers to lending to these populations) that would enhance Fannie Mae’s ability to serve the multifamily market for both populations.
	• As part of the outreach and product development work occurring in connection with purchasing rural loans from small financial institutions, determine if any of the small financial institutions have a focus on Native American or agricultural worker housing that can be leveraged to increase liquidity to Native Americans and agricultural workers.
	• Identify three potential product enhancements (total) that could facilitate the provision of liquidity to Native Americans and agricultural workers to be submitted to Fannie Mae’s internal product enhancement and development approval process for consideration during 2019.

2019	Based on the work completed in 2018: • Partner with a non-profit organization with deep experience and expertise with developing affordable rental housing for agricultural workers to deliver a robust technical assistance program to affordable developers who focus on agricultural worker housing. The assistance will provide training and consultation on the comprehensive process for multifamily financing and development, including the use of the USDA 514/516 Farmworker Housing Programs and Low-Income Housing Tax Credits.

Year	Actions
	• Partner with two non-profit organizations with deep experience and expertise with developing affordable rental housing for Native American communities to deliver a robust technical assistance program to tribes, tribal housing departments, and Tribally Designated Housing Entities. The assistance will provide training and consultation on the comprehensive process for multifamily financing and development, including the use of the HUD funding programs and Low-Income Housing Tax Credits. • Implement the two identified key actions from the work-plan that will enhance Fannie Mae's role and ability to serve the affordable housing needs of both Native Americans and agricultural workers. • Revise and document updated work-plans including considering proposing additional product enhancements or key actions and confirming loan purchase Baselines and goals for 2020. • Facilitate one rural housing roundtable with cross-functional industry representation to continue to discuss, analyze, and solve the challenges facing high-needs rural populations. • Conduct one annual meeting of the Advisory Council to continue to solicit guidance and information as Fannie Mae implements the activities outlined in the Plan. • Participate in two key conferences as a means to continue to network with key industry stakeholders and to communicate the "Duty to Serve" message.
2020	Based on the work completed in 2018 and 2019: • Partner with a non-profit organization with deep experience and expertise with developing affordable rental housing for agricultural workers to deliver a robust technical assistance program to affordable developers who focus on agricultural worker housing. The assistance will provide training and consultation on the comprehensive process for multifamily financing and development, including the use of the USDA 514/516 Farmworker Housing Programs and Low-Income Housing Tax Credits. • Partner with two non-profit organizations with deep experience and expertise with developing affordable rental housing for Native American communities to deliver a robust technical assistance program to tribes, tribal housing departments, and Tribally Designated Housing Entities. The assistance will provide training and consultation on the comprehensive process for multifamily financing and development, including the use of the HUD funding programs and Low-Income Housing Tax Credits • Implement additional key actions and/or product enhancements that were potentially identified as part of the updated work-plans. • Revise and document updated work-plans including considering proposing additional product enhancements or key actions. • Conduct one annual meeting of the Advisory Council to continue to solicit guidance and information as Fannie Mae implements the activities outlined in the Plan. • Conduct a survey of key stakeholders to assess the impact of each of Fannie Mae's work-plans for these high-needs rural populations. • Identify and document at least four key lessons learned from the work completed under each of the work-plans and use those findings, as well as the survey results, in the planning process for the next Duty to Serve Plan.
2021	• Partner with two non-profit organizations to deliver technical assistance (TA), to 15 organizations working to develop or preserve housing for agricultural workers or Native American communities through RD 514/516 funding, HUD funding allocated for tribal housing, and/or LIHTC. Select one TA partner with expertise in housing for agricultural workers and one TA partner with expertise in housing for Native American communities. Work with TA non-profit partners to:

Year	Actions
	○ Assess the results of TA performed in 2020 and incorporate opportunities and strategies to strengthen the program's effectiveness and increase its scale in 2021. ○ Plan the 2021 TA program and identify organizations for TA delivery (developers of farm labor housing and Native American housing on tribal land). ○ Execute the 2021 TA program. ○ Analyze results of the 2021 TA program at the property level to determine success of the program and inform future work.

The ultimate goal of this Objective is to determine the most impactful strategy for Fannie Mae to increase liquidity to the Native American and agricultural workers multifamily markets. Fannie Mae will be able to draw on our past experience and relationships in various local markets across the country as we work through our outreach and research. Based on our previous experience in conducting outreach and research, product development, and multifamily financing, Fannie Mae has determined that this Objective is realistic and may be achieved within the time periods described. Any product enhancement and development work will factor in appropriate safety and soundness standards.

