2023
Manufactured Housing
Loan Product

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.

SUMMARY OF RESULTS:

Objective's components detailed in the Plan	*Corresponding actions taken*	*Explanation of any deviations from the Plan (if applicable)*
☒ Develop products and strategies that enable the future purchase of loans in MHCs.	Target met through 2023 actions; see subsequent implementation steps.	
☒ In response to industry feedback, implement at least one policy change or variance to expand lending on MHRP located in MHCs.	Fannie Mae implemented a new product offering expanding real property manufactured home lending to homes located on leasehold estates in manufactured housing communities (MHCs) organized as cooperatives (i.e., resident-owned communities, or ROCs) where applicable state law considers such homes to be real estate for the purposes of financing and conveyance.	
☒ Conduct analysis to identify MHCs where MHRP loan volumes are possible.	The aforementioned state titling statutes were reviewed to determine whether a mortgage lien over a home on a leasehold estate in an ROC could be properly created, and several states were found to have processes conducive for conventional mortgage lending.	
☒ Develop a plan to promote MHC initiatives with lenders, MHC operators, and stakeholders who interact with residents.	Fannie Mae conducted proactive lender outreach to experienced manufactured housing (MH) lenders active in states found to be conducive for lending in co-ops to promote the new variance flexibility. The feedback received will influence our industry engagement strategy in future years.	

	Further, Fannie Mae worked with a national nonprofit with expertise in facilitating resident conversions to administer surveys to residents of ROCs across the country to understand their barriers to securing affordable home financing and solicit feedback on opportunities to improve the utilization of mortgage financing products.	
☒ Gauge market interest for MHRP in MHCs by engaging and gathering feedback from realtors, appraisers, and other relevant stakeholders.	Through the national resident and industry outreach effort mentioned above, Fannie Mae engaged realtors and resident-service providers. Further, we collected data from appraisals conducted on manufactured homes in ROCs and used that information to improve appraisal quality by producing a new process document to be socialized with lenders and appraisers participating in ROC lending.	
☒ Conduct a market analysis to determine whether including a loan purchase target in 2024 is feasible. If deemed feasible, engage internal stakeholders to establish an appropriate loan purchase target.	Fannie Mae engaged with lenders and non-lender stakeholders in the creation of this policy expansion. Ultimately, the new product was determined to be too novel to these market participants to enable it to be fully operationalized in the marketplace in 2024. In making this determination, Fannie Mae submitted a Plan Modification in 2023 to add an additional Outreach objective to its MH Plan in 2024, which would entail additional capacity-building efforts to build up a marketplace for conventional lending in ROCs across the country.	
☒ Develop and conduct resident needs assessment in select MHC's, identifying existing loan product offerings available to residents and housing supply tactics employed by ROC community leaders.	Through engagements with the national nonprofit mentioned above, we conducted surveys of residents of ROCs in fifteen states to discuss financing needs and other opportunities. Notable findings include the dearth of home equity and cash-out refinance products for homes in ROCs, and the opportunity to position ROC members to act as real estate sales professionals focused on infilling vacant lots and further developing local markets through	

	engagements with appraisers, lenders, and real estate agents.	

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?

The premise of this work is delivering affordable conventional financing to new segments of the MH market. Our research has found that although ROCs provide the security of land tenure comparable to that provided by other shared equity programs such as community land trusts, the use of real property mortgage lending in ROCs across the country is almost non-existent. This is largely due to the disparate treatment of manufactured homes on leased land in state titling regulations that govern conveyance and taxation of real estate. By working in 2023 to tailor the cooperative legal framework to ensure compatibility with MHCs, we enabled the conversion of homes that would otherwise be financed as personal property into a real property lending regime. Given that the interest rate spread above average prime offering rate is consistently over 400 basis points higher for personal property loans than for MH mortgage loans, we believe that this work will have a demonstrable impact on the financing outcomes of residents of MHCs. By developing a programmatic framework for converting loans that would otherwise be financed as personal property to real estate, we will be improving short-term resident outcomes by lowering monthly financial obligations via a mortgage loan product with comparatively longer terms and lower interest rates. Further, by providing a pathway for conventional eligibility, we are enabling longer-term value retention and enhanced marketability of the homes once the residents choose to resell the home or refinance their existing loan. These outcomes are aligned with our corporate strategy of providing access to sustainable housing opportunities.

The adoption of a real property mortgage product within ROCs across the country will require sustained engagement and depend on obtaining actionable feedback by lender and non-lender market participants. However, the work done this year to develop a replicable approach to reviewing state titling laws as they relate to leasehold homeownership arrangements and MH collateral will enable us to continue to assess opportunities for expanding Single-Family lending to ROCs in new states over short- and medium-term time horizons.

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

As we developed this product enhancement in 2023, we became aware of the absence of a national program or effort focused on improving financing outcomes for the individual residents of ROCs. Resident-ownership of MHCs has received national attention for many years and is a Duty to Serve regulatory activity as a Multifamily financing endeavor, but there are no Single-Family lending programs that have achieved national market acceptance or the degree of scale and replicability that can be observed in market for the conversion of MHCs to cooperative ownership. Recognizing this, we believe sustained engagement and additional resources will be needed to help facilitate widespread adoption of mortgage financing for residents of these communities. We will seek to develop partnerships with national and regional financial institutions and resident-service providers to position our new Single-Family offering as a catalyst for improving resident financial outcomes in future years.

