2023
Manufactured Housing
Loan Purchase

ACTIVITY:

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

OBJECTIVE:

1. Acquire purchase money mortgage (PMM) loans secured by MHRP.

SUMMARY OF RESULTS:

Objective's components detailed in the Plan	*Corresponding actions taken*	*Explanation of any deviations from the Plan (if applicable)*
☒ Purchase 4,800 loans for conventional manufactured housing.	Fannie Mae purchased 5,689 purchase-money manufactured housing (MH) loans eligible for Duty to Serve (DTS) credit in 2023.	

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?

In 2023, Fannie Mae successfully served the manufactured housing market by delivering purchase loan financing for 5,689 homebuyers meeting the DTS income requirements. Further, we facilitated 2,214 MH refinance loans to DTS consumers, which are not counted toward this Objective but nonetheless represent our commitment to serve the MH market. During a year in which Fannie Mae's loan purchase activity was negatively impacted by the effects of a heightened interest rate environment, we are encouraged by several trends observed in our 2023 loan purchase performance. First, while our total MH loan purchase activity fell year-over-year, the percentage of total MH loans purchased by Fannie Mae which met the DTS income requirements increased slightly from 60% in 2022 to 62% in 2023. This demonstrates that Fannie Mae successfully tailored its pricing, underwriting, and outreach priorities to support DTS consumers.

In 2023, 51 lenders delivered MH loans to Fannie Mae who had not delivered MH loans in prior years. This growth in the adoption of our MH offerings came amidst meaningful changes in the broader macroeconomic environment, in which many lenders became more focused on surviving a market decline as opposed to offering new loan products. Beyond expanding the adoption of our MH products with additional lenders, we continued our long-standing strategy of engaging with lenders throughout the year to uncover and address pain points preventing their full adoption of the MH product suite, and we pursued Selling Guide updates that were designed to streamline lenders' origination and delivery of MH loans. Examples of these Selling Guide updates in 2023 include expanding the eligibility of loans permitted for temporary interest rate buydowns to include MH loans, removing the requirement that an insured closing protection letter be produced for all eligible MH loans, and clarifying the need for lenders to verify the presence of HUD building code collateral elements, such as the HUD Data Plate and the HUD Certification Label. The net effect of these policy updates has a tangible impact on an MH borrower's cost of financing by streamlining underwriting and delivery requirements for MH loans. When lenders benefit from simpler and more certain underwriting and eligibility requirements, we increase the likelihood that a lender will be willing to offer conventional financing for MH homebuyers. We have begun work on other MH policy enhancements that will be released in early 2024.

In addition to policy updates, we pursued promotional activities highlighting lender successes using conventional MH financing in several high-volume MH markets to educate lenders about our suite of MH offerings, which prompted engagement with new and existing informational resources.

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

While our DTS plan will continue to include proactive strategies that Fannie Mae will undertake to better serve the MH market, we are increasingly aware of concerning trends in housing affordability that are having an outsized impact on manufactured homeowners. An example of this is in the homeowners and hazard insurance marketplace. Both lenders and nonprofit consumer advocacy groups have expressed concern about the availability of homeowners insurance for MH properties, especially policies offering coverage sufficient to meet Fannie Mae's property insurance requirements. Companies writing insurance policies for MH properties often base their coverage on the actual cash value, or the pre-loss value, of the MH unit rather than the replacement cost value or the cost to repair or replace the MH unit. Without appropriate levels of coverage, MH owners may not be able to afford to replace their home if it is destroyed in a disaster. The resulting insurance landscape is one in which prospective homeowners may not be able to find a policy with appropriate levels of coverage or may find that available policies are cost-prohibitive, as insurers charge a premium to add a replacement cost value endorsement to an MH policy. The solution for these challenges is not immediately apparent, however, as insurance companies are free to establish coverage limits and price their policies commensurate with their opinion of the riskiness of the MH collateral. Similar challenges arise with other ancillary service providers and investors active in providing liquidity to the market for MH mortgages, including mortgage insurers, title companies, and prospective buyers of mortgage servicing rights (MSRs). These entities often adopt a risk-averse stance when considering MH loans, requesting that a higher price be paid for their services to compensate them for the perceived risk of participating in MH lending, which may, in turn, increase the cost of homeownership for prospective MH homebuyers.

More broadly, counterparties active in the origination of residential mortgages are increasingly non-bank lenders, a trend that has persisted for several years but has become more apparent in the post-COVID market cycle. Non-bank lenders are often focused on simplifying the loan closing process for consumers, which would be a welcome enhancement to the market for MH originations due to novel considerations regarding title conversion, valuation, and home construction. Many of these unique considerations for MH loans are the product of the structure's inherent status as personal property and the processes associated with converting and assessing the structure as real property, and such considerations are unlikely to change without broad legislative reform. Lenders focused on growth via expansion and digitization may find MH originations incompatible with their business models. Despite this, we have reported in recent years on our intentional engagement with large non-bank lenders to encourage their adoption of MH, including successful engagements with our two largest Single-Family loan sellers from 2021 – 2022. We remain committed to promoting the adoption of MH with all our customers, including depositories and non-bank lenders, in future years.