Criteria	2018	2019	2020	2021
Evaluation Factor:	Outreach	Outreach	Outreach	Outreach
Income Levels:	Very Low-, Low-, and Moderate-Income Levels for all Years			

4. *Objective #4: Purchase single-family NACLI and/or HUD Section 184 loans and produce loan products via supply variance and appraisals. (Do What We Do Best).*

Meeting the Challenges
Native American tribes are one of the most underserved, impoverished minority populations in the country. The Native American Indian Housing Council (NAIHC) estimates that the homeownership rate in Native American areas is about 33 percent, substantially below the national average, and Native Americans are four times more likely than the average American family to live in substandard housing. Potential homebuyers wanting to purchase homes on Native American land are faced with substantial challenges making it difficult to attract investors and lending products. These challenges include: • Each tribe has a unique structure of governance, culture, history, and identity. • There are legal complexities involving Native American land (e.g., federally restricted trust land and allotted lands). • Housing located on reservations can be in substandard condition; overcrowding is common due to a high level of unemployment, persistent poverty, and lack of affordable rental housing. • The mortgage lending process on Native American land is confusing and can be overwhelming, compounded by a general lack of understanding of the home purchase and ownership process. • Conventional lending is nearly non-existent, leaving Native American tribes to rely on government lending programs to finance home purchases and refinance transactions. • In order to determine effective ways to finance housing on tribal lands, a better understanding is required of Native American culture, history, and identity as it relates to home ownership.

Meeting the Challenges
To address these challenges, Fannie Mae will: • Partner with tribal leadership and Tribally Designated Housing Entities (TDHE) to establish a Memoranda of Understanding (MOU) adopting the necessary procedures to participate in Fannie Mae's NACLI loan program, resulting in the provision of increased liquidity. • Increase lending opportunities on Native American lands by fostering collaboration between tribes and Fannie Mae approved lenders. • Collect and analyze mortgage data and loan performance; this information will be made available on Fannie Mae's website through the use of targeted email campaigns and other highly visible mechanisms to bring clarity to the market. Providing factual information addressing misconceptions about Native American lending, which will help provide additional liquidity to the market. Promoting Fannie Mae's presence in this market and ultimately providing critical information will support and encourage capital sources to venture into lending and investing in this market where they may not have done so previously. • Employ a test and learn approach to enhance a loan product or policy to reach more very low-, low- and moderate-income families. Evaluate the success and aim to develop affordable lending best practices. • Strengthen homeownership knowledge of tribal members by building partnerships with anchor institutions, housing counseling organizations, and financial capability service providers. This collaboration will provide potential homebuyers with assistance to overcome credit and budget barriers, thus improving financial stability for increasing access to affordable rental housing and homeownership opportunities.

SMART Factors
Fannie Mae will undertake the following measurable Actions in the years indicated.

Year	Actions
2019	• Purchase between 15 and 40 NACLI and/or HUD Section 184 purchase money or refinance loans.[17] 　○ **Baseline**: The Baseline is the current three-year average of the number of loans purchased by Fannie Mae, which is four loans (2016, 1; 2017, 7; 2018, 4). Fannie Mae acknowledges 2017 is higher than the most current three-year average, however, 2017 purchases consisted of targeted refinances and does not accurately represent the market. • Using the information gathered in 2018, develop or enhance policy around appraisals on tribal trust lands, revise the existing variance and notify lenders as appropriate. • Because of known barriers such as lack of affordable supply for high-needs populations, Fannie Mae will conduct and document research about the availability of affordable housing inventory on Native American lands.
2020	• Publish one piece of guidance or an enhancement within the variance as it relates to credit or collateral policy regarding tribal trust land. • Increase mortgage lending on tribal trust lands by providing technical assistance to at least two Native American tribes, Native CDFIs or Tribal Designated Housing Entities.

17 In Fannie Mae's proposed Plan dated 5/8/17, significantly higher loan purchase goals for Year 2 (75–125) and Year 3 (200–275) and baseline numbers (31) were proposed. This was a result of our original analysis being completed manually without the application of the "rural" filter and the "< 100% AMI" filter which limit the number of historical loan purchases identified. In addition, the analysis uncovered a number of loans delivered with a transposed identifier code, erroneously increasing the NACLI Baseline. These errors were corrected to establish the correct figures presented in this Plan.

Fannie Mae has a long history of demonstrated commitment to finding ways to create affordable housing opportunities for Native American families living on tribal trust lands since as early as 1994 and launched our first rendition of NACLI in 1999. Yet today, NACLI is an existing refinance-only product, and an underutilized product in the Fannie Mae Selling Guide. Historically we purchase very few HUD 184 loans. In order to better support mortgage lending among Native Americans, we are committed to providing more liquidity for government-backed loans and to reviving the NACLI product.

Fannie Mae will establish legal agreements, MOUs, with tribes in order to allow for conventional financing. The MOU is a critical piece to the NACLI product and requires updating before new loan acquisitions can be made. Under a MOU, the tribe agrees to maintain certain legal standards supporting mortgage lending (e.g., laws permitting land leasing, pledging of leaseholds, mortgage foreclosures, and evictions). Without a legal framework of this type, Fannie Mae cannot safely and soundly purchase mortgages on Native American lands. The MOU also sets forth Fannie Mae's offer to purchase loans secured by Native American lands and to respect tribal sovereignty through the acknowledgment of tribal court jurisdiction. The legal structure is similar with the HUD Section 184. Based on these significant factors along with our prior knowledge of working with Native American tribes, Fannie Mae has determined that this Objective is realistic and may be achieved within the time periods described. Achieving these goals, while maintaining safety and soundness, requires substantial effort and use of Fannie Mae resources. The ultimate opportunity available in this market is to finance more conventional Native American mortgages. To this end, Fannie Mae will conduct loan product work and loan purchases in a safe and sound manner. Activities supporting this Objective require a different paradigm designed to reach disparate communities in a scalable way and, therefore, the work is difficult.

