Fannie Mae®

Equitable Housing Finance Plan

2023 Performance Report

Contents

I. Executive Summary

Fannie Mae's Equitable Housing Finance Plan (the "Plan") seeks to knock down barriers that contribute to disparities in homeownership and access to affordable rental housing for historically underserved consumers.

The Plan, now in its third year, has two broad objectives:

- Reducing up-front rental and homeownership costs and eliminating barriers related to insufficient credit to directly drive meaningful and measurable improvements in housing access and stability.
- Improving the chances for long-term success for historically underserved borrowers and renters by focusing on housing stability through financial and property resilience tools.

Through the combined efforts of lenders, industry partners, and thousands of dedicated employees, Fannie Mae made significant progress in achieving these goals in 2023. That progress, as detailed in this Performance Report, is a snapshot — a point in time in an effort that is ongoing, and one that will continue for many years to come. In this Report, we describe both our significant accomplishments during the year, as well as some of the challenges in achieving them.

Accomplishments

As recently as three years ago, the notion that a renter could accumulate a positive credit history with on-time rental payments was considered a good idea that had never turned into a reality, at least not at the scale that could benefit broad groups of historically underserved consumers. Thanks in part to the actions and leadership of Fannie Mae, that idea is becoming mainstream.

More than 2,000 properties were participating in our Multifamily rent payment reporting pilot as of year's end. In all, more than 386,900 renters in these properties opted to have their timely rent payments reported to credit bureaus, a credit-building activity that was largely unavailable just a few years ago. We believe the benefits of rent payment reporting are self-evident (read the summary below); we also believe that many rental property owners will see the value-added benefits of establishing such a program. With increased consumer awareness of rent payment reporting's benefits (in part due to Fannie Mae's marketing and outreach efforts), we believe more renters will come to look positively on property owners who offer it. In a recent renter needs research survey we commissioned, 72% of renters said they would opt in to such a service if it were offered.

On-time rental payments not only can improve credit scores, they can improve mortgage access, thanks to Positive Rental Payment History (PRPH) in Desktop Underwriter® (DU®), which is also an action in our Plan. In 2023, more than 2,200 mortgage applications benefited from the inclusion of PRPH in automated underwriting, and more than 5,600 applications overall have benefited since the service was first introduced by Fannie Mae in 2021.

The portfolio of Innovation Challenge actions included in the Plan continue to demonstrate the ability of local community organizations and businesses to proactively address housing challenges in underserved rural and urban communities. Our Innovation Challenge winners are creating affordable housing, preparing families for stable rentership and homeownership, improving personal financial profiles, reclaiming dilapidated or vacant homes, and, in one case, directly providing mortgage financing and down payment assistance to first-time homebuyers in historically underserved communities.

Fannie Mae's efforts to reduce up-front cost barriers for first-time homebuyers continue to build momentum. In 2023, through Fannie Mae's special purpose credit program (SPCP) pilot — now branded as HomeReady® First — we acquired 921 mortgages, with a total of more than $6.9 million in combined down payment and closing cost assistance, that were made to first-time homebuyers in majority Black, majority Latino, or majority Black and Latino census tracts in six major metropolitan markets. In addition, Fannie Mae acquired 4,747 mortgages from lenders sponsoring their own SPCP programs, many of which included down payment or closing costs assistance. In all, we estimate that more than $9.7 million in down payment and closing costs assistance was provided in 2023 to eligible borrowers through HomeReady First and acquired loans originated under lender-sponsored SPCPs. In late 2023, majority Black, majority Latino, or majority Black and Latino census tracts in 15 more metropolitan markets were added to the list of eligible HomeReady First markets, significantly expanding our footprint. We continue to believe that programs that reduce or defray up-front costs to creditworthy prospective homeowners have significant potential to address homeownership disparities by reducing a barrier that profoundly affects Black and Latino first-time homebuyers: the lack of savings and family wealth.

Fannie Mae's comprehensive appraisal modernization initiative, a key feature of our Plan, continues to explore new ways to make property valuation more accurate, less costly, and objective. This multi-faceted initiative includes: processes to identify appraisals that exhibit subjective terminology or reference a protected class of homeowners, new capabilities to help lenders identify potentially undervalued homes, and alternatives to traditional appraisals that can reduce the appraisal cost burden — a burden that is disproportionately heavy for historically underserved homebuyers, particularly Black and Latino homebuyers.

Fannie Mae's ambitions for expanding the availability and effectiveness of counseling, education, and coaching — for homeowners and renters in all phases of their housing journey — continued to grow in 2023. We have simplified and streamlined the user experience for Here2Help, our borrower and renter hardship counseling referral program. And we are enabling service organizations to reach deeper into their communities to help renters and would-be homebuyers better prepare their credit and financial condition as a way to meet future family housing needs. Our actions related to Local Initiatives Support Corporation (LISC), Emporia

Pathways, The Community Builders, and our HomeView® online homeownership preparedness program are increasing the availability of renter and homeowner support. In addition, these actions are creating important mutual feedback loops between Fannie Mae, consumers, counselors, and trusted advisors that help create more consumer-centered services that can be adapted and scaled to more communities grappling with their own housing challenges.

Challenges, lessons learned, and what's ahead

In the first two years of this Plan, Fannie Mae has modified its approach to specific actions, added new actions, and eliminated others. In some cases — such as our HomeReady First program providing down payment assistance to eligible first-time homebuyers — we have significantly expanded in ways not wholly anticipated at the outset. This test-and-learn dynamic, and willingness to take studied risk in approaching a problem in a new way, is a lesson that is borne out by this Plan, and one that will continue to guide our housing equity efforts.

Another lesson reflected in our Plan is the need to continuously establish and strengthen both local and national partnerships — including those with lenders, community stakeholders, real estate professionals, researchers, and policy makers — to ensure Fannie Mae's actions can actually reach the consumers that we aim to serve in the Plan and achieve our intended outcomes. Addressing housing disparities is one of the great challenges our country faces, and only by working with — and in some cases through — our partners in a coordinated, collaborative, and deeper way can we make measurable progress.

Fannie Mae is already looking ahead to its next three-year Equitable Housing Finance Plan, and these partnerships will be essential in the creation of its content and focus.

We expect that in the years to come, our housing equity efforts will involve:

- Scaling and broadening adoption of specific innovations that were introduced as part of this Plan, particularly those related to first-time and/or first-generation homebuyers.
- Using insights gleaned from the Consumer Housing Journey, and leveraging many of the technology and risk-management tools honed by Fannie Mae in part because of this Plan, to find new ways to address barriers that stand in the way of stable, affordable housing — particularly those related to insufficient credit/access to credit and up-front costs that are particularly acute among historically underserved consumers.
- Finding new ways that Fannie Mae can contribute to housing stability by addressing financial and property resilience barriers that lay outside the immediate realm of renting or buying home.

Conclusion

We believe the performance of our Plan actions thus far reflects some of the best aspects of Fannie Mae's chartered mission. At the same time, on a purely business level, they also reflect the activation of our corporate strategy, one which recognizes that a more equitable and sustainable housing finance system is an essential ingredient of our long-term success. Fulfilling the promise of that strategy is at the heart of the Equitable Housing Finance Plan actions we undertook in 2023, and they will remain at the heart of this work for many years to come.

II. The 25 Equitable Housing Finance Plan Actions in 2023

Pilot rental payment reporting across the multifamily industry to help Black and Latino renters with no credit score establish a credit history and help those with low credit scores to increase them

Progress summary

Momentum toward the widespread adoption of positive rental payment reporting by multifamily property owners and managers continued to build in 2023. This momentum was propelled in part, we believe, by our pilot program, which significantly exceeded our expectations in its first full year. In 2023, we extended the pilot, in which Fannie Mae facilitates the adoption of and pays for 12 months of rent payment reporting for eligible multifamily borrowers, through the end of 2024. In 2023, 2,186 additional multifamily properties were enrolled in the pilot, with 386,937 residents participating in the pilot. This was the result of increasing engagement by Fannie Mae and broad awareness of the availability of the service within the industry — and its potential as a value-add service offering for renters. We expect that usage of the service will continue to grow in 2024. A 2023 survey of renter needs commissioned by Fannie Mae asked renters if they would want their rental payment history to be reported to a credit bureau to help them build their credit score. Seventy-two percent of renters said yes, they would opt to do so given the opportunity. While long-term adoption is ultimately contingent upon individual property owners making their own cost-benefit analysis (the Fannie Mae pilot is slated to end at the end of 2024), we believe this pilot has demonstrated to many in the industry the benefits of reporting rent to credit bureaus for both consumers and property owners. Complete adoption, usage, and outcome data for 2023 is below.

The table below represents the demographic makeup of the census tracts where participating properties are located. For example, according to our vendors, in 2023, 1,315 properties in 2023 are in census tracts where the minority population comprises at least 50% of the entire population of that census tract. This pilot does not collect demographic information for individual renters.

Multifamily Positive Rent Payment Pilot

Participating property location by census tract1[1]

	Properties, year-end		Units in properties, year-end	
Minority percent of census tract	**2022**	**2023**	**2022**	**2023**
Minority <50%	270	1,141	51,164	234,128
50% to 80%	190	731	43,138	162,783
>80%	177	951	29,148	114,014
Total	**637**	**2,823**	**123,450**	**510,925**

The table below shows that thus far, according to our vendors, more than half of the residents with rent reporting through the pilot are in census tracts with at least 50% minority populations.

Multifamily Positive Rent Payment Pilot

Residents and outcomes by census tract, as of year-end 2023

Minority percent of census tract	Units reporting	Residents reporting	Number of credit histories established since inception †	Number of credit scores improved, since inception †
Minority <50%	123,474	179,364	9,188	47,877
50% to 80%	82,351	121,147	9,365	38,693
>80%	60,152	86,426	9,292	30,612
Total	**265,977**	**386,937**	**27,845**	**117,182**

† Rent reporting is one component that can contribute to a consumer's credit score.
Positive rent payment reporting does not guarantee an increase in credit score.

[1] 2022 data includes properties and units that had joined the pilot in 2022 but had not yet begun reporting at the time of the 2022 EHFP Performance Report.

Support financial capabilities coaching to build credit and savings in targeted markets

Progress summary

Insufficient, low, or no credit is a significant obstacle for many historically underserved consumers when they seek rental housing or a first home purchase. This action seeks to improve credit and savings for such individuals. LISC Financial Opportunity Center® (FOC) sites offer career and financial coaching programs to families living on a low to moderate income so they can build effective money habits and focus on the financial bottom line to reach their goals. LISC has a network of more than 130 FOC sites across the country, embedded in local community organizations that are trusted, known for their history of providing high-quality services, and convenient to where people live and seek out services.

LISC served 2,401 people at six[2] FOC sites in 2023 with financial coaching as part of this action. Of those who received financial coaching in 2023, 91 established a credit score. Of those who already had a credit score when financial coaching commenced, 395 people improved their score by an average of 6%. Of those who had savings when financial coaching commenced, the median increase in savings was $538. More than 80% of the clients served self-identified as a member of a historically underserved group.

In 2024, we expect to see LISC's client base grow and to work with LISC to better align its FOC work with specific housing outcomes as a means of evaluating the efficacy and scalability of FOCs' services (or others like them) in improving housing access and stability.

[2] Chicago, Houston, Philadelphia, Twin Cities (MN), and at two sites in Detroit.

