

2022 Rural Housing Outreach

REGULATORY ACTIVITY:

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

OBJECTIVE:

4. Explore feasibility of equity investment to create access to affordable capital.

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"/> Explore feasibility of investing in one or more NCDFIs to provide improved access to affordable mortgage lending to Native American consumers.	The implementation steps that follow, collectively, constitute completion of this target.	N/A
<input checked="" type="checkbox"/> Conduct industry research and engage NCDFIs to acquire information.	Fannie Mae engaged with and presented to several NCDFIs regarding a potential equity investment and held targeted one-on-one discussions with three NCDFIs in 2022 to gather feedback on lending challenges, availability of capital, and where funds can be most effectively deployed to expand access to affordable mortgage lending for Native Americans.	N/A
<input checked="" type="checkbox"/> Perform quantitative and qualitative analysis to inform investment structure and the maximum total investment amount.	Fannie Mae obtained guidance from internal stakeholders to establish preliminary structural requirements (rate of return, key legal conditions, etc.). During engagement, Fannie Mae consulted NCDFI partners on market terms for equity capital investments, desired investment amounts, and features (purpose, flexibility, structure, etc.).	N/A
<input checked="" type="checkbox"/> Establish investment objective and determine scope requirements. Examine organizational structure to determine roles and responsibilities.	Fannie Mae identified potential investment objectives in discussion with each NCDFI partner and held preliminary discussions with internal operational	N/A



	stakeholders to determine the division of responsibilities.	
<input checked="" type="checkbox"/> Pursue legal, regulatory, and other essential guidance from necessary stakeholders.	Fannie Mae pursued and continues to facilitate legal and regulatory conversations regarding charter compliance of an equity investment and other potential hurdles. Preliminary feedback on a potential investment was obtained from internal stakeholders across five enterprise departments (Legal, Finance, Accounting, Operations, and Enterprise Risk Management).	N/A
<input checked="" type="checkbox"/> If approved and consistent with our charter, develop an implementation strategy and deploy the investment in years 2 and 3.		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



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?

As we have observed through the work on other objectives under this Activity, Native CDFIs (NCDFIs) are critical to expanding homeownership opportunities for Native Americans. NCDFIs are trusted institutions with deep relationships in their communities that are hard to replicate. At the moment, however, most NCDFIs are not active in mortgage lending, and those that are active have fairly limited product offerings. We believe that investing in NCDFIs to build or enhance their mortgage products has the potential to generate significant future impact for their customers.

Under this objective, Fannie Mae completed the early stages of investment strategy development, including industry research through the engagement of NCDFIs (discussed in detail below) to gauge funding needs, analysis of the resulting information to determine ideal investment characteristics and structure, and internal engagement to obtain feedback and support from key stakeholders across five enterprise departments.

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

To evaluate investment feasibility, Fannie Mae conducted market outreach with several partners from its network by delivering presentations at two conferences and in one-on-one discussions with three NCDFIs. These conversations revealed the need for low-cost, flexible capital to preserve the affordability in the products offered. Feedback from CDFIs, including NCDFIs, described a robust capital market, with funders including Community Reinvestment Act (CRA)-motivated depositories and government programs (ECIP), and price sensitivity to the required rate of return.

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

Not Applicable