2022
Manufactured Housing
Outreach

REGULATORY ACTIVITY:

A. Support manufactured homes titled as real property (MHRP) (12 C.F.R. § 1282.33 (c) (1)).

OBJECTIVE:

2. Explore opportunities to facilitate financing of loans secured by MHRP located in certain manufactured housing communities.

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)
☒ Determine scope and parameters to either expand financing of MHRP in resident-owned MHCs and/or introduce an initiative for financing MHRP in privately-owned MHCs.	The implementation steps that follow, collectively, constitute completion of this target.	N/A
☒ Conduct legal, regulatory, quantitative, and policy analysis to determine opportunities to expand resident-owned MHC offerings and/or to introduce an initiative for financing homes in privately-owned MHCs.	Fannie Mae researched opportunities to expand its financing of homes sited in resident-owned cooperatives, researching Charter eligibility, collateral, securitization policies and parameters, and conducting outreach to develop an understanding of the need for additional product flexibilities. This high-level product approach was socialized with internal and external stakeholders to begin developing future product enhancement(s). Further, while Fannie Mae will finance manufactured homes/housing (MH) subject to a leasehold estate in established condo or planned unit development projects approved through its Project Eligibility Review Service, we engaged with market stakeholders in select geographic areas to identify additional opportunities for	N/A

	financing manufactured homes subject to a leasehold estate.	
☒ Identify strengths and weaknesses of current product offerings by analyzing historical loan acquisitions.	Fannie Mae reviewed loan performance data of its long-standing MH co-op variance and will use this information to develop its future product approach.	N/A
☒ Publish lessons learned to inform stakeholders of potential opportunities and challenges.	Fannie Mae published its public summary of research findings, entitled "Innovations in Real Property" on its Duty to Serve webpages.	N/A
☒ Engage internal stakeholders to assess operational capabilities, outline scope requirements, and obtain approvals to launch additional offerings.	The Duty to Serve team prepared an internal summary of findings that was socialized with a broad group of stakeholders within the Single-Family business to serve as the basis for future product enhancements.	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 made considerable progress in defining, scoping, and preparing to launch additional product flexibilities that expand real property mortgage lending to consumers living in MH communities (MHC) in future years under the Duty to Serve (DTS) plan. We reached out to lender and non-lender stakeholders, performed an external and internal literature review, researched Fannie Mae's historical real property loan purchases in these unique communities, and initiated internal conversations to promote a broader understanding of this market segment and identify opportunities to improve our policies and product materials. The homeownership models explored under this objective include MH units subject to a long-term lease administered by both private and non-profit entities and MH located in land-home resident-owned cooperatives.

While Fannie Mae continues to further develop its support for newly constructed MH units through product development and outreach, developing loan products that serve consumers living in MHCs represents a unique contribution to a segment of the MH market that is typically thought of as a multifamily endeavor. Zoning constraints, the limited availability of commercial lending capital to support new MH developments, and the incompatibility of the MH loan distribution model with traditional real property mortgage financing all serve as meaningful barriers to bringing new MH supply to the market. Conversely, non-profit, and mission-driven entities active in the financing of MHCs are increasingly coalescing around the cooperative ownership model as an expedient way to preserve existing communities. The conversion to cooperative ownership gives residents more stability and certainty in their housing costs without overburdening them by requiring the residents to bear the full cost of land ownership upfront, which would generally be the case for other single-family collective ownership arrangements, such as condominiums and planned unit developments. And given that roughly 45,000 MHCs already exist, process constraints such as zoning and planning approvals that would otherwise be needed for newly constructed MHCs are largely alleviated. In prior years, Fannie Mae developed loan products and fostered key relationships with stakeholders in the market for non-traditionally owned MHCs, culminating in its first two blanket loan purchases of resident-owned cooperative communities in 2022. Leveraging these relationships in developing a more robust single-family real property loan product option for homeowners in cooperative communities has the potential to attract additional capital and visibility to the cooperative ownership model, which in turn should fuel further property acquisition and preservation. And while the cooperative ownership model has largely been used to preserve existing MHCs, we developed a new relationship with a technical assistance provider actively pursuing a new-construction cooperative project in the Midwest. This relationship will allow us to track the development of an MH cooperative from the ground up, the completion of which is tentatively scheduled for 2025.

As discussed in our year-end summary of research findings mentioned above, the degree to which state titling statutes recognize MH as real property is the linchpin to bringing additional mortgage financing products to market. Unfortunately, although the Uniform Law Commission produced a Uniform Manufactured Housing Act designed to modernize state titling law and provide both consumers and lenders with a uniform conversion process to follow, no states are known to have adopted this provision in the decade since its drafting in 2012. As a result, the treatment of MH as real property is a matter of disparate state law. Still, in the course of our outreach, stakeholders noted that accelerating product development for homes in these communities would be a meaningful contribution to the broader community of practice and could very well inform and incent states and municipalities across the country to consider revisiting the scope and applicability of their real property titling statutes to include MH units owned under these unique arrangements. We are hopeful that our contributions under this DTS objective will accomplish this.

