2023
Manufactured Housing
Loan Product

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

OBJECTIVE:
3. Expand on prior efforts to facilitate financing of loans on homes secured by MHRP located in fee simple developments.

SUMMARY OF RESULTS:

Objective's components detailed in the Plan	*Corresponding actions taken*	*Explanation of any deviations from the Plan (if applicable)*
☒ Launch a location-specific initiative aimed at financing MHRP purchases in fee simple developments.	Target met through 2023 actions; see subsequent implementation steps.	In response to feedback from market stakeholders active in developing new manufactured homes in subdivisions, we updated our comparable sales requirements for MH Advantage®-eligible homes. We now require the use of site-built comparable sales when no other MH Advantage comparables are available. This loan product enhancement represents additional investment in the new construction manufactured housing (MH) market relative to our original commitments under this Objective.
☒ Select at least one target location where there is demand for lending on MHRP located in fee simple developments.	Our in-market engagements focused on those markets where we could enhance local borrower outcomes by supporting manufacturers and developers working on subdivision opportunities that had mostly cleared major supply-side implementation barriers (e.g., zoning, planning approvals, etc.) and were nearing initial consumer sales. To better understand and respond to opportunities and challenges related to new MH subdivisions, we chose subdivision and infill projects in California, Colorado, Maryland, Texas, and Virginia for targeted stakeholder engagement	We expanded our outreach efforts beyond those focused on fee simple subdivisions to include industry outreach to stakeholders involved in forthcoming leasehold communities. These efforts are described in greater detail below.

☒ Report on plan progress and results.	Our second quarter reporting indicated loans purchased in subdivisions and infill lots in Tennessee and California — one of which was purchased from lenders delivering their first MH Advantage loans to Fannie Mae. In addition to bringing new lenders, we noted additional loans delivered on homes sold by builders who were utilizing MH Advantage homes for the second time — in either an entirely new subdivision or an expansion of an existing one. These efforts continue to illustrate that new manufactured homes have the potential to expand business opportunities for lenders and developers while improving borrower outcomes with high-quality affordable housing stock	
☒ Include a summary of loan characteristics in our report if any purchases occur under this initiative.	Fannie Mae purchased 16 MH Advantage loans in 2023, of which nine served borrowers with reported incomes less than 100% of the Area Median Income (AMI), and all but two loans were made to borrowers making 125% or less of AMI. While this represents significantly less loan purchase activity than we hoped to accomplish, the comparable sales policy update referenced above was initiated in response to industry feedback and has the potential to facilitate more development opportunities.	
☒ 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.	The market analysis was completed, and although some projects have progressed, supply-side factors such as the development of community infrastructure and home delivery timelines largely inhibit our ability to confidently project a loan purchase target related to newly constructed MH units in subdivisions. As such, we proposed a new Loan Product objective to be undertaken in 2024 to further develop our approach to serving this market through more deliberate strategies targeting the land-lease manufactured housing communities (MHCs) sector.	

SELF-ASSESSMENT RATING OF PROGRESS:

- [x] Target met
- [ ] Target exceeded
- [ ] Target partially completed
- [ ] No milestones achieved

IMPACT:

- [ ] 50 – Very Large Impact
- [ ] 40
- [x] 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?

We responded to a long-standing request of the MH industry by updating our comparable sales requirement for MH Advantage-eligible homes to require the use of site-built homes when no other comparable sales are available. This should facilitate more consumer sales of MH Advantage homes and instill more confidence in the program among both retailers participating in individual transactions and builders who can bring the product to greater scale through subdivision and infill development. Similarly, we continued to work with our lender customers in cultivating knowledge and adoption of our MH products in a way that promotes broader acceptance of MH in markets across the country.

For example, stakeholders involved in forthcoming subdivision opportunities in Maryland, Colorado, and Virginia had to surpass meaningful barriers to implementation, including zoning and planning approvals and procuring additional borrower resources such as down payment assistance from local program officials. By leading the industry with new product enhancements supplemented with targeted engagements with lenders, manufacturers, and builders, we are building up the capacity of local institutions to solve housing affordability issues. We do this by positioning MH and our conventional financing opportunities as a worthy component of the institutions' housing strategies. We have seen our outreach and engagement efforts attract additional resources from for-profit and philanthropic entities that can enable the construction of new MH supply through competitive acquisition and construction debt financing products, as well as attract additional down payment assistance and other borrower-oriented resources, which will catalyze demand for that housing once it is finally brought to market. We believe these borrower resources will continue to be needed, as inflationary pressures in recent years have contributed to a meaningful increase in the cost of construction materials, which subsequently increases the purchase price of new homes and may make home prices out of reach for prospective low- and moderate-income homebuyers.

