



Fannie Mae 2020
Manufactured Housing
Loan Purchase

ACTIVITY:

A. Regulatory Activity: Manufactured homes titled as real property (12 C.F.R. § 1282.33 (c) (1)).

OBJECTIVE:

2. Increase liquidity for manufactured housing titled as real property through industry outreach and increasing purchases (Analyze, Partner and Innovate, Do What We Do Best).

SUMMARY OF RESULTS:

Following are the 2020 Actions under this Objective per the January 1, 2021 Duty to Serve Plan:

| <i>Objective's components detailed in the Plan</i> | <i>Corresponding actions taken</i> | <i>Explanation of any deviations from the Plan (if applicable)</i> |
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| <input checked="" type="checkbox"/> Purchase at least 100 manufactured housing loans titled as real property. These loan purchases will directly result from variances and policy changes issued in 2018 and 2019 and are included in the total manufactured housing purchases in Objective #1. | <ul style="list-style-type: none"> •In 2020, Fannie Mae purchased at least 424 loans that were made possible by the variances and policy changes issued in 2018 and 2019. We further estimate that the policy change to allow MH in combination with construction-to-permanent loans produced ~518 additional two-closing construction-to-permanent MH loans. Finally, this count does not include any loans for homes with an addition or structural change, as these cannot be tracked reliably. •We also issued two significant variances (described in more detail under Objective 3). •We issued a major policy change in December by permitting the delivery of loans secured by certain single-width manufactured homes. | •N/A |
| <input checked="" type="checkbox"/> Continue industry outreach activities started in 2018 to maintain engagement and inform product activities. | •N/A | •N/A |



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| <input checked="" type="checkbox"/> Host one manufactured housing roundtable with cross-functional industry representation to capture diverse perspectives. | <ul style="list-style-type: none"> •In October 2020, we hosted a Roundtable event with a diverse group of over 100 attendees who engaged on a series of topics, including a discussion of Fannie Mae’s recent policy developments and research publications. | <ul style="list-style-type: none"> •N/A |
| <input checked="" type="checkbox"/> Participate in two key industry conferences to remain current on activities and developments in the market and to inform future decisions and prioritizations. | <ul style="list-style-type: none"> •We participated in more than the requisite number of industry conferences and events, including two in-person events and several more virtual events. These include, but are not limited to, the Louisville Manufactured Housing Show and multiple events hosted by MHI. •Additionally, we promoted our role in the MH industry, by participating in speaking roles in webinars, a conference hosted by the Dallas Federal Reserve, an interview on an MH industry podcast, two articles in MH Insider Magazine, and dozens of engagements with lenders and other industry stakeholders. •Through a contract with Next Step, we expanded upon prior outreach to housing counselors to develop an MH certification and training program for interested housing counselors. | <ul style="list-style-type: none"> •N/A |
| <input checked="" type="checkbox"/> To promote transparency and describe progress made to increase access to credit for manufactured housing, publish to the public a summary of learnings since 2018 | <ul style="list-style-type: none"> •We published a document, titled Increasing Liquidity for Manufactured Housing Titled as Real Property, in December. This document contained the | <ul style="list-style-type: none"> •N/A |



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| including items such as qualitative market information, trended data for Fannie Mae's manufactured housing loan portfolio, and performance data about variances or policy changes issued. | information described in the Duty to Serve Plan, as well as considerations for the future of our MH Duty to Serve efforts. | |
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SELF-ASSESSMENT RATING OF PROGRESS:

- Objective met
- Objective exceeded
- Objective partially completed: 75-99% (substantial amount)
- Objective partially completed: 50-74% (limited amount)
- Objective partially completed: 25-49% (minimal amount)
- Objective partially completed: 0-24% (less than a minimal amount)
- No milestones achieved

PARTIAL CREDIT JUSTIFICATION:

N/A

IMPACT:

- 50 – Substantial Impact
- 40 – Between Meaningful and Substantial Impact
- 30 – Meaningful Impact
- 20 – Between Minimal and Meaningful Impact
- 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?

Loan purchases:

Participation in outreach events, publication of research and learnings, and the issuance of variances and policy changes are all important markers. Still, loan purchases remain the most direct and tangible measure of our impact in addressing the needs of this underserved housing market. Surpassing our goal of loans stemming from new products signifies meaningful growth in both the number and the type of MH loans we finance.

Much of our product development work and related outreach, whether focused on MH Advantage®, standard MH, or single-width MH, seeks to promote MH as an appealing, affordable supply solution. In fact, we launched



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an affordable housing supply marketing campaign that highlighted the role of MH, and it received 1.1 million impressions in just its first two weeks. But the most meaningful sign of impact would be the introduction of incremental supply to the housing market, in the form of loans secured by newly constructed MH. We do not have a perfect measure of these loans, but using reasonable proxies from appraisal data, such as the condition rating of the home or the year it was built, we can track our progress with some confidence. According to these metrics, we believe we have financed between 13 percent and 27 percent more of new MH in 2020 than in 2019.