Support the implementation of a positive rent reporting program for Black renters to help them establish and/or improve credit using on-site financial coaching programs at rental properties (Innovation Challenge)

Progress summary

The Community Builders (TCB) is a mission-driven real estate developer and property manager. With support from Fannie Mae's Innovation Challenge program, TCB's From Our Doors to Yours project helps build and repair credit through on-time rental payments, financial coaching, and other resources. TCB is rolling out this project to its properties in Chicago, Richmond, and Detroit. In 2023, TCB met its targets. Among their key accomplishments were:

Chicago

- Launched the Esusu Rent Reporting for Credit Building program in January 2023.
- 1,282 units across 5 properties, representing more than 1,100 residents, enrolled in positive rent reporting. Of those residents, 72 who were previously credit invisible established credit. For individuals with existing credit scores, the average credit score increased from 619 to 648.

Richmond

- Implemented Rent Reporting for Credit Building at a 220-unit property in April 2023.
- More than 234 renters participated. Of those, 47 individuals previously credit invisible established credit. For individuals with existing credit scores, the average credit score increased from 605 to 640.

Detroit

- This property is managed by a third party. The rent reporting for credit building contracts were executed with the property manager in December 2023.

Chicago, Richmond, and Detroit

- Provided 135 one-on-one financial coaching sessions, 19 referrals to financial partners, and 13 financial events and workshops.

In 2024, TCB will continue to expand availability of positive rent reporting and one-on-one financial coaching — including those who have received down payment assistance or other forms of financial subsidy to assist with rental or purchase of a home. A key factor in this expansion will be TCB's ability to operationalize these services at properties it does not directly own or manage.

Support the expansion of comprehensive financial coaching and HUD-approved counseling, and planning for development of affordable housing in rural Virginia (Innovation Challenge)

Progress summary

Southside Community Development & Housing Corp. (Southside) is a nonprofit housing developer in the Richmond Metro Area. Southside's Emporia Pathways Project supports the construction of affordable housing, homeownership and financial counseling and coaching, employment services, and supportive programs to low-income families in rural central Virginia.

Southside exceeded its goal of 75 clients in 2023, with 82 participants receiving one-on-one housing counseling sessions approved by the U.S. Department of Housing and Urban Development (HUD) that include credit-building, financial and income support resources, resources around predatory lending, housing affordability, matched savings programs and down payment assistance, home inspections and maintenance, and foreclosure prevention. Work also advanced on Southside's efforts to create affordable housing with the acquisition of a dilapidated property with plans to revitalize and build modular single-family units. Additionally, the City of Emporia donated land to develop 52 affordable rental town homes. Fannie Mae's contract has enabled the Emporia Pathways Project to grow and build capacity; the organization received reservations for Low-Income Housing Tax Credits (LIHTC) to support its housing developments and a state grant that supports counseling activities for financial stability. In partnership with Dr. Roosevelt Askew, a professor at Elizabeth City State University, Southside is on track to produce research and guidebooks for other under-resourced rural communities seeking to tackle housing challenges. Southside also developed a relationship with Module, another Innovation Challenge contract awardee, and provided advice on the development of modular homes.

Like many organizations seeking to address affordable housing shortages in rural communities, Southside has confronted ongoing challenges with funding gaps to support financing for the modular homes and identifying resources to provide subsidies for borrowers to lower costs. Southside has a plan to address funding gaps so the timeline to receive the modular homes by early Spring 2024 is not disrupted.

Expand access to credit for first-time homebuyers through an automated underwriting enhancement that considers a borrower's positive rent payment history as part of the credit risk assessment

Progress summary

Lender usage of PRPH within Fannie Mae's automated underwriting system, DU, has grown steadily. In 2023, 2,244 DU case files benefited from PRPH, the majority of which were borrowers who self-identified as a racial or ethnic minority. Key to this action's long-term success will be our ability to encourage its adoption by lenders and simplifying the process for both lenders and borrowers, and build awareness and trust of the service with consumers and their trusted advisors. This will be our focus for 2024.

Positive Rent Payment (PRPH) History Usage in DU in 2023

Approve/eligible borrower case files that benefited from the use of PRPH

Group	Account data provided		Approve/eligible		PRPH loans acquired in 2023		Benchmark: race/ethnicity share of all first-time homebuyer applications run through DU
	Applicants	Share of applicants with race/ethnicity data	Applicants	Share of applicants	Applicants	Share of applicants	
White - Non-Hispanic	64,674	52.2%	901	47.5%	247	47.5%	54.5%
Black (African American)	12,965	10.5%	358	18.9%	97	18.7%	11.5%
Latino (Hispanic)	22,581	18.2%	416	22.0%	115	22.1%	20.1%
Asian	25,928	20.9%	260	13.7%	73	14.0%	15.2%
American Indian/ Native Alaskan	1,667	1.3%	36	1.9%	11	2.1%	1.5%
Pacific Islander/ Native Hawaiian	636	0.5%	14	0.7%	3	0.6%	0.6%
Minority	59,337	47.8%	994	52.5%	273	52.5%	45.5%
Total with race/ ethnicity data	124,011		1,895		520		
Total	**146,455**		**2,244**		**596**		

Expand access for borrowers with insufficient credit through automated underwriting enhancements to support Black and Latino consumers

Progress summary

Lenders using DU have the option of using borrower-permissioned bank statement data to perform a cash-flow assessment to help determine a borrower's ability to make a mortgage payment, even in cases where the borrower does not have a credit score. Adoption of this service in DU has been limited since its introduction in 2022, a period marked by historically low home purchase originations as well as the limited supply of affordable homes available to first-time homebuyers. Key to this action's long-term success will be our ability to encourage its adoption by lenders and simplifying the process for both lenders and borrowers. This will continue to be our focus in 2024.

Cash-Flow Assessment Usage in DU in 2023

Approve/eligible borrower case files that benefited from the use of cash-flow assessment

Group	Account data provided		Approve/eligible		Cash-flow assessment loans acquired in 2023		Benchmark: Share of all purchase applications run through DU
	Applicants	Share of applicants	Applicants	Share of applicants	Applicants	Share of applicants	
White - Non-Hispanic	562	68.0%	309	79.4%	110	85.9%	59.3%
Black (African American)	48	5.8%	12	3.1%	5	3.9%	9.6%
Latino (Hispanic)	143	17.3%	49	12.6%	6	4.7%	18.0%
Asian	74	9.0%	17	4.4%	6	4.7%	14.0%
American Indian/ Native Alaskan	17	2.1%	6	1.5%	2	1.6%	1.3%
Pacific Islander/ Native Hawaiian	2	0.2%	0	—%	0	—%	0.5%
Minority	264	32.0%	80	20.6%	18	14.1%	40.7%
Total with race/ ethnicity data	826		389		128		
Total	**973**		**449**		**144**		

Continue pilot of special purpose credit programs (SPCPs) to help support the expansion of homeownership and availability of down payment assistance (DPA), while exploring ways to reduce SPCP participation hurdles for lenders

Progress summary

Fannie Mae's approach to expanding the availability of SPCPs for first-time homebuyers has three components. The first two are the core of this action: continuing and expanding HomeReady First, Fannie Mae's SPCP pilot, and purchasing loans originated under lender-sponsored SPCPs that are consistent with our guidelines. (The third component, encouraging the development of community- or place-specific SPCPs, is the subject of a separate action.)

Fannie Mae acquired 5,668 such loans in 2023. This number includes 921 HomeReady First mortgages and 4,747 mortgages from lenders sponsoring their own SPCP programs. Fannie Mae itself provided more than $5 million to help HomeReady First borrowers fund down payment or closing costs, with significant representation by borrowers who self-identified as a member of a historically underserved group.

In September 2023, Fannie Mae expanded HomeReady First eligibility in the original six markets of Atlanta, Baltimore, Chicago, Detroit, Memphis, and Philadelphia to include majority Black, majority Latino, or majority Black and Latino census tracts. In November 2023, the number of metropolitan markets with HomeReady First-eligible census tracts expanded to 15 more Metropolitan Statistical Areas (MSAs)[3] (eligible borrowers must reside in these MSA census tracts but do not need to purchase a home there).

[3] The additional 15 markets are Cleveland, OH; St. Louis, MO; Miami-Fort Lauderdale, FL; McAllen, TX; San Antonio, TX; Dallas, TX; Brownsville-Harlingen, TX; Phoenix, AZ; Riverside-San Bernardino, CA; Houston, TX; New York-Newark-Jersey City; Washington, D.C.; Oklahoma City, OK; Orlando, FL; Tampa-St Petersburg, FL.

HomeReady First mortgages are specialized and rely on the ability of a relatively small number of lenders with strong community ties to market, underwrite, and deliver them. However, we continue to expand our lender participation and added 10 new lenders from November 2023 to January 2024. In 2023, we allowed participating lenders to use the Fannie Mae name and logo in their marketing materials and in early 2024 delivered customizable marketing assets to help them amplify their marketing activities if they chose to. Also, in early 2024, we launched consumer awareness campaigns, as well as lender and local stakeholder engagement programs, in our six original markets to test the potential for greater marketing efforts to drive HomeReady First applications. We also continue to work to streamline the reporting and technology needs for lenders to make it easier to identify eligible borrowers and underwrite SPCP loans.

Detailed disclosures related to our SPCP loan programs are in this report under the "Homeownership Products" section and "Summary of Outcomes" sections.

Pilot options to defray and/or decrease the cost of renter security deposits to help Black and Latino renters qualify for quality rental housing and increase savings

Progress summary

In 2023, our efforts to identify how security deposit alternatives or reductions could be deployed for renters at scale, and to evaluate the effect of such alternatives on renter stability and property performance, continued to evolve. Fannie Mae had anticipated launching a formal pilot to remove or significantly reduce security deposits for tenants at one or more of its borrower properties. Our focus in 2024 turned to performing a longer-term research study to evaluate the effects of security deposit elimination with a defined set of tenants, and to engage a third-party research entity to assess outcomes. This three-year Affordable Housing Security Deposit Research Study will evaluate a defined group of units where security deposits have been eliminated, and track outcomes related both to property performance and renter benefits.

Close the knowledge gap for Black and Latino audiences with targeted outreach and expanded homeownership curriculum to create more confident consumers along the housing journey

Progress summary

HomeView is Fannie Mae's free online consumer-facing homeownership education course that aligns with National Industry Standards for Homeownership Education and Counseling. It was designed to address misperceptions or knowledge gaps about homebuying and the mortgage qualification process. This action uses HomeView to help close knowledge gaps related to the homebuying and financing process, and to ensure that accurate information about Fannie Mae homeownership products, policies, and programs reach historically underserved consumers, including Black and Latino consumers.

The 2023 targets and milestones for this action were either met or exceeded. More than 226,000 HomeView course certifications were delivered.

Fannie Mae consumer engagement platforms reached and engaged over 17 million people of color, women, and/or people with a disability during the year. Part of the success can be attributed to a test-and-learn approach to consumer outreach. For example, Fannie Mae tested the use of social media influencers on Instagram in the second quarter to reach and engage Black consumers in a more intentional way. Additionally, in the third quarter we built and launched a Spanish-language credit education course, "Strategies for Healthy Credit," on the HomeView education platform, that was grounded in Latino Housing Journey insights for the Latino audience. This course aims to reach consumers earlier in their homebuying journey.

