

## 2025 Rural Housing Outreach

**ACTIVITY:**

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

**OBJECTIVE:**

2. Enhance loan products for use in Indian areas.

**SUMMARY OF RESULTS:**

*This objective was added as permitted under the Plan Revision Process specified in Chapter 1, Section IV of the Duty to Serve Evaluation Guidance (2025-8).*

<i>Objective's components detailed in the Plan</i>	<i>Corresponding actions taken</i>	<i>Explanation of any deviations from the Plan (if applicable)</i>
<input checked="" type="checkbox"/> Introduce product enhancements to Native American Conventional Lending Initiative (NACLI) that respond to market feedback.	Target met through 2025 actions; see subsequent implementation steps.	
<input checked="" type="checkbox"/> Publish enhancements to NACLI document templates, addressing feedback from tribes and tribal organizations.	In October, Fannie Mae published significant updates to the NACLI Memorandum of Understanding (MOU) and NACLI loan documents to implement feedback provided by tribes, lenders, and other tribal housing stakeholders.	
<input checked="" type="checkbox"/> Develop new tools and communication strategies to support expanded utilization of NACLI.	We deployed an update to our Area Median Income (AMI) Lookup Tool to help lenders identify Duty to Serve-eligible Indian areas. We pursued communication channels with partners like state housing finance agencies and Federal Home Loan Banks to disseminate information. We developed a refreshed presentation deck incorporating significant details of the NACLI loan documents to facilitate a step-by-step review with prospective new tribes and tribally designated housing entities (TDHEs). We also participated in several tribal housing conferences, meetings, and two webinars to communicate the updates to NACLI.	



<input checked="" type="checkbox"/> Gather feedback from three experienced lenders on the opportunities for new construction loans on tribal lands.	<p>We gathered feedback from three lenders, as well as several tribal housing authorities and one state housing finance agency, on new construction opportunities on tribal lands. Several of these engagements have resulted in plausible opportunities to purchase loans secured by newly constructed properties on tribal lands in 2026 and beyond.</p>	
<input checked="" type="checkbox"/> Pursue new tribal MOUs by leveraging new flexibilities reflected in 2025 enhancements.	<p>We engaged multiple tribes on the execution of the enhanced MOU and executed an MOU with the Confederated Salish &amp; Kootenai Tribes (CSKT) effective December 2025 for tribal lands in Montana. We await tribal council adoption of the MOU by two tribes.</p>	

**SELF-ASSESSMENT RATING OF PROGRESS:**

- Target met
- Target exceeded
- Target partially completed
- No milestones achieved

**IMPACT:**

- 50 – Very Large 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 in laying the foundation for future impact in addressing underserved market needs?**

In 2025, Fannie Mae fulfilled our commitments under this Objective to be responsive to market feedback and for foundation-building and long term market effects. Our priorities in 2025 aimed to directly address the limitations of the NACLI by creating structural efficiencies, enhancing tribal readiness and participation capacity, and reinforcing collaborative, co-created solutions to increase the impact of addressing underserved market needs, particularly:

- Communicating with industry participants in a broad-based and responsive way
- Updating language in the MOU that created perceived obstacles for tribes (and their housing authority), and had a chilling effect to limit participation
- Updating language in the variance to clarify common lender questions and directly tie-in the NACLI loan documents that implement our requirements for NACLI
- Updating the NACLI loan documents by reducing complexity, eliminating redundant clauses, and adding tribal law concepts
- Integrating Indian Area census tract data in our AMI lookup tool to expand the visibility of NACLI-eligible areas and drive broader lender discovery of opportunities



- Promoting recent updates to Fannie Mae’s construction lending products to select market participants in a way that has resulted in promising future NACLI loan purchase opportunities
- Extensive consultation with leading tribal governments and housing authorities, and their legal advisors, creating new and strengthened relationships that will enable deeper collaboration
- Executing a new MOU in 2026 with a tribe having robust residential lending activity levels, which we believe will encourage participation by other tribes.

