

**2023
Rural Housing
Loan Product**

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.

SUMMARY OF RESULTS:

<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"/> Align Fannie Mae's Native American Lending Conventional Initiative (NACLI) to effectively serve Native American homebuyers on trust lands.	Target met through 2023 actions; see subsequent implementation steps.	
<input checked="" type="checkbox"/> Solicit industry engagement by participating in at least two industry forums.	Fannie Mae participated in several industry forums, including speaking engagements at National American Indian Housing Council (NAIHC) and Oweesta Corporation (Oweesta) conferences and regular participation in virtual working groups organized by the Office of the Comptroller of the Currency (OCC) and NeighborWorks.	
<input checked="" type="checkbox"/> Perform mortgage origination and servicing research to simplify trust land lending.	We conducted in-depth analysis of Native community development financial institutions' (NCFIs) business models and secondary market needs. In addition, we developed a literature review of the homeownership and rental experiences of Native Americans.	
<input checked="" type="checkbox"/> Execute and publish a programmatic change in compliance with Duty to Serve and Fannie Mae eligibility.	We updated and clarified Native American Conventional Lending Initiative (NACLI) variance and the memorandum of understanding (MOU) to increase manufactured housing (MH) lending opportunities by aligning common practices in this market.	



<input checked="" type="checkbox"/> Promote enhancements by hosting an online seminar targeting vested stakeholders.	<p>We engaged directly with active or prospective NACLI lenders and participating tribes to roll out the programmatic change introduced in late 2023.</p>	<p>As NACLI is a variance and the MH enhancement is an option requiring additional lender approval, promotion will be limited to targeted discussions with lenders that currently have or are interested in the variance. This deviation from the Plan's "online seminar" is reasonable given the nature of the enhancement to NACLI.</p>
<input checked="" type="checkbox"/> Define expected impact measures and develop a performance monitoring and tracking system. Establish reporting protocols and implement a feedback mechanism for stakeholders.	<p>We developed a “NACLI MH Monitoring Plan,” which includes data tracking procedures and lender engagement standards to manage the rollout of the programmatic change.</p>	
<input checked="" type="checkbox"/> Conduct a market analysis to determine whether including a loan purchase target in 2024 is feasible.	<p>We prepared a “Market Analysis of Native Lending Opportunity,” which analyzed past data on loan purchases in Indian Areas to Native American tribal members. However, this analysis does not include the impact of the MH enhancement.</p>	
<input checked="" type="checkbox"/> If deemed feasible, work with internal and external business partners to determine an impactful and appropriate loan purchase target.	<p>We intend to evaluate a 2024 loan purchase target during the 2024 modification period, which will allow time to consider the impact of the programmatic change, as well as new or pending MOUs, to be properly captured in the baseline.</p>	

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 overarching goal for Fannie Mae’s actions under this Objective was to strengthen and expand access to financing for expanding homeownership on tribal lands in 2023 and to enable us to evaluate if it is feasible to establish loan purchase goals. We accomplished this through a combination of efforts all aimed at improving the design and position of NACLI in the market:

- Tribal outreach included education for and negotiation with multiple tribal governments and tribal housing authorities on MOUs and presentations to audiences of tribal stakeholders, such as those present at NAIHC and Oweesta conferences.
- Lender outreach included one-on-one briefings on our NACLI program for lenders, participation in an OCC subcommittee focused on Native American lending and featuring OCC-supervised lenders, and technical assistance provided to NCDFIs.
- Data analysis and market research culminated in a draft Native Housing Journey; this will document the barriers and biases that may be commonly experienced by Native consumers as they go about their path toward sustainable housing.
- Lender research took the form of the Native CDFI Mortgage Lending Report, which summarized feedback from 16 NCDFIs on opportunities to support more lending to their customers.
- Perhaps most notably, Fannie Mae responded to feedback from stakeholders in the underserved market by updating the variance and MOU documents underlying NACLI. This programmatic change to NACLI is intended to align manufactured housing (MH) lending processes more closely to current practices in many tribal communities, widening the opportunity for more MH conventional loans under NACLI.

This combination of tribal and lender outreach, as well as research from the perspective of both the consumer and the lender, and a significant update to our NACLI program, positions us well for potential future impact on this market. Toward the end of 2023, we conducted an analysis of historical Fannie Mae acquisitions of loans on tribal lands in an effort to select a baseline and loan target for future years. While this analysis is valuable, we determined that selection of a baseline and target for 2024 and beyond is not feasible until we are able to observe the impacts of additional tribes and lenders utilizing the expanded option for MH lending on tribal lands. We intend to revisit this analysis later this year after we have received sufficient information and can evaluate if a baseline and target are feasible.