HomeView Registrations in 2023[4]		
Group	**Registrations**	**Share of registrations**
White - Non-Hispanic	118,255	57.9%
Black (African American)	31,507	15.4%
Latino (Hispanic)	41,293	20.2%
Asian	11,623	5.7%
Native American	2,320	1.1%
Hawaiian or Pacific Islander	805	0.4%
Minority	85,862	42.1%
Total with race/ethnicity	204,117	
Total	**215,781**	

HomeView Course Completions and New Users in 2023		
	Course completions	**New users**
HomeView	217,129	242,383
HomeView Spanish	9,188	10,805
Total	**226,317**	**253,188**

[4] Includes only registrations for which a user opted to have their demographic information shared with Fannie Mae. See "Note about data in this Performance Report" in the Summary of Outcomes.

Explore the potential to derive value from Social Index-related mortgage-backed securities issuance to promote access to credit and borrowing cost reduction for underserved borrowers

Progress summary

This action was completed in 2023, with more widespread market adoption of the Social Index and lenders increasingly able to realize value for loans securitized in high Social Index pools. Fannie Mae issued high Social Index pools programmatically throughout the year. Lenders that issue their own mortgage-backed securities followed with their own high Social Index pools starting in the second quarter, which coincided with Fannie Mae's deployment of a loan-scoring utility that gives lenders advance certainty of Social Index scores. Investor engagement, outreach, and education progressed throughout the year, bolstered by a Request For Information from the Federal Housing Finance Agency (FHFA) on Social Bonds. Feedback gathered through these engagement activities influenced Fannie Mae's proposed Single-Family Social Mortgage-Backed Securities (MBS) solution, submitted to FHFA in the second quarter, which was ultimately adopted by both Fannie Mae and Freddie Mac in an aligned manner and featured enhancements to the Social Index (now re-branded as "Mission Index"). In January 2024, Fannie Mae launched its Social Bond Framework, which describes the Fannie Mae mortgage collateral eligible to be pooled, issued, and labeled as Single-Family "Social MBS."

To support labeled Social MBS issuance, Fannie Mae is developing a suite of impact disclosures that should provide investors more detailed impact-related insights. The specified pay-up mechanism demonstrated through the issuance and auction of high Social Index pools in 2023 shows the potential for investors to incentivize lenders to prioritize lending to mission-oriented borrowers by bidding on labeled Social MBS, which will be actively issued in the latter half of 2024. Fannie Mae acknowledges that the outcome of the social bond initiative is vulnerable to a number of potential risks, including investor reluctance for adoption and the potential for policy changes outside of our control.

Valuation modernization to support an equitable appraisal process for Black and Latino households and communities of color

Progress summary

One of the lender's most important responsibilities in the underwriting process is to ensure sufficient collateral for a mortgage through the appraisal process. Fannie Mae's Valuation Modernization Plan supports this process and incorporates data analysis, technology, quality control, industry and consumer advocate engagements, and policy to modernize the appraisal process, as well as reduce the potential for appraisal bias.

In 2023, Fannie Mae began further research on lender behavior where an undervaluation flag occurs in Collateral Underwriter® (CU®). The CU undervaluation flag is an additional tool to help lenders identify and investigate potential misevaluation. If an appraisal is flagged as potentially undervalued, lenders are notified and can then choose to review the appraisal. The flag is not evidence of an undervaluation but is an important risk signal for lenders to review a valuation as potentially inaccurate or incomplete.

We observed that lenders who receive the flag submit an additional appraisal 40% of the time, and one-fifth of these resubmissions result in the appraisal value changing. We also observe that an appraisal with an undervaluation flag is twice as likely to have its value changed versus an overvaluation-flagged appraisal, and it is three times more likely to have its value changed as an appraisal with no misevaluation flag. Value change rates and how often a value changes upward vary notably across major lenders. We will continue to study and evaluate these dynamics in 2024 with the goal of helping lenders identify and reduce undervaluation.

Fannie Mae continued to conduct appraisal text scanning reviews on appraisals submitted to its Uniform Collateral Data Portal® (UCDP®) to identify references to protected classes and subjective terminology, including, but not limited to, the terms found in *Selling Guide* Section B4-1.1-04, Unacceptable Appraisal Practices, which resulted in a number of observed performance improvements, including:

- Of the appraisers notified of the presence of subjective terminology in their reports in 2021, 93.0% had no new text findings on the original list of terms in 2023. Of the appraisers notified in 2022, 91.2% had no new findings in 2023.
- The confirmed findings rate on the original list of terms dropped from 0.15% in 2021 to 0.11% in 2022, and to 0.03% in 2023.
- In 2023, the list of terms being scanned for was expanded to include additional terms and phrases.
- Based upon the results of 2023's appraisal text scanning review against this expanded list, Fannie Mae sent more than 1,900 Appraisal Quality Management (AQM) letters to the appraisers with confirmed findings. In addition to the AQM appraiser letters, 34 appraisers were referred to state regulators in 2023.

Fannie Mae aims to further streamline the appraisal text scanning project to help increase the frequency of the appraisal text scanning reviews.

Fannie Mae in 2023 continued to update its appraisal policies to encourage appraisal alternatives to reduce consumer costs in the homebuying process — costs that disproportionately burden historically underserved consumers. In 2023, Fannie Mae launched value acceptance + property data, an option that allows lenders to forgo an appraisal if they provide interior and exterior property data collection to verify property eligibility prior to the note date. In 2023, Fannie Mae acquired 8,108 single-family loans leveraging this valuation option, with an estimated consumer savings of $3.04 million. Overall, we estimate that our efforts to modernize the home valuation process by using models and analytics that allow us to offer less costly appraisal waivers and alternatives saved borrowers more than $88 million in up-front costs in 2023, including $52 million for low- to moderate-income borrowers and $19 million who self-identify as a member of a historically underserved group. Fannie Mae in 2024 will continue to work with a variety of industry stakeholders to make the property valuation process simpler, more accurate, fairer, and less costly for consumers.

Expand Appraiser Diversity Initiative to attract new entrants to the residential appraisal field by reducing barriers to entry (such as education, training, and experience requirements), and fostering diversity, which we believe will help to reduce the instances of appraisal bias

Progress summary

The Appraiser Diversity Initiative® (ADI) is a Fannie Mae-led initiative designed to attract new entrants to the real estate appraisal field while fostering diversity within the housing appraisal industry. We do this by building awareness of the appraisal field as a potential career path for candidates and matching individuals with scholarship opportunities to participate in courses offered by the Appraisal Institute. These courses are designed to prepare candidates to begin working as an appraiser trainee and meet the educational requirements to attain a trainee license through their local state board. ADI also helps connect program participants to industry participants who have opportunities available for appraiser trainee positions. ADI program participant eligibility is not limited by race, ethnicity, or other protected status.

ADI exceeded its target of providing 200 scholarship awards, awarding a total of 231 in 2023. In 2023 ADI added two new scholarship options designed to satisfy qualifying education requirements to become a real estate appraiser set forth by the Appraisal Foundation and Appraiser Qualification Board (AQB) and hosted 11 workshops for aspiring appraisers in an effort to identify scholarship applicants. The ADI Team has exceeded our sponsor goal, bringing in 12 new sponsors across lenders, appraisal management companies, appraisal firms, and other industry partners to the program in support of our efforts. Finally, to expand our efforts in working toward our goal of attracting a diverse population of future appraisers, ADI has engaged with community organizations and industry partners to increase program awareness with Latino communities.

Reduce closing costs for consumers to help remove the barrier of lack of sufficient funds for closing (down payment plus closing costs)

Progress summary

Fannie Mae continues to identify opportunities to alleviate the disproportionate closing-cost burden for Black, Latino, and low-wealth homeowners and homebuyers. We are engaging with industry partners and providers to implement solutions aimed at reducing closing costs, including title insurance and/or escrow costs.

Our efforts continued to focus on ways to support homebuyers with solutions that enable sustainable homeownership while appropriately managing risk. In 2023 Fannie Mae expanded eligibility to allow loans on condos, homeowners associations, and restrictive covenants in the *Selling Guide* policy for Attorney Opinion Letters (AOL). Fannie Mae has a quality control program that has reviewed a majority of the AOL loans delivered to us, with no known defects to date. Loans with an AOL have been delivered by six lenders, totaling 320 acquisitions with an AOL since inception.

Fannie Mae's closing cost concessions (which help reduce out-of-pocket closing costs for the buyer) for low- to moderate-income (less than 100% of the Area Median Income, or AMI) purchasers of Fannie Mae real estate owned (REO) properties continued to grow. In 2023, 516 properties closed with the concession, with an average credit amount of $6,183. Since its inception, the REO closing cost concession has benefited borrowers in an amount exceeding $4 million. The majority of mortgages used to purchase the REO properties were not acquired by Fannie Mae, so demographic information for the buyers is unavailable.

A November 2023 Perspective by Jake Williamson, Senior Vice President of Single-Family Collateral Risk Management, examines the costs associated with buying a home beyond the down payment. Although the down payment is typically the largest consideration when it comes to a purchase, Williamson cited the importance of considering the amount of closing costs, as these costs are often at the expense of a larger down payment or maintaining a cash reserve.

We continue to believe there are opportunities to reduce the costs of mortgage fulfillment for low-wealth borrowers without adding undue risk to Fannie Mae or the housing finance system and remain focused on researching how to reduce closing costs.

Pilot a multifamily borrower diversity program to reduce barriers for property owners from historically underserved groups

Progress summary

In 2023, Fannie Mae began updating relevant policies and procedures to address ambiguous or unclear guidance that may unintentionally contribute to access-to-capital barriers for historically underserved groups, including Black, Latino, and women multifamily borrowers. In addition, we developed a Borrower Advisory function in Fannie Mae's Multifamily Customer Engagement Team to act as a liaison for prospective borrowers as they navigate the loan application process. Fannie Mae Multifamily is also exploring various other networking opportunities with the intent of expanding our reach to underserved borrowers within the industry.

During 2023, we also explored other potential avenues to enhance access to credit for historically underserved borrowers. However, information related to the race, ethnicity, or gender of multifamily borrowers is not, in the normal course of business, collected in a systematic way, as borrowers are not required to disclose it. Such information is crucial to determining measurable outcomes, particularly as it relates to access to credit. Given the lack of such data, and our inability to measure outcomes associated with this action, we chose to remove it as a formal action in the Plan for 2024. However, Fannie Mae will continue to explore and implement new initiatives for reaching and serving historically underserved multifamily property borrowers, as described in the "Research Agenda" of the 2024 Plan Update.

Launch a Delegated Underwriting and Servicing (DUS®) correspondent diversity program

Progress summary

During 2023, Fannie Mae explored options to amplify and highlight diverse correspondents among its DUS lenders. However, challenging market conditions resulted in reduced loan origination volume in the DUS platform in 2023, limiting new opportunities for correspondent lenders. Competitive considerations — among both existing DUS lenders and potential correspondent lenders — also limited potential opportunities for direct business relationships. While Fannie Mae continues to see the value proposition in a more diverse group of correspondent lenders driving business from underserved multifamily borrowers, Fannie Mae chose to discontinue this action until business conditions are more favorable. At the same time, we will continue to meet with prospective interested parties in an effort to expand diverse correspondent relationships.

