

Understanding Fannie Mae's Value Proposition for Native CDFI's



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COMMUNITY**

6th Annual Native CDFI
Capital Access Convening
June 22-24, 2021 • A Virtual Event

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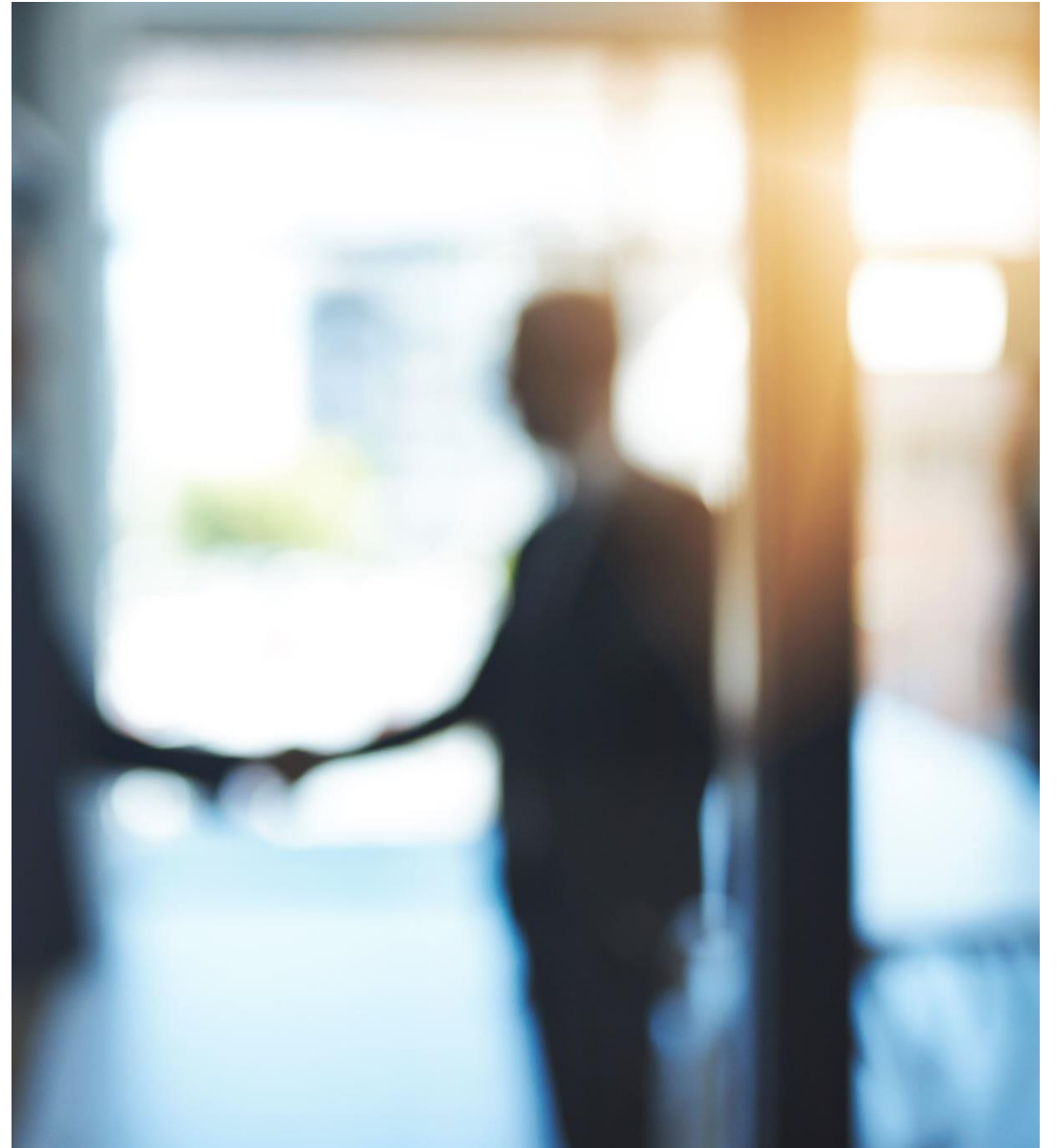
Today's Learning Objectives

- Understand Fannie Mae's role in affordable housing
- Appreciate Fannie Mae's Value Proposition
- Realize how Fannie Mae's products can benefit a homebuyer
- Recognize how to maximize profitability and improve your Native CDFI's sustainability
- Know how to work with Fannie Mae



Who Is On The Call Today?

Please type your **name**,
organization, and **location** in
the chat box.



What does Fannie Mae do?