Criteria	2018	2019	2020	2021
Evaluation Factor:	N/A	Loan Product	Loan Product	n/a
Income Levels:	Very Low-, Low-, and Moderate-Income Levels for all Years			

5. *Objective #5: Conduct activities to expand access to the secondary market for high-needs populations (Do What We Do Best, Test & Learn, Partner and Innovate and Analyze).*

Meeting the Challenges
Due to the complexities of mortgage lending throughout Native American areas, there is lack of “traditional” mortgage lenders supporting Native American Indians, Alaska Natives and native Hawaiian homebuyers. Native CDFIs, non-profit organizations and tribal designated housing entities possess the culturally relevant and unique experience needed to create sustainable homeownership opportunities. These entities need access to affordable capital and liquidity provided by the secondary market but lack the experience, compliance and resource capacity. To address these challenges, Fannie Mae will: • Support Native American homeownership by building and strengthening partnerships by increasing options for affordable capital and liquidity.

SMART Factors
Fannie Mae will undertake the following measurable Actions in the years indicated.

Year	Actions
2021	• Launch a "Native CDFI Mortgage Lenders Cohort" to expand mortgage lending through improved access to the secondary market: ○ Establish a partnership with a Native CDFI intermediary to create a cohort of at least nine Native CDFIs focused on advancing Native CDFI's mortgage lending. ○ Provide support during the application selection process where Native CDFI applicants will identify their development needs or establish a business plan for growing their mortgage lending, to include delivering loans to investors through the secondary market. Selected organizations will either possess or establish the appropriate infrastructure needed to successfully originate and deliver loans to secondary market participants. ○ Provide resources needed that allow the partnering Native intermediary to provide customized technical assistance plans and supports to the selected Native CDFIs to include obtaining mortgage licenses, making technology upgrades, and standardizing knowledge of the secondary market. ○ Facilitate six peer-to-peer learning sessions and provide a minimum of 20 hours of in-depth technical assistance from mortgage lending experts. ○ Develop a feedback loop with the Native CDFI intermediary and, if feasible, the selected CDFIs in cohort, that identifies areas for improvement to inform future work; document progression and learnings.

There are currently very few traditional mortgage lenders serving borrowers on Native American lands. Native CDFIs provide much needed financial services and mortgage products to Native communities. These financial institutions are well-positioned to expand their service within Native American areas, as they have strong long-term relationships with the communities they serve and experience with tribal laws, both of which are needed to ensure sustainable homeownership. However, these entities tend to be constrained by their inability to access sufficient capital needed to meet consumer demand. With expanded capacity and access to the secondary market, Native CDFIs should be able to offer additional mortgage financing to borrowers on tribal trust land. Currently, there are approximately 70 certified Native CDFIs located in 23 states across the country, serving Native American areas, Alaska and Hawaii. Their unique programs and services are designed to build financial assets providing access to economic opportunities. Native CDFIs are quickly tackling challenges of scale and barriers they face in becoming mortgage lenders and many are interested in making it through the next stage of their journey as mortgage lenders.

Criteria	2018	2019	2020	2021
Evaluation Factor:	n/a	n/a	n/a	Loan Product
Income Levels:	Very Low-, Low-, and Moderate-Income Levels for all Years			

C. Regulatory Activity: Financing by small financial institutions of rural housing (12 C.F.R. § 1282.35(c) (3)).

1. *Objective #1: Fannie Mae will increase purchases of single-family loans in rural areas from small financial institutions (Do What We Do Best).*

Meeting the Challenges
One of the biggest challenges in rural areas for small financial institutions is access to the secondary market and affordable capital. To address this challenge Fannie Mae will: • Purchase approximately an additional 592 rural single-family loans from small financial institutions over the remaining two years of this Plan, which equates to an estimated additional $89 million of liquidity.

SMART Factors
Fannie Mae will undertake the following measurable Actions in the years indicated.

Year	Actions
2018	• Purchase between 23,200 and 23,400[18] single-family loans in rural areas from small financial institutions, representing an approximate five to six percent increase over the Baseline. ○ **Baseline:** The three year average of the total number of rural loans purchased by Fannie Mae from small financial institutions in rural areas is 22,077 loans. (2014: 18,058; 2015: 22,003; 2016: 26.170). The Baseline is being established at 22,077.
2019	• Purchase between 7,300 and 7,500 loans in rural areas from small financial institutions which are also a certified community development financial institution, insured depository institution, or federally insured credit union, as defined under the Regulation, representing an approximate three to five percent increase over Baseline. ○ **Baseline:** The most current three-year average of the total number of rural loans purchased by Fannie Mae from small financial institutions in rural areas which are also a community development financial institution, insured depository institution, or federally insured credit union, is 7,104 loans. (2016: 7,412; 2017: 7,021; 2018: 6,878). Fannie Mae acknowledges 2016 is higher than the most current three-year average however 2016 represented an unprecedent number of refinances due to historically all-time low interest rates and there has been a downward trend year-over-year since that time.
2020	• Purchase between 8,200 and 8,500 loans in rural areas from small financial institutions that are also a certified community development financial institution, insured depository institution, or federally insured credit union, as defined under the Regulation, representing an approximate five to eight percent increase over Baseline.
2021	• Purchase between 8,950 and 9,000 loans in rural areas from small financial institutions, representing an approximate 26 to 27 percent increase over Baseline.