Develop and launch Sponsor-Dedicated Workforce (SDW), a Fannie Mae Multifamily loan incentive initiative for use by multifamily borrowers and lenders

Progress summary

Sponsor-Dedicated Workforce loans offer a private financing mechanism, utilizing pricing and underwriting incentives, to create and preserve workforce housing and are designed to increase the availability of affordable housing supply. A multifamily SDW borrower elects to restrict the rents on a minimum of 20% of a property's units at levels affordable to renters earning up to 80% of AMI, and up to 100% AMI and 120% AMI in cost- and very-cost burdened markets, respectively, as defined by FHFA. These rent restrictions maintain workforce affordability for the life of the loan. This initiative, launched in 2023, met all of its expected quarterly milestones. Approximately $520 million of SDW volume, inclusive of 25 properties, was delivered in 2023, helping to create or preserve 2,357 rental units with rent restrictions. Approximately 64% of 2023 SDW properties fall into a census tract where minority groups make up at least half the population. We will continue to monitor this census tract alignment and use this information to inform our lender and borrower outreach and education. Fannie Mae continues to engage the industry, including investors, borrowers, servicers, and lenders, to promote, refine and improve the SDW program to increase to the greatest extent possible the number of units whose affordability is preserved through the program, including in communities that are historically underserved.

Sponsor-Dedicated Workforce (SDW) Acquisitions in 2023

	Minority concentration of property census tract		
	<50%	50% to 80%	80% to 100%
Properties	9	8	8
Share of all SDW properties	36%	32%	32%

Continue to advance Sponsor-Initiated Affordability (SIA), a Fannie Mae Multifamily loan incentive initiative for use by multifamily borrowers and lenders

Progress summary

Fannie Mae's Sponsor-Initiated Affordability program, launched in 2021, offers pricing and underwriting incentives for multifamily borrowers and lenders to voluntarily set aside at least 20% of units for households with incomes at or below 80% of AMI through the life of the Fannie Mae loan. This program met all of its expected quarterly milestones in 2023. However, SIA transaction volumes are down in 2023 compared with 2022, largely the result of tightening credit conditions in

2023. Approximately $432 million of SIA volume, inclusive of 16 properties, was delivered in 2023, helping to create or preserve 2,110 rental units with rent and income restrictions. In November 2023, SIA property census tracts were analyzed to determine the program's reach into Black and Latino communities. More than 56% of 2023 SIA properties fall into a census tract where minority groups make up at least half the population. We will continue to monitor this census tract alignment and use this information to inform our lender and borrower outreach and education.

Sponsor-Initiated Affordability (SIA) Acquisitions in 2023			
	Minority concentration of property census tract		
	<50%	50% to 80%	80% to 100%
Properties	7	6	3
Share of all SIA properties	44%	38%	19%

Support the revitalization and expansion of housing opportunities in a historically Black neighborhood through rehabilitation and infill housing (Innovation Challenge)

Progress summary

ReBUILD Metro is leveraging its community-driven redevelopment model to work with community leaders in Baltimore's Johnston Square neighborhood (a historically Black neighborhood) to renovate dilapidated properties, convert vacant lots into affordable rental housing units, prepare Black first-time homebuyers to purchase redeveloped properties and cultivate programs to help legacy residents make major home repairs.

As part of its contract with Fannie Mae, ReBUILD conducted extensive community engagement with Johnston Square residents in 2023 and began to stabilize 25 neighborhood properties, a key outcome of the project. Among the key accomplishments in 2023, ReBUILD:

- Fully stabilized (interior demo, roofing, and framing) 10 abandoned homes during the year and completed the rehabilitation process (new flooring/drywall, painting, electrical wiring, HVAC systems/plumbing, appliances, etc.) for four of these units (16% of contract target), which will serve as affordable housing for first-time homebuyers.
- Finalized schematic designs for the first five properties in the Johnston Square Teacher Housing project, which will convert 15 abandoned homes into 45 "co-living" rental units to provide housing for early career teachers.
- Hosted monthly community meetings with Johnston Square residents and community leaders to share updates on the status of development projects in Johnston Square along with information about the Path to Own program (financial education and coaching).
- Commissioned and published a vacancy study on the Baltimore housing market, *Whole Blocks, Whole City*, and presented the study to about 350 Baltimore stakeholders across 13 meetings to help educate them on the vacancy/abandonment crisis impacting recovery in many communities of color throughout the city of Baltimore.
- Redesigned and launched the Path to Own program (financial education and coaching) in Johnston Square, hosted three homebuyer workshops in the community that were attended by about 25 potential homebuyers (all self-identified as Black), and enlisted 15 program participants who are seeking to buy a home in Johnston Square.
- Finalized drawings/designs for the Greenmount Park Apartments (100+ affordable rental housing units). This project continues to proceed through project underwriting at the Maryland Community Development Authority with

an expected closing date in the second quarter of 2024. Construction on the multifamily building is expected to begin in early 2024 with an anticipated timeline of 16 – 18 months to complete the project.

By the end of 2024, ReBUILD anticipates completely stabilizing and renovating 25 vacant/abandoned homes, securing financing and initiating the construction for approximately 100 new units of affordable rental housing for low-income residents, producing completed designs for a four-acre community park, completing major home repairs for 10 long-time Johnston Square residents, and implementing a financial education/coaching program to help prepare 50 Black residents to become first-time homebuyers. Securing funding and successfully navigating the construction permitting process remain key dependencies and can impact development and construction timelines. ReBUILD also has ongoing efforts to raise capital needed to support the redevelopment initiative to completion. Lastly, ReBUILD will also have created a model for use by other organizations/entities to reduce abandonment and restore affordable housing in other communities.

Support the creation of locally owned modular construction facilities in urban communities of color (Innovation Challenge)

Progress summary

In partnership with Enterprise Community Partners, Module, a prefab housing company based in Pittsburgh, will demonstrate the feasibility of locally owned modular construction micro-factories to complete energy-efficient affordable housing in urban communities of color. Their Fannie Mae contract supports the Last Mile Network project, setting the stage to expand their modular micro-factory concept to Prince George's County, MD, and Richmond, VA. Each facility will train new entrants in the construction trades, creating jobs and new affordable housing and enabling Black homeowners and renters to build wealth.

As a result of outreach to 48 Black developers and housing providers in Prince George's County and Richmond, Module is pursuing multiple potential projects and funding support in those areas. In November Module was awarded one of six highly competitive grants from the Enterprise/Wells Fargo Foundation's Housing Affordability Breakthrough Challenge. Module also developed a strong partnership with workforce development and local business ownership experts.

While 2023 was focused on establishing relationships with housing providers and local stakeholders, 2024 will be focused on developing the processes, training, and partnerships necessary to create this type of housing and demonstrate its worth as a viable housing option for both developers and consumers. Getting modular construction units built for local projects in a timely fashion will be critical to keeping potential development and facility partners engaged.

Support the development of a locally controlled special purpose credit program to increase Black homeownership (Innovation Challenge)

Progress summary

Twin Cities Habitat for Humanity (TC Habitat) creates, preserves, and promotes affordable homeownership and advances racial equity in housing. Its Fannie Mae contract supports the "Advancing Black Homeownership Community Fund" in the Twin Cities, a partnership with the Minnesota Homeownership Center to create and deploy a down payment assistance SPCP that will help Black families to become homeowners. Twin Cities Habitat for Humanity will engage three community development financial institutions (CDFIs) to administer the program and up to 10 regional mortgage lenders to pair the product with their affordable mortgages.

TC Habitat completed a preliminary evaluation and analysis of its pilot SPCP, launched in late 2022, to provide up to $50,000 in down payment assistance/entry cost assistance to eligible Black first-time homebuyers. TC Habitat and the Minnesota Homeownership

Center successfully executed a human-centered design exercise comprised of a 16-member participant group of Black mortgage industry professionals and homebuyers/homeowners to create a prototype design for its regional SPCP based on community feedback from the design sprint participants. Feedback collected from participants helped inform the development of the regional SPCP product guidelines.

TC Habitat successfully launched recruiting activities to engage prospective homebuyers for two cohorts under their pilot SPCP, to be followed by a third cohort launch in early 2024. Thus far, 96 clients have completed self-attestation to confirm eligibility for TC Habitat's pilot SPCP, 23 of which received an allocation for down payment assistance via the pilot program and closed on a home to become first-time homebuyers.

Successful deployment of the regional product is a key outcome. In 2023, TC Habitat hosted a convening with CDFI partners (who will help launch the regional SPCP and serve as loan originators for eligible homebuyers under the program) to outline roles and responsibilities and review regional product design/guidelines. Work is ongoing to engage regional mortgage lenders who have demonstrated a commitment to expanding credit availability and are proactively working to help close the racial homeownership gap for Black homebuyers.

By the end of 2024, TC Habitat will launch the regional SPCP product and aims to support 214 Black homebuyers (comprised of 64 Habitat homebuyers and 150 homebuyers with other CDFI partners and lenders) with down payment assistance to purchase a home, and/or provide financial education and coaching to help prepare for homeownership. Funding has been and remains a key dependency for the initiative, as it directly impacts the number of consumers/households served under the regional SPCP. The organizations contracted with a consultant to develop a capitalization plan to identify potential funding sources and timelines to help raise capital to support the implementation of the regional SPCP. Thus far, they have raised enough capital to support about 30 homebuyers under the regional program and will continue fundraising efforts into 2024.

Connect diverse college students to career opportunities in housing and real estate finance via the expansion of Fannie Mae's Future Housing Leaders® program

Progress summary

Future Housing Leaders (FHL) is a free, Fannie Mae-led service that connects college students from colleges and universities with diverse student bodies to opportunities for paid summer internships and early career opportunities in the housing industry. Fannie Mae created FHL in 2018 to help grow a pipeline of diverse talent and to provide experiential and professional development opportunities at a formative time in participants' early careers. Fannie Mae is undertaking a multi-year effort with more than 100 industry employer-partners to increase their workforce diversity. FHL program eligibility is not limited by race, ethnicity, or other protected status.

Fannie Mae began 2023 with the goal of attracting 225 FHL participants and signing up 20 new industry partners. FHL exceeded expectations by educating 770 early-career professionals in the housing industry, including 208 who self-identified as racially or ethnically diverse, and partnering with 37 new industry employers.

Overall, housing and mortgage market conditions led to a general decline in FHL industry participation in 2023. We anticipate these issues will continue in 2024 and are working to create a framework to help address the challenges so the program continues to have the desired effect, such as by adding new program components that can engage more current and former FHL participants in different industry, educational, and networking activities.

FHL Summer Program Enrollees in 2023		
	Early career summer program enrollees (interns and new hires)	
Group	**Enrollees**	**Ratio of all enrollees with race/ethnicity data[5]**
White – Non-Latino/Hispanic	242	53.8%
Black (African American)	45	10.0%
Latino/Hispanic	32	7.1%
Asian	103	22.9%
Native American	0	—%
Pacific Islander	0	—%
Minority	208	46.2%
Race/ethnicity not self-reported	450	
Total	**770**	

Pilot homeownership sustainability services, such as post-purchase counseling and mortgage reserve accounts, as a feature of special purpose credit programs to strengthen borrower housing stability over time

Progress summary

An initial feature of HomeReady First, Fannie Mae's SPCP pilot, was exploring the potential for homeownership sustainability services for first-time borrowers. In particular, we sought to test how mortgage reserve accounts and post-purchase counseling for borrowers might affect long-term homeownership success.

Fannie Mae carried out extensive engagement in 2023 with prospective participating servicers in connection with a possible mortgage reserve account program but concluded that crafting and implementing an effective, meaningful, and sustainable program was not currently possible. Fannie Mae remains

[5] Due to Equal Employment Opportunity and privacy laws, FHL conducted an "optional" survey to collect summer enrollee demographics. Not all respondents elected to provide demographic data.

interested in examining future proposals regarding servicer-maintained reserve accounts to remedy temporary financial hardships experienced by borrowers.

