Fannie Mae

2022
Manufactured Housing
Loan Purchase

ADDITIONAL ACTIVITY:

D. Additional Manufactured Housing Communities Activities (12 C.F.R. § 1282.33 (d)).

OBJECTIVE:

1. Increase the purchase of MHC loans benefiting from Manufactured Housing Rental flexibilities.

INFEASIBILITY:

☐Check here if the Enterprise is submitting an infeasibility request for the objective.

SUMMARY OF RESULTS:

Objective's components detailed in the Plan	Corresponding actions taken	Explanation of any deviations from the Plan (if applicable)
☒ Purchase MHR loans on MHC properties to finance an estimated 1,900 new rental units, representing an approximate 6% increase over the baseline.	Fannie Mae financed 5,952 units eligible for Duty to Serve credit under its MHR execution in 2022, surpassing the target of 1,900 units during the first year of consideration under Duty to Serve.	N/A
☒ Develop and execute a plan to solicit feedback on MH Rental financing from manufactured housing lenders and community operators	Fannie Mae engaged with originators and borrowers active in an intentional rental strategy throughout 2022 to understand opportunities to improve the MHR execution.	N/A

SELF-ASSESSMENT RATING OF PROGRESS:

☐ Target met
☒ Target exceeded
☐ Target partially completed
☐ No milestones achieved

IMPACT:

☐ 50 – Very Large Impact
☐ 40 –
☒ 30 – Meaningful Impact
☐ 20 –
☐ 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?

Fannie Mae financed 5,952 units eligible for Duty to Serve credit under its Manufactured Housing Rental (MHR) execution in 2022, surpassing the goal of 1,900 units during the first year of consideration under Duty to Serve. Deals financed under this execution included MHCs for which a qualified borrower planned to retain ownership of a larger-than-typical percentage of park-owned homes at the time they transacted with Fannie Mae, referred to as "Manufactured Housing Rental," and deals that afforded the borrower additional proceeds based upon the underwritten cash flows from the home rents in addition to the pad lease rent, known as "Manufactured Housing Rental Financing." These use cases collectively make up the Manufactured Housing Rental execution for Fannie Mae.

Among the loans financed under this execution in 2022 was a 21-property addition to an existing credit facility that Fannie Mae originally quoted in the first quarter of 2021. The deal served as a takeout for the rental homes that had been originally purchased by the sponsor using preferred equity issued at rates ranging from 6.75%-8%. Offering a 3.5% rate on the entire portfolio allowed the sponsor to retire its existing obligations with comparatively low-cost debt amortized over a longer term, thereby encouraging additional investment in manufactured housing communities in future years.

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

Our loan purchases under the MHR execution make a major contribution to the Duty to Serve community of practice by enabling a definitive assessment of the affordability of living and paying rent in a park-owned manufactured home. For manufactured housing rental financing deals, the cash flows from both the pad and the manufactured home are taken into account, enabling a comparison of renters' all-in housing costs to the median income of their geographic area. In fact, 97.4% of the renters living in a unit financed through the MHR financing execution in 2022 earn 80% or less of the area median income, and 37.2% of these renters earn 50% or less of the area median income. This type of calculation is usually not possible on Fannie Mae's traditional MHC loan purchases, where the consumer has typically financed the manufactured home with a chattel loan that is not of consideration when the MHC Borrower transacts with Fannie Mae. Due to this, FHFA offers a proxy for determining the affordability of MHC pad rents, but this calculation can never be truly substantiated without knowing the consumer's all-in housing costs. Even the units financed under MHR deals, without knowing or considering a renter's true housing costs attributable to the home rental, yielded an affordability calculation of 97.5% under FHFA's mission-based proxy for determining housing cost affordability for consumers living in MHCs, compared with 86.1% affordability for MHC loan purchases overall. These outcomes validate the premise upon which Fannie Mae's MHR financing execution is based: providing competitive financing structures for experienced community owners active in the acquisition and management of manufactured homes in their communities is leading to significant investment in low- and moderate-income consumers living in manufactured housing communities across the country.

3. Optional: If applicable, why was the Enterprise unable to achieve the Plan target?

Not Applicable

Fannie Mae

Fannie Mae
Manufactured Housing
First Quarter Report: January 1 - March 31, 2022
Loan Purchase

ACTIVITY:

D. Additional Activity: Additional Manufactured Housing Communities Activities (12 C.F.R. § 1282.33 (d)).

OBJECTIVE:

1. Increase the purchase of MHC loans benefiting from Manufactured Housing Rental flexibilities.

SUMMARY OF RESULTS:

Through March 31, 2022, Fannie Mae has yet to purchase any loans under its Manufactured Housing Rental execution. However, we have several deals which are committed for delivery and under application which will count towards this new Objective. While Manufactured Housing Rental represents an opportunity to evolve our MHC product suite to align with industry trends, scaling this program may prove difficult as many of these loans will be structured as credit facilities—a specialty offering which requires more complicated underwriting and dedicated internal capacity to manage.

Following are the 2022 Actions under this Objective:

- Purchase MHR loans on MHC properties to finance an estimated 1,900 new rental units, representing an approximate 10% increase over the baseline.
    - Develop and execute a plan to solicit feedback on MHR financing from manufactured housing lenders and community operators.

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):