



Fannie Mae Manufactured Housing Outreach

ACTIVITY:

B. Regulatory Activity: Chattel. Loans on manufactured homes titled as personal property (12 C.F.R. § 1282.33 (c) (2)).

OBJECTIVE:

1. Conduct outreach, perform research, and promote information sharing that supports the development of a chattel loan pilot and market standardization of the product (Analyze, Partner and Innovate).

SUMMARY OF RESULTS:

As Fannie Mae has not participated in the chattel finance market since 2006, the Duty to Serve team recognized that a great deal of industry outreach would be necessary to forge relationships with the participants in this space, to educate ourselves on the distinctions between mortgage lending and chattel lending, and to gather data and perform research that would serve as the basis for Fannie Mae's potential chattel pilot, as well as any other future chattel-related activity. As such, it invested resources to complete all of the activities described in the Plan for this Objective.

Regarding outreach, Fannie Mae engaged in several formal meetings with stakeholders in the chattel market, including loan originators, loan servicers, and manufactured housing (MH) community operators, among others. These included two gatherings of the Fannie Mae Manufactured Housing Duty to Serve Advisory Council (MH Advisory Council), a manufactured housing roundtable comprised of a diverse group of participants, and an informal gathering of members of the MH Advisory Council, scheduled to coincide with a key industry event.

Regarding attendance of industry events, staff attended several conferences, meetings, and other events that informed our analysis of the chattel loan market and allowed us to further our relationships with chattel lenders. While the Duty to Serve Plan (the Plan), called for Fannie Mae to attend "two key industry conferences, two regional conferences serving different geographic areas and one manufactured home show, staff attended several more events than was required.

In the Plan, Fannie Mae committed to the publication of two public documents; it met these commitments by publishing to its website a white paper titled Key Legal Distinctions between Manufactured Home Chattel Lending and Real Property Lending as well as a summary of outreach activity titled Chattel Lending - Learning and Analysis from 2018 Outreach Activities.

Finally, the Duty to Serve team collected a great deal of information from chattel market participants in 2018, including but not limited to, data on valuations, applications, originations, servicing, and performance as well as policies and procedures related to underwriting, pricing, and servicing.

Following are the 2018 Actions under this Objective as published in the December 14, 2018 Duty to Serve Plan:

To maintain engagement with the industry, stay current on the dynamics and challenges facing the chattel market, and acquire information to assist in the development of a chattel pilot, Fannie Mae will:

Host two manufactured housing advisory council meetings with representation from the chattel manufactured housing industry. The advisory council will include at least five lenders (as the industry is dominated by a small number of lenders, Fannie Mae will include both large volume and small volume lenders on the advisory council), one industry trade association, two manufactured housing retailers, one industry data services company, two chattel loan servicers, one consumer advocacy group, and three manufacturers representing small, regional, and large companies. To effectively manage the advisory council, Fannie Mae will develop a stakeholder management plan to assist with identification of all key stakeholders, critical information needs, key risks and mitigants, capture of stakeholder feedback, and items requiring follow-up.



Participate in:

- Two key industry conferences.
- Two regional conferences serving different geographic areas.
- One manufactured home show.

Conduct and publish to the public, one analysis that highlights the legal differences between chattel and real property secured manufactured homes (e.g., disclosures, State titling requirements and investor responsibility, and liability) to inform a chattel pilot.

Acquire industry chattel data and information essential to the development of a chattel pilot such as:

- Chattel loan origination, performance and loss severity data from lenders, servicers, FHA Title I, and other government programs.
- Consumer disclosure and protection requirements for unit sales, loan origination, and loan servicing.
- Chattel valuation and appraisal data, including homes in communities and on private land.
- Chattel lending underwriting guidelines, servicing and disposition best practices and policies, and investor reporting requirements.
- State and local titling, insurance, disposition, and decommissioning requirements.
- Credit enhancement structures to reduce economic risk to Fannie Mae.

Publish to the public a comprehensive set of learning and analysis from all outreach activities to promote transparency across the housing industry and encourage collaborative engagement.

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)

PARTIAL CREDIT JUSTIFICATION:

N/A

IMPACT:

- 50-Substantial 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 laying the foundation for future impact in addressing underserved market needs?

As discussed in Chattel Lending - Learning and Analysis from 2018 Outreach Activities, based on our 2018 outreach activities and subsequent information gathered, Fannie Mae observed several key themes. They are described in more detail in that summary, but top line findings include:

- GSE Liquidity is Sought Widely, but not Unanimously;
- There are Early Indications of Investor Interest in Chattel Loans;
- Loan Originators' Business Models Differ;
- Servicing is Key;
- Data is not Standardized;
- Collateral Valuation Practices Vary; and
- Loan Performance Appears to Have Improved in Recent Years.

Each of these learnings have and will continue to influence Fannie Mae's strategy for its potential chattel loan pilot and any other subsequent activity in this space.

Data and other information gathered over the course of 2018 is directly informing Fannie Mae's chattel pilot development, as envisioned in the Plan. For example, loan profile and performance data collected from multiple lenders underlies our chattel risk and pricing model, which is in development and will inform our loan purchase discussions with potential pilot partners. Similarly, policies, procedures, and disclosures have and will continue to inform reasonable guidelines for our pilot, that both Fannie Mae and participating lender(s) would be able to meet without undertaking undue expense or risk.