While Fannie Mae continues to believe that post-purchase homeownership counseling could have a beneficial effect on first-time homeowners who participate in its HomeReady First pilot, operationalizing these services for a limited set of borrowers presented a significant challenge for seller-servicers, particularly within the three-year time frame of this Plan. However, Fannie Mae will continue to evaluate potential avenues to provide post-purchase counseling and other homeownership support services to first-time homebuyers as part of its HomeReady First program, including assessing viable methods of service delivery and lender participation.

Promote awareness of fair servicing best practices to address borrower loss mitigation disparities

Progress summary

Fannie Mae in 2023 promoted awareness of fair servicing best practices after the implementation of the 2022 *Servicing Guide* announcement that required servicers to maintain certain fair lending data elements for each mortgage loan if obtained during origination. We also created a summary of insights on fair servicing and provided links to resources that mortgage servicers can consider when developing or enhancing a fair servicing framework.

Fair servicing includes an expectation that all borrowers are treated consistently and fairly throughout the loan servicing process. It includes compliance with fair lending and housing laws and other applicable consumer protection laws. A fair servicing framework should be built into all aspects of a servicing organization using data-driven insights to identify disparities and mitigate risks through purposeful and meaningful actions.

Fannie Mae conducted 31 interviews among 28 servicers and three consumer advocacy groups in 2023 where participants shared their efforts to ensure fair servicing within their organizations. These insights and practices were grouped by themes that included training, policies or procedures, risk and compliance, monitoring and testing, governance, remediation, and limited English-language proficiency.

Phase one of communicating the insights and best practices document will occur in the first quarter of 2024, when it will be shared with a subset of Fannie Mae-approved servicers that service approximately 90% of Fannie Mae's Single-Family portfolio. Also in the first quarter, Fannie Mae will share the insights with the consumer advocacy groups interviewed for the development of the document. Phase two will include making the document available to all Fannie Mae-approved servicers on Fannie Mae's web portal and is tentatively scheduled for the second quarter of 2024.

As a result of this item being successfully completed in 2023, Fannie Mae will be closing the action.

Expand access to counseling services for renters and homeowners facing hardship

Progress summary

For borrowers and renters who experience a financial hardship or find their lives upended by a natural disaster, Fannie Mae partners with housing counseling agencies to offer services to help renters and homeowners understand their options and pursue a path that reduces disruption to their housing and finances. We call this program Here2Help.

In 2023, Fannie Mae successfully built and launched a unified brand to simplify the user experience on the Fannie Mae website for consumers in crisis to receive assistance. Here2Help consolidated the services of what were formerly known as the Mortgage Help Network and the Disaster Response Network™. In addition, Fannie Mae engaged with servicers regarding participation in the Post-Modification Counseling (PMC) outreach program. Four additional servicers implemented the referral process in 2023, thus increasing the opportunity for more borrowers to receive financial coaching following a loan modification. Participating servicers referred more than 12,000 borrowers to post-modification counseling in 2023 alone.

In 2023, mortgage delinquencies and modifications remained at historic lows, dampening demand for post-modification counseling. More than 9,000 in-depth financial counseling sessions for renters and borrowers took place in 2023, as well as more than 24,000 ongoing check-ins for borrowers who received a loan modification.

In 2024, Fannie Mae will continue to engage servicers and promote the availability of post-purchase hardship counseling that is available through our Here2Help counseling network. We believe that improving the user experience, encouraging servicer capacity, and promoting broad awareness of Here2Help is the best, most measurable outcome of this action. When the demand for hardship counseling rises (as it thankfully did not in 2023), Fannie Mae's resources will be ready to support renters and borrowers make informed decisions.

Here2Help Housing Counseling in 2023[6]		
Group	Unique consumers	Share of all users with race/ethnicity data
White - Non-Latino/Hispanic	2,157	44.1%
Black (African American)	1,758	36.0%
Latino/Hispanic	818	16.7%
Asian	136	2.8%
American Indian/Native Alaskan	61	1.2%
Pacific Islander/Native Hawaiian	20	0.4%
Minority	2,732	55.9%
Total with race/ethnicity data	4,889	
Total unique consumers	**5,516**	

[6] Includes all consumers who made use of Here2Help. Callers can have more than one post-purchase counseling session.

Provide climate analytics to empower communities with data, enabling them to make a stronger case for change and resources

Progress summary

Climate analytics can help communities prepare for the increasing risk of climate change and inform an approach at the local level to mitigate these risks — which, in some communities, may disproportionately affect historically underserved neighborhoods, including majority Black and Latino neighborhoods.

Fannie Mae engaged directly with local government representatives in Baltimore and Memphis in 2023, sharing analytics that assess the risk of climate-related events, such as flooding and heat waves. These engagements aimed at providing regional data to support the local governments' own climate modeling and analysis capabilities, as well as support future grant-writing efforts.

Fannie Mae is in the process of selecting additional communities to engage in these efforts, with a focus on local population demographics, size of city, and peril exposure. We anticipate selecting one or possibly two additional communities in 2024. Going forward, Fannie Mae will work to ensure the cities and counties it works with have the capacity and infrastructure in place to utilize private-sector data and analytics, and will work to engage, where appropriate, third parties with expertise and resources.

III. Summary of Outcomes

A note about data in this Performance Report

Unless otherwise noted, race and ethnicity categories for individuals (or families) served are based on whether that individual self-identifies their race or ethnicity. Individuals can self-identify as more than one race and ethnicity, and in those cases the individual race/ethnicity total counts may not sum up to 100% of those reporting race/ethnicity. For example, for loan data, if there are two borrowers on a mortgage, one of whom identifies as Black and one as Asian, the loan would be counted as part of both Black and Asian categories. Similarly, if an individual registered for HomeView identifies with more than one race or ethnicity, the individual will be included in each racial/ethnic group. For these purposes, an individual who identifies as a member of a minority group(s) as well as non-Hispanic white will only be included in the minority group(s). Lastly, individuals or families can be served by more than one product or service associated with a unique loan; in these cases, for the purposes of "families served" below, these individuals and families are counted for each distinct product or service, not for a single loan.

A. Families served

Equitable Housing Finance Plan Activity	Families Served[7]
Mortgage products & special purpose credit programs	**5,668**
Guide-eligible SPCP loan acquisitions[8]	4,747
HomeReady First acquisitions	921
Underwriting innovations	**740**
Positive rent payment history	596
Cash-flow assessment	144
Counseling and education	**221,297**
Post-purchase counseling[9]	5,516
Pre-purchase counseling†	—
HomeView course registrations	215,781
Credit-building	**389,905**
Multifamily Positive Rent Payment Reporting	386,937
LISC	2,968
Closing cost reduction	**152,789**
Attorney opinion letters	320
REO closing cost concessions	516
Alternatives to traditional appraisals[10]	151,953
Leadership development	**1,001**
Appraisal Diversity Initiative scholarships	231
Future Housing Leaders summer program enrollees	770
Loss mitigation & sustainability†	**—**
Total	**771,400**
Affirmative marketing (consumers reached)[11]	**19,353,065**

† Neither pre-purchase counseling nor loss mitigation activities were included as actions in the 2022 – 2024 Equitable Housing Finance Plan, as updated in 2023. However, information on Fannie Mae's foreclosure alternative and prevention programs is available in the 2023 Annual Housing Activities Report. In addition, pre-purchase counseling activities have been added to the 2022 – 2024 Equitable Housing Finance Plan, as updated for 2024.

[7] Individuals or households may benefit from or participate in more than one activity.
[8] Includes home purchase and refinance loans originated under lender-sponsored SPCPs.
[9] Number of unique users, not total counseling sessions.
[10] Loans acquired that utilized appraisal waivers and alternatives, including value acceptance or value acceptance + property data.
[11] See "Consumer outreach and education" section on p. 44.

B. Families served by race/ethnicity

Families Served in 2023									
	White – Non-Latino/ Hispanic	Black (African American)	Latino/ Hispanic	Asian	Native American	Hawaiian or Pacific Islander	Total minority	Total with race/ ethnicity	Total without race/ ethnicity
Mortgage products & SPCPs	**958**	**2,478**	**1,472**	**391**	**74**	**29**	**4,139**	**5,097**	**571**
Guide-eligible acquisitions	808	2,063	1,331	343	67	25	3,563	4,371	376
HomeReady First acquisitions	150	415	141	48	7	4	576	726	195
Underwriting innovations	**357**	**102**	**121**	**79**	**13**	**3**	**291**	**648**	**92**
Positive Rental Payment History	247	97	115	73	11	3	273	520	76
Cash-flow underwriting	110	5	6	6	2	—	18	128	16
Education and counseling	**120,412**	**33,265**	**42,111**	**11,759**	**2,381**	**825**	**88,594**	**209,006**	**12,291**
Post-purchase counseling	2,157	1,758	818	136	61	20	2,732	4,889	627
Pre-purchase counseling	—	—	—	—	—	—	—	—	—
HomeView	118,255	31,507	41,293	11,623	2,320	805	85,862	204,117	11,664
Credit-building	**217**	**1,434**	**654**	**431**	**25**	**4**	**2,559**	**2,776**	**387,129**
Multifamily Positive Rent Payment Reporting	—	—	—	—	—	—	—	—	386,937
LISC	217	1,434	654	431	25	4	2,559	2,776	192
Closing cost reduction	**96,886**	**6,734**	**13,707**	**12,835**	**1,136**	**450**	**33,253**	**130,139**	**22,650**
Attorney opinion letters	185	29	36	29	—	1	95	280	40
REO closing cost concessions	39	10	13	1	1	—	24	63	453
Alternatives to traditional appraisals	96,662	6,695	13,658	12,805	1,135	449	33,134	129,796	22,157
Leadership development	**242**	**45**	**32**	**103**	**—**	**—**	**208**	**450**	**551**
ADI scholarships	—	—	—	—	—	—	—	—	231
Future Housing Leaders	242	45	32	103	—	—	208	450	320
Loss mitigation & sustainability	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**

Share of Families Served[12]								
	White – Non-Latino/ Hispanic	Black (African American	Latino/ Hispanic	Asian	Native American	Hawaiian or Pacific Islander	Total minority	Total without race/ ethnicity[13]
Mortgage products & SPCPs	**18.8%**	**48.6%**	**28.9%**	**7.7%**	**1.5%**	**0.6%**	**81.2%**	**10.1%**
Guide-eligible acquisitions	18.5%	47.2%	30.5%	7.8%	1.5%	0.6%	81.5%	7.9%
HomeReady First acquisitions	20.7%	57.2%	19.4%	6.6%	1.0%	0.6%	79.3%	21.2%
Underwriting innovations[14]	**55.1%**	**15.7%**	**18.7%**	**12.2%**	**2.0%**	**0.5%**	**44.9%**	**12.4%**
Positive Rental Payment History	47.5%	18.7%	22.1%	14.0%	2.1%	0.6%	52.5%	12.8%
Cash-flow underwriting	85.9%	3.9%	4.7%	4.7%	1.6%	—%	14.1%	11.1%
Education and counseling	**57.6%**	**15.9%**	**20.1%**	**5.6%**	**1.1%**	**0.4%**	**42.4%**	**5.6%**
Post-purchase counseling	44.1%	36.0%	16.7%	2.8%	1.2%	0.4%	55.9%	11.4%
Pre-purchase counseling								
HomeView	57.9%	15.4%	20.2%	5.7%	1.1%	0.4%	42.1%	5.4%
Credit-building	**7.8%**	**51.7%**	**23.6%**	**15.5%**	**0.9%**	**0.1%**	**92.2%**	**99.3%**
Multifamily Positive Rent Payment Reporting								100.0%
LISC	7.8%	51.7%	23.6%	15.5%	0.9%	0.1%	92.2%	6.5%
Closing cost reduction	**74.4%**	**5.2%**	**10.5%**	**9.9%**	**0.9%**	**0.3%**	**25.6%**	**14.8%**
Attorney opinion letters	66.1%	10.4%	12.9%	10.4%	—%	0.4%	33.9%	12.5%
REO closing cost concessions	61.9%	15.9%	20.6%	1.6%	1.6%	—%	38.1%	87.8%
Alternatives to traditional appraisals	74.5%	5.2%	10.5%	9.9%	0.9%	0.3%	25.5%	14.6%
Leadership development	**53.8%**	**10.0%**	**7.1%**	**22.9%**	**—%**	**—%**	**46.2%**	**55.0%**
ADI scholarships								100.0%
Future Housing Leaders	53.8%	10.0%	7.1%	22.9%	—%	—%	46.2%	41.6%
Loss mitigation & sustainability								

[12] Ratio to consumers with race/ethnicity data.
[13] Ratio to all individuals served by this action or group of actions, including both those with and without race/ethnic data.
[14] Includes only loans acquired by Fannie Mae in 2023.