In addition to co-ops, Fannie Mae conducted outreach to industry stakeholders involved in the sale of MH subject to a long-term lease agreement, including those in the "privately-owned" MHC sector and non-profits in the community land trust sector. These stakeholders included home manufacturers, community owners and operators, mortgage lenders, non-profits and technical assistance providers, and industry consultants with experience in the development and management of MHCs. In the private sector, institutional investors are increasingly involved in the construction and acquisition of MH communities to hold in a portfolio of real estate assets with the intention of collecting cash flow from the pad rents over a long period of time. As such, a lease of sufficient length could serve the interests of the private community owner, a borrower seeking a competitive financing arrangement, and a lender anticipating a long-term lease to serve as a component of the collateral for the mortgage loan. In furtherance of this opportunity, Fannie Mae’s single-family customer management team and its multifamily credit, legal, and asset management teams collaborated to research potential changes to our multifamily loan documents to permit the recording of a real property mortgage on individual home sites located in an MHC that Fannie Mae has financed through its Multifamily MHC Financing Program. To meet this goal, Fannie Mae developed an agreement outlining the responsibilities among the multifamily borrower and property owner, a junior lender agreeing to offer a mortgage loan on the consumer’s leasehold estate, the individual consumer financing their MH unit with a leasehold mortgage, and Fannie Mae as an investor in the multifamily loan. While we have yet to see the adoption of this agreement, it provides a conceptual legal framework under which Fannie Mae could finance both the blanket loan for the MHC and the individual mortgage loans for tenants living in communities organized under some legal framework other than a cooperative structure.

While Fannie Mae has made considerable progress in defining and scoping future mortgage product flexibilities, we are pleased to report that Fannie Mae purchased five MH loans in a community land trust in the fourth quarter of 2022—representing the first known use case of MH in a shared equity community land trust program in the country. These loan purchases were the product of four years of in-market engagement with lenders, program practitioners, appraisers, and other key market stakeholders to ensure the program was crafted to support the community's needs. We plan to promote this success to industry practitioners in future years.

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

Beginning in 2008, Fannie Mae launched a special program to finance MH located in limited equity resident-owned cooperatives located in the state of New Hampshire. While loan purchases under this offering have been modest, incorporating support for resident-owned communities as both a single family and multifamily DTS activity has the potential to bring conventional financing for residents living in these communities to greater scale. Our year-end summary of findings, titled "Innovations in Real Property," summarizes our experience with these loans and highlights certain loan and product characteristics, including the high percentage of loans that qualify for DTS originated in these communities.

The legislative environment in New Hampshire is, in many ways, a gold standard for ensuring effective processes for enabling mortgage financing for MH. Importantly, New Hampshire has no title "conversion" process because state law provides that homes placed on a site and connected to utilities may be considered real property for the purposes of conveyance and financing. While several other states include MH sited on land not owned by the homebuyer in the scope of their title conversion statutes, the process of conversion is still cumbersome and unfamiliar to many lenders and consumers. It remains to be seen whether the availability of comparatively low-cost mortgage financing for these homes will be enough of an incentive to convince consumers to "convert" their financing arrangement to real property mortgage financing. In addition to the unfamiliarity of these conversion processes, treating a home as real property for the purposes of financing may also increase the consumer's property tax burden if certain exemptions are not provided at the state or municipal level.

In addition to an accommodating legislative environment in New Hampshire, various players in the community development apparatus there have developed specific programs aimed at ensuring the availability of mortgage and development capital for consumers and stakeholders involved in financing MH communities. The New Hampshire Community Loan Fund (NHCLF), a non-profit community development financial institution, has long provided both multifamily financing for resident-owned MH cooperatives and individual mortgage loans for consumers living in these communities. Community-based institutions with well-developed approaches for serving low and moderate-income consumers can help bring visibility to these homeownership models amongst consumers, local municipalities, and private and philanthropic funding sources, while also meeting the ensuing demand for financing by providing loans to borrowers who may not meet acceptable secondary-market criteria for credit-qualifying purposes. As Fannie Mae further develops its policy approach to serving consumers living in resident-owned cooperatives in markets across the country, other institutions will need to respond to the opportunity by providing resources and capacity akin to the approach taken by the NHCLF.

In addition to the outreach described above, various players in the traditional land-lease MH industry have shown some interest in aligning their home financing practices with traditional real estate practices. Private MHC owners have the benefit of access to capital and operational scalability, which lend themselves to the construction of planned unit developments and other large-scale communities. Aligning the low-cost nature of MH with the affordability of a leasehold property interest has some promise in bringing badly needed affordable housing stock to markets across the country. The challenge will be promoting these homeownership concepts to today's first-time homebuyers, who, in securing a lower-cost housing option, forgo the opportunity to benefit from market-level home price appreciation and the equity generated from owning land.

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

Not Applicable