18 At Fannie Mae's request, to correct an error in submission that was included in the October 2018 Request for Input, technical corrections have been made to these numbers.

Increasing the purchase volume of single-family loans in rural areas from small financial institutions that are also a certified community development financial institution, insured depository institution, or federally insured credit union, as defined under the Regulation, provides direct liquidity to the rural markets. Fannie Mae has a significant presence in the rural housing loan market and maintains established and will continue to establish relationships with small financial institutions engaged in the financing of rural housing. Fannie Mae has the systems, operations, and resource tools needed to facilitate efficient rural housing loan delivery in a safe and sound manner. In addition, underwriting standards and credit guidelines that are simplified and consistent with safety and soundness will continue to be applied to improve acquisition of this product. Fannie Mae has significant experience purchasing loans in particular markets. Based on this experience and the available resources, Fannie Mae has determined that this Objective is realistic and may be achieved within the time periods described. The ultimate opportunity available in this market is to acquire an increased number of rural single-family loans from small financial institutions.

Criteria	2018	2019	2020	2021
Evaluation Factor:	Loan Purchase	Loan Purchase	Loan Purchase	Loan Purchase
Income Levels:	Very Low-, Low-, and Moderate-Income Levels for all Years			

2. *Objective #2: Purchase single-family rural loans through bulk transactions from small financial institutions (Analyze, Innovate and Do What We Do Best).*

Meeting the Challenges
Single-family mortgage loans originated in rural areas do not always conform to Fannie Mae's credit or collateral standards for a variety of reasons. As a result, small financial institutions tend to hold these loans in their portfolios and not deliver them into the secondary market. To address these challenges, Fannie Mae will: • Conduct significant market outreach, research, and data acquisition to identify opportunities to prudently purchase portfolio rural single-family loans in bulk. Data analyses and research will also be performed to gather information to assess financial risk of these bulk transactions.

<u>SMART Factors</u>
Fannie Mae will undertake the following measurable Actions in the years indicated.

Year	Actions
2018	• Engage five single-family small financial institution lenders on the benefits of bulk transactions. When possible, identify and analyze the loan level details of their portfolios and associated lending terms. • Assess Fannie Mae's operational and system capabilities including a servicing assessment (if an identified lender from the above bullet is deeded a non-seller or their portfolio doesn't meet eligibility criteria). • If necessary and deemed appropriate, pursue internal approval to purchase rural single-family loans that may be considered illiquid assets and may remain on Fannie Mae's balance sheet for the life of the loans and not be eligible for securitization.

Year	Actions
2019	Subject to internal approval and availability in the market, Fannie Mae will: • Purchase between 600 and 700 single-family rural loans through bulk transactions. ○ **Baseline**: Fannie Mae has not purchased single-family rural loans through bulk transactions from small financial institutions in the last three years and, therefore, cannot establish a reasonable Baseline. • Continue to expand lender outreach to an additional 10 small financial institution lenders (i.e., lenders not approached in 2018).
2020	Subject to internal approval, Fannie Mae will: • If analysis of portfolios indicates a viable opportunity with seller servicers or non-seller servicers, pursue one test and learn transaction and document learnings. • Pursue partnerships with CDFIs, CUSOs, HFAs and credit unions for the test and learn transactions. • Continue to expand lender outreach to an additional 10 small financial institution lenders (i.e., lenders not approached in 2018 or 2019).

There is insufficient data available to determine what the current market opportunity is or the types of loans that are available for the purchase of the subject loans in bulk transactions from small financial institutions. However, if the loan purchases are made, it will provide direct liquidity to small financial institutions that lend in rural areas. Fannie Mae has the existing capability to purchase single-family loans through bulk transactions without requiring any additional Enterprise-level development. Based on this experience and the available resources, Fannie Mae believes this Objective may be achieved within the time periods described. All loan purchases made under this Objective will be supported by thorough economic, risk, and operational analyses, will be subject to Fannie Mae's governance and approval processes, and will only be made consistent with safety and soundness concerns.

Criteria	2018	2019	2020	2021
Evaluation Factor:	Loan Purchase	Loan Purchase	Outreach	n/a
Income Levels:	Very Low-, Low-, and Moderate-Income Levels for all Years			

3. *Objective #3: Gain an understanding of the challenges and opportunities for small financial institutions in rural areas through outreach (Do What We Do Best).*

Meeting the Challenges
One of the biggest challenges in rural areas for small financial institutions is access to Fannie Mae, the secondary market and affordable capital. To address this challenge Fannie Mae will: • Work to understand more about small financial institutions in rural areas. This could include understanding their customers and community in which they serve, services offered and the economics and processes for originating and servicing mortgages • Develop innovative solutions for small financial institutions to learn about and have access to Fannie Mae.

SMART Factors

Fannie Mae will undertake the following measurable Actions in the years indicated.

