



Fannie Mae 2020
Rural Housing
Outreach

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) (Analyze, Partner and Innovate).

SUMMARY OF RESULTS:

Following are the 2020 Actions under this Objective per the January 1, 2021 Duty to Serve Plan:

<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"/> Facilitate a training to educate tribes and appraisers on the challenges of appraisals on tribal trust land; if feasible, develop a partnership to pilot a solution.	•Fannie Mae developed a training curriculum and hosted a webinar to a targeted group of industry stakeholders, including appraisers, tribes, lenders, and Native Community Development Financial Institutions (Native CDFIs).	•N/A
<input checked="" type="checkbox"/> Expand lender outreach to an additional two lenders geographically located near Native American land (i.e., lenders not approached in 2018 or 2019).	•We expanded outreach to two lenders not approached in 2019 to increase awareness of Fannie Mae and our product offerings.	•N/A
<input checked="" type="checkbox"/> Continue to provide technical assistance to a Native CDFI or tribe(s) to enhance and/or sustain tribal homeownership opportunities.	•We continued technical assistance to the New Mexico pueblos scoping the development of a tribally owned leasing and realty office. •We established a partnership with South Dakota Native Housing Coalition to support the "Native Homeownership Protection Plan."	•N/A



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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)
- No milestones achieved

PARTIAL CREDIT JUSTIFICATION:

N/A

IMPACT:

- 50 – Substantial Impact
- 40 – Between Meaningful and Substantial Impact
- 30 – Meaningful Impact
- 20 – Between Minimal and Meaningful Impact
- 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?

Under this objective, Fannie Mae’s effort laid the foundation for future impact by arming Native American tribes and Native CDFIs with the knowledge and skills necessary to remove barriers impeding Native homeownership.

Leadership Efforts:

We learned it was necessary to reengage and inform the industry about our 2019 enhancement allowing use of the cost approach valuation method on tribal trust lands. Cost-based appraisals are necessary to facilitate affordable housing due to a lack of sales and housing production on remote tribal trust land. We hosted a “Tribal Trust Land and Appraisal Training” webinar, in which we leveraged the opportunity to raise awareness around our products and services to highlight the benefits of the secondary market. The webinar also clarified the roles and responsibilities of the tribe, the lender, and the appraiser in the mortgage origination process. Forty-eight percent of the attendees represented tribal entities, demonstrating a strong interest in our products and partnership.

Partnership Development:

We conducted six interviews with New Mexico pueblos validating that the title and leasing timeline on tribal trust lands can slow down the mortgage origination process by up to 18 months. These delays discourage traditional lenders from doing mortgage lending in tribal communities. To solve for this, we continued to provide technical assistance for six New Mexico pueblos to explore, create, and move towards a streamlined



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process with the Bureau of Indian Affairs to make mortgage loans on these reservations and improve the accuracy of land title recording transactions for these six New Mexico Pueblos.

One pueblo leading the initiative partnered with its housing entity and realty department to create a step-by-step procedure outlining collaboration to reduce delays with land assignments, residential leasing, environmental reviews, and mortgage documentation. If adopted by other pueblos, this could be one opportunity to improve the title and leasing timeline. Future steps include following a homebuyer through this revised process to observe time savings and any remaining delays.

With our support, the South Dakota Native Housing Coalition launched the “Native Homeownership Protection Plan” in June. This resource aimed to educate Native practitioners on foreclosure prevention and establish a COVID-19 relief outreach campaign to tribal homeowners. A recent nationwide survey conducted by the Minneapolis Federal Reserve Bank revealed two-thirds of Native American reservation-based business owners reported revenue declines of 20 percent or more. According to the State Department of Health, each of the nine reservations in South Dakota was considered to have a substantial community spread of the virus. Efforts to implement the Plan will begin in the new year as many homeowners will seek options after their forbearance expires.

An additional component of the “The Native Homeownership Protection Plan” was a COVID-19 relief outreach campaign. This campaign highlights the most pertinent information for borrowers about COVID-19 relief options available through a series of six webinars. To date, two webinars have been conducted. Lastly, the coalition has compiled a list of all necessary resources and placed them in one area of their website. Topics include foreclosure prevention, forbearance, mortgage relief options, personal financial management tips and information for times of crisis, converting homeownership services to a virtual platform, and other partner resources.

