



# Fannie Mae Key Affordable Strategies

**NCSHA Annual Conference & Showplace**

October 21, 2019

# An important note about the seminar content

While every effort has been made to ensure the reliability of the session content, Fannie Mae's *Selling* and *Servicing Guides* and their updates, including *Guide* Announcements and Release Notes, are the official statements of Fannie Mae's policies and procedures and control in the event of discrepancies between the information in this seminar and the *Guides*.



# Market overview

# Supply is about affordability.

Policy goals expanded access to credit

More borrowers qualify for loans – **increasing competition for homes**

## *The problem...*

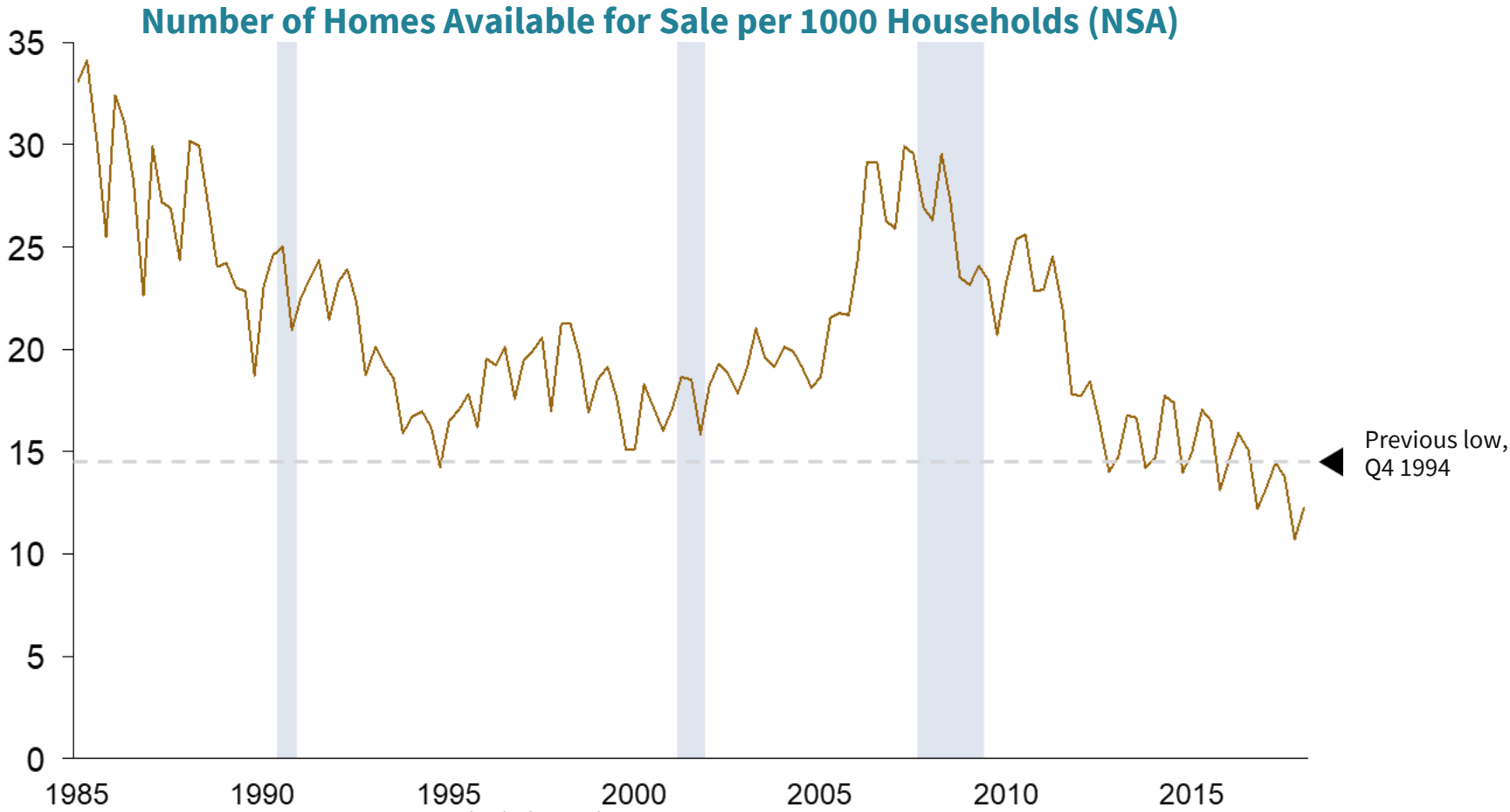
Supply collapsed post-crisis...And new supply focused on luxury markets

