



Fannie Mae Rural Housing Loan Product

ACTIVITY:

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

OBJECTIVE:

1. Rebrand and market Fannie Mae's Native American Conventional Lending Initiative (NACLI) and purchase single-family loans (Analyze, Partner and Innovate, Do What We Do Best).

SUMMARY OF RESULTS:

In 2018, Fannie Mae took meaningful steps to reestablish our presence in Native American communities after a decade-long absence. We built strong partnerships necessary to align and better understand their challenges. We leveraged our resources to address the barriers to mortgage lending. We launched a successful marketing campaign to raise awareness of a Fannie Mae partnership. We published research to help the industry understand the unique challenges plaguing this underserved market.

Fannie Mae hosted roundtables, established the Fannie Mae Duty to Serve Advisory Council and subcommittees, sponsored multiple events, and spent time visiting Native American communities, viewing homes, and listening to community needs and opportunities. This work allowed us to develop our own internal expertise.

Recognizing the limited product offerings available to Native American communities, we identified the need to educate lenders about conventional products. We targeted those with experience working on tribal trust lands through the Section 184 (the Indian Home Loan Guarantee Program), as well as those within close proximity to Native American communities.

Fannie Mae created a marketing campaign to help tribes establish partnerships with us. We felt it was necessary to rebrand our Native American Conventional Lending Initiative with an uplifting message and new name: Initiative for Native American Homeownership. The initiative is about making homeownership more accessible by making partnership with Fannie Mae more feasible. We developed a welcome kit that includes the tools and resources necessary to assist tribes through the process. In addition to the marketing campaign, we undertook a research project that provided transparency to the housing industry by capturing the views of Native Americans on homeownership.

Through our partnership with the National American Indian Housing Council (NAIHC), we were able to help update the curriculum for the organization's homeownership guide. It had come to our attention that the homebuyer education and financial counseling curriculum, which was designed to address unique topics focused on Native American culture and heritage, had not been updated in 10 years. With our updates to the participant and instructor guide, over two dozen tribes now have access to the new materials to educate homebuyers. Moreover, in partnership with NAIHC, Fannie Mae is deploying the curriculum through a new peer-to-peer cohort model for a train-the-trainer Certification for Tribally Designated Housing Entities (TDHE) across the country.

Following are the 2018 Actions under this Objective as published in the December 14, 2018 Duty to Serve Plan:

Facilitate one rural housing roundtable with ten cross-functional industry representatives including lenders, mission based financial institutions, non-profit organizations, tribal leadership, and TDHE. Topics of discussion may include opportunities to expand access to housing and financing, regional needs, housing market challenges, market trends, and potential solutions that address the challenges facing Native American tribes.

Visit and engage with at least two tribes on their own lands to listen and learn about their homeownership goals; educate tribes about Fannie Mae and our suite of mortgage products.

Facilitate at least one Fannie Mae selling guide change that benefits or simplifies access to conventional financing.



- Engage three appraisers from two different tribal regions or States with experience in appraising properties on Native American lands to gather intelligence and knowledge about the unique challenges, and use the information to develop and share best practices.
- Conventional lending is not available to Native American tribes seeking to buy or construct homes on trust lands or other restricted areas. Fannie Mae will identify and engage two lenders with the ability to actively originate loans on tribal trust land.
- Execute at least one variance with a lender to accept delivery of loans on tribal trust land.
- Partner with one housing counseling agency and create one specialized Native American focused homebuyer education and financial counseling curriculum.
- Execute at least two MOUs with two Native American tribes.
- Research Native Americans' underlying views of home and first-time home ownership and document learnings. Interview 25 tribal member households by working with trusted counselors, educators, and other third parties.
- Establish a marketing campaign focused on the NACLI product, targeting 10 lenders geographically located near Native American land, and 10 other stakeholders including, TDHE, non-profit organizations, Native American CDFI, HFA, down payment assistance, and/or IDA program partners.
 - Market information via social media, webinars, and other mechanisms.
 - Provide training and/or support to three lenders, four non-profit counseling agencies, and two TDHE to optimize homeownership opportunities for Native Americans.

