



Fannie Mae 2019  
Rural Housing  
Loan Product

**ACTIVITY:**

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

**OBJECTIVE:**

4. Purchase single-family NACLI and/or HUD Section 184 loans and produce loan products via supply variance and appraisals. (Do What We Do Best).

**SUMMARY OF RESULTS:**

Following are the 2019 Actions under this Objective per the December 20, 2019 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 type="checkbox"/> Purchase between 15 and 40 NACLI and/or HUD Section 184 purchase money or refinance loans.	We purchased three conventional Native American Conventional Lending Initiative (NACLI) mortgages on tribal trust land and one HUD-184 loan on American Indian Alaskan Native lands for a total of four loans.	We purchased a total of three loans on tribal trust lands but were unsuccessful in meeting our target of purchasing between 15 and 40 NACLI and/or HUD Section 184 purchase money or refinance loans.
<input checked="" type="checkbox"/> Using the information gathered in 2018, develop or enhance policy around appraisals on tribal trust lands, revise the existing variance and notify lenders as appropriate.	We enhanced our NACLI variance, allowing for the Cost Approach Valuation Method for Appraisals (October 2019).	N/A
<input checked="" type="checkbox"/> Because of known barriers such as lack of affordable supply for high-needs populations, Fannie Mae will conduct and document research about the availability of affordable housing inventory on Native American lands.	We conducted twenty-one interviews with lenders and realtors. Based upon feedback garnered from tribal partner outreach, we documented that new housing supply is scheduled to come online in Michigan and New Mexico in 2020.	N/A

**SELF-ASSESSMENT RATING OF PROGRESS:**

Objective met



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- Objective exceeded
- Objective partially completed: 75-99% (substantial amount)
- Objective partially completed: 50-74% (limited amount)
- Objective partially completed: 25-49% (minimal amount)
- Objective partially completed: 0-24% (less than a minimal amount)
- No milestones achieved

**PARTIAL CREDIT JUSTIFICATION:**

We are requesting partial credit for this objective for completing an extensive enhancement to the existing Native American Conventional Lending Initiative (NACLI) variance, allowing for the Cost Approach valuation method. Given the complexity of lending on tribal trust land, we could not partner with an adequate number of lenders to achieve the goal of purchasing 15-40 loans. However, we did successfully purchase four loans on tribal trust lands meeting the established baseline. It is important to note this objective was not a loan purchase objective.

**IMPACT:**

- 50 – Substantial Impact
- 40 – Between Meaningful and Substantial Impact
- 30 – Meaningful Impact
- 20 – Between Minimal and Meaningful Impact
- 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?**

We were successful in providing \$498,768 to fund three conventional and one Section 184 loan on tribal trust lands, meeting the baseline of four loans. Our baseline is the current three-year average of the number of loans purchased by Fannie Mae (2016, 1; 2017, 7; 2018, 4).

In October 2019, we enhanced the NACLI variance to allow for the Cost Approach Valuation Method for appraisals. A traditional sales comparison approach typically cannot be used on tribal trust lands due to limited or nonexistent data (including verified sales and rents), impeding our ability to accept deliveries on tribal trust lands. Allowing the Cost Approach Valuation Method provides appraisers with the flexibility of an alternative method for establishing value and improving a lender's ability to originate more conventional lending on tribal trust land.

One significant barrier to homeownership on tribal trust land is the lack of homes available for purchase. There is a limited resale market and minimal new construction on the lands where we have executed a Memorandum of Understanding (the legal instrument needed to permit conventional financing). Because most industry data sets that forecast housing do not cover Native American tribal trust lands, we've engaged with tribes, real estate agents, and lenders to better understand the inventory needs and opportunity areas for affordable supply in



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2020. Through these conversations, we identified two communities where new supply may be available to buyers in 2020. We will focus on continued research, outreach, and product development efforts in these areas to ensure financing options are available for homebuyers.

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

-A small financial institution (SFI) that works closely with one tribal community originated several of the loans Fannie Mae acquired this year. The proximity between the SFI and tribal trust lands motivated the lender and the tribe to develop a partnership. They collaborate on a regular basis on housing development and community needs. This successful partnership will inform future outreach efforts. Notably, this lender is a SFI and not approved to originate the Section 184 approval. Without our conventional product, this lender would not have had a secondary market execution for the loans it originated. NACL I offered real value to this lender and we will explore a similar model for non-HUD 184 approved SFIs.

The allowance for a cost approach valuation was an important step in overcoming appraisal challenges on tribal trust lands. The standard 1004 appraisal form is used when utilizing the cost approach only method on tribal trust lands. This is not a valid report format for conventional delivery because of limitations by the Definition of Market Value, Scope of Work, and Appraiser Certification. Fannie Mae worked to create a compliant addendum. However, it is not “Uniform Collateral Data Portal” (UCDP) compliant, creating standardization and technology challenges, and requires manual delivery. If there are significant increases of tribal trust loan deliveries, we may explore using the Uniform Appraisal Dataset project to create a technical solution for automated submission to UCDP and Collateral Underwriter

Research indicated little familiarity from both real estate agents and lenders about working on tribal trust land. Three-quarters of lenders and real estate agents whom we spoke with serve an area located within a reasonable proximity of tribal trust lands, however their experience with trust land is minimal. More than half of those interviewed expressed interest in this business, despite the need to build new expertise. This finding underscores the importance of continued efforts to engage and support lenders and real estate agents in 2020 to serve borrowers on tribal trust land.

### **3. (Optional): If applicable, why were all components of this objective not completed?**

-Loan purchase target was not completed given the complexity of lending on tribal trust land which affected our ability to partner with an adequate number of lenders. However, we did successfully purchase four loans on tribal trust lands meeting the established baseline.



