



## Fannie Mae 2021 Manufactured Housing Loan Product

### 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 2021 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>
<input checked="" type="checkbox"/> Drive growth in real property financing for affordable manufactured homes by promoting financing for single-width homes and introducing at least one variance that broadens Fannie Mae's ability to serve the single wide market.	<p>To expand conventional financing for MH, Fannie Mae provided a skeleton variance for lenders to deliver loans secured by single-width manufactured housing units that were greater than 10 years old, addressing a common obstacle cited by lenders interested in our single-width MH product.</p> <p>Additionally, to encourage greater market adoption of manufactured housing, we launched a variance allowing multiple flexibilities in support of the utilization of ADUs, including MH ADUs.</p>	N/A
<input checked="" type="checkbox"/> Launch a targeted effort through one or more lenders to purchase mortgage loans secured by single-width manufactured homes; Acquire 70 mortgage loans secured by single-width MH.	<p>We purchased 248 single-width MH loans, of which 189 qualified for Duty to Serve.</p>	N/A
<input checked="" type="checkbox"/> Identify opportunities to enhance and/or simplify single wide product requirements by engaging lenders and collecting feedback.	<p>To boost single-width manufactured housing loan purchases, Fannie Mae re-engaged with lenders in March 2021 to confirm the SWMH program was</p>	N/A



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	working as intended, and to solicit additional feedback. Lender input led us to relax our collateral requirements through a variance offering.	
<input checked="" type="checkbox"/> Interview a group of Fannie Mae manufactured housing lenders and non-manufactured housing lenders to gather diverse feedback on areas for policy innovation.	Fannie Mae used its suite of MH product offerings, including MH Advantage and single-width manufactured housing, to solicit feedback from numerous manufactured housing lenders about the policy innovations needed in the marketplace.	N/A
<input checked="" type="checkbox"/> Produce a nonpublic analysis that ensures that the activity will broaden Fannie Mae's manufactured housing lending, identifies risks and risk mitigants, and summarizes feedback from lender customers.	Fannie Mae documented opportunities to expand its MH lending business, associated risks, and potential risk mitigants prior to introducing the ADU variance and the SWMH skeleton variance for approved lenders.	N/A
<input checked="" type="checkbox"/> To promote transparency with stakeholders, produce a public document explaining the reasoning behind the variance or policy change, the expected market opportunity, and the potential risks.	On December 23, 2021, Fannie Mae published on its website a summary of findings and lessons learned related to the skeleton variance, our MH Advantage® subdivision progress, and multi-year lender outreach.	N/A
<input checked="" type="checkbox"/> At launch of new variance or guide change, conduct an outreach campaign to educate lenders and to ensure expanded participation in the program.	Fannie Mae conducted targeted outreach to lenders believed to be relatively well-suited and interested in expanding their MH footprint through our Single Wide variance offering.	N/A



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<input checked="" type="checkbox"/> Track loans stemming from changes to our policies on single-width manufactured housing, as described above, alongside other manufactured housing policy innovations introduced between 2018 and 2020	Fannie Mae implemented a new internal tracking process to track SWMH loan deliveries. This consisted of monthly tracking and quality control checks with lender follow-ups to rectify any loan miscodings. In total, MH policy innovations introduced as part of Duty to Serve resulted in 647 incremental loans delivered in 2021.	N/A
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**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?**

2021 marked the first year of promoting awareness and adoption of our single-width manufactured housing product, which we introduced into the Guide in December 2020. Single-width manufactured homes comprise approximately 47% of new MH units constructed on an annual basis, and priced at roughly \$50 per square foot offer one of the most affordable housing options on the market. After rolling out the product, we estimated fewer than 100 loan purchases in the first year of product implementation. Through deliberate and sustained lender outreach combined with nimble internal processes established to act upon lender feedback, we not only exceeded this overall product target but exceeded our initial estimate of Duty to Serve-eligible single-width purchases as well. With less than one full year of implementation, we purchased 248 single-width manufactured home loans, of which 189 qualified for Duty to Serve.



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In addition to our promotion of single-width financing and ensuing loan purchase activity more generally, additional manufactured housing (MH) product development activities launched in 2021 directly led to 73 incremental loan purchases by Fannie Mae. However, this number underestimates future impact since neither of the resulting variance offerings were in market the entire year.

As important as loan purchases stemming from these changes are, the process by which Fannie Mae arrived at these changes is equally vital. Fueled by feedback from lenders and other industry participants, we launched two variances that directly responded to the experiences our lenders face in today's market.

