

Expanded ACB/Fannie Mae Affinity Agreement Helps Close Homeownership Gaps

By Daniel H. Mudd

Members of America's Community Bankers and Fannie Mae share an important mission: to make housing finance more affordable and accessible in the communities they serve.

In pursuit of that common purpose, Fannie Mae and ACB have forged a partnership that is increasing opportunities all across America—particularly for minority families. As we continue to work together and develop the tools and outreach efforts necessary to reach more first-time homebuyers, we are confident that we can close our country's homeownership gaps and help make our communities even better places to live and work.

The partnership has been strengthened with the recent renewal and expansion of the ACB/Fannie Mae Affinity Agreement. Through this initiative, Fannie Mae provides community banks with a reliable and consistent source of secondary market liquidity that can be used to make more mortgage loans.

We have also made it easier for ACB members to offer an array of affordable mortgage options, utilize cost-effective technology, and take advantage of educational and training tools to reach underserved markets.

ACB plays a leading role in meeting the ambitious goals Fannie Mae set forth in its expanded American Dream Commitment.

We at Fannie Mae appreciate the support of ACB and its members as we work together to tackle some of the toughest housing problems facing America.

New Resources

Under the first phase of the American Dream Commitment plan, Fannie Mae will team with our lender partners and commit significant new resources to achieve the following goals:

- Create homeownership opportunities for 6 million first-time home buyers and help raise the minority homeownership rate to 55 percent, with the ultimate goal of closing the homeownership gap entirely.
- Make homeownership a continuing and sustainable success for millions of families who may be at risk of losing their homes because of credit issues.
- Expand the supply of affordable housing where it is needed most.

We will work with ACB and others to reduce down-payment requirements and enable more consumers to take advantage of these types of mortgages. As we drive toward a completely paperless mortgage process, we will employ technology to further streamline mortgage origination, and cut an additional \$500 from the cost of processing an application through technology. We also recognize the need to develop stronger partnerships with those who serve as trusted advisors to first-time home buyers.

Expanding Responsible Lending

The key to making homeownership a sustainable success lies in expanding responsible lending. To do that, Fannie Mae is working with ACB and others to protect borrowers and put an end to fraudulent practices in the mortgage origination process. Our philosophy is simple: have good money drive out the bad and empower partners who share our philosophy to serve consumers who might otherwise fall victim to unscrupulous lenders.

We have made enhancements to Fannie Mae's Desktop Underwriter that allows users to identify fraudulent transactions before a loan is made. We are also working with our lender partners to set additional standards for responsible practices by implementing new policies that ban mandatory binding arbitration clauses, prohibit prepayment penalties longer than three years, and ban balloon payments with terms less than seven years. Our guidepost is that features must benefit the consumer and be fairly priced and appropriately disclosed.

For homeowners who may encounter trouble paying their mortgages because of some temporary hardship such as illness or unemployment, Fannie Mae and our partners will try to work out the mortgages in a way that keeps families in their homes. Fannie Mae is doubling the number of anti-predatory initiatives—from 25 to 50 over the next six years—and has earmarked \$5



million to support the overall initiative. We also have created a task force—that includes ACB members, other lenders, and consumer advocates—to develop new alternative dispute resolution mechanisms. Consumers should have a low-cost, fast, and fair process to resolve disputes—one that doesn't cause them to relinquish their rights.

Workforce Housing

Workforce housing is the focal point of the third phase of our expanded American Dream Commitment. As ACB members know, often teachers, police officers, firefighters, public servants, and line employees cannot afford to own or rent in the communities that depend upon them.

The overarching goal is to deliver tangible affordable housing finance, investments, and other activities to revitalize or develop 1,000 communities. In addition, we have pledged to significantly increase investments in Native American lands and rural areas, and residential “acquisition, development, and construction” financing.

Further, we have increased our existing pledge to finance multifamily housing from \$175 billion to \$200 billion by the end of the decade.

How You Can Help

These are exciting and challenging times for those of us in housing finance. As we develop ways to meet the needs of the nation's growing and evolving communities, ACB members will be at the forefront of the effort, and I encourage you to contact your Fannie Mae account representatives and seek ways to participate even more, including:

- Making loans to low- and moderate-income borrowers with tailored products like MyCommunityMortgage or

Flexible 97. These low down-payment options present flexible credit guidelines for low- and moderate-income borrowers with limited cash reserves.

- Expanding the availability of low-cost financing to more customers through products such as our Timely Payment Rewards mortgage. This mortgage helps borrowers with less-than-stellar credit history get an automatic interest



ACB Chairman William W. Zuppe joined Fannie Mae Chairman and CEO Frank Raines, on March 30 at Howard University in Washington, D.C., for a partner celebration that highlighted the various components of the expanded American Dream Commitment.

rate reduction after demonstrating an ability to make their mortgage payments on time.

- Helping “bank the unbanked” by extending customer relationships into recent immigrant markets.
- Continuing to work with Fannie Mae to help train and educate loan officers to expand housing opportunities.
- Becoming an approved Fannie Mae seller/servicer, if you aren't one already, and taking advantage of all the tools available under our Affinity Partnership.

We look forward to working with you to get these market-expanding innovations into your communities and readily available

to potential homebuyers, in the right locations, with the right kinds of outreach. Together, we have the power to make a dramatic difference. Every day, thousands of families are turning to ACB members—lenders that reside in and are sensitive to the needs of individual communities—for answers. In the months and years ahead, Fannie Mae and ACB members will generate countless real-life success stories.

Indeed, our affinity partnership is one that promises to make your communities and our country stronger through the transformative power of homeownership. Together, we have the chance to change the face of our nation. **6**

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ACB Business Partners aligns with best-in-class companies to provide member-advantaged business solutions designed to enhance your bank's competitiveness and to improve your bottom line. Through the ACB/Fannie Mae Affinity Partnership, ACB members deliver loans to Fannie Mae

under preferred terms, are approved to do business in a new streamlined and expedited process, have access to cutting edge technology, can participate in pilots and special initiatives like Fannie Mae's customized portfolio analysis, and more.

For more information about the ACB/Fannie Mae Affinity Partnership, contact Debbie Whiteside, ACB Business Partners' senior vice president, at (202) 857-5580 or dwhiteside@acbankers.org. ACB Business Partners offers a complete menu of business solutions in mortgage, technology and payments, and financial and capital markets. Visit www.AmericasCommunityBankers.com/Partners to learn more.