SELF-ASSESSMENT RATING OF PROGRESS:

- Objective met
- Objective exceeded
- Objective partially completed: 75-99% (substantial amount)
- Objective partially completed: 50-74% (limited amount)
- Objective partially completed: 25-49% (minimal amount)
- Objective partially completed: 0-24% (less than a minimal amount)

PARTIAL CREDIT JUSTIFICATION:

N/A

IMPACT:

- 50-Substantial Impact
- 40
- 30-Meaningful Impact
- 20
- 10-Minimal Impact
- 0-No Impact

IMPACT EXPLANATION:

1. How and to what extent were actions under this objective impactful in addressing underserved market needs or laying the foundation for future impact in addressing underserved market needs?

Fannie Mae invested a great deal of time establishing a presence in Native American communities. The accomplishments achieved under this Objective were impactful in addressing this underserved market as well as



building the necessary infrastructure for future impact. Impact would not be possible here without a number of legal agreements with the right partners. To that end, Fannie Mae partnered with the Idaho Housing and Finance Association by offering lending products on tribal lands in Idaho, South Dakota, Washington State, and New Mexico. In 2018, we renewed one memorandum of understanding with and also established three additional new MOUs with tribes in New Mexico and Michigan.

As Fannie Mae deepened engagement in high-needs rural markets, we focused on responsible ways to expand access to credit. In May 2018, Fannie Mae was able to implement a policy change, identifying Native American tribes and their sovereign instrumentalities as an eligible Community Seconds(R) provider.

Having impact in Indian Country required efforts from all areas within Fannie Mae. In March 2018, we facilitated an internal training to 35 employees. It focused on Native American culture, sovereignty, and legal complexities – as well as how to build impactful partnerships with Native American tribes. The training had immediate value, providing insight that otherwise would not have been available to these internal teams.

Fannie Mae traveled to New Mexico and conducted 25 individual in-depth interviews with tribal members. This centered on their journey toward homeownership. The interviews highlighted the social, cultural, and historical elements of Native American homeownership that have shaped the community's identity, as well as its approach towards the process of owning a home. This work was published and made available during Fall 2018.

Our partnership with the NAIHC touched over 50 tribes, and with our partnership we will continue to create a new peer-to-peer cohort model for newly trained instructors, establishing a foundation for the successful implementation of this new homebuyer education program. This important initiative supports sustainable homeownership for tribal members living on and off the tribal land.

Appraisals on Native American communities' present unique challenges. To gain additional context, in November 2018, Collateral Policy and Strategy interviewed three appraisers experienced with tribal trust land appraisals to compile best practices used by the appraisal industry.

2. (Optional): How do actions under this objective support future actions detailed in the Plan for the underserved market? If there have been any changes in the planned next steps or timeline for work under or related to this objective, describe the changes and provide a brief explanation.
The Actions for this Objective support future actions in many ways. Fannie Mae will continue to engage and be present in Native American communities. Our work with tribes is invaluable and we intend to continue to enhance and nurture these relationships.
In 2018, Fannie Mae took initial steps toward creating a comprehensive strategy to support Community Development Financial Institutions (CDFIs) in their mission to provide access to credit in Native American communities. Fannie Mae partnered with an independent vendor with secondary market experience to analyze the business model of multiple Native American CDFIs, identifying two Native American organizations that could benefit from working directly with Fannie Mae.
3. (Optional): Are there any market factors that adversely impacted the actions under this objective? If so, describe. Yes, there are many factors that adversely impact the actions under this Objective. Legal complexities of land ownership on Native American lands present a major barrier to securing a home mortgage. Numerous types of tribal lands exist, including trust, tribally owned, and allotted lands, as well as conversions that allow lands within reservations to be held in a variety of ownership types, known as checker boarding. These land challenges make mortgages difficult to obtain for homes constructed on tribal land. In addition, the foreclosure process can be complex, lengthy and expensive.
We will continue our outreach and education efforts to both lenders and tribes. In general, home construction costs are significantly higher in these locations due to increased transportation costs to rural, isolated locations. Many existing homes are in substandard conditions and overcrowding is prevalent on tribal trust lands. All these factors contribute to a lack of affordable housing.



4. (Optional): How did the actions under this objective contribute to increased or future loan purchases for the underserved market?

