December 2, 2022

Sandra L. Thompson, Director
c/o Marcea Hosay Barringer
Federal Housing Finance Agency
Attention: Duty to Serve
F H F A Constitution Center
400 7 Street, SW, Washington, D.C. 20219

Re: Fannie Mae's 2022 Proposed Modifications and Justification to its Underserved Markets Plans

Dear Director Thompson:

Introduction

I serve as the CEO for Native Community Capital (NCC). NCC is a certified Native Community Development Financial Institution (NCDFI) headquartered in the Pueblo of Laguna, a federally recognized tribe in New Mexico. The primary financial products NCC offers are home construction loans and privately funded mortgages to tribal members for homes on tribal trust lands. As of 2020. NCC is a licensed mortgage lender in New Mexico and Arizona. Over the last 10 years NCC has deployed over $20MM to support community- and economic development on tribal trust lands.

I began my career the very year the Native American Housing Assistance and Self-Determination Act (NAHASDA) was signed into law in 1996. Subsequently, HUD and tribes began implementation of NAHASDA in earnest. During and since that time, I and many others have worked to encourage banks and other financial institutions to commit the resources necessary to fulfill the spirit and intent of NAHASDA wherein a significant element is to increase access to private capital that can leverage federal funds to provide mortgage lending options on tribal trust lands.

Public Comment on the Proposed Fannie Mae Revisions:

Regulatory Activity: 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

NCC opposes Fannie Mae's 2022 Proposed Modifications and Justification to its Underserved Markets Plans as it relates to Housing for high-needs rural populations, Objective #4, without significant revision that includes a commitment of funds to establish an alternate secondary market platform for mortgages originated on tribal trust lands.

Fannie Mae's approved plan includes loan purchase goals for Native America of exactly zero ($0). In that same plan and by comparison, Single-Family Home loan production / purchase goals for other (non-Native) rural areas (i.e Appalachia, the Gulf Coast, and Colonias/Hispanic communities) is 19,032. A loan purchase target for Native America is not set for contemplation by Fannie Mae until 2024!

Included in the proposed revised language is the following statement: "Under the Duty to Serve 2018 – 2021 Plan, Fannie Mae made available the necessary resources and support to successfully guide two CDFIs through Fannie Mae's seller and servicer approval process" Yet, neither of the two CDFI's are Native led nor do they originate mortgage loans on tribal trust lands.

More troubling, Fannie Mae's Native American market lead staff person has has privately asserted that Fannie Mae will not purchase mortgage loans originated on tribal trust lands. He and a senior Fannie Mae official instead proposed targeted equity investments for one or more Native CDFI's. As such, Fannie Mae's 2022 Proposed Modifications and Justification to its Underserved Markets Plans amounts to a dereliction of its Duty to Serve.

Even though equity investments into Native CDFI's in and of themselves are helpful, it alone is not the most appropriate role for Fannie Mae – a $4 trillion corporation and a market maker – to take. The following negative outcomes may likely follow from Fannie Mae's proposed revisions to the existing approved Plan:

Secondary Market Exclusivity: Native Americans residing on tribal trust lands are the only citizens denied equal access to the full scope of conventional mortgage financing. If Fannie Mae intends to withhold access to the secondary market for mortgage loans originated on tribal trust lands, the prospect of developing a well-functioning mortgage market on tribal lands dims significantly and may as well be extinguished.

Chilling Effect: If Fannie Mae is allowed to weaken its commitment to providing access to the secondary market for mortgages originated on tribal trust lands, conventional lenders who look to the secondary market for their own loan production goals will similarly weaken their commitments to originating mortgage loans on tribal trust lands – why wouldn't they with Fannie Mae eliminating the prospect for purchase of such loans?

Complicity in Modern Redlining: This proposed revision signals a further retreat from the spirit and intent of both NAHASDA, new proposed CRA regulations, and Duty to Serve. GSE's and banks must take actions that recognizes they have been largely absent in tribal markets and in fact complicit in denying tribal citizens homeownership opportunities.

Consultant Contracts v Capacity Building:
The approved Plan relies much too much on Technical Assistance via investments into non-Indian consultants. Although potentially helpful, more appropriate are direct investments into those Native CDFI's originating mortgages in Indian Country – they are the ones facilitating the creation of a well-functioning mortgage market on tribal trust lands.

Recommended Revised Modification

If Fannie Mae is resolved to withhold their purchasing power for mortgages originated on tribal trust lands, then they should commit cash resources. The investments should not be limited only to equity investments in "one or more Native CDFIs" but should include a significant investment necessary to establish an alternate secondary market.

An adequate solution to Fannie Mae's reluctance to purchase mortgages originated on tribal trust lands is the commitment of $100 million dollars for Native CDFIs to create a secondary market platform for the exclusive use of mortgage loans originated on tribal trust lands. Developing a healthy mortgage market on tribal lands requires more, not less, access to new sources of capital for sustainable community and economic development. A secondary market platform to support mortgage lending on tribal trust lands could be a powerful tool in this effort but only if Fannie Mae makes investments at the levels needed.

Sincerely,

Dave Castillo, CEO