Existing housing stock oldest in history – **40% are over 50 years old**

**Keeping with Fannie Mae's mission, increased cost to acquire and maintain housing needs to be addressed.**



# Total home inventory per household is at record lows.

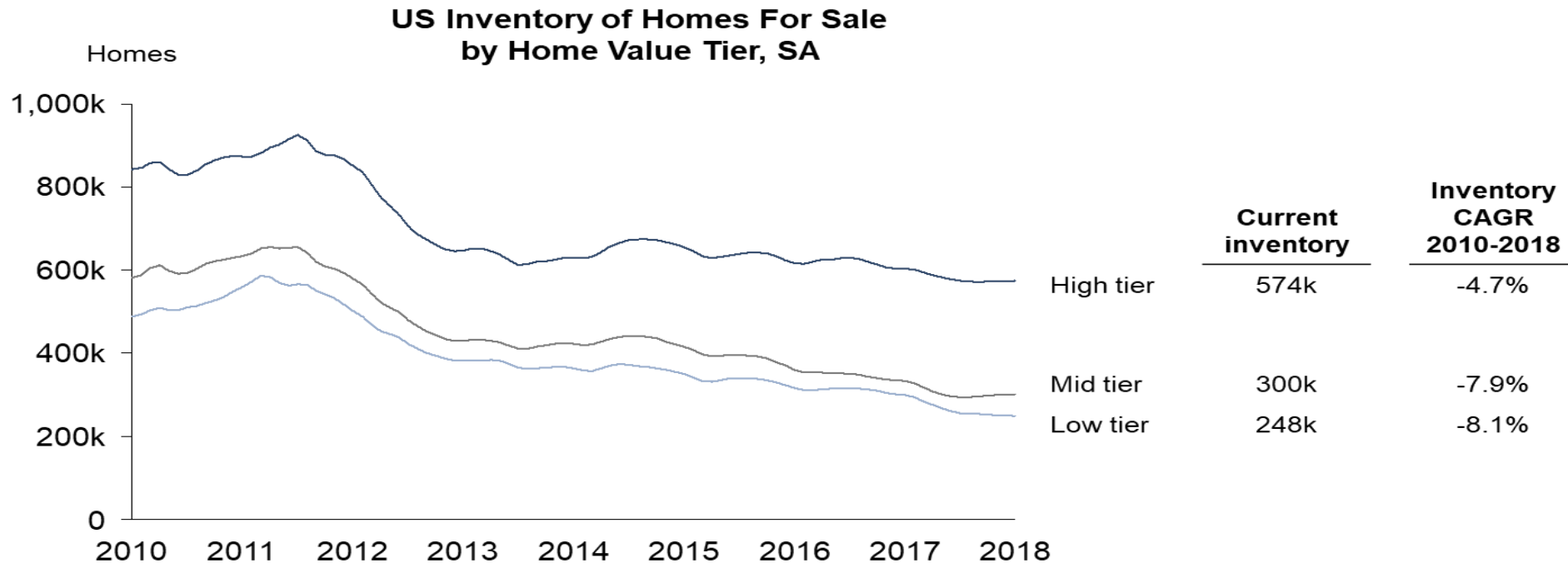


Note: Shaded area denotes recession  
Source: Fannie Mae ESR analysis – Data through Q1 2018



# Entry-level supply has declined the most.

There are more homes for sale in the high value tier than in the other two-thirds of the market combined



**Scarcity of and competition for low price tier homes creates diminishing (and possibly negative) returns to access to credit efforts**