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

Although Duty to Serve initiatives throughout Native American Country have been hampered by the pandemic, with multiple state lockdowns and pueblos having to reprioritize responsibilities, there has been meaningful progress and the desire to protect and create sustainable homeownership has never been more important.

Despite our efforts, obtaining an accurate and sufficient real estate appraisal on tribal trust land continues to be a barrier for conventional mortgage lending. There are underlying issues outside of our control, including few comparable sales on rural tribal trust land and no access to tribal data. Home sales on tribal trust lands are often not at an arm’s length and remain in the family or transfer back to the tribe, limiting the number of market-rate transactions available for appraisers to assess. For these reasons, we altered our appraisal policies in 2019 to allow for cost-based appraisals. However, feedback from the webinar confirmed the lack of overall awareness of conventional lending on trust land, including knowledge of eligible appraisal methods. While the training was a good first step in raising awareness with appraisers and emphasizing the cost approach evaluation method, appraisal education should continue to be a key component of the Native American lending strategy.

There continues to be an interest in understanding how to structure a partnership between Fannie Mae and a tribe. This includes clarity about the necessary legal documents to enable conventional mortgage lending



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activity within a tribal nation's borders. Native CDFIs believe having access to the secondary market could increase their mortgage lending capabilities; however, most Native CDFIs do not yet have strategies in place to meet the administrative and legal requirements associated with selling loans to investors such as Fannie Mae. These concerns motivated our shift in strategy to focus on building technical and administrative capacity within the Native community development finance industry.

3. (Optional): If applicable, why were all components of this objective not completed?

N/A



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Second Quarter Report: April 1 - June 30, 2020
Outreach**

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OBJECTIVE:

1. Rebrand and market Fannie Mae's Native American Conventional Lending Initiative (NACLI) (Analyze, Partner and Innovate).

SUMMARY OF RESULTS:

Fannie Mae is on target to meet this objective. We continued our targeted engagement with lenders around mortgage lending to Native American populations. During first quarter 2020, we facilitated four discussions with approved lenders who held experience working with Native American homebuyers. The focus was to better understand the benefits and challenges of each of the available mortgage products while probing for potential solutions to serve families wanting to purchase homes on tribal trust land. This work will inform future strategy and guide our product enhancements around Native American lending.

Our collateral policy team is working to create a training curriculum designed to educate both appraisers and tribes on appraisals on tribal trust lands. In 2019, we successfully implemented a “Cost Approach” valuation method for homes located on tribal trust lands overcoming a major hurdle for conventional lending. The objective for this training is to raise awareness of Fannie Mae’s conventional lending products servicing Native American homebuyers. This webinar is scheduled for early third quarter 2020.

We renewed our partnership with Enterprise Community Partners to support the Tribal and Native CDFI Homeownership Learning Communities Cohort. This effort combines both Tribally Designated Housing Entities/Tribal Housing Authorities and Native CDFIs into nine teams (19 organizations) building capacity for homeownership programs, delivering the Tribal Homeownership Curriculum, and identify barriers (and solutions) to homeownership including barriers for mortgage financing products in Indian Country. An additional component was added to this work addressing the COVID-19 impact. These organizations will also work to develop or improve foreclosure prevention programming to support existing homeowners.

To address the impact of COVID-19 in Indian Country, we have partnered with the South Dakota Native Homeownership Coalition to building the capacity of their member organizations to provide foreclosure prevention education and offer a COVID-19 relief



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outreach campaign. This work resulted from direct response to address the unmet needs of the community organizations and their homeowners.

Following are the 2020 Actions under this Objective:

- Facilitate a training to educate tribes and appraisers on the challenges of appraisals on tribal trust land; if feasible, develop a partnership to pilot a solution.
- Expand lender outreach to an additional two lenders geographically located near Native American land (i.e., lenders not approached in 2018 or 2019).
- Continue to provide technical assistance to a Native CDFI or tribe to enhance homeownership opportunities or access affordable capital and liquidity on tribal trust lands.

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):