Year	Actions
2018	• Facilitate meetings with three small financial institutions and three CDFIs to discuss strategy on increasing loan production or to create an alternative business model allowing CDFIs access into the secondary market. • Assist small financial institutions in meeting rural areas loan delivery requirements by engaging 25 small financial institutions to facilitate participation in a Fannie Mae training program on loan delivery and related requirements. • Perform a research "journey" targeting Small Financial Institutions in rural areas and publish learnings internally with the goal to increase loan deliveries and Fannie Mae penetration in rural areas
2019	• Build upon the research "journey" completed in 2018; provide continued support and engagement for two additional small financial institutions to support homeownership opportunities. • Continue to expand lender outreach to an additional 25 small financial institutions to educate them on Fannie Mae (i.e., lenders not approached in 2018). Examples include facilitation in a Fannie Mae training on products, programs, and technology or approval process.
2020	• Based upon the outreach and journey completed in 2018 and 2019, Fannie Mae will identify opportunities to customize, enhance, or simplify products and establish a test and learn approach issuing one negotiated variance to select lenders. • Continue to expand lender outreach to an additional 25 small financial institutions to educate them on Fannie Mae (i.e., lenders not approached in 2018). Examples include facilitation in a Fannie Mae training on products, programs, technology or approval process.
2021	• Support capacity of small financial institutions to meet the needs among rural borrowers impacted by COVID-19. ○ Conduct a minimum of two trainings of Fannie Mae's servicing decisioning software, Servicing Management Default Underwriter™ (SMDU™), providing homeowners with efficient and consistent solutions. ○ Raise awareness of the "Non-Delegated Loss Mitigation Team" for submission of non-approved SMDU files when additional solutions are needed for borrowers. ○ Engage a minimum of 10 small financial institutions, identifying knowledge gaps or opportunities to better understand the challenges of servicing loans. ○ Train a minimum of 10 small financial institutions on loss mitigation options upon forbearance expiration. ○ Provide homeowners with reliable and up-to-date information on resources and options.

Increasing the engagement with small financial institutions will provide direct liquidity to the market. Fannie Mae has a significant presence in the rural housing loan market and maintains established relationships with small financial institutions engaged in the financing of rural housing. Fannie Mae has the systems, operations, and resource tools needed to facilitate efficient rural housing loan delivery in a safe and sound manner. In addition, underwriting standards and credit guidelines that are simplified and consistent with safety and soundness will continue to be applied to improve acquisition of this product. Fannie Mae has significant experience purchasing loans in particular markets. Based on this experience and the available resources, Fannie Mae has determined that this Objective is realistic and may be achieved within the time periods described. The ultimate opportunity available in this market is to acquire an increased number of rural single-family loans from small financial institutions.

Criteria	2018	2019	2020	2021
Evaluation Factor:	Outreach	Outreach	Loan Product	Outreach
Income Levels:	Very Low-, Low-, and Moderate-Income Levels for all Years			

D. Regulatory Activity: Small multifamily rental properties in rural areas (12 C.F.R. § 1282.35 (c) (4)).

1. *Objective #1: Identify market opportunities to purchase small multifamily loans in rural areas (Partner and Innovate, Do What We Do Best).*

Meeting the Challenges
Providing liquidity for small loans in rural markets faces a number of challenges, including: • A lack of standardized loan guidelines and documentation among active lenders in rural areas. • Few comparable properties for underwriting purposes. • Challenging economics including population decline, unemployment, and communities that are small and geographically widespread. • Little to no economies of scale for lenders in rural markets. To address these challenges, Fannie Mae will: • Develop and implement a proactive focus on the acquisition of mortgages on small multifamily rental properties in rural areas rather than responding only to lender deliveries. • Strategically identify DUS lenders that have an interest in and focus on rural housing and actively work with these lenders to generate business to increase liquidity to the market. • Purchase small multifamily loans that preserve Section 515 properties financed by the USDA. • Review Fannie Mae's existing small multifamily loan and rural products with a focus on potential product enhancements necessary to increase liquidity for small multifamily loans in rural areas. • Purchase small multifamily loans on MHC located in rural areas and owned by non-profits, government entities, and residents.

SMART Factors

Fannie Mae will undertake the following measurable Actions in the years indicated.