### **Single-width manufactured homes variance**

Single-width manufactured homes (SWMH) are the most affordable type of manufactured housing. However, buyers have not historically had access to conventional financing options for these homes. As a result of a 2020 Selling Guide change, Fannie Mae began purchasing SWMH loans in February 2021. We quickly reengaged with lenders in March 2021 to confirm the program was working as intended and to solicit additional feedback to ensure that our policies reflected the needs being experienced in the market. As a result, we determined that the age restriction on our SWMH product was having a negative impact on lenders' ability to serve their customers and was furthermore causing operational issues as lenders tried to put processes in place to track the age of the single-wide MH collateral specifically. This provision limited lenders' ability to participate in resale or refinance lending on older SWMH, which in turn affected their ability to provide access to this affordable housing type. Lenders expressed concern that borrowers choosing to purchase an MH unit that then aged out of eligibility would experience limited financing options if they wished to refinance in the future. After assessing both qualitative and quantitative data on early loan deliveries, we were prompted to create a variance for lenders to deliver SWMH loans that were greater than 10 years old, which was made available beginning in November 2021.

### **Accessory dwelling unit variance**

As more state and local governments find value in leveraging accessory dwelling units (ADUs) as an additional tactic for alleviating housing supply shortages and affordability challenges, Fannie Mae is doing our part to provide lenders with additional financing options that support the practical use of ADUs. Industry research has suggested that the market for ADUs has grown by an average of 8.6% annually since 2009, and indeed Fannie Mae has purchased more than 150,000 mortgage loans secured by properties with an ADU since 2012. ADUs have gained traction in recent years as a result of proactive affordable housing strategies initiated by state and local policymakers, such as statewide enabling legislation passed in California in 2020 and represent a consumer-friendly option for adding to the local affordable housing stock in a way that does not significantly alter the character of the surrounding neighborhood. With favorable consumer sentiment generating strong market growth, Fannie Mae will need to craft targeted product offerings to respond to these market trends. In 2021, Fannie Mae illustrated this commitment by launching a variance offering to provide eligibility flexibilities and accept loans secured by MH Advantage or standard manufactured housing primary units with accessory dwelling units. The variance was launched in August 2021 and while we have not taken deliveries by end of year, nine lenders have executed the variance by end-of-year and we expect loan deliveries in early 2022.



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The ADU Variance contains two flexibilities related to MH and ADUs:

### Flexibility 1: MH Advantage with ADU

- Accept loans secured by one-unit primary residence MH Advantage with a Selling Guide permissible site-built, modular, or manufactured home (including single-wide) ADU.

### Flexibility 2: Manufactured Home with ADU

- Accept loans secured by one-unit primary residence MH with a Selling Guide permissible site-built or modular ADU.

Allowing Fannie Mae lenders to respond to market demand for ADUs positions Fannie Mae as a leader and convening partner in this emerging market segment while allowing our lenders to facilitate the addition of affordable housing supply and potentially serve a broader population of low- to moderate-income borrowers.

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

Fannie Mae's 2021 MH product development efforts demonstrated the value of maintaining a nimble interaction model with our industry stakeholders to solicit real-time feedback on our MH product offerings. Informed by their experiences with borrowers, retailers, developers, and other housing finance leaders, our lenders highlighted the need to modify our SWMH and ADU offerings. We responded with a skeleton variance for our ADU offering that was available for four months and a skeleton variance of the Single-width MH product that was available for two months out of the year. Even in the limited amount of time in market, these products generated an incremental 73 MH Duty to Serve loans in 2021. Combined with the other MH product enhancements introduced from 2018 to 2020, we purchased 647 loans that would not have been possible for lenders to deliver prior to Duty to Serve.

It is important to note that the successes described above required a significant amount of effort and resources. In addition to the internal analyses and approval processes to incorporate these changes in 2021, Fannie Mae continues to promote our suite of MH options through targeted lender trainings, marketing activities, and a series of public webinars. As level of familiarity with manufactured housing may fluctuate or change over time for certain lending institutions as they balance other lending priorities and endure staff turnover, we are aware that our new MH product offerings must be paired with a comprehensive outreach and education strategy to continue to drive results and convey Fannie Mae's commitment to this market segment. In the future, we will continue to pair new product development efforts with these kinds of supporting outreach and education efforts.

### **3. If applicable, why was the Enterprise unable to achieve the Plan target?**

N/A