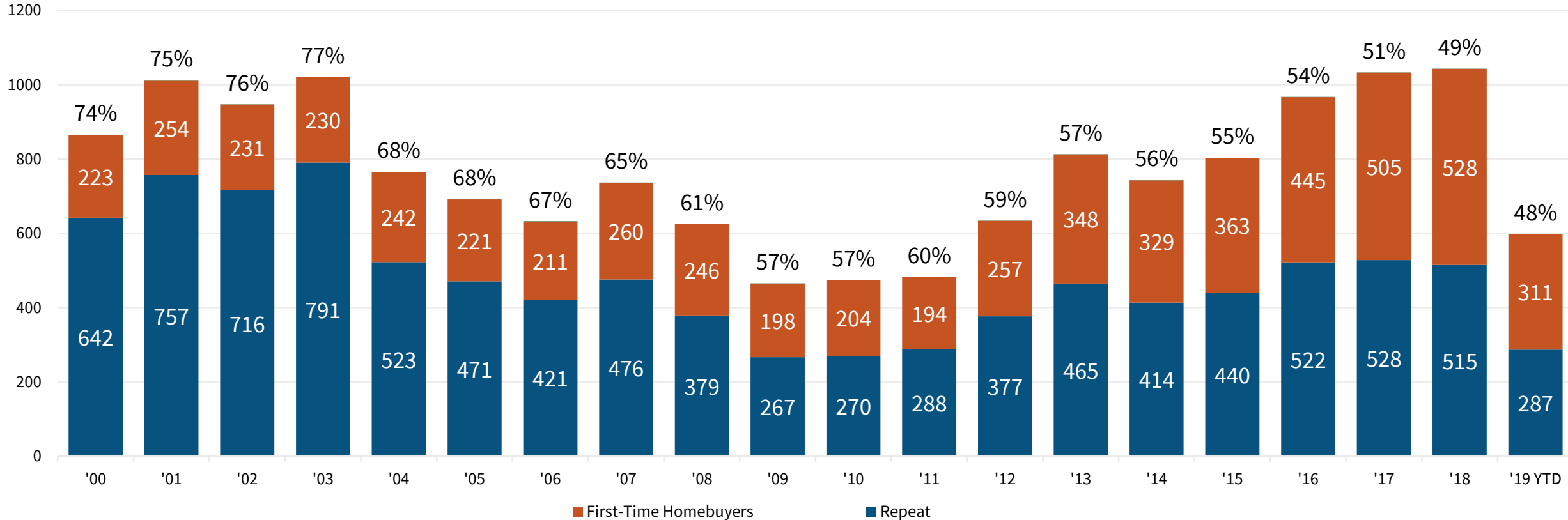
Note: Homes are tiered into high, mid and low thirds of home values within a given region; inventory is the subset of homes in that tier that are for sale