Year	Actions
2018	• Conduct outreach to six Fannie Mae DUS lenders that had previously indicated their interest in originating small multifamily loans in rural areas, to determine their level of interest. • In addition to reaching out to DUS lenders interested in making small multifamily loans in rural areas, conduct outreach to at least two other financial entities to determine if they have the capacity and the resources to become a Fannie Mae lender (or aggregator) with a special focus on rural areas (e.g., lenders with a rural focus that are not currently Fannie Mae lenders, Federal Home Loan Banks, and/or similar financial organizations with a rural footprint, and national CDFI with a rural focus). • Conduct and document an internal review of Fannie Mae's RD 538 program to determine if it could be used efficiently to purchase small multifamily loans in rural areas. • In conjunction with the activities under the Affordable Housing Preservation Market section of this Plan, research potential USDA 515 refinance opportunities in rural areas. • Review and determine one to three changes to Fannie Mae's Small Loan guidelines that would be appropriate to facilitate the provision of liquidity to the market through purchases of the subject loans, taking into consideration notions of safety and soundness. • Position one existing Fannie Mae lender to start originating small multifamily rural loans in 2019 of the Plan. • In order to generate increased small multifamily rural loan purchases, educate the lenders that have expressed interest in small multifamily rural loans via Fannie Mae's outreach on any changes that have been made to the small loan product guidelines. • Utilize results from actions taken during 2018 to confirm the 2019 loan purchase goal.
2019	• Based on the work completed in 2018, purchase 60 loans on small multifamily properties in rural areas, representing a 58 percent increase over the Baseline. ○ **Baseline:** The three year average of the number of small multifamily loans in rural areas purchased by Fannie Mae is 34 loans, with 38 loans purchased in the peak production year of 2015 (2014: 26; 2015: 38; 2016: 37). The prior three year loan purchase results do not reflect any specific marketing approach to small multifamily rural loan purchases. Therefore, assuming Fannie Mae makes a focused effort on improving the loan product and increasing loan purchases, small multifamily loan purchases in rural areas would increase significantly. Using the 2015 peak production amount of 38 loans during the last three years as the Baseline then, the 2019 loan purchase goal will be set initially at 60 small multifamily rural loans. • Complete the on-boarding process for new lenders as needed. • Confirm the 2020 small multifamily rural loan purchase goals.
2020	Based on the work completed in 2018 and 2019: • Increase the purchase of loans to 80 loans on small multifamily properties in rural areas, representing an approximate 110 percent increase over the Baseline. • Develop a plan for small multifamily rural loan purchases for the next Rural Duty to Serve Plan.

With an affirmative approach with specific interested lenders, Fannie Mae believes the market opportunity available in this market will accommodate significant increases in small multifamily loan purchases. Fannie Mae has significant experience working with our lenders and engaging in activities to increase lending in specific markets. Based on this experience and the available resources, Fannie Mae has determined that this Objective is realistic and may be achieved within the time periods described. All product enhancements, approval of new lenders, and loan purchases will be supported by thorough economic, risk, operational, and counterparty analyses, subject to Fannie Mae's governance and approval processes, and only undertaken consistent with safety and soundness concerns.

Criteria	2018	2019	2020	2021
Evaluation Factor:	Loan Product	Loan Purchase	Loan Purchase	n/a
Income Levels:	Very Low-, Low-, and Moderate-Income Levels for all Years			

E. Additional Activity: Invest in LIHTC properties to facilitate the provision of affordable multifamily housing in rural areas (12 C.F.R. § 1282.35 (d)).

1. *Objective #1: Invest in LIHTC properties including housing associated with other Statutory and Regulatory Activities (Partner and Innovate, Do What We Do Best).*

Meeting the Challenges
LIHTC equity investment in rural areas has several key challenges, including: • Rural areas may be overlooked as potential investments because they typically are not included in the CRA footprints for larger financial institutions. • Affordable rural housing often depends heavily on the availability of tax credit investments due to the limited capacity of rural multifamily properties to support debt. • Because rural markets do not attract CRA investors, and those economic investors that do deploy capital to the rural market require much higher yields, the price for rural market tax credits is lower. This results in less equity being made available to the rural market. This fact, combined with the limited capacity of rural multifamily properties to support debt, can result in less investment in preservation being made in rural areas and difficulty in both producing and preserving affordable properties within and from the rural housing stock. To address these challenges, Fannie Mae will: • Re-establish our LIHTC investment capacity, including infrastructure, investment criteria, and policies and procedures. • Include LIHTC equity investments in Fannie Mae's multifamily work-plans for high-needs rural regions and for high-needs rural populations.[19] • Fill gaps in demand for capital as the private investor market presence expands and contracts over time, and support the equalization of pricing for tax credit equity currently and over time among all segments of the market, including rural housing, and other challenging projects that are by their nature routinely capital-constrained. • Work with key LIHTC market participants through the Rural Housing Advisory Council to identify opportunities in rural areas with less investor demand, including high-needs rural regions and high-needs rural populations. • Invest in LIHTC equity that will support the development/preservation of affordable multifamily housing in the

19 As defined under the Regulations.

Meeting the Challenges
high-needs rural regions and for high-needs rural populations, which have historically been areas of lower investor demand. • Invest in LIHTC equity eligible for Duty to Serve credit as an Additional Activity pursuant to 12 CFR § 1282.37(c).

SMART Factors

Fannie Mae will undertake the following measurable Actions in the years indicated.