- Together with our lender partners, we make sure that homeowners and homebuyers across the country have access to affordable financing opportunities.
- Provides our lender partners access to low-cost, long-term capital for mortgage financing
- Sells and guarantees conforming loans in secondary mortgage market
- Provides liquidity to lenders by purchasing loans. In the first quarter of 2021, we provided \$422 billion in liquidity, which enabled 340,000 single-family home purchase and 1.1 million single-family mortgage refinances

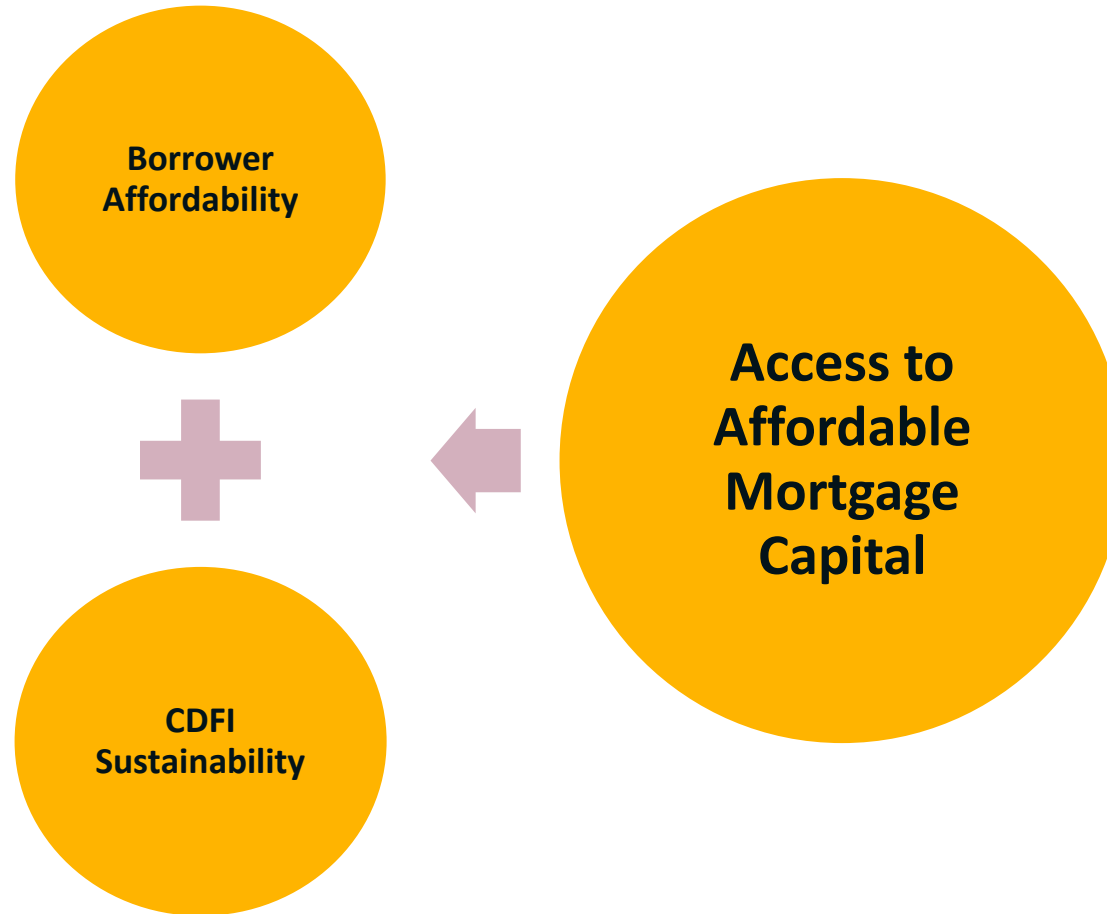


Why do business with Fannie Mae?

- Committed to making homeownership more accessible in Native communities
- Through first quarter 2021, we helped homeowners avoid foreclosure through approximately 92,000 loan workout solutions
- Affirms tribal sovereignty by entering Memorandum of Understanding with tribal government
- Modified guidelines for trust land
 - Cost-based Appraisals
 - No Standard Title Search or Title Insurance Necessary
 - Respects Tribal Sovereignty



What is Fannie Mae's Value Proposition?



Fannie Mae HomeReady® Mortgage



- Low income ($\leq 80\%$ AMI)
- First-time or repeat homebuyers
- Limited cash for down payment
- Credit score ≥ 620 ; borrowers with credit scores ≥ 680 may get even better pricing
- Supplemental boarder or rental income
- Looking to purchase or refinance



What is a Value Proposition Tool Kit?