C. Consumer outreach and education

An overarching enabler within this Plan is Fannie's Mae's efforts to be a source of reliable, trusted information to ensure there is awareness of Fannie Mae products and tools designed to help reduce knowledge gaps and overcome common housing journey obstacles. These efforts, while not directly tied to any specific action within the Plan, involve proactive outreach to consumers and their trusted advisors to help renters, homebuyers, and homeowners understand and use tools available to overcome common housing journey barriers.

Fannie Mae's affirmative marketing and outreach strategy is grounded in three principles:

- Content and outreach aligned to prioritized outcomes.
- Messaging and content informed by consumer research and evidence-based testing.
- Outreach in high-opportunity markets and in channels specifically selected based on ability to reach and track priority audiences.

Our outreach programs are designed to address four common obstacles outlined in the Plan and make consumers aware of potential solutions to help overcome them. The four obstacles are: lack of sufficient credit/access to credit, higher relative up-front housing costs, challenges with financial resilience, and property durability.

To engage consumers, we develop and distribute a variety of content on topics such as:

- How to build and maintain credit.
- Financial resiliency tips.
- HomeView, our homebuying certification education course, and new strategies for healthy credit course.
- Down payment assistance programs.
- Low down payment financing products.
- Stability solutions to stay in your home including during crisis.

Content on these topics was delivered through multiple channels after being tested in large consumer panels to ensure they were easy to understand as well as engaging. For those preferring to learn in Spanish, we included native Spanish-speaker panelists to review any Spanish language resources.

To reach the intended audiences, we delivered a mix of messages, with a frequency of at least four times based on best practices of message exposure, through a targeted multi-channel media strategy. These messages took people to our courses, tools, and resources on fanniemae.com.

This approach leveraged a mix of communication channels, informed by our consumer panels and other research, preferred by consumers from historically underserved groups, including Black and Latino homeowners and renters. These channels included targeted advertising on websites, influencers, radio stations, streaming video, and local market events. We also engaged industry partners, including real estate and mortgage industry professional associations, to share our educational information withing their own networks. We invested more resources in six high-potential markets outlined in the plan: Atlanta, Baltimore, Chicago, Detroit, Memphis, and Philadelphia.

These combined marketing efforts reached more than 19.3 million renters, buyers, and homeowners from historically undeserved demographic groups, which resulted in over 884,000 visits to FM.com website.[15]

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[15] Data is reported through Google Campaign Manager and Google Analytics. Reach is a measure of delivered impressions reflecting a diverse audience of renters, potential borrowers, and homeowners exposed to educational content four or more times through marketing programs. Visits to fanniemae.com are defined as unique site sessions driven by paid marketing programs.

IV. Homeownership Programs

A. Mortgage products that promote equitable access to homeownership

Fannie Mae's homeownership programs in the context of this Plan are focused largely on SPCPs, including Fannie Mae's HomeReady First mortgage (Fannie Mae's SPCP pilot), as well as mortgages Fannie Mae acquires from lenders that sponsor their own SPCPs. Fannie Mae acquired 5,668 such loans in 2023. This number includes 921 HomeReady First mortgages and 4,747mortgages from lenders sponsoring their own SPCP programs.

Of the mortgages acquired from lenders sponsoring their own SPCP programs, 2,144 were home purchase loans. In the tables below, we have separated our acquisitions by loan type: HomeReady First, home purchase loans acquired from lenders sponsoring their own SPCP programs, and refinance loans acquired from lenders sponsoring their own SPCP programs.

HomeReady First borrowers are eligible for up to $5,500 for down payment and closing cost assistance and $500 for appraisal reimbursement. This borrower benefit is funded through credits to lenders in the form of negative up-front guaranty fees (G-fees).[16] For example, the annualized -56.79 basis-point[17] up-front guaranty fee in the table below for HomeReady First loans equates to about $5,500 in lender credits, which is required to be used for the benefit of the borrower.

The loan transaction costs in the tables below do not include offsets available to borrowers through closing costs assistance. For instance, we estimate that the average combined (Fannie Mae and lender) down payment and closing cost assistance for HomeReady First borrowers was $7,523 per borrower in 2023.

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[16] Information on the components of up-front G-fees, and how they are calculated, is contained in the Federal Housing Finance Agency's annual report Fannie Mae and Freddie Mac Single-Family Guarantee Fees.

[17] One basis point is equal to 0.01 of a percentage point.

Homeownership Products

HomeReady First "approve/eligible" case files in 2023

	White Non-Hispanic	Black	Latino/ Hispanic	Asian	American Indian/Native Alaskan	Pacific Islander/Native Hawaiian	Missing demographic data	Total
HomeReady First case files "approve/eligible" in DU	838	1,928	1,467	358	64	22	2,265	6,706
All SPCP acquisitions[18]	958	2,478	1,472	391	74	29	571	5,668

Homeownership Products

Pricing and cost features of HomeReady First loans acquired by Fannie Mae in 2023[19]

	White Non-Hispanic	Black	Latino/ Hispanic	Asian	American Indian/Native Alaskan	Pacific Islander/Native Hawaiian	Missing demographic data	All
Average, unweighted up-front guaranty fee, annualized (basis points)[20]	-53.66	-57.20	-55.89	-48.91	-69.39	-50.33	-60.58	-56.79
Median/ average spread at lock date (basis points)[21]	313.65/ 311.13	329.50/ 331.55	325.40/ 324.22	299.35/ 301.05	337.10/ 334.71	319.55/ 324.33	329.00/ 330.93	324.10/ 325.65
Median/average closing costs[22]	$6,496.48/ $7,260.08	$5,935.85/ $6,420.90	$6,749.99/ $7,072.13	$6,778.11/ $7,410.27	$4,309.15/ $6,006.10	$7,076.62/ $6,730.01	$5,282.38/ $5,987.79	$5,980.10/ $6,598.39
Median/ average appraisal cost[23]	$525.00/ $577.98	$575.00/ $613.80	$550.00/ $605.44	$600.00/ $611.27	$620.00/ $599.29	$647.50/ $632.50	$575.00/ $602.94	$555.00/ $603.14
Median/average lender-purchased title insurance cost	Insufficient data	$916.36/ $916.36	$85.00/ $85.00	Insufficient data	Insufficient data	Insufficient data	$533.10/ $533.10	$543.20/ $596.78

[18] Includes HomeReady First, as well as home purchase and refinance mortgages originated under lender-sponsored SPCPs.
[19] All HomeReady First mortgages are for first-time homebuyer purchase.
[20] One basis point is equal to 0.01 of a percentage point.
[21] Spread (expressed in basis points) is calculated by subtracting the 10-year U.S. Treasury rate from the annual percentage rate on the mortgage.
[22] Includes the total of loan origination charges and other services a borrower did or did not shop for (Sections A, B, and C of closing cost details of a standard closing disclosure form). Not included are items that are highly variable depending on property type and location, such as transfer taxes or other assessments due at closing.
[23] Appraisal costs are derived from the Uniform Closing Dataset (UCD). In this case, any UCD fee item that referenced "appraisal" or "appraisal management company" was included in appraisal costs. HomeReady First borrowers receive a $500 credit toward appraisal costs, if incurred.

Homeownership Products

Pricing and cost features of lender-sponsored SPCP home purchase loans acquired by Fannie Mae in 2023[24]

	White Non-Hispanic	Black	Latino/ Hispanic	Asian	American Indian/Native Alaskan	Pacific Islander/Native Hawaiian	Missing demographic data	All
Average, unweighted up-front guaranty fee, annualized (basis points)	8.45	7.68	8.56	7.75	5.71	9.24	9.58	8.37
Median/average spread at lock date (basis points)	287.90/ 292.78	296.52/ 301.88	297.60/ 300.37	263.45/ 269.64	275.31/ 279.26	349.70/ 343.26	293.95/ 296.18	291.00/ 294.25
Median/average closing costs	$4,930.82/ $5,445.28	$4,737.96/ $5,211.79	$5,442.72/ $5,920.19	$4,979.96/ $5,983.93	$4,800.18/ $4,932.27	$5,576.00/ $7,099.45	$5,743.00/ $6,545.33	$5,103.75/ $5,712.03
Median/average appraisal cost	$570.00/ $592.06	$575.00/ $585.46	$600.00/ $609.14	$625.00/ $639.36	$610.00/ $611.04	$637.50/ $660.42	$552.50/ $583.08	$575.00/ $601.48
Median/average lender-purchased title insurance cost	$804.00/ $962.54	$575.00/ $815.09	$622.80/ $926.24	$796.07/ $1,085.51	$878.59/ $972.29	$836.07/ $836.07	$879.07/ $1,197.12	$684.27/ $943.88

Homeownership Products

Pricing and cost features of lender-sponsored SPCP home refinance loans acquired by Fannie Mae in 2023

	White Non-Hispanic	Black	Latino/ Hispanic	Asian	American Indian/Native Alaskan	Pacific Islander/Native Hawaiian	Missing demographic data	All
Average, unweighted up-front guaranty fee, annualized (basis points)	10.97	7.68	10.90	11.52	10.75	9.14	9.52	8.75
Median/average spread at lock date (basis points)	31.97/ 125.08	10.97/ 11.03	23.98/ 39.96	23.98/ 44.72	24.97/ 34.76	17.98/ 12.40	18.99/ 42.53	17.99/ 25.99
Median/average closing costs	$0.00/ $2,328.50	$0.00/ $186.13	$0.00/ $656.76	$0.00/ $791.49	$0.00/ $489.53	$0.00/ $0.00	$0.00/ $823.38	$0.00/ $463.42
Median/average appraisal cost	$550.00/ $558.60	$575.00/ $637.73	$625.00/ $628.63	$620.00/ $667.50	$572.50/ $572.50	Insufficient data	$565.00/ $567.50	$585.00/ $608.72
Median/average lender-purchased title insurance cost	$370.00/ $520.61	$377.00/ $484.73	$540.00/ $647.63	$540.00/ $670.37	$450.00/ $548.78	$462.63/ $623.44	$380.00/ $497.24	$380.00/ $528.36

[24] Includes home purchase loans originated under lender-sponsored SPCPs.

B. HomeReady First acquisitions by geographic market

First-time homebuyers in majority Black, majority Latino, or majority Black and Latino[25] census tracts in six MSAs were eligible for HomeReady First mortgages in 2023. The following tables display HomeReady First mortgages acquired by Fannie Mae in those census tracts in each of the six MSAs. (Note: The loans below do not include 14 loans made to borrowers outside of these original MSAs as part of a late-year geographic expansion of MSAs.)