Year	Actions
2018	• Research and analyze market opportunities with respect to potential equity investments in LIHTC housing designed to support affordable rural housing, including the following Statutory or Regulatory Activities: ○ Project-based rental assistance housing programs under Section 8 of the U.S. Housing Act of 1937, 42 U.S.C. § 1437f. ○ The supportive housing program for the elderly under Section 202 of the Housing Act of 1959, 12 U.S.C. § 1701q. ○ Debt financing of LIHTC under Section 42 of the Internal Revenue Code of 1986, 26 U.S.C. § 42. ○ The rural rental housing program under Section 515 of the Housing Act of 1949, 42 U.S.C. § 1485. ○ Small multifamily rental properties financed by entities with assets of $10 billion or less. • Fannie Mae will include both high-needs rural regions and high-needs rural populations in our 2018 research and analysis work related to future potential LIHTC equity investments. • Fannie Mae will: ○ Conduct extensive research to identify rural areas with low investor demand, including high-needs rural regions and for high-needs rural populations. ○ Meet with at least two LIHTC syndicators that are active in the high-needs rural regions and with high-needs rural populations to better understand LIHTC equity needs and to identify potential investments in the high-needs rural regions. ○ In conjunction with Fannie Mae's Single-Family outreach efforts, in Q1, meet with the Rural Housing Advisory Council to gain a deeper understanding of the market challenges and identify areas with low investor demand including in high-needs rural regions and for high-needs rural populations. ○ Conduct outreach to at least 10 State HFA with rural housing needs, and specifically those serving high-needs rural regions and high-needs rural populations, to better understand how their Qualified Allocation Plans address the needs of underserved rural markets. ○ Create, establish, and document one set of reasonable investment goals to meet the challenges identified through outreach and research related specifically to rural housing. • Fannie Mae will make equity investments in 20 LIHTC projects, through either proprietary or multi-investor syndicated funds, in the rural areas that are eligible for Duty to Serve credit as identified through outreach efforts while taking into account safety and soundness concerns. ○ **Baseline:** Fannie Mae has not made any equity investments in LIHTC properties in the last eight years. In addition, those LIHTC equity investments were made when Fannie Mae had a fully operating business with many years of recent experience. This goal was determined based on an evaluation of Fannie Mae's current portfolio, current and expected deal pipeline, and with consideration of investment targets and the regulatory investment limit. Based on this assessment

Year	Actions
	and with consideration of the progress made building our business in 2018, Fannie Mae believes that 20 projects is a reasonable estimate.
2019	• Fannie Mae will make equity investments in 30 LIHTC projects, through either proprietary or multi-investor syndicated funds, in the rural areas that are eligible for Duty to Serve credit, as identified through 2018 outreach and research efforts while taking into account safety and soundness considerations. This goal was determined based on an evaluation of Fannie Mae's current portfolio, current and expected deal pipeline, and with consideration of investment targets and the regulatory investment limit. Since we were approved to invest in LIHTC equity, the progress made in developing relationships with our syndication partners and towards building an intrinsic rural focus within our LIHTC equity business are indicators that we will have a substantial impact in 2019. o Baseline: In 2018, Fannie Mae closed equity investments in 45 LIHTC properties, which is the number we are using to establish our Baseline. • Fannie Mae will conduct at least one meeting with the Rural Housing Advisory Council, as well as conduct a rural roundtable, to continue to identify challenges in rural areas with less investor demand, and work together to develop solutions, including the use of LIHTC. • Based on Fannie Mae's experience during 2019, Fannie Mae will review and confirm our 2020 LIHTC equity investment goals.
2020	• Fannie Mae will make equity investments in 30 LIHTC projects, through either proprietary or multi-investor syndicated funds, in the rural areas that are eligible for Duty to Serve credit, as identified in 2018 – 2019 outreach and research efforts while taking into account safety and soundness considerations. This goal was determined based on an evaluation of Fannie Mae's current portfolio, current and expected deal pipeline and fund mix, and with consideration of investment targets and the regulatory investment limit. Since we were approved to invest in LIHTC equity, the progress made in developing relationships with our syndication partners and towards building an intrinsic rural focus within our LIHTC equity business are indicators that we will have a substantial impact in 2020, through investments in projects located in rural areas. • Fannie Mae will conduct at least one meeting with the Rural Housing Advisory Council, as well as conduct a rural roundtable to continue to identify challenges in rural areas with less investor demand, and work together to develop solutions, including the use of LIHTC. • Fannie Mae will review our experience with rural LIHTC investment during the term of the Plan and identify key lessons learned that will inform the next Duty to Serve Plan.
2021	• Make equity investments in 42 LIHTC projects in rural areas.

While LIHTC equity investments were not identified as a Regulatory Activity, in the final Duty to Serve rule, FHFA indicated in its preamble that it ". . . has determined that, under the final rule, Enterprise equity investments in rural areas will be eligible for Duty to Serve credit, subject to approval of such investments by FHFA as conservator," which has now been received.

This Additional Activity contemplates that the LIHTC investments to be made will be eligible for Duty to Serve credit under 12 CFR § 1282.37(c). This Additional Activity is justified because it contemplates investment in housing which otherwise constitutes a Statutory or Regulatory Activity, and, therefore, is comparable. Moreover, it may be significantly more effective for Fannie Mae to invest in these properties rather than attempt to finance their associated mortgages given the often limited ability of these properties to support debt, or to attract non-LIHTC equity capital seeking a market rate of return. To the extent that this Additional Activity represents investments outside of the referenced Statutory and Regulatory Activities, it nonetheless serves the same targeted very low- and low-income families coupled with the same intent of facilitating the provision of affordable rural housing and, therefore, is comparable to other Statutory and Regulatory Activities. The fact that there is a greater share of families with incomes less than or equal to 60 percent of AMI in rural markets than in urban markets in all recent years, coupled with the fact that these families are very likely to be housing burdened, firmly supports the conclusion that existing and potential tenants will benefit from the creation or continued existence of LIHTC properties.

