



Fannie Mae 2021
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 2021 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"/> Employ an engagement strategy to raise awareness of conventional mortgage lending, and either improve the Native American mortgage lending process or address the needs of communities impacted by COVID-19.	In addition to the actions taken below toward this target, Fannie Mae made progress toward executing memoranda of understanding (MOU) with three tribes in 2021. An MOU must be in place for conventional financing to occur on trust land. We implemented a special pricing offering for NACLI loans.	N/A
<input checked="" type="checkbox"/> Participate in at least two Native American forums.	Fannie Mae participated in an Oweesta conference with CDFIs, where we shared a financial analysis comparing conventional lending with other loan types. Over 40 organizations registered for the session. We also took part in the Minneapolis Federal Reserve's Center for Indian Country Development's National Homeownership Coalition monthly meeting with lenders and Native housing practitioners, where we shared a similar financial analysis and overview of Fannie Mae's NACLI offering.	N/A



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<input checked="" type="checkbox"/> Support an existing initiative or facilitate the creation of a new initiative focused on new homebuyers or sustainable homeownership.	Fannie Mae helped CDFIs, lenders, and tribal housing practitioners in Montana explore the feasibility and potential impact of a statewide effort to support Native homeownership.	N/A
<input checked="" type="checkbox"/> Engage a Native CDFI with significant mortgage lending capacity and the Native American tribes with whom they work with to better understand their business model, goals, and how conventional lending could complement existing business lines. Conduct and share financial analysis on the potential benefits of conventional lending for the CDFI, tribe, and borrowers. Based on these learnings, create a conventional lending value proposition tool kit that can be leveraged with other Native CDFIs and tribes.	Fannie Mae worked with a Native-led CDFI, to conduct analysis of the costs and revenues associated with conventional lending. We leveraged this analysis with several other Native CDFIs through the events referenced above and with the CDFIs participating in Oweesta’s CDFI cohort, described under objective 5.	N/A
<input checked="" type="checkbox"/> Support New Mexico pueblos as they explore opportunities under the HEARTH ACT of 2012 to expedite leasing, thereby reducing the mortgage process timeline.	Fannie Mae provided in-depth training to three pueblos, two of which have already secured authority to approve leases and mortgages under HEARTH and one that is pursuing approval.	N/A

SELF-ASSESSMENT RATING OF PROGRESS:

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



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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?

Despite substantial opportunity and demand for homeownership, significant obstacles to a vibrant mortgage market on trust land persist.

Buying a home on trust land in New Mexico, for instance, can take up to two years due to lengthy leasing, titling, and recording processes. Four pueblos and the Navajo Nation within New Mexico have approved leasing laws securing authority under the Helping Expedite and Advance Responsible Tribal Home Ownership Act of 2012 ("the HEARTH Act") to approve residential leases and mortgages. These laws can reduce mortgage timelines but require tribes to create new approval processes.

In 2021, Fannie Mae paired three pueblos in New Mexico with an experienced consultant to support process improvements. Our technical assistance resulted in improved communication between partners. As a result, one pueblo secured access to TAAMS registration and kicked off the clearance process for TAAMS users (TAAMS is the Bureau of Indian Affairs' (BIA) mortgage recording software, without which a tribe cannot record mortgages even if they have the authority.) Fannie Mae helped establish a regular communication cadence between BIA and a tribal housing entity to facilitate faster mortgage recording and sourcing. We also supported efforts to test and refine a new process to shorten the time it takes to complete an environmental assessment, often the most significant cause for delays in the mortgage approval process. Improved coordination across tribal entities and with the BIA position these tribes well to grow their mortgage programs.

Fannie Mae is also working with other partners in New Mexico to improve access to conventional lending. We provided orientation sessions on conventional financing to two tribally designated housing entities (TDHE) and their boards. One of the sessions was followed by significant engagement across Fannie Mae and the tribe's attorney to resolve outstanding issues and to revise their memorandum of understanding (MOU). The other session led to follow-ups with the TDHE and the tribe's realty office to obtain approval for bringing the MOU to tribal council, which needs to approve it in order for it to be executed. As a result of this work, the legal documents and enabling documents are ready for presentation to two tribal councils for approvals. Due to COVID-19, meetings on the MOU approval with tribal councils were delayed, but we're hopeful that these meetings can occur in 2022. We are also working with a CDFI in New Mexico that is on track to begin participating in NACLI in 2022 and will be well-positioned to serve members of these tribes.

In Montana, we provided support to a group of 21 representatives from tribes, TDHEs, CDFIs, lenders, and non-profits to explore whether a state-wide coalition might help them better support Native homeownership. This



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engagement included research with the eight tribes in Montana and other key housing stakeholders. Research revealed unique assets in Montana to support Native homeownership, including efficient leasing and mortgage approval processes, TDHE capacity for housing development, and experienced Native CDFIs and lenders. Despite these resources and demand for homeownership, mortgage lending volume is low across Native lands in Montana. The research identified opportunities for a state-wide effort to expand Native homeownership. Findings were [published](#) in December and shared at an event with over 80 participants, hosted by a steering committee that included tribal government leadership, lenders, and other key stakeholders.

In addition to the efforts described above in Montana and New Mexico, we developed a “value proposition toolkit,” which includes the core information a CDFI might need to assess whether conventional lending is a good fit for them and the borrowers they serve. This effort involved working with a Native CDFI to evaluate both the borrower affordability of loan products available to Native homebuyers on trust land in their state as well as the potential revenue that the CDFI could generate with each type of loan. This analysis included comparisons of Fannie Mae’s HomeReady® loan, the U.S. Department of Housing and Urban Development (HUD) Section 184 home loan, and a portfolio product offered by the CDFI. The analysis revealed a promising opportunity for this CDFI, resulting in the CDFI taking steps in 2021 to bring a conventional offering to the tribes they serve. As a result of this engagement, Fannie Mae and the tribe served by the CDFI began negotiations on an MOU. There were also discussions initiated with a Fannie Mae seller servicer located in the state about participating in NACLI.

We also leveraged this analysis to raise awareness among other Native-led CDFIs, many of whom were unaware that a conventional offering could be a competitive option for the borrowers they serve. We adapted this comparison tool for four additional CDFIs to tailor to their business models by incorporating their own portfolio products in the calculation. Two of these CDFIs have subsequently requested and secured access to Desktop Originator so that they can assess borrower eligibility for conventional loans.

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

Significant time and investment are required to design and execute an efficient leasing and mortgage approval process on trust land. However, without these strong processes in place, it will be difficult to serve the needs of Native homebuyers or for lenders serving these borrowers to grow their volume. We will continue to support this difficult work in 2022.

While we achieved our plan target, there were notable challenges. The COVID-19 pandemic continues to be a central challenge for Native American communities. Throughout the year, tribes with whom we partner experienced:

- periodic spikes in infection rates, illness, and closures; and
- disruptions to business conducted with the BIA, which suffered from the technology constraints of remote work; and
- shifting priorities, as new, desperately needed funding became available for COVID relief and community development.



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These issues often led tribal partners to deprioritize work on mortgage finance this year. Decisions at tribal councils on MOUs were postponed to 2022, and tribes that had planned to invest in their mortgage processes pushed the work from early in 2021 to the end of 2021.

Moreover, due to travel restrictions and frequent reservation closures, Fannie Mae staff did not have the opportunity to build relationships with new Native partners in person. Instead, we relied more heavily on local partners with whom we contracted to advance projects.

3. If applicable, why was the Enterprise unable to achieve the Plan target?

N/A