



4th Annual

Native CDFI Capital Access Convening

June 25–27, 2019 • Lihue, Hawaii



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Innovative Capitalization Strategies for Native CDFI Housing Lenders

June 25, 2019 | Lihue, Hawaii



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Presenters



Joanna Donohoe, Partner
Seven Sisters Community Development Group, LLC

Kellie Coffey, Product Manager – Duty to Serve
Initiatives & Rural Housing
Fannie Mae, Single Family Mortgage Business



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Session Topics



- Mortgage capitalization strategies
- Housing CDFI models
- Native CDFI capacity building strategies



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Types of Mortgage Lenders



- Direct Lender
- Mortgage Banker
- Correspondent Lender
- Mortgage Broker



Direct Lender



Direct Lender

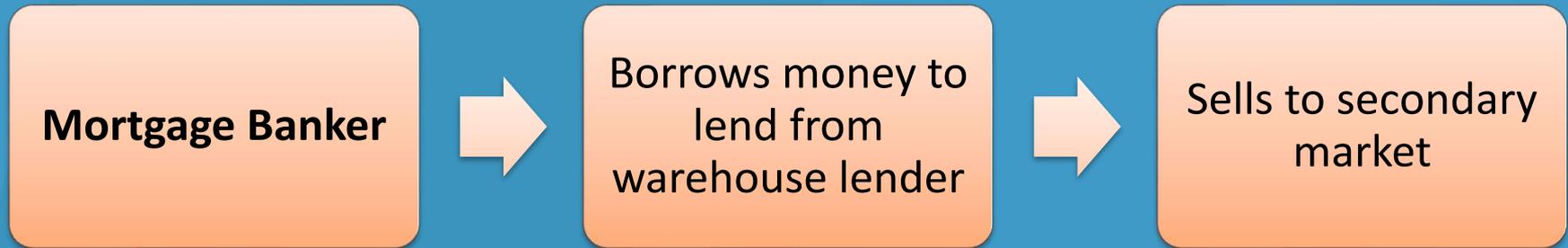
Holds in portfolio

Sells to secondary market



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Mortgage Banker



Correspondent Lender



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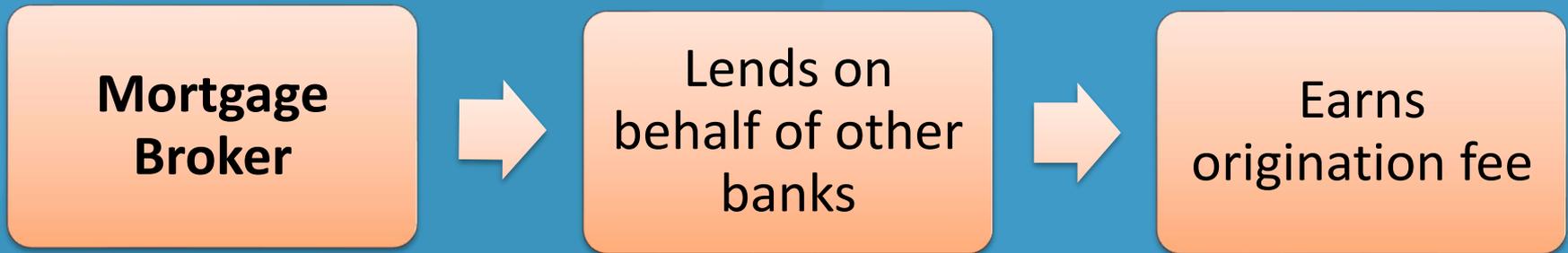


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Mortgage Broker



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Capital Sources



Type of Lender	Source of Capital
Direct Lender	Deposits, Warehouse Loans, Own Capital, Secondary Market
Mortgage Banker	Warehouse Loans, Own Capital, Secondary Market
Correspondent Lender	Warehouse Loans, Own Capital, Sponsor Sells to Secondary Market
Mortgage Broker	Other Lender



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Wholesale v. Retail



Wholesale Lender

- Big banks
- Federal Home Loan Banks

Retail Lender

- Banks
- Credit Unions
- CDFIs
- Mortgage Brokers



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Housing CDFI Models



- Portfolio lender
- Mortgage broker
- Correspondent lender
- Mortgage lender
- Direct lender