Fannie Mae believes this Objective can be achieved in the time periods described, based on our lengthy and successful history of investing in LIHTC and our ability and capacity to reenter the LIHTC rural equity market. LIHTC investment in rural areas will be based on market research and safety and soundness principles that also may require that Fannie Mae not undertake this Objective. It is important to note that Fannie Mae intends to include LIHTC equity as a potential tool in our discussions and product enhancement work with numerous Objectives in the Plan, including in high-needs rural regions and for high-needs rural populations; Section 515 preservation, small multifamily rental properties financed by entities with assets of $10 billion or less, and financing of Section 202 properties serve as examples. LIHTC equity can play a very important role in preserving affordable housing in many markets beyond rural ones.

The available market opportunity is best illustrated through an examination of the existing data. For example, while not all Section 515 projects receive LIHTC, using the data for the USDA 515 market as a proxy for market opportunity for rural LIHTC investments provides a reasonable approach to estimating market opportunity. According to the USDA, approximately 15,210 units of Section 515 housing will become eligible for prepayment during the timeframe of this Plan. Many Section 515 properties will need LIHTC in order to be or remain financially sound. Using a modest assumption of $15,000 per unit of needed financing, the total potential market for refinancing/recapitalization could be $228,150,000 over the three-year Plan.

Fannie Mae's participation as an investor and guarantor in the LIHTC market is an important aspect of our affirmative obligation to facilitate the financing of affordable housing for very low- and low-income families established by the Federal Housing Enterprises Financial Safety and Soundness Act of 1992. Fannie Mae's presence will enhance the stability of the LIHTC program by serving as a reliable source of capital for affordable housing in diverse economic cycles and markets, including rural and underserved geographies and populations. Fannie Mae, as an equity investor, will not displace private funding but will instead supplement much needed capital, while also seeking to balance the distribution of equity capital across the LIHTC market to include those segments of the market that continue to suffer from the limited liquidity identified in this Objective.

Criteria	2018	2019	2020	2021
Evaluation Factor:	Investment	Investment	Investment	Investment
Income Levels:	Very Low-, Low-, and Moderate-Income Levels for all Years			

V. Overview of Objectives for Rural Housing

	Activities and Objectives	2018 Evaluation Factor	2019 Evaluation Factor	2020 Evaluation Factor	2021 Evaluation Factor
A. Regulatory Activity: Housing in high-needs rural regions.					
1.	Fannie Mae will increase single-family loan purchases in high-needs rural regions.	Loan Purchase	Loan Purchase	Loan Purchase	Loan Purchase
2.	Increase affordable capital through industry outreach in high-needs rural regions.	Loan Product	Outreach	Outreach	Outreach
3.	Create a work-plan and increase multifamily loan purchases in Middle Appalachia, the Lower Mississippi Delta, rural tracts in persistent poverty counties, and the colonias.	Outreach	Loan Purchase	Loan Purchase	Loan Purchase
4.	Develop solutions to increase single-family loan purchases in high-needs rural regions.	n/a	Loan Product	Loan Product	n/a
5.	Develop a data visualization tool to provide rural affordable housing practitioners better insight into the social and economic conditions of high-needs rural regions.	n/a	Outreach	Outreach	n/a
B. Regulatory Activity: Housing for high-needs rural populations.					
1.	Rebrand and market Fannie Mae's Native American Conventional Lending Initiative (NACLI).	Loan Product	Outreach	Outreach	Outreach
2.	Design an investment pilot program, partnering with a Native American CDFI or other mission driven lenders, to increase access to credit, capital, or financial counseling.	Outreach	n/a	n/a	n/a
3.	Create and implement work-plans and advance strategies that support development of affordable multifamily housing for Native Americans and agricultural workers.	Outreach	Outreach	Outreach	Outreach
4.	Purchase single-family NACLI and/or HUD Section 184 loans and produce loan products via supply variance and appraisals.	n/a	Loan Product	Loan Product	n/a
5.	Conduct activities to expand access to the secondary market for high-needs populations.	n/a	n/a	n/a	Loan Product
C. Regulatory Activity: Financing by small institutions of rural housing.					
1.	Fannie Mae will increase purchases of single-family loans in rural areas from small financial institutions.	Loan Purchase	Loan Purchase	Loan Purchase	Loan Purchase

2.	Purchase single-family rural loans through bulk transactions from small financial institutions.	Loan Product	Loan Purchase	Outreach	n/a
3.	Gain an understanding of the challenges and opportunities for small financial institutions in rural areas through outreach.	Outreach	Outreach	Loan Product	Outreach
D. Regulatory Activity: Small multifamily rental properties in rural areas.					
1.	Identify market opportunities to purchase small multifamily rental loans in rural areas.	Loan Product	Loan Purchase	Loan Purchase	n/a
E. Additional Activity: Invest in LIHTC properties to facilitate the provision of affordable multifamily housing in rural areas.					
1.	Invest in LIHTC properties including housing associated with other Statutory and Regulatory Activities.	Investment	Investment	Investment	Investment