Loan Product
Comparison
Matrix

CDFI
Sustainability
Analysis

Loan Features
Chart

Operational Cost
Consideration
Overview

CDFI Mortgage
Lending Business
Model Options

Tribal Council
Presentation
Template



How did we develop the Tool Kit?



- Launched pilot with Four Directions Development Corporation
- Compared borrower affordability of loan products
- Analyzed revenue to CDFI with each option



We looked at three **borrower** scenarios. . .

Scenario #1

- Low FICO
- Low-Income
- Access to Down Payment

Scenario #2

- High FICO
- Low-Income
- Access to Down Payment

Scenario #3

- High FICO
- Mod/High-Income
- Access to Down Payment



Borrower Scenario #1 (\$150K sales price)

FICO ↓ **Income** ↓ **Access to DP** ↑

<i>\$150,000 Sales Price</i>	HUD 184	Fannie Mae HomeReady® Mortgage	CDFI Portfolio Loan
Interest Rate	3%	3.375%	5.5%
Loan to Value / Structure	97.75% LTV	80% LTV 20% DPA	95% LTV
Total Monthly Payments	\$860	\$917	\$1,056
Minimum Qualifying Income	\$33,850	\$32,360	\$39,600



Borrower Scenario #2 (\$150K sales price)

FICO ↑ Income ↓ Access to DP ↑

<i>\$150,000 Sales Price</i>	HUD 184	Fannie Mae HomeReady® Mortgage	CDFI Portfolio Loan
Interest Rate	3%	3.125%	5.5%
Loan to Value / Structure	97.75% LTV	80% LTV 10% DPA	95% LTV
Total Monthly Payments	\$860	\$833	\$1,056
Minimum Qualifying Income	\$33,850	\$30,700	\$39,600



Borrower Scenario #3 (\$150K sales price)

FICO ↑ Income ↑ Access to DP ↑

<i>\$150,000 Sales Price</i>	HUD 184	Fannie Mae HomeReady® Mortgage	CDFI Portfolio Loan
Interest Rate	3%	3%	5.5%
Loan to Value / Structure	97.75% LTV	90% LTV 10% DPA	95% LTV
Total Monthly Payments	\$860	\$833	\$1,056
Minimum Qualifying Income	\$33,850	\$30,200	\$39,600



Sustainability Benefits for Native CDFIs

- Provides liquidity, reducing need to raise lending capital
- Generates revenue through fees
 - Brokerage fee, origination fee, loan sales premium, servicing compensation
- Maintains portfolio lending yield through second mortgages



Sustainability Benefits for Native CDFIs

- ***Secondary Market Lending***
 - Selling conforming loans generates fee income
 - If capital is borrowed, fee income earned in secondary market exceeds portfolio income
- ***Portfolio Lending***
 - Portfolio loans (first or second mortgages) earn interest spread over time
 - Portfolio execution generates more income if capital is raised through grants or very low rates relative to mortgage rates
- ***Combining Conventional (80%) and Portfolio Lending (20%)***
 - Portfolio second mortgages generate revenue over time
 - Selling conforming first mortgages generates fee income
 - Increases CDFIs liquidity and sustainability while offering more affordable option for borrowers

