



Fannie Mae 2021  
Rural Housing  
Loan Product

**ACTIVITY:**

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

**OBJECTIVE:**

5. Conduct activities to expand access to the secondary market for high-needs populations (Do What We Do Best, Test & Learn, Partner and Innovate an Analyze).

**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"/> Launch a Native CDFI Mortgage Lenders Cohort to expand mortgage lending through improved access to the secondary market:	All of the underlying activities associated with this action contributed to the completion of this objective's target.	N/A
<input checked="" type="checkbox"/> Establish a partnership with a Native CDFI intermediary to create a cohort of at least nine Native CDFI's focused on advancing Native CDFI's mortgage lending.	Fannie Mae contracted with Oweesta Corp. in late 2020 to stand up a cohort of 13 Native community development financial institutions (CDFIs), which established a partnership that continued in 2021.	N/A
<input checked="" type="checkbox"/> Provide support during the application selection process where Native CDFI applicants will identify their development needs or establish a business plan for growing their mortgage lending, to include delivering loans to investors through the secondary market. Selected organizations will either possess or establish the appropriate infrastructure needed to successfully originate and deliver loans to secondary market participants.	Fannie Mae and Oweesta selected 13 Native CDFI members to join the cohort. Selections were based based on geographic location, CDFI certification, potential future loan volume and dedication to expanding loan production in their market.	N/A



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<input checked="" type="checkbox"/> Provide resources needed that allow the partnering Native intermediary to provide customized technical assistance plans and supports to the selected Native CDFIs to include obtaining mortgage licenses, making technology upgrades, and standardizing knowledge of the secondary market.	Under the contract with Oweesta, Fannie Mae hired four consultants with significant lending and secondary market experience to provide individualized technical assistance (TA) to the cohort members.	N/A
<input checked="" type="checkbox"/> Facilitate six peer-to-peer learning sessions and provide a minimum of 20 hours of in-depth technical assistance from mortgage lending experts.	Fannie Mae facilitated monthly peer-to-peer learning sessions and provided an average of 21 hours of technical assistance to cohort organizations.	N/A
<input checked="" type="checkbox"/> Develop a feedback loop with the Native CDFI intermediary and, if feasible, the selected CDFIs in cohort, that identifies areas for improvement to inform future work; document progression and learnings.	Fannie Mae held bi-weekly meetings with Oweesta and monthly meetings with the TA providers to discuss progress, obstacles and priorities, which allowed us to continually optimize the work of the cohort in real-time.	N/A

**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



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### **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?**

Native community development financial institutions (CDFIs) play an important role in serving Native consumers and are well-positioned to expand mortgage lending in Indian Country. Mortgage volume is low on Native lands for a variety of reasons, including credit barriers for potential borrowers, lengthy mortgage origination processes, and the related lack of lender participation in this market. Native CDFIs can prepare consumers for homebuying and navigate the difficult origination process. They are also well attuned to the needs of borrowers in their communities. However, while Native CDFIs have the critical market knowledge, they often lack the capital to meet all of the homebuyer needs in their communities and lack the policies, personnel, and infrastructure to leverage the secondary market to replenish capital.

Through the technical assistance provided this year to the cohort, Native CDFIs developed tools to better serve their customers, and in some cases, began building out the policies and systems needed to originate and sell loans to secondary market investors.

Some of the cohort milestones that demonstrate this project's impact in 2021, as well as the infrastructure developed for future impact, include the following:

- Six cohort members are on track to become NMLS licensed in the next six months, according to TA providers.
- Six cohort members report that they intend to become mortgage brokers in the next six months.
- Nine cohort members expanded their service area or added a new housing product, or report that they will in the next six months.
- Three cohort members began using Desktop Originator® to evaluate borrowers due to TA support.
- Two cohort members became mortgage packagers.
- One cohort member became a HUD 184 guaranteed lender (the first Native CDFI loan fund in the nation to do so).

Other encouraging developments included one Native CDFI board leveraging a loan-portfolio analysis conducted by a TA provider to make the decision in early 2022 on whether to expand loan products beyond their current offering, which has a five-year term rather than a 30-year term. Another organization leveraged the TA to start design on a new Down Payment Assistance (DPA) and rehab loan product. The TA providers helped one Native CDFI update its delinquency and collection policies and another to ensure consistency and fairness in its underwriting as they planned to expand mortgage operations.

Fannie Mae's monthly peer-to-peer sessions covered important topics and provided the opportunity to build more cohesion across the cohort. Topics at these sessions included information on how CDFIs can become brokers, loan packaging & brokering, capitalization and the secondary market, mortgage compliance, mortgage technology and how to utilize Fannie Mae's Desktop Originator®. The calls also offered the cohort members a chance to exchange best practices. For example, discussions of technology, processes, and compliance spurred



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several members to evaluate their own processes and to consider potential updates based on what they learned from their peers.

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

Throughout the year, priorities shifted across cohort members as they dealt with COVID-19 response, staff shortages, leadership changes, and time-sensitive applications for new federal funding. Cohort members were also struggling with “burnout” after more than a year of working through the pandemic, which affected several of their nations acutely. Fannie Mae is proud of the progress that took place this year, but more progress could have been made were it not for these conditions.

