

2022 Rural Housing Loan Product

REGULATORY ACTIVITY:

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

OBJECTIVE:

2. Create additional homeownership opportunities for high-needs populations by strengthening Native CDFIs' lending capacity and skill set to operate in the secondary mortgage market.

INFEASIBILITY:

Please check here if the Enterprise is submitting an infeasibility request for the objective.

SUMMARY OF RESULTS:

Objective's components detailed in the Plan	Corresponding actions taken	Explanation of any deviations from the Plan (if applicable)
<input checked="" type="checkbox"/> Improve mortgage access to Native homebuyers in Indian Areas through partnerships with CDFIs and tribal governments.	In 2022, Fannie Mae engaged with a variety of Native American housing stakeholders, including but not limited to Native Community Development Financial Institutions (NCDFIs) and tribal governments, to promote financing options to Native Americans.	N/A
<input checked="" type="checkbox"/> Evaluate the Native CDFI lending cohort's 2021 progress and provide TA to further build cohort's capacity to access the secondary mortgage market and the whole loan conduit.	Through its partnership with Oweesta, Fannie Mae planned the 2022 CDFI cohort with past lessons in mind and successfully convened the group regularly to promote conventional mortgage lending options.	N/A
<input checked="" type="checkbox"/> Provide at least three trainings on compliance, technology, and licensing related to originating conforming mortgages.	As a result of Fannie Mae's engagement, Oweesta coordinated and conducted four specialized quarterly calls for the entire cohort of NCDFIs as well as expanded the audience to include any NCDFIs that were interested in homeownership products and services.	N/A
<input checked="" type="checkbox"/> Create a 2022 personalized development plan with at least three cohort members and provide individualized technical assistance to	Fannie Mae supported five or more sessions of intensive technical assistance (TA) to three Native CDFIs seeking to establish a business to broker conventional loans. By the end of 2022,	N/A



<p>support their implementation of the plan.</p>	<p>each of these NCDFIs had tailored tactical action plans to inform its business strategy in 2023 and beyond.</p>	
<p><input checked="" type="checkbox"/> Achieve milestones of at least one of these members securing mortgage broker licenses with support of technical assistance.</p>	<p>Each of the three tactical action plans includes detailed guidance for building or expanding a mortgage brokering business. Of these, one NCDFI is actively brokering mortgages and seeks to grow this business in the future.</p>	<p>N/A</p>
<p><input checked="" type="checkbox"/> Identify a lender partner to serve as a conduit through which a Native CDFI, who is not yet approved as a Fannie Mae seller servicer, can sell loans to Fannie Mae. Provide the lender with the TA and training resources needed to improve their expertise of Native American mortgage origination and servicing. Currently, there are very few Fannie Mae seller servicers with experience servicing mortgages secured by homes on Native trust land.</p>	<p>To assist NCDFIs seeking to generate loans through correspondent or broker channels, Fannie Mae engaged with several potential conduits, and has secured a firm commitment from a CDFI that is interested in playing this role for future transactions.</p>	<p>N/A</p>
<p><input checked="" type="checkbox"/> Execute the NACLI variance with two lender partners to expand access to conventional financing on Native trust land.</p>	<p>Fannie Mae successfully managed to establish two NACLI lender relationships with lenders that had not previously delivered loans under the NACLI variance terms. One lender already had the variance but had never utilized it, and the other secured the variance in March 2022.</p>	<p>N/A</p>
<p><input checked="" type="checkbox"/> Continue providing in-depth technical assistance to a group of tribes, lenders, and housing organizations.</p>	<p>Fannie Mae provided a significant amount of training and technical assistance (TA) to Native American tribes and tribally affiliated organizations, including training on the Helping Expedite and Advance Responsible Tribal Home Ownership (HEARTH) Act, on NACLI lending and the related Memorandum of Understanding (MOU), and on conventional lending, generally.</p>	<p>N/A</p>
<p><input checked="" type="checkbox"/> Host at least three training sessions or convenings for Native housing practitioners in target geographies on topics such as homebuyer education, best practices in mortgage lending, and foreclosure prevention.</p>	<p>Fannie Mae presented at numerous events focused on Native American housing, including conferences for National American Indian Housing Council, Native CDFI Network, Opportunity Finance Network, and New Mexico Mortgage Finance Authority, among others.</p>	<p>N/A</p>



<input checked="" type="checkbox"/> Gather feedback on Fannie Mae's mortgage offerings from Native CDFI cohort members and lender partners to design product enhancements for 2023.	Fannie Mae's staff gathered frequent feedback from Native American stakeholders on both its general engagement strategy and its specific product offerings, all of which were considered by the team for the purposes of expanding its presence to Native American homebuyers.	N/A
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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?

The work under this objective is ambitious. It seeks to establish a pipeline of lending opportunities that serve tribal trust lands. This entails establishing relationships with tribes and NACLI lenders, training potential NCDFIs to either broker or originate loans, and recruiting Fannie Mae lender customers to deliver and service those loans. While this resulted in a modest number of loan purchases in 2022, we believe that the work accomplished in 2022 will lead to the growth of lending on tribal lands in future years.

For example, the most limiting factor for financing loans on tribal land is the relative dearth of memoranda of understanding (MOU) between Fannie Mae and Native American tribes that is a requisite for this form of lending. While there are four such MOUs in place at the end of 2022, Fannie Mae conducted significant tribal outreach and engagement, including meetings with multiple tribal governments interested in an MOU, which we believe will lead to more MOUs in the near future. Additionally, two tribes received training on HEARTH act policies and procedures that could make investing in loans on tribal trust lands more attractive.