## **Fannie Mae Rural Housing Second Quarter Report: January 1 - June 30, 2019 Loan Product**

### **ACTIVITY:**

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

### **OBJECTIVE:**

1. Rebrand and market Fannie Mae's Native American Conventional Lending Initiative (NACLI) and purchase single-family loans (Analyze, Partner and Innovate, Do What We Do Best).

### **SUMMARY OF RESULTS:**

We entered into a partnership with Seven Sisters Community Development Group, a longstanding and reputable organization, to expand our capacity in Indian Country. They are working directly with tribes to help build the infrastructure for homeownership and sharing feedback from tribal leadership to help us improve our product offerings.

We continue to expand our outreach strategy to include specialized lenders such as MidAmerica Mortgage, Academy Mortgage and Merchants Bank. Our engagement with tribes is another vital component to our success. Our strategy of visiting tribal lands, participating in housing coalitions and conferences has proven effective. We have approved mortgage ordinances from two additional tribes, San Felipe Pueblo and Okay Owingeh Pueblo.

Building off of our success in New Mexico, we continue to align our work and resources with other likeminded organizations. We have committed to supporting the New Mexico Tribal Homeownership Coalition. The impact will strengthen the capacity of tribes supporting homeownership for their members, increase assets and financial security among members, and ultimately strengthen the communities. We are scoping additional projects to build capacity and support self-determination.

One of the largest barriers to Native homeownership is homebuyer readiness. Last year with our support, the National American Indian Housing Council (NAIHC) updated Pathways Home, a homebuyer education curriculum developed specifically for tribal communities. This year, NAIHC is scoping the ability to make this curriculum available online through a Learning Management System platform to deepen the reach and impact.

We are in the process of providing extensive resources and additional technical assistance to help build capacity for two Community Development Finance Institutions. Their unique and innovative business models are critical to product development activities in this underserved market and lay the foundation for future impact.

We are developing market research, including a survey of stakeholders of high-needs population communities and interviews with builders and lenders, to inform a test and learn approach on supply to be launched later this year.

Following are the 2019 Actions under this Objective:

- Purchase between 15 and 40 NACLI and/or HUD Section 184 purchase money or refinance loans.
- Expand lender outreach to an additional two lenders geographically located near Native American land (i.e., lenders not approached in 2018).
- Use the information gathered in 2018 to develop or enhance policy around appraisals on tribal trust lands and share best practices.
- Because of known barriers such as lack of affordable supply for high-needs populations, Fannie Mae will review credit and/or collateral policy to identify opportunities to customize, enhance, or simplify products such as



construction loans or HomeStyle® Renovation and establish a test and learn approach issuing one negotiated variance to select lenders working with high needs populations.

Explore opportunities to bring a culturally specific homebuyer or financial literacy curriculum to an online platform.

Provide technical assistance or identify other opportunities for lenders, Native CDFI or tribe to enhance homeownership opportunities or access affordable capital and liquidity on tribal trust lands.

**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):**



## **Fannie Mae Rural Housing Second Quarter Report: January 1 - June 30, 2019 Loan Product**

### **ACTIVITY:**

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

### **OBJECTIVE:**

3. Create and implement work-plans and purchase loans secured by multifamily housing for Native Americans and agricultural workers (Analyze, Do What We Do Best).

### **SUMMARY OF RESULTS:**

Fannie Mae participated in two key industry conferences in May 2019, focused on agricultural workers and Native American communities. As a result, we identified the tremendous need to build the operational capacity of multifamily developers of farmworker housing and tribal housing. To meet that market need, we began discussions with two non-profit organizations who specialize in providing capacity building and technical assistance services to affordable developers that serve these two underserved communities. We expect to execute contracts in the third quarter to support and extend their work in meaningful ways.

Through outreach with our Rural DTS Advisory Council, we gained insights that have caused us to shift our product development strategy in 2019. Tax credit equity and development capacity represent significant needs in high-needs rural populations. They are the two areas where Fannie Mae is very well-positioned to make a substantial impact. Therefore, we will submit a plan modification that eliminates the loan product development component of the goals for 2019, and instead, we will focus on capacity building partnerships and providing tax credit equity to Native communities and farmworkers. This quarter, our Low-Income Housing Tax Credit (LIHTC) equity business invested in the renovation of Valle Verde, a 36-unit property with a plethora of resident services and community spaces in Placitas, New Mexico. The property will serve agricultural workers and their families, and was financed with the USDA Section 514 Farm Labor Direct Loan Program. The LIHTC business also closed into a proprietary tax credit fund with Raymond James, which we expect will deliver multiple deals that serve Native communities.

Following are the 2019 Actions under this Objective:

Based on the work completed in 2018:

Process at least one product enhancement identified in the work-plan through the internal product enhancement and development approval process that will facilitate the provision of liquidity to housing for Native Americans and agricultural workers, and implement the product enhancement(s).

Implement the two identified key actions from the work-plan that will enhance Fannie Mae's role and ability to serve the affordable housing needs of both Native Americans and agricultural workers.

Revise and document updated work-plans including considering proposing additional product enhancements or key actions and confirming loan purchase Baselines and goals for 2020.

Facilitate one rural housing roundtable with cross-functional industry representation to continue to discuss, analyze, and solve the challenges facing high-needs rural populations.

Conduct one annual meeting of the Advisory Council to continue to solicit guidance and information as Fannie Mae implements the activities outlined in the Plan.



Participate in two key conferences as a means to continue to network with key industry stakeholders and to communicate the "Duty to Serve" message.

**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):**

We will submit a plan modification that eliminates the loan product development component of the goals for 2019 (see Narrative above for detail).