One critical constraint for Native CDFIs interested in originating and selling mortgages to Fannie Mae is a lack of an aggregator through which to sell the loan. Fannie Mae commissioned a needs assessment this year to help a seller-servicer determine whether to take on this role and, if so, provide that seller-servicer a comprehensive list of the capabilities they would need to develop, including increased staff capacity for loan processing, expanded LOS technology, and revisions to accounting policies to accommodate loan servicing systems. The assessment also revealed a need for increased knowledge about tribal trust lending processes. We are exploring additional aggregator channels and began discussions with a different large Fannie Mae seller-servicer. Next year, a core priority for this work will be to identify Fannie Mae seller-servicers who are mission-focused that can serve as a conduit for loans originated by Native CDFIs.

Currently, Fannie Mae does not have an memorandum of understanding (MOU) in place with any of the tribes served by the Oweesta CDFI cohort members (an MOU is an agreement that must be in place between Fannie Mae and tribal government to facilitate Fannie Mae financing on Native lands). As a result of this cohort partnership, we made significant progress toward executing one MOU this year with a tribe served by one of the cohort members. We also initiated conversations with others and look forward to pursuing these opportunities to establish MOUs in 2022.

Finally, the cohort project intersects with Fannie Mae’s homebuyer education efforts in Indian Country. About half of the cohort members are also part of Oweesta’s housing counseling network. During the first cycle of Duty to Serve, we provided technical assistance to Oweesta, as the organization sought, and secured its approval to serve as a HUD housing counseling intermediary. This year, several of the organizations were also able to access the post-purchase curriculum developed for Native borrowers through Fannie Mae’s partnership with NeighborWorks America, in collaboration with the National American Indian Housing Council. We partnered with NeighborWorks America and the South Dakota Native Homeownership Coalition to launch Post-Purchase Homeownership Education Methods in Native Communities through a faculty-led four-week online training for educators to utilize the curriculum in their communities. Eighteen Native and Native-serving organizations participated in the training. In the next Duty to Serve plan, we have made a three-year commitment to partner with Oweesta’s housing counseling network to help improve the infrastructure needed to expand services to more borrowers in Indian Country and to improve outcomes. This support will put cohort members in a stronger position to build a pipeline of well-prepared borrowers.



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

N/A



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**OBJECTIVE:**

5. Conduct activities to expand access to the secondary market for high-needs populations (Do What We Do Best, Test & Learn, Partner and Innovate and Analyze).

**SUMMARY OF RESULTS:**

To expand mortgage lending through improved access to the secondary market, we launched a “Native American CDFI Mortgage Lenders Cohort” in late 2020. This cohort will continue throughout 2021. We are on track to complete this objective.

We established a partnership with Oweesta, a Native CDFI Intermediary, due to their 21 years of success providing training, technical assistance, and investments. In addition, they perform research and advocate policies which help Native communities develop an integrated range of asset-building products and services, including financial education, products, and affordable capital. In collaboration with Oweesta, we selected a diverse group of thirteen (13) Native CDFIs with a footprint that spanned the country to participate in the cohort. Expanded capacity and access to the secondary market allows Native CDFIs to offer additional mortgage financing to borrowers on tribal trust land.

As part of the co-hort, Oweesta sub-contracted four experienced mortgage industry consultants to assist in the creation of customized technical assistance plans which outline goals for each of the Native CDFIs. The consultants are providing 20 hours of technical assistance to each N-CDFI in the cohort. They are also focused on supporting goals that include obtaining a NMLS mortgage license, reviewing loan origination system(s) or other technology upgrades, and increasing knowledge about the secondary market, including other necessary eligibility guidelines.

Monthly peer-to-peer learning sessions are scheduled on the third Tuesday, of each month, for 90 minutes. To date, the cohort has completed 6 learning sessions. The topics of discussion include: (1) Getting started and What You Need to Know about the Native CDFI



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Cohort, (2) Loan Products (Guarantees, Conventional Products, Fannie, etc.), (3) Subsidies/Down payment Assistance, (4) Brokering, Direct Loan Packaging/Brokering and Capital; (5) The Secondary Market and (6) Mortgage Lending Business Model.

We meet with the Oweesta team every other week to discuss progress and lessons learned. In addition, we meet with the four consultants monthly. The established technical assistance plans are designed to document progression and the monthly peer-to-peer learning sessions document learnings. Oweesta provides all technical assistance plans and meeting minutes for each of the peer-to-peer learning sessions.

Following are the 2021 Actions under this Objective as published in the December 14, 2018 Duty to Serve Plan:

Launch a Native CDFI Mortgage Lenders Cohort to expand mortgage lending through improved access to the secondary market:

Develop a feedback loop with the Native CDFI intermediary and, if feasible, the selected CDFIs in cohort, that identifies areas for improvement to inform future work; document progression and learnings.

Facilitate six peer-to-peer learning sessions and provide a minimum of 20 hours of in-depth technical assistance from mortgage lending experts.

Provide resources needed that allow the partnering Native intermediary to provide customized technical assistance plans and supports to the selected Native CDFIs to include obtaining mortgage licenses, making technology upgrades, and standardizing knowledge of the secondary market.

Provide support during the application selection process where Native CDFI applicants will identify their development needs or establish a business plan for growing their mortgage lending, to include delivering loans to investors through the secondary market. Selected organizations will either possess or establish the appropriate infrastructure needed to successfully originate and deliver loans to secondary market participants.

Establish a partnership with a Native CDFI intermediary to create a cohort of at least nine Native CDFI's focused on advancing Native CDFI's mortgage lending.

**SELF-ASSESSMENT RATING OF PROGRESS:**

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- 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):**