In a similar vein, a requisite for Fannie Mae financing loans on tribal lands is the participation of seller/servicer customers in the NACLI program through a variance. Fannie Mae advanced this by educating several lenders about the opportunities of participating in NACLI. Multiple lenders expressed an interest in pursuing the variance in early 2023, including CDFIs and large multistate lenders, each of which would provide value to the ecosystem. Additionally, Fannie Mae joined a subcommittee of the Office of the Comptroller of the Currency (OCC) to lend its support to OCC-supervised banks pursuing tribal lending. Between these efforts to engage with both tribes and lenders, NACLI is primed to grow in the near term, even though participation levels remain modest at the end of 2022.



Finally, the 2022 Plan focused heavily on introducing NCDFIs to Fannie Mae’s lending network and finding ways to increase NCDFI use of conventional lending options. This goal was motivated by consistent feedback over several years that NCDFIs are essential, trusted partners in Indian Country and must be more involved in any expansion of Fannie Mae’s NACLI efforts. However, relatively few NCDFIs are active in mortgage lending, and those that are active do not typically have experience originating or brokering conventional loans that would be eligible for sale to Fannie Mae. The partnership with Oweesta has produced regular touchpoints with thirteen NCDFIs that participate in a cohort, as well as more intensive training and planning for three of those cohort members. While these efforts have not yet resulted in Fannie Mae purchasing loans brokered or originated by NCDFIs, it established the necessary network for future lending.

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

Patience and sustained commitment are necessary for Fannie Mae to find success lending on tribal lands. The extensive work done in 2022 brought meaningful progress towards Fannie Mae’s engagement with tribes, Tribally Designated Housing Entities (TDHEs), NCDFIs, and other lenders, but only resulted in a small number of loan purchases. There are a number of reasons that progress in 2022 did not produce an immediate impact in the form of loan purchases:

- Competing priorities by tribal governments, often exacerbated by leadership change, meant that tribal outreach that Fannie Mae expected to result in 2022 MOUs are now expected to culminate in early 2023.
- Even sellers/servicers committed to tribal lending and with relationships with tribes cannot begin delivering loans immediately; the variance approval process is rigorous and assesses a variety of risks before allowing for any deviations from the Selling Guide.
- Sellers/servicers that express interest in tribal lending often require a significant amount of education before they decide whether or not to pursue it as part of their strategy.
- NCDFIs are often resource-constrained and, even when committed to a conventional line of business, require time to prioritize those efforts.
- Even in 2022, COVID severely limited physical access to trust land.

Apart from timing challenges, engagement with NCDFIs revealed a promising degree of interest and potential opportunity. All three NCDFIs that received intensive TA expressed a commitment to brokering loans for eventual sale to Fannie Mae in the future. [] All three requested continued support towards building a conventional lending business, and, across the broader cohort of 13 NCDFIs, several additional NCDFIs noted their interest in receiving similar TA in 2023.

Finally, in 2022, Fannie Mae validated its longstanding strategy of engaging with a diverse set of Native American communities, recognizing that each is distinct and potential partnerships require focused discussion of each tribe’s needs. For example, while Fannie Mae has spent multiple years working to build a network of Native American housing contacts in South Dakota, Montana, and New Mexico, 2022 also included outreach to tribes in Florida, Oklahoma, and Alaska. Though not required by the Plan, Fannie Mae proactively explored the nuances of lending to indigenous populations in Alaska and Hawaii, producing an internal research memo to inform future strategies in these locations. Ultimately, the Native American lending strategy will require sustained engagement with Native American housing partners across the country.

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

Not Applicable



Rural Housing Second Quarter Report: April 1 - June 30, 2022 Loan Product

ACTIVITY:

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

OBJECTIVE:

2. Create additional homeownership opportunities for high-needs populations by strengthening Native CDFIs' lending capacity and skill set to operate in the secondary mortgage market.

SUMMARY OF PROGRESS:

As of the end of Q2 2022, Fannie Mae is on track to meet or exceed all implementation steps under this Objective. Several steps are already complete, though in each such case, Fannie Mae will continue its efforts into the second half of the year.

FOLLOWING ARE THE 2022 ACTIONS UNDER THIS OBJECTIVE:

- Improve mortgage access to Native homebuyers in Indian Areas through partnerships with CDFIs and tribal governments.
 - Evaluate the Native CDFI lending cohort's 2021 progress and provide TA to further build cohort's capacity to access the secondary mortgage market and the whole loan conduit.
 - Provide at least three trainings on compliance, technology, and licensing related to originating conforming mortgages.
 - Create a 2022 personalized development plan with at least three cohort members and provide individualized technical assistance to support their implementation of the plan.



- Achieve milestones of at least one of these members securing mortgage broker licenses with support of technical assistance.
- Identify a lender partner to serve as a conduit through which a Native CDFI, who is not yet approved as a Fannie Mae seller servicer, can sell loans to Fannie Mae. Provide the lender with the TA and training resources needed to improve their expertise of Native American mortgage origination and servicing.
- Execute the NACLI variance with two lender partners to expand access to conventional financing on Native trust land.
- Continue providing in-depth technical assistance to a group of tribes, lenders and housing organizations.
- Host at least three training sessions or convenings for Native housing practitioners in target geographies on topics such as homebuyer education, best practices in mortgage lending, and foreclosure prevention.
- Gather feedback on Fannie Mae's mortgage offerings from Native CDFI cohort members and lender partners to design product enhancements for 2023.

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):

Not applicable