

# Lender FAQs

## **Q1. What is the Mission Index?**

The Mission Index is Fannie Mae's enhanced disclosure that provides insights into mission-oriented lending activities underlying our single-family mortgage-backed securities (MBS). It scores each Single-Family MBS the Enterprises issue on ten criteria, focusing on income, borrower, and property attributes that align to many of our statutory affordable housing responsibilities or other important mission goals. The Mission Index serves as the foundation for Enterprise-aligned Single-Family Social Bonds. These bonds will offer investors the ability to invest in single-family MBS featuring high concentrations of loans consistent with our mission and Duty to Serve goals. In turn, investor demand for these MBS may result in lenders focusing more on lending to those same populations.

## **Q2. What actions can lenders take to support the Mission Index and Social Bond Program?**

We encourage lenders to continue to serve the borrowers and communities for which the Mission Index and Social Bond program are intended to support. In late Q1, lenders delivering loans to Fannie Mae may assess and identify whole loans with high Mission Scores and MBS pools that offer a high concentration of mission-oriented issuances to qualify for benefits such as pay-ups.

## **Q3. How can I ensure my whole loans and mortgage-backed securities (MBS) pools are considered?**

Every loan acquired by Fannie Mae, whether through the Whole Loan Conduit or as part of a pool, is reviewed to determine if it meets one or more of the ten mission criteria and to calculate a Loan-level Score that reflects the number of mission criteria satisfied. The corresponding pools are assigned a Mission Criteria Share (MCS) value which represents the percentage of loans within the pool that meet at least one of the ten mission criteria. The pool is also assigned a Mission Density Score (MDS) which represents the average of the Loan-level Scores for the pool.

## **Q4. Am I responsible for identifying the criteria for each loan?**

No, the criteria are established as part of the Mission Index framework. Although the adaptable design allows the criteria to be adjusted, added, or removed over time as conditions change, we will strive to adjust the Index no more frequently than every 24 months. Advance notice will be provided ahead of any planned updates.

## **Q5. Will there be changes to ULDD /Loan Delivery to accommodate the Mission Index?**

There will be no impact to ULDD. Loan Delivery will be updated to reflect the new Mission Criteria Share and Mission Density Score. Details and timing of the changes will be communicated through the Tech Digest and Selling and Servicing News.



**Q6. When will the updated Mission criteria be implemented?**

The new name will apply to all Single-Family MBS pools, outstanding and new issuance, beginning with March 2024 issuance.

The updated formulation will apply to all pools for Fannie Mae beginning with March 2024 issuances and for Freddie Mac beginning with June 2024 issuances. Previously issued pools will not be re-scored. The Enterprises don't anticipate that this brief timing difference will introduce market disruption because of our aligned approach to the new criteria and introduction of labeled social bonds.

Fannie Mae and Freddie Mac expect to assign labels to Single-Family MBS meeting the Social Bond criteria beginning in June 2024.

**Q7. Does the Mission Index apply to all lenders?**

Yes, all lenders who deliver loans to Fannie Mae, whether through the Whole Loan Conduit or as part of a pool, will have their loans/pools scored by the Mission Index.

**Q8. Will there be reports available related to the Mission Index?**

Resources will be available to help lenders score their pipeline and capture any market-based incentives for originating loans to these populations of borrowers.

**Q9. Are any loans excluded or ineligible for Mission scoring?**

Second Homes receive a score of 0 across all criteria (and by extension, 0 for the aggregate loan-level Mission Score). They are NOT counted when determining an individual pool's eligibility to receive MDS and MCS disclosures (pools with 9 or fewer loans receive masked scores of 7s). Seasoned loans (aged more than 12 months at acquisition) receive a score of 0 across all criteria and ARE counted when determining MDS and MCS disclosure eligibility (only Second Homes are excluded from the loan count; Seasoned loans are INCLUDED).

**Q10. Is this approach aligned with Freddie Mac?**

Yes, Fannie Mae and Freddie Mac worked closely, and in alignment with FHFA, to evolve the Mission Index based on market feedback. The Enterprises are aligned in the Mission Index disclosures and Single-Family Social Bond Frameworks.

**Q11. How can I learn more?**

Contact your Fannie Mae account representative.