Because Fannie Mae leadership is supportive of further activity in the chattel market only after the execution of, monitoring of, and rigorous analysis of a chattel pilot, any Actions that advance the viability of a pilot essentially lay the foundation for future impact in addressing the needs of this underserved market. The outreach, research, and information sharing Fannie Mae conducted in 2018 accomplished this target.

2. (Optional): How do actions under this objective support future actions detailed in the Plan for the underserved market? If there have been any changes in the planned next steps or timeline for work under or related to this objective, describe the changes and provide a brief explanation.

Looking forward to activities under this Objective that are planned for 2019 and 2020, much of the relationship building and information sharing initiated in 2018 act as necessary prerequisites. For example, we seek to maintain engagement with the industry in 2019 and 2010 and will likely do so by strengthening the relationships first formed in 2018 and by attending and hosting events similar to those we participated in over the course of 2018. This will include updates on progress made towards and learnings gathered from Fannie Mae's potential chattel loan pilot, as required. The Plan also calls for us to update our summary of outreach activities in each of the following two years; Chattel Lending - Learning and Analysis from 2018 Outreach Activities will serve as a baseline for those updates. Finally, the 2019 and 2020 plans also include activities related to engaging with the industry on the progress of Fannie Mae's potential chattel pilot.

3. (Optional): Are there any market factors that adversely impacted the actions under this objective? If so, describe.

No, the activities related to chattel market outreach were not adversely affected by market factors. While Fannie Mae often had difficulty acquiring information from chattel market participants during its initial outreach attempts (and in fact failed to receive any substantive information from certain participants that preferred not to share proprietary information and data), Fannie Mae ultimately had constructive discussions and information sharing opportunities with several lenders by the end of 2018.

4. (Optional): How did the actions under this objective contribute to increased or future loan purchases for the underserved market?

N/A



Fannie Mae Manufactured Housing Second Quarter Report: January 1 - June 30, 2018 Outreach

ACTIVITY:

B. Regulatory Activity: Chattel. Loans on manufactured homes titled as personal property (12 C.F.R. § 1282.33 (c) (2)).

OBJECTIVE:

1. Conduct outreach, perform research, and promote information sharing that supports the development of a chattel loan pilot and market standardization of the product (Analyze, Partner and Innovate).

SUMMARY OF RESULTS:

In support of our chattel loan pilot, we scheduled our first Advisory Council meeting with participants from across the manufactured housing industry, including a variety of lenders representing both the real property and chattel markets. A Chair and Vice Chair have accepted leadership positions for the Advisory Council. We also attended a large industry conference, a regional conference, and a manufactured home show.

Additionally, we published a paper titled *Key Legal Distinctions between Manufactured Home Chattel Lending and Real Property Lending*. The paper, which is available on our website, will be critical in guiding our chattel lending strategy, as will the other research we are conducting in accordance with our Duty to Serve plan.

To help assess chattel loan structure and performance, we invited lenders to share chattel loan data with us. Internally, we have gathered a diverse group of stakeholders to assess the risks and opportunities associated with chattel. This group helped to develop preliminary standards and principles that will inform our chattel-related activities.

Following are the 2018 Actions under this Objective:

- To maintain engagement with the industry, stay current on the dynamics and challenges facing the chattel market, and acquire information to assist in the development of a chattel pilot, Fannie Mae will:
 - Host two manufactured housing advisory council meetings with representation from the chattel manufactured housing industry – by Q4 end. The advisory council will include at least five lenders (as the industry is dominated by a small number of lenders, Fannie Mae will include both large volume and small volume lenders on the advisory council), one industry trade association, two manufactured housing retailers, one industry data services company, two chattel loan servicers, one consumer advocacy group, and three manufacturers representing small, regional, and large companies. To effectively manage the advisory council, Fannie Mae will develop a stakeholder management plan to assist with identification of all key stakeholders, critical information needs, key risks and mitigants, capture of stakeholder feedback, and items requiring follow-up.
 - Participate in:
 - Two key industry conferences.
 - Two regional conferences serving different geographic areas.
 - One manufactured home show.
 - Conduct and publish to the public, one analysis that highlights the legal differences between chattel and real property secured manufactured homes (e.g., disclosures, State titling requirements and investor responsibility, and liability) to inform a chattel pilot – by Q2 end.
 - Acquire industry chattel data and information essential to the development of a chattel pilot such as:



- Chattel loan origination, performance and loss severity data from lenders, servicers, FHA Title I, and other government programs.
- Consumer disclosure and protection requirements for unit sales, loan origination, and loan servicing.
- Chattel valuation and appraisal data, including homes in communities and on private land.
- Chattel lending underwriting guidelines, servicing and disposition best practices and policies, and investor reporting requirements.
- State and local titling, insurance, disposition, and decommissioning requirements.
- Credit enhancement structures to reduce economic risk to Fannie Mae.
- Publish to the public a comprehensive set of learning and analysis from all outreach activities to promote transparency across the housing industry and encourage collaborative engagement – by Q4 end.

SELF-ASSESSMENT RATING OF PROGRESS:

- On-target to meet or exceed the objective
- Progress delayed and/or partial completion of the objective expected
- Unlikely to achieve any milestones of the objective

ADDITIONAL INFORMATION (IF APPLICABLE):