Source: Zillow, <https://www.zillow.com/research/data>



# Conventional Owner-Occupied Purchase-Money Mortgage (PMM) Acquisitions of Eligible Loans

Thousands, Labels Show % Repeat Buyers\*

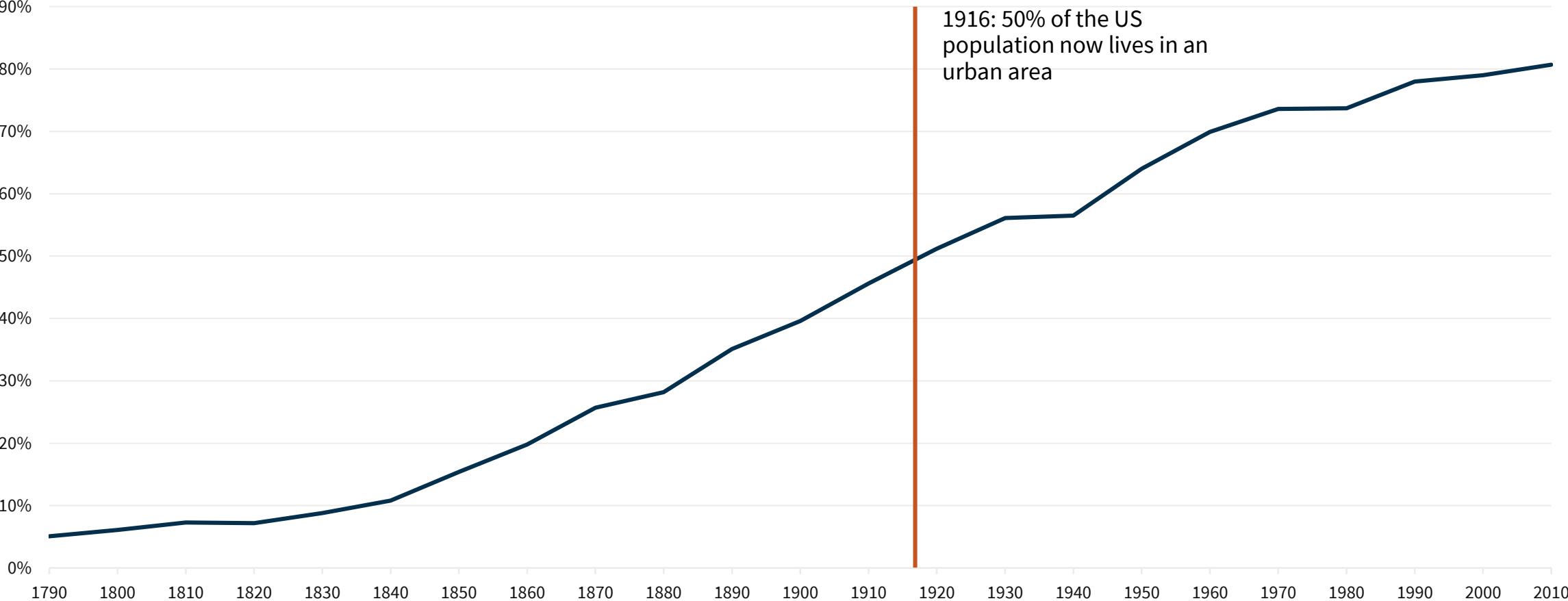


\*NOTE: Eligible loans exclude loans with features that make them no longer eligible for delivery to Fannie Mae (e.g. FICO<620,LTV>97). For more details see “Credit Risk of Low Income Mortgages” by Fout, Li, Palim and Pan (2018).

Source: ESR Analysis of Fannie Mae Acquisition data



# Urban\* Population as a Percent of the Total U.S. Population (1790-2010)



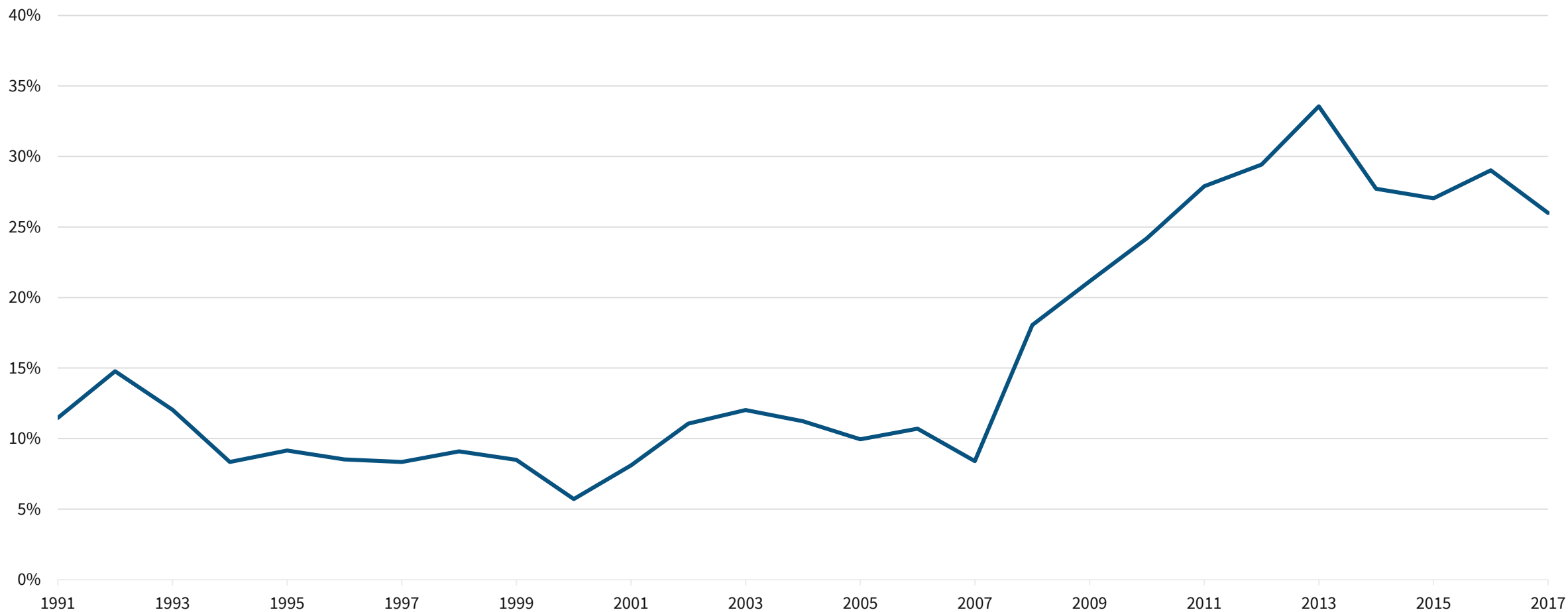
\*Urban is currently defined as any area with 50,000+ people as well as 1,000 person per square mile density and includes urban clusters which are places with 2,500 to 49,999 people.