Atlanta	Families with HomeReady First mortgages in eligible census tracts	Share of HomeReady First Loans acquired in eligible census tracts	Share of all first-time homebuyer home purchase loans acquired in eligible census tracts	Share of all home purchase loans acquired in eligible census tracts
White - Non-Hispanic	42	17.3%	4.7%	2.0%
Black (African American)	148	60.9%	14.1%	5.0%
Latino (Hispanic)	52	21.4%	9.9%	5.4%
Asian	12	4.9%	2.5%	1.3%
Native American	1	0.4%	5.6%	2.6%
Hawaiian or Pacific Islander	0	—%	—%	—%
Minority	201	82.7%	10.2%	4.4%
Total with race/ethnicity data	243		8.5%	3.6%
Total	**295**		**8.7%**	**3.6%**

[25] Latino-majority census tracts were added in September 2023.

Baltimore

	Families with HomeReady First mortgages in eligible census tracts	Share of HomeReady First Loans acquired in eligible census tracts	Share of all first-time homebuyer home purchase loans acquired in eligible census tracts	Share of all home purchase loans acquired in eligible census tracts
White - Non-Hispanic	5	20.8%	2.1%	1.1%
Black (African American)	15	62.5%	4.8%	2.1%
Latino (Hispanic)	3	12.5%	2.8%	1.5%
Asian	3	12.5%	3.4%	1.7%
Native American	1	4.2%	25.0%	12.5%
Hawaiian or Pacific Islander	1	4.2%	25.0%	14.3%
Minority	19	79.2%	3.9%	1.8%
Total with race/ethnicity data	24		3.3%	1.6%
Total	**28**		**3.4%**	**1.6%**

Chicago

	Families with HomeReady First mortgages in eligible census tracts	Share of HomeReady First Loans acquired in eligible census tracts	Share of all first-time homebuyer home purchase loans acquired in eligible census tracts	Share of all home purchase loans acquired in eligible census tracts
White - Non-Hispanic	17	14.8%	2.6%	1.3%
Black (African American)	62	53.9%	11.6%	5.1%
Latino (Hispanic)	35	30.4%	2.8%	1.7%
Asian	1	0.9%	0.7%	0.3%
Native American	0	—%	—%	—%
Hawaiian or Pacific Islander	1	0.9%	8.3%	5.9%
Minority	98	85.2%	5.2%	2.8%
Total with race/ethnicity data	115		4.5%	2.4%
Total	**138**		**4.9%**	**2.5%**

Detroit

	Families with HomeReady First mortgages in eligible census tracts	Share of HomeReady First Loans acquired in eligible census tracts	Share of all first-time homebuyer home purchase loans acquired in eligible census tracts	Share of all home purchase loans acquired in eligible census tracts
White - Non-Hispanic	32	26.0%	13.7%	6.2%
Black (African American)	81	65.9%	32.3%	15.9%
Latino (Hispanic)	10	8.1%	14.5%	8.5%
Asian	4	3.3%	22.2%	6.3%
Native American	2	1.6%	28.6%	15.4%
Hawaiian or Pacific Islander	0	—%	—%	—%
Minority	91	74.0%	28.0%	13.5%
Total with race/ethnicity data	123		22.0%	10.4%
Total	**199**		**26.8%**	**13.0%**

Memphis

	Families with HomeReady First mortgages in eligible census tracts	Share of HomeReady First Loans acquired in eligible census tracts	Share of all first-time homebuyer home purchase loans acquired in eligible census tracts	Share of all home purchase loans acquired in eligible census tracts
White - Non-Hispanic	7	20.6%	8.5%	1.6%
Black (African American)	21	61.8%	26.2%	7.5%
Latino (Hispanic)	2	5.9%	4.2%	1.4%
Asian	4	11.8%	16.0%	3.0%
Native American	0	—%	—%	—%
Hawaiian or Pacific Islander	1	2.9%	100.0%	16.7%
Minority	27	79.4%	18.0%	5.0%
Total with race/ethnicity data	34		14.7%	3.4%
Total	**38**		**15.0%**	**3.0%**

Philadelphia

	Families with HomeReady First mortgages in eligible census tracts	Share of HomeReady First Loans acquired in eligible census tracts	Share of all first-time homebuyer home purchase loans acquired in eligible census tracts	Share of all home purchase loans acquired in eligible census tracts
White - Non-Hispanic	46	26.1%	14.6%	6.8%
Black (African American)	84	47.7%	23.6%	10.0%
Latino (Hispanic)	34	19.3%	14.2%	8.0%
Asian	23	13.1%	17.7%	8.9%
Native American	3	1.7%	23.1%	13.0%
Hawaiian or Pacific Islander	1	0.6%	25.0%	12.5%
Minority	130	73.9%	19.0%	8.9%
Total with race/ethnicity data	176		17.6%	8.2%
Total	**209**		**17.6%**	**8.1%**

V. 2023 Mortgage Application and Acquisition Data[26]

A. Desktop Underwriter application acceptance rates, 2020 – 2023

Section A tables show acceptance rates for Fannie Mae's Desktop Underwriter automated underwriting system by home purchase, rate-term (or non-cash-out) refinancing, cash-out refinancing, and loans to first-time homebuyers by race and ethnicity. Acceptance rates are the rate at which mortgage applications assessed by Desktop Underwriter would be eligible for sale to Fannie Mae if the loan is closed and funded.[27]

All applications: Overall DU acceptance rates fell from 2020 to 2023. The acceptance rate for Black and Latino borrower applications fell 16.9 points and 13 points, respectively, compared with an 8.5-point drop for white non-Latino borrowers.

All Applications							
	Race and ethnicity						
Create date year	White Non-Latino/ Hispanic	Black	Latino/ Hispanic	Asian	American Indian/Alaskan Native	Pacific Islander/Native Hawaiian	Minority
2020	92.1%	83.5%	88.7%	91.8%	88.1%	89.8%	89.0%
2021	88.5%	80.1%	85.1%	87.6%	84.8%	85.3%	84.9%
2022	84.2%	71.4%	78.9%	84.2%	78.3%	78.7%	78.6%
2023	83.6%	66.6%	75.7%	85.6%	75.9%	77.2%	76.9%

[26] These data points are provided for public transparency and to promote fair lending but do not by themselves prove or disprove unlawful discrimination. Our automated underwriting system, DU, uses neutral factors to assess borrower creditworthiness.
[27] Fannie Mae does not originate loans or lend money directly to borrowers or lenders. Individual mortgage lenders in the primary market make the decision to extend credit directly to an individual and fund the loan.

Home purchase applications: Overall DU acceptance rates for home purchase loans fell from 2020 to 2023. The acceptance rate for Black and Latino borrower applications fell 6.6 and 6.5 points, respectively, compared with a 3.3-point drop for white non-Latino borrowers.

Home Purchase Applications							
			Race and ethnicity				
Create date year	White Non-Latino/ Hispanic	Black	Latino/ Hispanic	Asian	American Indian/Alaskan Native	Pacific Islander/Native Hawaiian	Minority
2020	91.9%	81.3%	88.9%	91.0%	87.9%	88.8%	88.1%
2021	89.6%	80.7%	87.6%	88.2%	86.5%	86.6%	86.5%
2022	88.8%	78.9%	85.8%	86.9%	85.2%	85.5%	84.9%
2023	88.6%	74.7%	82.4%	88.2%	83.0%	83.3%	83.2%

First-time homebuyer applications: Overall DU acceptance rates for first-time homebuyer loans fell from 2020 to 2023. The acceptance rate for Black and Latino borrower applications fell 7.1 and 7 points, respectively, compared with a 3.6-point drop for white non-Latino borrowers.

First-Time Homebuyer Applications							
			Race and ethnicity				
Create date year	White Non-Latino/ Hispanic	Black	Latino/ Hispanic	Asian	American Indian/Alaskan Native	Pacific Islander/Native Hawaiian	Minority
2020	91.3%	77.6%	87.6%	92.2%	85.5%	87.7%	87.0%
2021	90.0%	78.1%	87.5%	90.1%	85.4%	86.7%	86.5%
2022	89.2%	76.2%	85.7%	89.0%	83.5%	85.3%	84.9%
2023	87.7%	70.5%	80.6%	89.6%	80.3%	81.4%	82.1%

Non-cash-out refinance applications: Overall DU acceptance rates for non-cash-out refinance loans fell from 2020 to 2023. The acceptance rate for Black and Latino borrower applications fell 20.6 and 22.4 points, respectively, compared with an 18.1-point drop for white non-Latino borrowers.

Non-Cash-Out Refinance Applications							
	Race and ethnicity						
Create date year	White Non-Latino/ Hispanic	Black	Latino/ Hispanic	Asian	American Indian/Alaskan Native	Pacific Islander/Native Hawaiian	Minority
2020	93.2%	86.9%	89.7%	92.9%	89.6%	91.2%	90.7%
2021	88.9%	81.9%	85.1%	87.9%	85.2%	85.4%	85.5%
2022	79.3%	70.2%	74.5%	76.3%	74.6%	71.9%	73.8%
2023	75.1%	66.3%	67.3%	71.6%	68.6%	66.3%	68.0%

Cash-out refinance applications: Overall DU acceptance rates for cash-out refinance loans fell from 2020 to 2023. The acceptance rate for Black and Latino borrower applications each fell 33.2 points, compared with a 24.2-point drop for white non-Latino borrowers.

Cash-Out Refinance Applications							
	Race and ethnicity						
Create date year	White Non-Latino/ Hispanic	Black	Latino/ Hispanic	Asian	American Indian/Alaskan Native	Pacific Islander/Native Hawaiian	Minority
2020	91.0%	81.1%	86.6%	89.0%	85.9%	88.6%	86.2%
2021	87.0%	77.2%	81.8%	85.4%	82.6%	83.9%	81.6%
2022	76.9%	62.3%	68.3%	75.3%	68.8%	70.0%	67.6%
2023	66.8%	47.9%	53.4%	63.9%	55.6%	57.3%	53.3%

B. Single-family loan acquisitions by race and ethnicity, 2020 – 2023

Section B tables show the count and proportion of mortgage loans for home purchase, non-cash-out refinancing, cash-out refinancing, and loans to first-time homebuyers, by race and ethnicity, purchased by Fannie Mae in each of the years 2020 – 2023.

Overall single-family acquisitions: Overall acquisitions of single-family mortgage loans decreased from 2020 – 2023. At the same time, the relative portion of Fannie Mae's single-family acquisitions of loans to minority borrowers increased. For instance, the share of acquired mortgages to Black borrowers and Latino borrowers increased 2.7 points and 3.6 points, respectively, while the share of acquired mortgages to white non-Latino borrowers fell 7.5 points.