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Housing CDFI Roles



Borrower
Prep

Loan
Brokering

Lending

Servicing

Real Estate
Development

Foreclosure
Intervention

**WELLS
FARGO**



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ASSOCIATIONS

Capacity Considerations

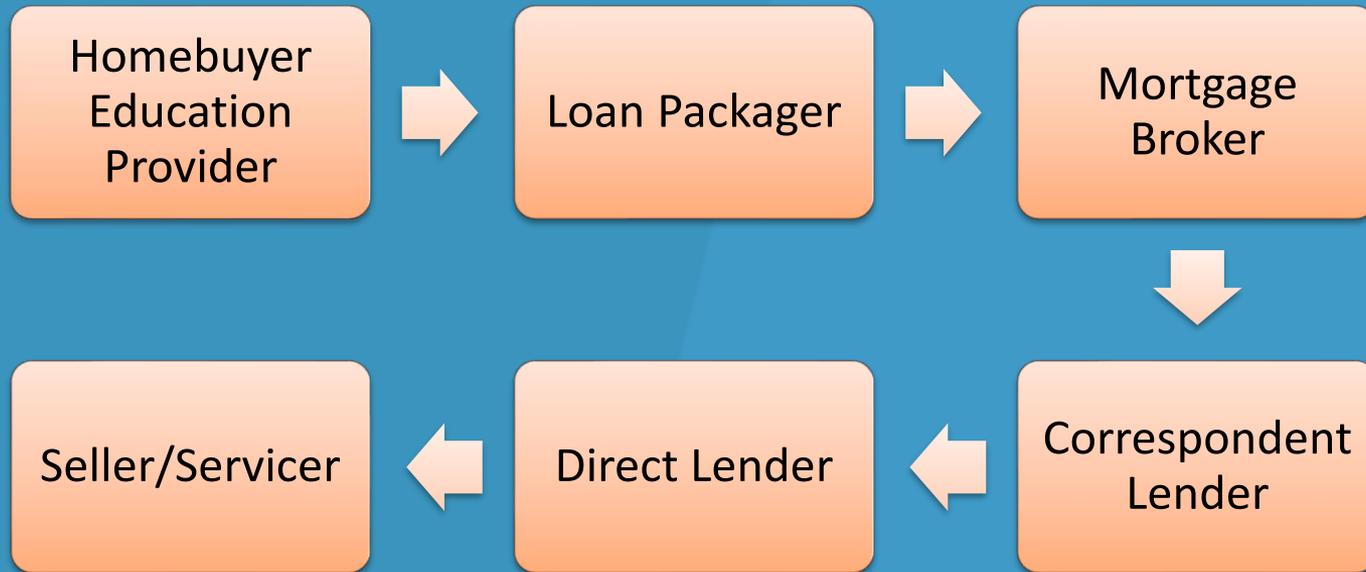


- Licensing
- Compliance
- Technology – loan origination system (LOS)
- Personnel
- Operating and lending capital
- Enough loan volume to get to scale



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Native CDFI Capacity Building Strategies



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Bottom Line



The best way to capitalize a housing CDFI is to somehow access the **secondary market** either directly or through an aggregator.



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Selling to Secondary Market



Benefits

- Liquidity, revolving capital
- Range of products
 - Conventional
 - Government backed
- Affordability to borrower (lower interest rates and origination fees)

Challenges

- Loans must be conforming
- Requires experience and capacity
- Need economies of scale
- Must have access to short-term capital to lend



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How Does Secondary Market Work?



1. Lender makes mortgage that conforms to secondary market guidelines.
2. Fannie Mae purchases loan after closing.
3. Fannie Mae bundles loan with other loans with similar terms (interest rate, term) and creates a single mortgage-backed security (MBS).



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How Does Secondary Market Work?



4. Creating MBS allows Fannie Mae to offer investment options of all sizes with less risk due to the multiple borrowers included in one bundle.
5. Fannie Mae offers MBS to investors and provides insurance policy against losses on loans included in MBS.



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Fannie Mae-Approved Seller



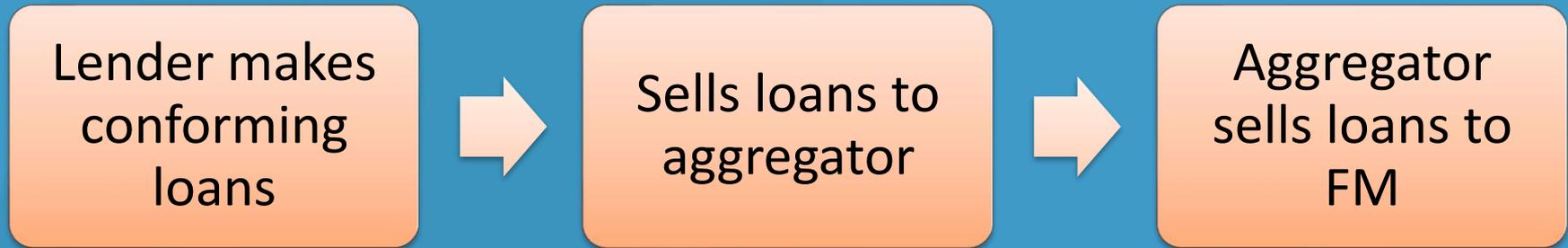
Approved lender makes loans



Sells conforming loans to FM



Selling through Aggregator



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Building Native CDFI Capacity Now



1. Develop strategic plan/business model.
2. Build organizational infrastructure.
3. Hire qualified personnel.
4. Develop policies and procedures.



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Building Native CDFI Capacity Now



5. Identify lending process.
6. Address insurance and compliance issues.



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Optional 'Brown Bag' Lunch Rountable: Fannie Mae Discussion on Housing in Native Communities

12:15 to 1:15 | Plumeria Room



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Q & A



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Questions? Contact Information

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