Source: Census Bureau





# Core City Share\* of Population Growth Within the 50 Largest MSAs



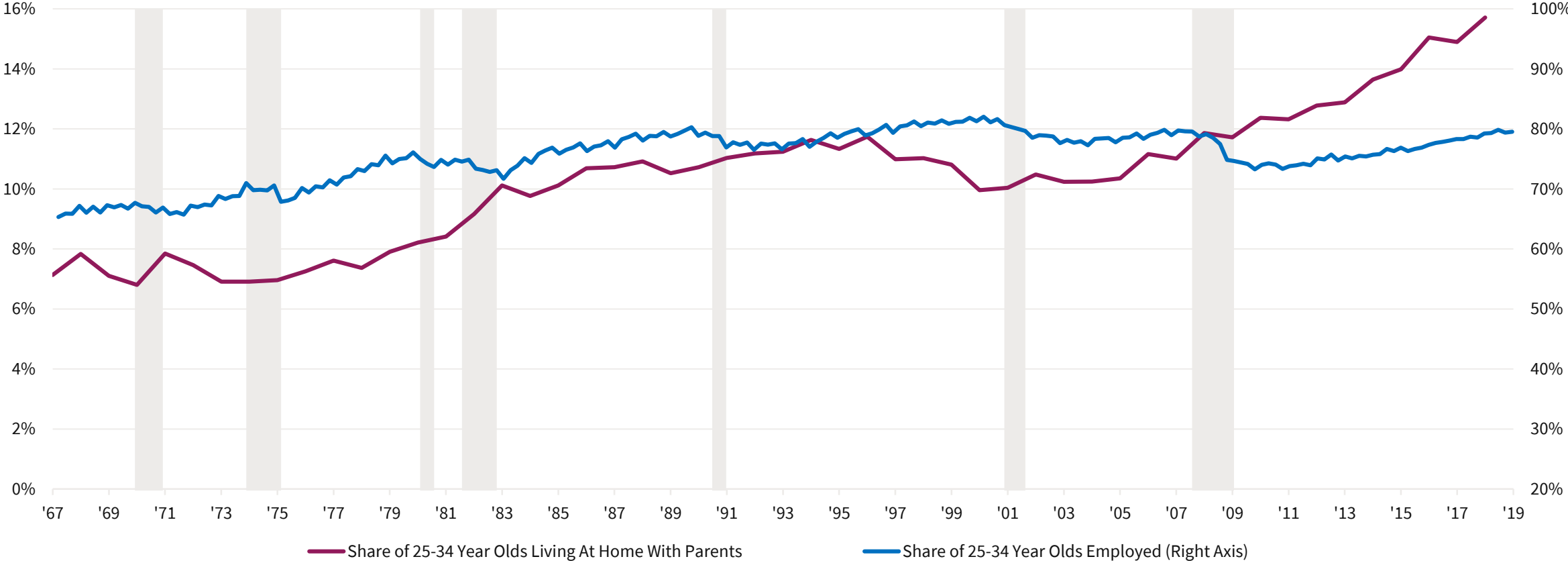
\*Share of MSA population growth that can be attributed to the principal city