Single-Family Acquisitions

	Race and ethnicity						
Create date year	White Non-Latino/ Hispanic	Black	Latino/ Hispanic	Asian	American Indian/Alaskan Native	Pacific Islander/Native Hawaiian	Minority
2020	3,098,725	172,506	481,963	438,478	29,133	19,249	1,089,620
2021	2,878,677	218,166	541,779	451,531	34,615	18,585	1,203,635
2022	1,180,347	125,187	269,036	178,370	17,800	7,924	566,893
2023	570,383	58,344	129,950	104,397	8,750	3,602	287,915

Share of Single-Family Acquisitions

	Race and ethnicity						
Create date year	White Non-Latino/ Hispanic	Black	Latino/ Hispanic	Asian	American Indian/Alaskan Native	Pacific Islander/Native Hawaiian	Minority
2020	74.0%	4.1%	11.5%	10.5%	0.7%	0.5%	26.0%
2021	70.5%	5.3%	13.3%	11.1%	0.8%	0.5%	29.5%
2022	67.6%	7.2%	15.4%	10.2%	1.0%	0.5%	32.4%
2023	66.5%	6.8%	15.1%	12.2%	1.0%	0.4%	33.5%

Single-family home purchase acquisitions: Overall acquisitions of single-family home purchase mortgage loans decreased from 2020 – 2023. At the same time, the relative portion of Fannie Mae's single-family acquisitions of home purchase mortgage loans to minority borrowers increased. For instance, the share of acquired home purchase mortgages to Black borrowers and Latino borrowers increased 1 point and 2.4 points, respectively, while the share of acquired mortgages to white non-Latino borrowers fell 7.5 points.

Single-Family Home Purchase Acquisitions

	Race and ethnicity						
Create date year	White Non-Latino/ Hispanic	Black	Latino/ Hispanic	Asian	American Indian/Alaskan Native	Pacific Islander/Native Hawaiian	Minority
2020	958,813	68,457	174,519	120,577	9,994	5,595	360,645
2021	888,191	80,396	200,009	148,918	11,853	5,710	423,139
2022	662,572	66,984	161,415	126,587	10,140	4,340	349,218
2023	460,844	44,110	110,361	96,842	7,073	3,020	246,301

Share of Single-Family Home Purchase Acquisitions

	Race and ethnicity						
Create date year	White Non-Latino/ Hispanic	Black	Latino/ Hispanic	Asian	American Indian/Alaskan Native	Pacific Islander/Native Hawaiian	Minority
2020	72.7%	5.2%	13.2%	9.1%	0.8%	0.4%	27.3%
2021	67.7%	6.1%	15.3%	11.4%	0.9%	0.4%	32.3%
2022	65.5%	6.6%	16.0%	12.5%	1.0%	0.4%	34.5%
2023	65.2%	6.2%	15.6%	13.7%	1.0%	0.4%	34.8%

Single-family non-cash-out refinance acquisitions: Overall acquisitions of single-family non-cash-out refinance mortgage loans decreased from 2020 – 2023. At the same time, the relative portion of Fannie Mae's single-family acquisitions of non-cash-out refinance loans to minority borrowers increased. For instance, the share of acquired non-cash-out refinance mortgages to Black borrowers and Latino borrowers increased 6.7 points and 2.9 points, respectively, while the share of acquired mortgages to white non-Latino borrowers fell 2.2 points.

Single-Family Non-Cash-Out Refinance Acquisitions							
	Race and ethnicity						
Create date year	White Non-Latino/ Hispanic	Black	Latino/ Hispanic	Asian	American Indian/Alaskan Native	Pacific Islander/Native Hawaiian	Minority
2020	1,494,598	71,210	212,234	265,294	12,545	9,315	546,611
2021	1,244,280	83,368	217,177	233,442	13,449	7,808	530,840
2022	180,208	17,887	38,948	23,223	2,548	1,087	79,790
2023	29,253	4,202	5,479	2,261	529	124	11,950

Share of Single-Family Non-Cash-Out Refinance Acquisitions							
	Race and ethnicity						
Create date year	White Non-Latino/ Hispanic	Black	Latino/ Hispanic	Asian	American Indian/Alaskan Native	Pacific Islander/Native Hawaiian	Minority
2020	73.2%	3.5%	10.4%	13.0%	0.6%	0.5%	26.8%
2021	70.1%	4.7%	12.2%	13.2%	0.8%	0.4%	29.9%
2022	69.3%	6.9%	15.0%	8.9%	1.0%	0.4%	30.7%
2023	71.0%	10.2%	13.3%	5.5%	1.3%	0.3%	29.0%

Single-family cash-out refinance acquisitions: Overall acquisitions of single-family cash-out refinance mortgage loans decreased from 2020 – 2023. At the same time, the relative portion of Fannie Mae's single-family acquisitions of cash-out refinance loans to minority borrowers increased. For instance, the share of acquired cash-out refinance mortgages to Black borrowers and Latino borrowers increased 5.1 points and 1.3 points, respectively, while the share of acquired mortgages to white non-Latino borrowers fell 5 points.

Single-Family Cash-Out Refinance Acquisitions							
	Race and ethnicity						
Create date year	White Non-Latino/ Hispanic	Black	Latino/ Hispanic	Asian	American Indian/Alaskan Native	Pacific Islander/Native Hawaiian	Minority
2020	645,314	32,839	95,210	52,607	6,594	4,339	182,364
2021	746,206	54,402	124,593	69,171	9,313	5,067	249,656
2022	337,567	40,316	68,673	28,560	5,112	2,497	137,885
2023	80,286	10,032	14,110	5,294	1,148	458	29,664

Share of Single-Family Cash-Out Refinance Acquisitions							
			Race and ethnicity				
Create date year	White Non-Latino/ Hispanic	Black	Latino/ Hispanic	Asian	American Indian/Alaskan Native	Pacific Islander/Native Hawaiian	Minority
2020	78.0%	4.0%	11.5%	6.4%	0.8%	0.5%	22.0%
2021	74.9%	5.5%	12.5%	6.9%	0.9%	0.5%	25.1%
2022	71.0%	8.5%	14.4%	6.0%	1.1%	0.5%	29.0%
2023	73.0%	9.1%	12.8%	4.8%	1.0%	0.4%	27.0%

Single-family first-time homebuyer acquisitions: Overall acquisitions of single-family first-time homebuyer mortgage loans decreased from 2020 – 2023. At the same time, the relative portion of Fannie Mae's single-family acquisitions of first-time homebuyer loans to minority borrowers increased. For instance, the share of first-time homebuyer mortgages to Black borrowers and Latino borrowers increased 1.6 points and 1.5 points, respectively, while the share of acquired mortgages to white non-Latino borrowers fell 6.6 points.

First-Time Homebuyer Acquisitions							
			Race and ethnicity				
Create date year	White Non-Latino/ Hispanic	Black	Latino/ Hispanic	Asian	American Indian/Alaskan Native	Pacific Islander/Native Hawaiian	Minority
2020	393,853	37,949	96,169	65,753	4,722	2,918	196,894
2021	389,815	47,264	116,626	85,157	6,097	3,136	243,966
2022	290,254	37,269	89,762	70,204	5,190	2,314	192,842
2023	204,345	23,824	60,624	54,689	3,634	1,585	135,598

Share of First-Time Homebuyer Acquisitions							
			Race and ethnicity				
Create date year	White Non-Latino/ Hispanic	Black	Latino/ Hispanic	Asian	American Indian/Alaskan Native	Pacific Islander/Native Hawaiian	Minority
2020	66.7%	6.4%	16.3%	11.1%	0.8%	0.5%	33.3%
2021	61.5%	7.5%	18.4%	13.4%	1.0%	0.5%	38.5%
2022	60.1%	7.7%	18.6%	14.5%	1.1%	0.5%	39.9%
2023	60.1%	7.0%	17.8%	16.1%	1.1%	0.5%	39.9%

C. Single-family and multifamily loan acquisitions categorized by neighborhood demographics, 2020 – 2023

Section C tables show the count and proportion of Fannie Mae's loan acquisitions categorized by property census tract minority concentration.

Overall single-family acquisitions: Overall acquisitions of single-family loans decreased from 2020 – 2023 in all census tracts, but on a relative share basis increased in census tracts with larger non-white (minority) populations. The relative portion of Fannie Mae's single-family acquisitions of mortgages backed by properties in neighborhoods with greater than 50% minority and 80% minority populations grew 5.4 points and 1.9 points, respectively, while single-family acquisitions of mortgages backed by properties in neighborhoods with less than 50% minority populations fell 7.4 points.

Single-Family Acquisitions

	Minority concentration of property census tract		
Acquisition year	<50%	50% to 80%	>80%
2020	4,001,352	595,216	260,831
2021	3,886,996	633,658	291,814
2022	1,483,941	379,723	173,057
2023	737,566	174,613	71,651

Share of Single-Family Acquisitions

	Minority concentration of property census tract		
Acquisition year	<50%	50% to 80%	>80%
2020	82.4%	12.3%	5.4%
2021	80.8%	13.2%	6.1%
2022	72.9%	18.6%	8.5%
2023	75.0%	17.7%	7.3%

Overall multifamily acquisitions: Overall acquisitions of multifamily mortgage loans decreased from 2020 – 2023 in all census tracts, but on a relative share basis increased in census tracts with larger non-white (minority) populations. The relative portion of Fannie Mae's multifamily acquisitions of mortgages backed by properties in neighborhoods with greater than 50% minority and 80% minority populations grew 7 points and 3.6 points, respectively, while multifamily acquisitions of mortgages backed by properties in neighborhoods with less than 50% minority populations fell 10.7 points.

Multifamily Acquisitions			
	Minority concentration of property census tract		
Acquisition year	<50%	50% to 80%	>80%
2020	453,784	184,341	106,112
2021	393,216	143,093	85,419
2022	313,818	178,609	105,479
2023	242,369	153,168	86,085

Multifamily Acquisitions			
	Minority concentration of property census tract		
Acquisition year	<50%	50% to 80%	>80%
2020	61.0%	24.8%	14.3%
2021	63.2%	23.0%	13.7%
2022	52.5%	29.9%	17.6%
2023	50.3%	31.8%	17.9%

D. Underwriting changes and innovations

Fannie Mae strives to ensure the mortgage loans it purchases are safe and sustainable both for homeowners and for Fannie Mae.

One of the great challenges (and opportunities) facing the U.S. mortgage system is finding new ways to assess mortgage credit risk safely and soundly while ensuring that as many people as possible have access to a mortgage. New, technology-driven capabilities are allowing Fannie Mae to do just that.

In recent years, Fannie Mae introduced a number of innovations and changes to our mortgage standards designed to serve the evolving needs of consumers with increasingly diverse needs and aspirations.

Most recently, in late 2023, Fannie Mae made changes to the maximum loan-to-value (LTV) ratio on loans for single-family properties with two- to four-unit residences and removed "number of borrowers" as a risk factor in DU.

We believe both of these changes could have broad implications for underserved communities, including (but not limited to) Black and Latino families. We expect both changes will have a positive impact on populations of first-time homebuyers with less access to generational wealth, which is a key driver of homeownership disparities among historically underserved groups in the United States.

In 2024, Fannie Mae will continue to enhance the DU system through innovations to better serve homebuyers with diverse circumstances and backgrounds, and do so in a safe and sound manner. For instance, in February 2024, we made it easier for lenders to incorporate rent payment identification on third-party asset verification reports, which is essential for broader adoption of positive rental payment reporting in automated underwriting. Additionally we continue to streamline our risk identification capabilities in ways that we believe will broaden mortgage access for creditworthy borrowers in 2024 and in the years to come.

VI. Declaration

I, the undersigned, declare that the content of this Report is true and correct to the best of my knowledge and belief.

Stergios “Terry” Theologides
Executive Vice President and Chief Administrative Officer

March 15, 2024

Statements in this report regarding our plans and their expected impact are forward-looking and future events and outcomes may be materially different as a result of many factors, including the potential for policy changes outside of our control and the factors discussed in "Risk Factors" in our Form 10-K for the year ended December 31, 2023.

Information for 2023 in this report is based on information available as of March 15, 2024. In some cases, data are based solely on information provided to us by third parties, which we have not independently verified.