All the challenges noted above relate to the market perception of manufactured housing as "risky" lending when taking into consideration either the home as collateral, the profile of the borrower seeking financing for their MH property, or both. We plan on developing specific industry and lender engagement strategies and tactics to combat this perception head-on in the next iteration of our DTS plan. Although we cannot fundamentally alter the MH market, Fannie Mae does have a role to play in demystifying the product through consistent industry engagement and the development of research and resources to aid lenders in their adoption of MH, which may become even more critical as the composition of the market changes substantially with the counterparty trends noted above.

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

N/A

Manufactured Housing
First Quarter Report: January 1 - March 31, 2023
Loan Purchase

ACTIVITY:

A. Support manufactured homes titled as real property (MHRP)

OBJECTIVE:

1. Acquire purchase money mortgage (PMM) loans secured by MHRP.

SUMMARY OF PROGRESS:

Through March 31, 2023, Fannie Mae purchased 2,042 purchase-money MH loans eligible for Duty to Serve—a 35% decrease year-over-year compared to the first quarter of last year. We do note, that our broader Single-Family business experienced a higher decrease of 46% in purchase-money mortgage business over that same time period. We attribute the slightly better market level performance on the MH loan purchase activity due to our consistent outreach to lenders encouraging delivery of loans to Fannie Mae and soliciting feedback on policies, products, and program parameters for manufactured housing loans since Duty to Serve began in 2018. Our lender customers have reiterated over the past year that affordability is at near-historic lows, reducing the pool of eligible buyers and constraining affordable housing inventory, especially for low- and moderate-income borrowers. Given the volatility in the current macroeconomic environment, we are projecting difficulty in meeting our ambitious goal of 9,300 MH loans and our baseline of 8,196 loans, both of which were modeled based upon 2018 – 2020 loan purchase activity.

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

Manufactured Housing
First Quarter Report: January 1 - March 31, 2023
Loan Purchase

ADDITIONAL INFORMATION (IF APPLICABLE):

The interest rate on a 30-year fixed rate mortgage has more than doubled from a year ago – from below 3% to above 6% – making it increasingly difficult for low-income households to afford to purchase a home.

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

ACTIVITY:

A. Support manufactured homes titled as real property (MHRP)

OBJECTIVE:

1. Acquire purchase money mortgage (PMM) loans secured by MHRP.

SUMMARY OF PROGRESS:

Through June 30, 2023, Fannie Mae purchased 2,973 purchase-money Manufactured Home (MH) loans eligible for Duty to Serve (DTS) —a 36% decrease year-over-year compared to the first half of last year. We do note, however, that our broader Single-Family business experienced a larger decrease of 39% in purchase-money mortgage business over that same time period. We attribute this slightly better DTS MH market performance to our consistent outreach to lenders encouraging delivery of loans to Fannie Mae and soliciting feedback on policies, products, and program parameters for MH loans since DTS began in 2018. Our lender customers have reiterated over the past year that affordability is at near-historic lows, reducing the pool of eligible buyers and constraining affordable housing inventory, especially for low- and moderate-income borrowers. Given the volatility in the current macroeconomic environment, we are projecting difficulty in meeting our goal of 9,300 MH loans and our baseline of 8,196 loans, both of which were modeled based upon 2018 – 2020 loan purchase activity.

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):

The interest rate on a 30-year fixed rate mortgage has more than doubled from a year ago – from below 3% to nearly 7%– making it increasingly difficult for low-income households to afford to purchase a home. Fannie Mae's June 2023 Home Purchase Sentiment Index (HPSI) has largely plateaued at a historically-low level, indicating that consumers may be adapting to the prospect of elevated mortgage rates becoming a standard housing market dynamic for the foreseeable future. While this may encourage households to pursue homeownership, we are still projecting weak home sales in the second half of the year, largely due to ongoing affordability constraints and lack of housing supply.

Manufactured Housing
Third Quarter Report: July 1 - September 30, 2023
Loan Purchase

ACTIVITY:

A. Support manufactured homes titled as real property (MHRP)

OBJECTIVE:

1. Acquire purchase money mortgage (PMM) loans secured by MHRP.

SUMMARY OF PROGRESS:

Through September 30, 2023, Fannie Mae purchased 4,380 purchase-money Manufactured Home (MH) loans eligible for Duty to Serve (DTS) —a 35% decrease year-over-year compared to the first three quarters of 2022. This is similar to, but slightly higher than, the decline rate observed in Fannie Mae's overall Single Family PMM volumes over the same time frame. Our lender customers have reiterated over the past year that affordability is at near-historic lows, reducing the pool of eligible buyers and constraining affordable housing inventory, especially for low- and moderate-income borrowers.

Given the volatility in the current macroeconomic environment, we are projecting difficulty in meeting our goal of 9,300 MH loans and our baseline of 8,196 loans, both of which were modeled based upon 2018 – 2020 loan purchase activity.

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):

Despite the macroeconomic challenges, we remain engaged with our lender customers to understand how we might support them in originating and delivering manufactured home loans to Fannie Mae. The predominant feedback is centered on our lenders' efforts to "de-risk" the manufactured housing product, either through more deliberate processes regarding

Manufactured Housing
Third Quarter Report: July 1 - September 30, 2023
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key considerations such as title conversion and appraisal or updates to our Selling Guide which facilitate greater adoption of manufactured housing in the context of other products. A recent example was our June Selling Guide update to allow MH loans to be eligible for temporary interest rate buydowns, facilitating greater adoption of MH in the current heightened interest rate environment. We will continue to search for opportunities to make manufactured housing lending simpler and more certain for our customers.