Importantly, the initial states, which appear primed for an expansion of conventional mortgage financing, do seem to have resident-oriented homeownership and ancillary service programs that should pair well with our new product offering. For example, we identified markets with existing grant programs offered to residents of MHCs living in older, inefficient manufactured homes to help facilitate the replacement of those homes with newer ones. The availability of low-cost mortgage financing could be well received by both consumers and program administrators who would have an opportunity to value-engineer their grant programs by introducing new home financing opportunities to their grantees — enabling that subsidy to be recycled and deployed for needier borrower populations. These types of targeted investments will likely be needed, as our outreach uncovered numerous barriers to increasing the utilization of mortgage lending products among ROC residents, including impaired or thin credit history and lack of funds for a down payment.

Furthermore, the outreach informing our product development approach has found that ROCs are often seen as beacons of community stability that have the potential to serve as a source of affordable housing while also catalyzing investment in underserved populations and in the development of culturally sensitive socioeconomic services. One resident-service provider to ROCs in the Midwest related that their state had observed that the percentage of households of color residing in MHCs grew from 9% to 44% in just 15 years. This was among our considerations when updating our special purpose credit program (SPCP) initiative in November 2023 to clarify that manufactured home properties are eligible in connection with an expansion of the program to encompass rural census tracts in addition to the previously eligible urban tracts.

Unsurprisingly, the esoteric nature of manufactured housing title conversion procedures came to the forefront as a prominent barrier preventing both consumers and lenders alike from participating in mortgage programs for homes on leased land. Statutes differ widely on the extent to which they provide a conversion process to enable homes on leased land to be treated as real estate. And, while some statutes provide for such a conversion, the result of that conversion is sometimes ambiguous and may not result in mortgageable collateral. Market participants shared anecdotes of consumers who, in seeking to convert their home to real property on their own, became discouraged and abandoned the pursuit after finding that there were no local experts with whom they could confer to understand the procedure well enough to follow it correctly. Ultimately government officials, title insurance companies, appraisers, and lenders must all be confident that the requirements for conversion have been met and the effect of the conversion is sufficient to allow the lender and future owners to record a valid and enforceable security interest in the real property record and record conveyances of the home the same way. We plan to do targeted outreach in our identified expansion markets in 2024 to continue to develop a community of practice with these stakeholders that will enable improved financing outcomes for residents in these communities.

Considering both the opportunities and the challenges, we do not expect significant loan volume in the short term under this product flexibility. Meaningful loan volume will come as a product of meaningful collaboration with local and national partners who can offer resources and catalyze further investment in residents of ROCs to complement our new mortgage product offering.

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

N/A

Fannie Mae

Manufactured Housing
Second Quarter Report: April 1 - June 30, 2023
Loan Product

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SUMMARY OF PROGRESS:

Fannie Mae made considerable progress on this goal in 2022 by conducting legal and policy analysis to determine its ability to expand loan product offerings to residents living in certain manufactured housing communities. Through these engagements, we determined the manufactured housing cooperative model was appropriate to pursue for loan product eligibility expansion, given the historical precedent for these loan purchases through our activity in New Hampshire and the interest in further developing this concept from non-profits and mission-driven lenders involved in manufactured housing financing.

Through the second quarter of 2023, we have conducted an analysis of relevant state titling statutes and provisions, mortgage origination data made available through the Home Mortgage Disclosure Act, and performed outreach to select market stakeholders to identify geographic markets in states that are reasonably well-suited for adopting new mortgage financing programs for residents in manufactured housing cooperatives. We have tailored our legal documents to conform to state law in these select states and will finalize and publish our required eligibility expansion by year-end.

Per FHFA's evaluation guidance, the Enterprises should describe any changes in their implementation steps in their second quarter narratives. For this Objective, we are initiating new outreach in the form of a resident needs assessment, conducted in partnership with two national non-profits with a strategic focus on increasing access to home financing for residents of manufactured housing communities. This engagement will span across twenty states and enhance our capacity for outreach to promote the use of mortgage financing in resident-owned communities while also collecting crucial market data regarding how residents buy and sell homes within ROCs, as well as the degree of familiarity with and support for financing these homes from local lenders. This will allow us to meet our current objectives in the Plan by

Manufactured Housing
Second Quarter Report: April 1 - June 30, 2023
Loan Product

developing new loan products, while also conducting more deliberate and far-reaching outreach to key market stakeholders which will help us define more impactful tactics for promoting the use of mortgage financing within resident-owned communities in future years.

Further, over the course of our engagements, key market stakeholders have expressed that while New Hampshire has served as a precedent upon which Fannie Mae could base future loan product development strategies, the community of practice in other geographic markets across the country are not as well-attuned to the mortgage product needs and opportunities available to residents of these types of communities. As a result, we have expended considerable effort in 2023 on defining the mutually beneficial outreach strategy noted above. This feedback largely confirms that our eligibility expansion to allow for delivery of mortgage loans in manufactured housing cooperatives is not likely to produce meaningful loan purchase volume in the short and medium-term. As such, we will be submitting a plan Modification request in 2023 to add new outreach work to be conducted in 2024 to continue building a robust marketplace for this type of lending while informing key stakeholders on the opportunities and challenges of real property lending for residents of manufactured housing communities.

SELF-ASSESSMENT RATING OF PROGRESS:

☒ On track to meet or exceed the target

☐ Progress delayed and/or partial completion of the objective expected

☐ Unlikely to achieve any milestones of the objective

ADDITIONAL INFORMATION (IF APPLICABLE):