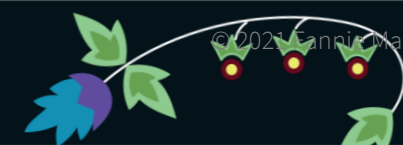
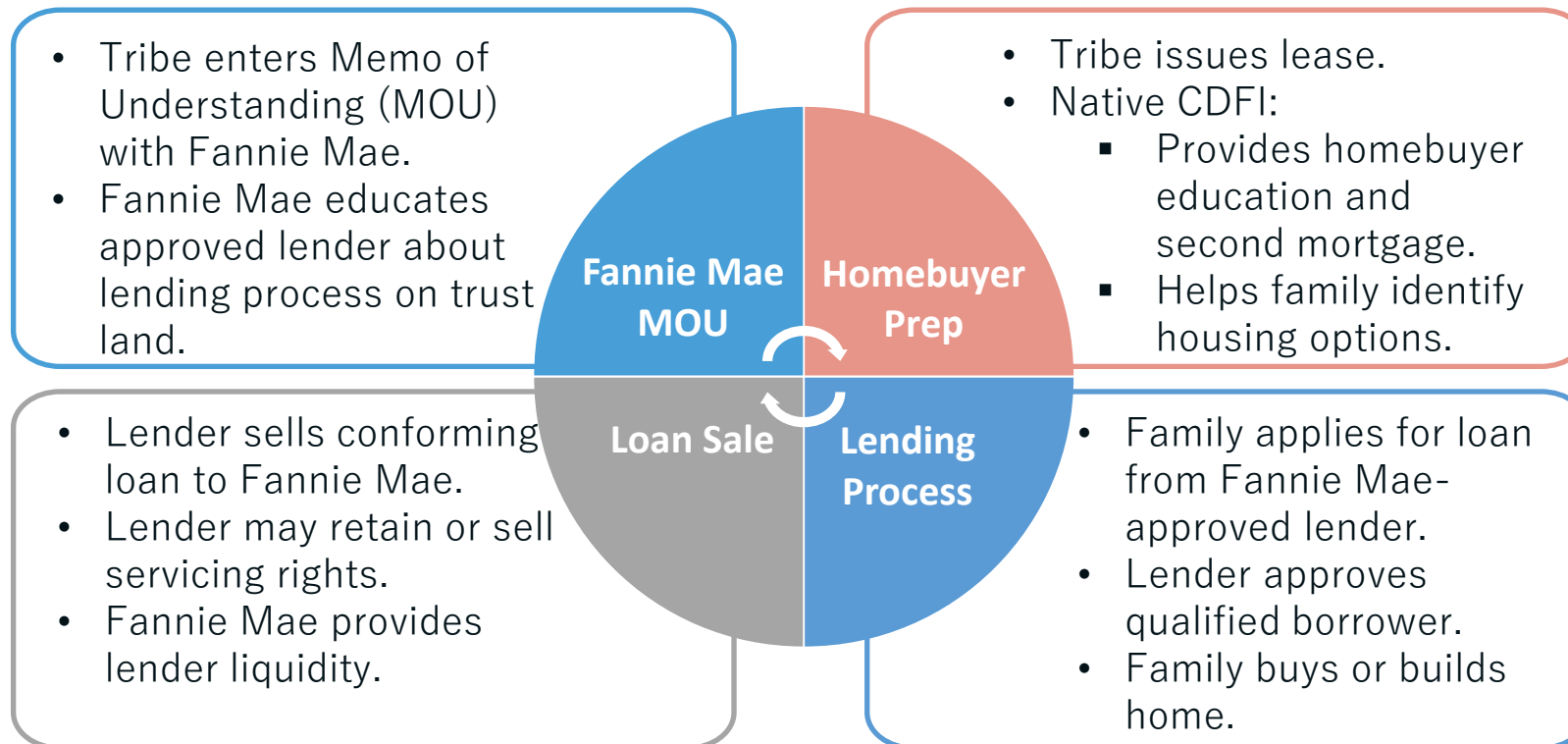


Additional Benefits of Conventional Lending

- Mortgages enforced in tribal court
- Allows for Tribe's right of first refusal
- Offers flexible options to help homeowners retain their homes while enduring a temporary financial hardship.



How does Fannie Mae's Native American Conventional Lending Initiative work?



Native CDFI Poll

If you are a Native CDFI, scan the QR Code or click on the link in the chatbox



How can a Native CDFI access mortgage capital through Fannie Mae?



Broker



Correspondent
Lender



Fannie Mae-
Approved
Lender



Fannie Mae-
Approved
Servicer



The Role of a Mortgage Broker

- Must obtain NMLS license
- Takes application and gathers loan docs
- May order appraisal, credit report, and title work
- Distributes disclosures and obtains signatures
- Identifies down payment
- Maintains customer communication throughout loan process
- Completes processing and submits loan package to lender's underwriter
- Earns a brokerage fee.



The Role of a Correspondent Lender

- Performs same duties as broker plus:
- Verifies fees, borrower cash required
- Produces TRID compliant closing disclosure
- Orders title policy and survey or Improvement Location Report (ILR)
- Orders funds from warehouse line
- Closes, funds and holds loan for sale to investor
- Delivers closed loan docs
- Establishes Quality Control (QC) program
- Earns origination fee plus servicing release premium



The Role of a Fannie Mae Approved Lender

- Performs same duties as correspondent, plus:
- Obtains approval from Fannie
- Delivers and sells loan to Fannie
- Earns original fee plus premium on sale of loan
- If service released, earns additional fee up front



The Role of a Mortgage Servicer

- May require a separate NMLS license from state
- Performs all servicing functions – providing notices, collecting payments, reporting and remitting to investors
- Holds and pays escrows for taxes, insurance, mortgage insurance
- Collects from delinquent borrowers
- Engages in loss mitigation activities
- Handles foreclosures, if necessary, and markets property for sale



Questions?



Thank you