Each item undertaken in this Objective has the potential to support an increase in future Single Family loan purchases. Executing MOUs and issuing variances are all important factors to future loan purchases. Constant communication and relationship building are also extremely important. As a result of the interviews completed in November 2018, we discovered there are many challenges when appraising tribal trust lands and will use this information to establish best practices and transparency with the industry in 2019.



Fannie Mae Rural Housing Second Quarter Report: January 1 - June 30, 2018 Loan Product

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OBJECTIVE:

1. Rebrand and market Fannie Mae's Native American Conventional Lending Initiative (NACLI) and purchase single-family loans (Analyze, Partner and Innovate, Do What We Do Best).

SUMMARY OF RESULTS:

Fannie Mae partnered with the Idaho Housing and Finance Association to offer lending products on tribal lands in Idaho, South Dakota, Washington State, and New Mexico.

To enable the financing of NACLI loans, Fannie Mae engaged with three tribal entities to execute three memoranda of understanding (MOU) and approve the terms and conditions of an additional two. We are in negotiations to complete two more.

We partnered with the National American Indian Housing Council (NAIHC) to create a modern-day version of Pathways Home: A Native Homeownership Guide. This guide is a homebuyer education and financial counseling curriculum addressing unique topics focused on Native American culture and heritage. Updates were also made to both the participant and instructors' guide.

In partnership with NAIHC, Fannie Mae will offer a "Train the Trainer" Certification for Tribally Designated Housing Entities (TDHE) across the country. NAIHC will work to create a new "peer to peer" cohort model for newly trained instructors, establishing a foundation for the successful implementation of this new homebuyer education program. This important initiative supports sustainable homeownership for tribal members living on and off of the tribal land.

Fannie Mae sponsored NAIHC's Annual Convention. We hosted a booth and conducted an informational session about our products and services.

We announced a recent Selling Guide change supporting homeownership opportunities by allowing Native American tribes and their sovereign instrumentalities to provide grants or Community Seconds loans to borrowers.

To gain a better understanding into the challenges of Native American homeownership, Fannie Mae completed a research study interviewing 25 tribal members about their desire to be a homeowner and their experiences and the obstacles they overcame on their journey.

During the first quarter, we contracted with an outside vendor to offer a course to Fannie Mae employees on building partnerships with Native American tribes. This training is designed to assist non-Native partners in thinking through, developing, and implementing potential partnerships. There were approximately 35 employees in attendance.

Following are the 2018 Actions under this Objective:

- Facilitate one rural housing roundtable with ten cross-functional industry representatives including lenders, mission based financial institutions, non-profit organizations, tribal leadership, and TDHE. Topics of discussion may include opportunities to expand access to housing and financing, regional needs, housing market challenges, market trends, and potential solutions that address the challenges facing Native American tribes.



- Engage three appraisers from two different tribal regions or States with experience in appraising properties on Native American lands to gather intelligence and knowledge about the unique challenges, and use the information to develop and share best practices.
- Conventional lending is not available to Native American tribes seeking to buy or construct homes on trust lands or other restricted areas. Fannie Mae will identify and engage two lenders with the ability to actively originate loans on tribal trust land – by Q2 end.
- Partner with one housing counseling agency and create one specialized Native American focused homebuyer education and financial counseling curriculum – by Q2 end.
- Execute at least two MOUs with two Native American tribes – by Q3 end.
- Establish a marketing campaign focused on the NACLI product, targeting 10 lenders geographically located near Native American land, and 10 other stakeholders including, TDHE, non-profit organizations, Native American CDFI, HFA, down payment assistance, and/or IDA program partners.
 - Market information via social media, webinars, and other mechanisms – by Q3 end.
 - Leveraging the specialized homebuyer education curriculum, work with counselors, educators, and other third parties to engage 25 tribal member households to monitor and document their progress towards homeownership – by Q4 end.
 - Provide training and/or support to three lenders, four non-profit counseling agencies, and two TDHE to optimize homeownership opportunities for Native Americans – by Q4 end.

SELF-ASSESSMENT RATING OF PROGRESS:

- On-target to meet or exceed the objective
- Progress delayed and/or partial completion of the objective expected
- Unlikely to achieve any milestones of the objective

ADDITIONAL INFORMATION (IF APPLICABLE):