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

Despite the incremental MH Advantage policy work undertaken this year, we note that zoning barriers remain a key obstacle that prevents greater utilization of MH in subdivision development. Fannie Mae can serve as a convening partner for lenders and local officials but cannot actively lobby for zoning reforms to facilitate the use of MH in new markets. Still, we found our proactive market engagements to be productive in attracting additional resources and awareness toward the challenge of housing affordability and will look for additional opportunities to position the adoption of MH as a solution worth considering in markets across the country.

Much of our work to increase the utilization of MH by promoting its use within large-scale subdivision settings has anticipated that these homeownership opportunities would largely mirror those found in traditional site-built subdivisions, where the consumer would purchase both the land and the improvements on the belief that they would build wealth through ownership of the land as a generally appreciating asset. With increases in financing and construction costs impacting affordability in markets across the country, however, we have noted increased interest from lenders and community developers regarding opportunities to re-orient land-lease MHCs away from the traditional personal property MH financing arrangement toward something meeting Fannie Mae's legal, collateral, and credit standards. Such "leasehold" MH mortgages would offer consumers a more affordable homeownership alternative by allowing them to purchase the MH unit while renting the land on a long-term basis. The MH industry has long been intrigued by the prospect of conventional mortgage financing becoming available for residents of land-lease MHCs. Further, the sustainability offered by a 30-year fixed-rate mortgage when compared to a traditional personal property MH loan could be enough to create additional consumer demand for homes in these long-term leasehold communities. We responded to these engagements by submitting a Plan Modification request to conduct additional policy work in 2024 to expound upon our current policies for leasehold loans in anticipation of these new MH community development opportunities.

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

ACTIVITY:

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

OBJECTIVE:

3. Expand on prior efforts to facilitate financing of loans on homes secured by MHRP located in fee simple developments.

SUMMARY OF PROGRESS:

Fannie Mae remains engaged with lender and non-lender partners to determine the market demand for manufactured homes in new subdivisions and other development opportunities. We had envisioned 2023 as the year in which many of the new construction development opportunities we have supported through outreach and loan product development efforts would come to fruition in the form of incremental loan purchases, and this has been true to a certain extent. We have financed newly-constructed manufactured housing installed in subdivision and infill settings in Tennessee and California. However, these loan purchases still fall below our expectations for serving this market segment and pales in comparison to the level of effort we have demonstrated in promoting our programs to the market. In recognizing this, we have remained engaged with key industry stakeholders to better understand barriers to adoption in promoting manufactured housing in new use cases and have taken additional action to address these barriers, as described below.

Per FHFA's evaluation guidance, the Enterprises should describe any changes in their implementation steps in their second quarter narratives. For this Objective, we responded to feedback from key industry stakeholders by updating our Selling Guide in February to provide appraisers with more explicit guidance on appraising new construction MH Advantage properties when there are no other MH Advantage comparable sales in the area. Our policy update encourages appraisers to specifically consider site-built comparable sales when MH Advantage comparable sales are not available. This should instill greater confidence in the program amongst builders and retailers involved in the sale of new construction manufactured homes and represents additional policy investment over and above what we originally committed to do for this Objective.

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

We note some divergence between the original scope of this objective and some of the new construction projects which have come to our attention through our industry engagements in 2023. This objective, as written, seeks to cultivate interest in fee simple developments leveraging manufactured housing—meaning the homeowner would bear the full cost of property ownership by purchasing both the land and improvements. With increases in financing costs and materials costs impacting affordability in markets across the country, we have been increasingly contacted by lenders and builder/developers regarding our policies for leasehold manufactured housing, wherein a for-profit community operator would own the land and lease the homesites to borrowers, but the project could be brought to market in such a way that would enable the homes to be considered real property for the purposes of financing. The MH industry has long been intrigued by the prospect of mortgage financing becoming available for residents of land-lease manufactured housing communities, but very few projects have been brought to market over the last 20 years which would meet Fannie Mae's legal, collateral, and credit standards. In our forthcoming 2023 Duty to Serve plan modification requests, we will be submitting a modification to add a new Objective which will seek to better address these industry requests through new outreach and product development work in 2024 aimed at clarifying our eligibility for manufactured homes subject to a leasehold estate.

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):