Product development:

The Plan called on us to “[c]ontinue industry outreach activities... [to] inform product activities. After a thorough review of the Selling Guide and discussions with numerous industry participants, we published a significant policy change that targets the lowest income segment of the MH market. Also, we issued two exploratory variances, allowing MH eligibility in certain Community Land Trusts (CLTs) and allowing an MH Advantage primary residence to be paired with an Accessory Dwelling Unit (ADU), both in support of MH Advantage.

The policy change permits the delivery of certain single-width homes titled as real property. This policy was only published in the Selling Guide in December and so has not produced any loan purchases. However, we are confident that this change will bring a meaningful amount of new liquidity to the MH market by addressing an untapped need in the most cost-effective MH market segment. Even though a significant number of single-width manufactured homes are likely to be ineligible for conventional mortgage financing because they are titled as personal property or do not meet Fannie Mae’s collateral requirements, exploratory research with select lenders suggests there is demand for financing single-width MH titled as real property. Notably, this demand aligns well with the affordable focus of the Duty to Serve rule, as a typical structure is estimated to cost only \$46,700. For this reason, single-width financing is an attractive opportunity for generating new housing. For existing real property single-width MH, there is a great opportunity for mortgage refinance at much lower interest rates and payments than what is offered by traditional MH financing, which typically exceeds conventional mortgage rates by a sizeable margin.

Outreach and Research:

Outreach activities, such as participation in conferences, lender meetings, marketing campaigns, and interviews, allow Fannie Mae to expand its footprint in the MH market, where it has traditionally financed only a small portion of transactions.

We believe outreach work helped lay the groundwork for future success by identifying and addressing several topics that arose frequently, including lender confusion around MH state titling requirements, lack of familiarity from some appraisers on how to appraise MH and MH Advantage, and general lack of familiarity among some housing counselors on MH. In each of these cases, we launched and promoted resources to address a pervasive challenge to MH mortgage financing. For example, through a partnership with Next Step launched in Q4, we delivered webinar training titled Integrating Factory-built Housing into Your Existing Homeownership Program to 149 housing counselors and expect to continue this work in 2021. Expanding on work begun in 2019, we released a document titled Titling Requirements for Manufactured Homes that summarizes MH title conversion requirements in all 50 states and Washington, DC. In early 2020, we produced several training resources for MH



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appraisers and, in late 2020, we launched an email campaign to raise awareness of titling and appraisal related resources to lenders.

Similarly, in response to issues raised during industry engagement, we conducted both internal-facing and external-facing research. That research led to a variety of projects with the potential to drive increased and improved MH lending, including a planned 2021 focus on improving MH servicing metrics and geographic analysis of potential target MH markets.

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

Lenders have taken advantage of past policy enhancements and supporting resources:

We launched seven major policy changes and several more variances since 2018 that each expanded the definition of eligible MH loans. In total, we've purchased 1,186 resulting loans to date, proving the value of thoughtful product development in this market (and this total does not include a sizable volume of two-close MH C2P loans, which we cannot calculate with enough precision to count officially). While we have addressed many of the most common recommendations from MH real property lenders, it would be prudent to consider additional policy innovation where there is demand. Other supporting resources, such as the summary of MH titling requirements and multiple appraiser education courses released this year, have been well received by their intended audience, but can also be distributed even more broadly.

Lenders value support at point-of-sale:

We continue to observe that our lender customers face challenges engaging at the MH point of sale. Both at MH retail outlets as well as with developers considering using MH to build subdivisions, our lenders lack the connections to immediately originate significant volumes of these loans. We have supported certain lenders directly, providing relevant connections and hosting networking meetings. From a marketing standpoint, we specifically targeted retailers in high-volume MH states during Q1, driving over 3,700 visits to a landing page developed specifically for MH retailers. We also supported builders and developers pursuing MH projects with talking points, customized presentations, print and digital collateral, and email marketing support. Based on lenders' reactions to these efforts, we believe empowering more lead generation at the point of sale is critical motivating a partnership with manufacturedhomes.com that we established in late 2020 and will bring to market fully in 2021.

Fannie Mae can contribute to the zoning conversation:

We've continued to hear feedback that MH zoning is a limiting factor on MH real property lending. Our role is limited in this space, but we have had a handful of positive experiences sharing our MH lending perspective when asked by local decision-makers. We will continue to provide this direct support in 2021 and plan to produce publicly available research on zoning.

3. (Optional): If applicable, why were all components of this objective not completed?

N/A