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

While the use of MH varies significantly from tribe to tribe – and varies across regions of the country -- MH is repeatedly identified as an important housing option on tribal lands. It is expected that the expansion of NACLI is intertwined with the need for MH due its prevalence. But beyond this, improving borrower outcomes through refinances that considerably reduce interest rates from the chattel loan rate is also an obvious opportunity, even in the current environment of higher interest rates. Throughout 2024, we will maintain a monitoring plan to observe whether and how the MH update to NACLI impacts loan acquisitions and whether an adjustment to the historical baseline would be appropriate.

Apart from the product update to NACLI, we also learned how the market operates through new research into Native American consumers and NCDFIs. NCRC’s study concluded that financing should route thru NCDFIs as they are often focused exclusively on addressing the lack of access to capital in tribal communities.

The consumer research, produced through a partnership with Enterprise Community Partners, will culminate in the Native Housing Journey, and follow the Black Housing Journey and Latino Housing Journey previously published by Fannie Mae. The Journey is intended to highlight the distinct barriers and challenges to Native consumers accessing equitable and sustainable access to homeownership and quality affordable rental housing – both on and off the reservation. Among its other findings, the Native Housing Journey highlights that Native American homeowners are more likely than other groups to own their property without a mortgage loan and are more likely to have major plumbing, heating, and electrical issues or lack indoor plumbing or heating altogether. Yet Native consumers face higher levels of “hidden homelessness” due to overcrowding issues on reservation and overall homelessness off reservation. Key barriers that the Native Housing Journey identified for future consideration include several topics that are common in the broader housing market but that have greater impact in this underserved market: access to



credit, financial resilience, property durability, and lack of affordable housing supply. The Journey revealed that systemic data gaps for Native consumers contribute to the “continued invisibility” of Native consumers and exacerbate the historical impact of Native under-representation (undercounting), as compared to higher instances of credit invisibility that affect Black and Latino borrowers. NCRC underscores the extent to which mortgage lending is failing Native American families by highlighting that Native Land areas were included for the first time in new CRA regulations published in late 2023.

The Native CDFI Mortgage Lending Report, produced through a partnership with Oweesta, was a byproduct of conducting interviews with 16 NCDFIs, 13 of which are active in the mortgage market. This report was produced to help Fannie Mae understand the business models of NCDFIs and inform future strategies for us to support their missions, which are clearly aligned with this Duty to Serve Objective. Among its other findings, the report indicates that, collectively across the surveyed NCDFIs, mortgage loan volumes rose steadily between 2020 and 2022 and are expected to grow at a modest rate for the next several years. In the interest of informing future product development, the report highlighted several barriers identified by the NCDFIs:

- Many Native consumers are unable to afford the down payment, closing costs, and private mortgage insurance they believe will be needed for conventional loans.
- Native consumers may have low credit scores and would likely not qualify for a conventional loan.
- Lack of qualified loan servicing staff experienced in servicing loans on tribal lands.
- Insufficient technology platforms to support expanding loan origination.
- Reluctance of secondary market investors to purchase loans on tribal trust land.
- Additional training and technical assistance needed for NCDFIs to meet compliance requirements, such as state licensing requirements.

Fortunately, despite these concerns, there is a desire among NCDFIs to find ways to access the conventional secondary market. Some NCDFIs indicated that the opportunity to sell seasoned loans is also attractive as a means of recapitalizing and increasing future mortgage lending in their tribal communities.

All of these findings, whether through NACLI-related outreach, consumer research, or lender interviews, offer Fannie Mae opportunities to further refine our strategy to increase homeownership on tribal lands.

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

N/A



Rural Housing Second Quarter Report: April 1 - June 30, 2023 Loan Product

ACTIVITY:

B. Housing for high-needs rural populations

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 June 30, 2023, Fannie Mae is on track to meet its target under this Objective to better align Fannie Mae’s Native American Lending Conventional Initiative (NACLI) to effectively serve Native American homebuyers on tribal trust lands.” Each of the seven implementation steps are complete or are expected to be completed by the end of the year.

Notably, product development efforts referenced by the implementation step to “Execute and publish a programmatic change in compliance with Duty to Serve and Fannie Mae eligibility” have been ongoing throughout 2023 and are on track to culminate in an update or clarification to NACLI before year-end. The anticipated change will respond to direct lender feedback and input from tribal leaders and is expected improve Fannie Mae’s ability to expand the opportunity for Native American homeownership on tribal trust lands.

SELF-ASSESSMENT RATING OF PROGRESS:

- On track to meet or exceed the target
- Progress delayed and/or partial completion of the objective expected
- Unlikely to achieve any milestones of the objective

ADDITIONAL INFORMATION (IF APPLICABLE):