Most notably, our subject matter experts from across the organization collaborated to update and harmonize all the NACLI foundational documents, including the MOU, required loan documents, skeleton variance for lenders, and the variance framework. In general, these updates position NACLI as a more competitive alternative for certain lending activities by reducing friction, improving lender experience, and addressing long-standing program limitations. Our collective efforts create a consistent, transparent framework that will support more predictable lender engagement. We made NACLI simpler to explain at the outset and easier to implement operationally, which is expected to increase participation and reduce onboarding timelines. Specifically, the updates address several topics that stakeholders have identified as critical to serving this market, by eliminating long-standing legal uncertainties and standardizing expectations, reshaping the perception of risk and enabling broader market participation over time, including:

- Clearly framing the benefits of increased liquidity and impact on increased housing supply, increasing the reliance on the MOU to explain the benefits, and lessening the reliance on verbal discussions
- Expressly recognizing tribal law restrictions on occupancy, a historic source of reluctance for tribal participation
- Explicitly permitting third-party originators to originate NACLI loans
- Allowing manufactured housing lending unless tribal laws prohibit it
- Adding tribal member redemption rights after foreclosure, and
- Updating recording requirements

In conjunction with these foundational changes, we advanced NACLI’s long-term market impact to a wide variety of organizations interested in utilizing it and increasing the supply of new single-family homes in Indian areas, including:

- continued support of the Federal Home Loan Bank of Chicago in its scheduled roll-out of NACLI to its participating financial institutions positioning more lenders with business opportunities in Indian Areas to incorporate NACLI into their product offerings and expand future liquidity
- collaborated closely with several state housing finance agencies to conduct coordinated tribal outreach, strengthening connections to support longer-germ program uptake and readiness across multiple jurisdictions

Continuing this work into 2026 and beyond, we expect these foundational efforts to drive increased engagement from tribes, tribal housing entities, lenders, and stakeholders, designed to result in greater liquidity in Indian Areas through expanded loan purchases and broader utilization of NACLI over time.

## 2. What did the Enterprise learn from its work about the nature of underserved market needs and how to address them?

While we purchased three DTS-eligible NACLI loans in 2025, we recognized several obstacles to acquiring significantly higher loan purchase volumes, including:

- **Cost disparity with government loan programs.** Lenders historically favor the U.S. Department of Housing and Urban Development (HUD) Section 184 loan program for financing tribal members in Indian Areas because it offers several advantages that conventional loans simply cannot match, namely the program’s 100% federal guarantee and that HUD, not lenders, handles foreclosures. Section 184 loans also provide more flexible and affordable terms when compared to conventional loans, including lower down payments (2.25%), lower interest rates, more lenient credit requirements, and assumability. HUD’s program changes in 2023 and 2024 incentivized broader lender participation by simplifying program requirements, eliminating the annual loan guarantee fee, and reducing the upfront loan guarantee fee to 1.0% which borrowers can roll into the loan. Collectively, these changes create an insurmountable cost-to-consumer advantage over



conventional loans with an average savings of almost \$5,700 over the life of the loan according to HUD. As a result, lenders must consider 184 loans as the most cost-effective option for their borrowers and will view conventional loans only as a “fallback option.”

- **Adverse market conditions and limited tribal resources.** Persistent challenges continue to limit participation in NACLI by new tribes and lenders. Experienced lenders typically view HUD’s 184 program as the most cost-effective option for borrowers, while new lenders lack experience with leasehold mortgages on tribal lands and are discouraged by widely shared anecdotal reports of extended Bureau of Indian Affairs (BIA) approval timelines. Our outreach also confirms that most tribes have limited staff capacity to evaluate or implement new loan products like NACLI.
- **Low housing inventory on tribal lands.** Many tribes and their housing authorities continue to prioritize affordable rental units to meet the immediate and persistent housing needs of tribal members. Efforts to expand the existing housing stock in rural tribal areas are constrained by limited infrastructure, high construction costs, and capacity challenges. These factors restrict homeownership opportunities and reduce mortgage demand across many tribal communities. For perspective, HUD’s FY26 estimate under the Section 184 program is ~1,600 loans.

Understanding these challenges focused our attention on the various 2025 strategies that worked toward differentiating NACLI from existing loan products, where possible; simplifying NACLI MOU and loan document templates to facilitate more tribal adoption; and promoting construction financing strategies that might lead to more housing supply in Indian Areas. Moving forward, we will continue to position NACLI for success in increasing supply and liquidity to this underserved housing market.

### **3. Optional: If applicable, why was the Enterprise unable to achieve the Plan target?**

N/A