Source: Census Bureau, Fannie Mae ESR Analysis



# Share of Adult Children Still Living at Home

Employment and Residence of Young Adults, 1967-2019



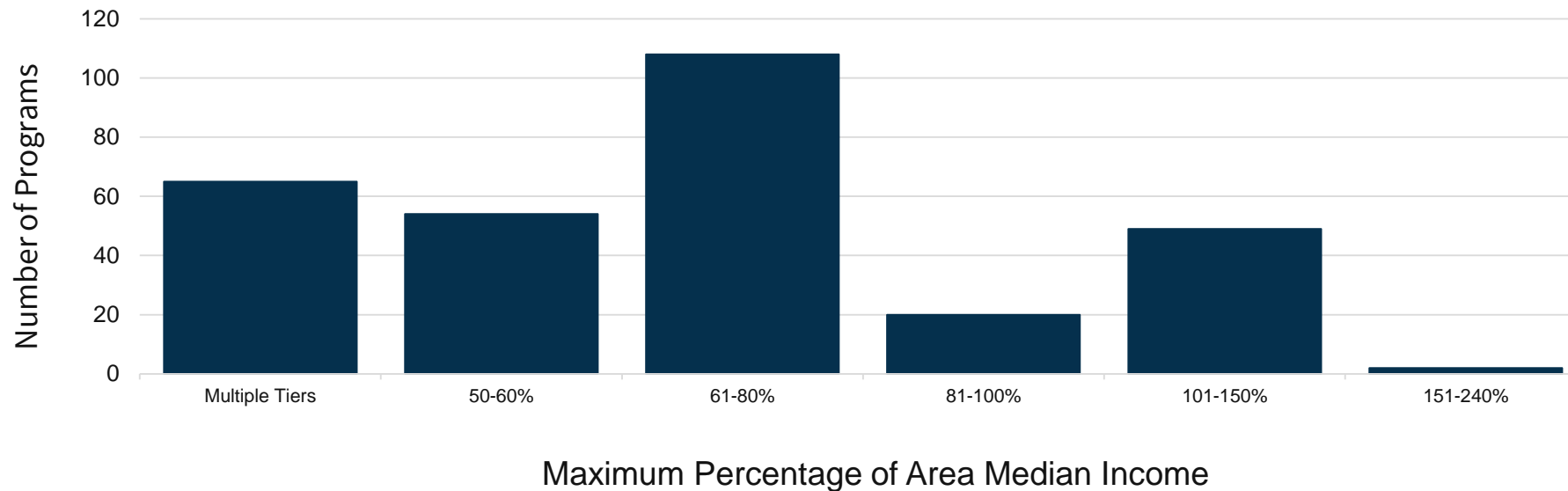
Source: Census Bureau, Bureau of Labor Statistics



# Affordable Housing: State and Local Programs

State and Local programs primarily serve low income renters but can also provide affordable housing to moderate income renters as well.

### Maximum Income Level by Rental Program



Source: Grounded Solutions Network  
As of May 31, 2019





# Partnering with Fannie Mae

# Advancing Housing Affordability

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- **Small Financial Institutions**
- **Shared Equity/Community Land Trusts**
- **Duty to Serve Energy**
- **Rural and High Needs Rural**





# MH Advantage<sup>®</sup> and Standard MH Mortgages

Drive your business forward with manufactured housing, an affordable alternative to site-built homes.



© Palm Harbor Homes

## What's New

[MH Advantage Overview Webinar](#) Mar 25, 2019

With Fannie Mae's innovative MH Advantage offering, designated manufactured homes (MH) designed with features similar to site-built homes are now eligible for financing terms more consistent with standard conventional loans. Join us for an overview of MH

Affordable starter homes have become scarcer, smaller, older, and more likely in need of major renovations. They have also seen a significant increase in prices. Fannie Mae believes today's modern, high-quality manufactured homes can help ease the nation's affordable housing shortage, address borrowers' evolving needs, and provide a growing business opportunity for lenders and the industry.



# “Big 6” Focus Areas

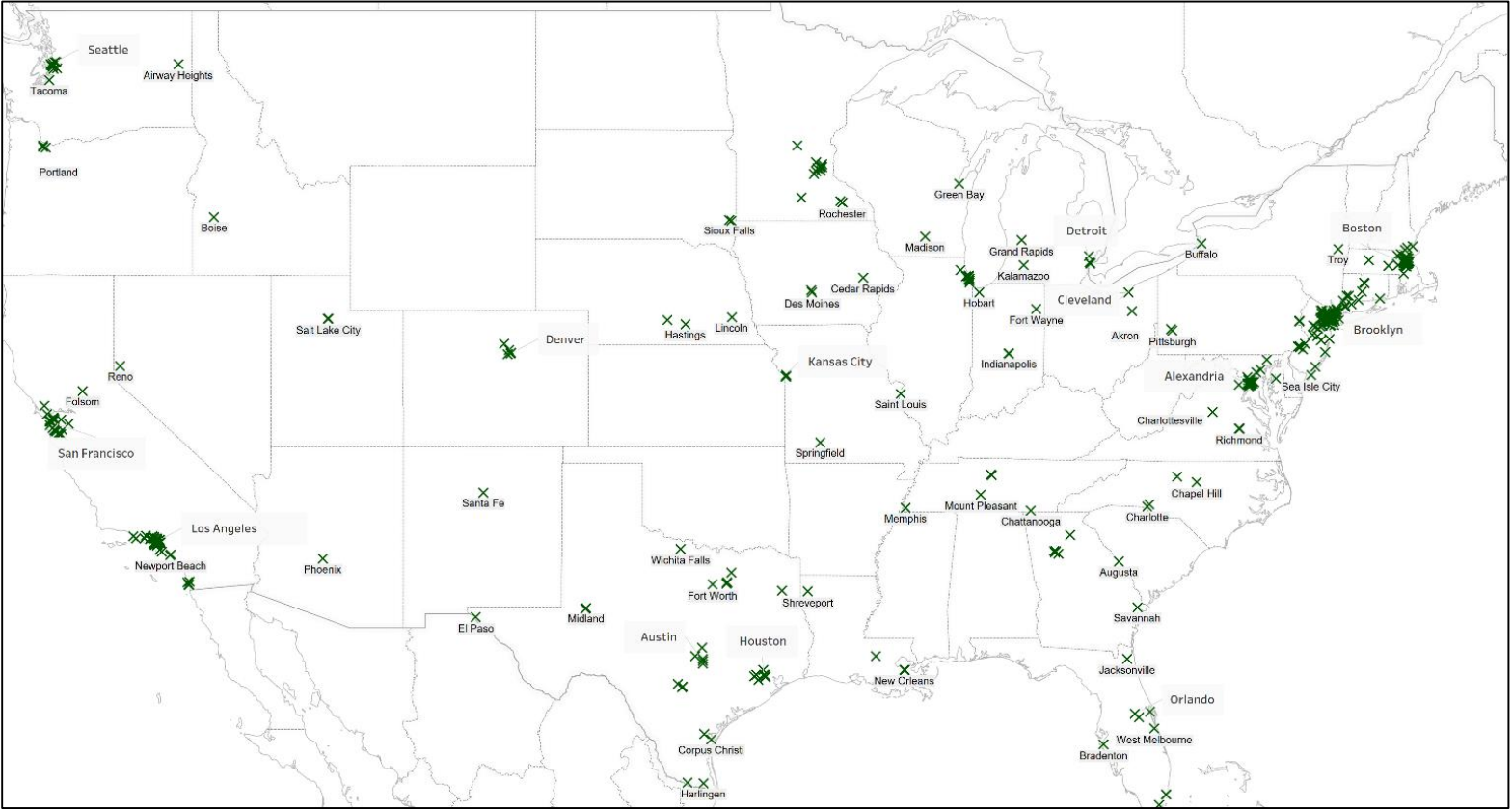
- Revitalize Manufactured Housing
- Support local regulatory change
- Support single-family builders
- Stimulate condo development & acquisitions
- Take modular mainstream
- Unlock nontraditional land sources



# Affordable Housing: State and Local Programs

About 10% of new market rate developments under construction have a percentage of new rent-restricted units.

Market-Rate Properties Under Construction With Some Percentage of Affordable Units



Source: CoStar as of May 31, 2019  
Excludes student, senior, and military housing properties. Excludes properties under construction in Alaska and Hawaii

# Affordable Mortgages

## Recent Product Changes

**HomeReady®:** Limiting the maximum AMI to 80% across all MSAs and counties. This is part of a broader effort to focus Fannie Mae's spending on affordable products. More details are available in the [Lender Letter](#).

**HFA Preferred:** Limiting the pricing benefit of HFA Preferred – both the LLPA waiver and the charter minimum MI requirement – to loans less than or equal to 80% AMI.

**[HFA Preferred Risk Sharing:** Limiting HFA Preferred Risk Sharing loans to borrowers at or below 80% AMI.]



# Reach More LMI Borrowers

- **HFAs will continue to be allowed to deliver loans greater than 80% AMI through the HFA Preferred variance**, including the underwriting flexibilities of the variance (this does not apply to HFA Preferred Risk Sharing).

## ***HFA Preferred - New LIP and VLIP Incentives:***

- *LIP loans (less than or equal to 80% AMI) will receive an **LLPA rebate of 0.5%***
- *VLIP loans (those  $\leq 50\%$  AMI) will receive an **LLPA rebate of 1%***



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