

**Fannie Mae
Manufactured Housing
Outreach**

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:

Fannie Mae completed each Action described under this Objective, and, in several instances, exceeded the levels of outreach described in the Duty to Serve Plan (the Plan).

Staff actively participated as a member of the Manufactured Housing Institute (MHI), attending three official functions, fulfilling a speaking role at each event, and interacting with MHI representatives on several more occasions. Immediately preceding one of these MHI events, Fannie Mae convened a roundtable with a diverse group of manufactured housing (MH) industry participants to share updates on Duty to Serve and to gather their insights on market challenges and opportunities related to MH titled as real property. Although Fannie Mae is a member of MHI, the company does not participate in MHI's advocacy efforts.

Through its relationship with lenders, Fannie Mae provided flexibility through multiple negotiated lender variances, a skeleton variance, and four policy changes reflected in the Selling Guide. It also educated 15 lenders on the advantages of real property finance as compared to chattel finance, sharing accessible marketing materials developed for this express purpose. Fannie Mae also collaborated across teams and with outside counsel to create content for two lender education sessions that discussed key elements of MH lending, including legal and titling considerations, and loan underwriting and appraisal. These trainings also focused on the legal differences between site-built and MH mortgage lending, as well as a discussion of the MH Advantage® program, and were attended by representatives from Fannie Mae sellers that were new to MH lending or had years of experience in it. A total of 366 people participated in the two trainings, with attendee job functions ranging from underwriting and production staff, to legal staff and senior leadership.

Appraiser training and education was another area that Fannie Mae addressed in 2018. Representatives from Fannie Mae's Collateral Policy team conducted two appraisal trainings with lenders and representatives from appraisal management companies who have experience with appraising manufactured homes. The trainings focused on Fannie Mae policy, proper appraisal methodologies, and the importance of state and local requirements for manufactured home construction and installation to ensure the fair and accurate appraisal of MH homes, including MH Advantage homes.

For internal purposes, Fannie Mae developed a memorandum on MH titling laws by state.

Fannie Mae's public-facing activities also supported our target of increased liquidity for MH titled as real property. Staff published an analysis of a sample of Fannie Mae's Single Family portfolio comparing MH performance to non-MH performance. Staff also attended more conferences and industry events than required by the Plan, including five key industry conferences, each held in a different geographic location, using each opportunity to share updates on Fannie Mae's activities and gathering feedback from industry stakeholders on those activities.

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

- Actively participate in the manufactured housing industry as a member of the Manufactured Housing Institute (MHI) (excluding any lobbying activity) in order to maintain an industry presence and remain current on activities and developments facing the market.



- Review credit and/or collateral policies identifying opportunities to simplify and overcome challenges with Fannie Mae's manufactured housing loan products for the purpose of increasing mortgage loan purchases. Examples of barriers and challenges that will be reviewed include loan-to-value (LTV) limits, affordable housing programs with resale restrictions, and use of manufactured housing as accessory dwelling units.
- Establish a test and learn approach issuing one negotiated variance to select lender(s). Fannie Mae will determine test Objectives and proposed terms based on stakeholder input, conduct related economic and operational impact analyses, and issue at least one lender variance.
 - One or more participating lenders will be chosen, based on level of interest and capacity after conducting lender outreach as noted above, potential volume, and market focus.
 - The variance outcome will be evaluated in 2019 and success will be based on actual volume delivery relative to projected volume as well as positive lender feedback on the changes implemented.
- Publish at least one policy change that expands access to credit for manufactured housing.
- Host one manufactured housing roundtable in Q2 with cross-functional industry representation (e.g., manufacturers, dealers, community owners, valuation providers, and lenders) to capture diverse perspectives on market challenges and identify new opportunities to provide liquidity.
- Develop and publish manufactured housing data set from Fannie Mae's portfolio (e.g., transaction type, LTV, borrower credit score, and performance) and other analysis of our manufactured housing business to promote transparency, inform the industry, and encourage increased market development.
- Participate in two key industry conferences to maintain market awareness, identify market concerns, and obtain insights to inform manufactured housing activities.
- Identify the States where manufactured housing can be titled as real property instead of personal property and where manufactured housing titled as personal property can be converted to real property.
- Educate 15 lenders active in manufactured housing lending to the advantages of originally titling manufactured housing as real property or subsequently converting its title to real property.
- Engage appraisers of manufactured homes via webinars, Fannie Mae Appraiser Update newsletter, or presentations at appraisal roundtables, seminars, workshops, or panel discussions to provide information and education about Fannie Mae policies, including policy changes. The newsletter currently is subscribed to by over 7,000 appraisers and other industry participants. Webinars, roundtables, seminars, workshops, or panel discussions, in total, will typically produce in-person engagement with over 200 appraisers.

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)



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?

Ultimately, Fannie Mae's success in addressing the underserved market needs of borrowers financing homes titled as real property translates into increased loan purchases. As noted in the Narrative Report for MH Real Property Objective #1 Increase the purchase volume of conventional manufactured housing secured by real estate each year of the Plan, Fannie Mae is already seeing success according to this measure. Loan purchases were 40 percent higher than the upper bound of the target set by the Plan, which itself was an increase over historical baselines.

Fannie Mae believes the significant amount of investment in promoting our MH products – both externally with industry partners, as well as internally with customer account teams and policy teams – has contributed to this increase in loan purchase activity.

Other activities completed under the Objective are poised to contribute to future impact on this market. Stronger relationships and clear lines of communication with the MH industry will allow Fannie Mae to be more responsive to the unique needs in this market, resulting in better customer service and, ultimately, more loans purchased. In addition, state-level analysis of title conversion requirements and lender education about the benefits of MH mortgage financing can together inform potential strategies for converting chattel lending to mortgage lending in the future.

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.

As currently written, a number of Actions under this Objective in 2018 directly support subsequent activities in 2019 and 2020. For example, the variances and policy changes introduced in 2018 are to be enhanced in 2019 and deployed in large numbers in 2020. Similarly, industry outreach and appraiser education that began in 2018 continue in subsequent years. The success Fannie Mae had in 2018 supports these future activities, so no changes in planned next steps or timelines are anticipated at this time.

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

N/A

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

As noted under Impact Explanation #1 above, all the variances and policy changes introduced in 2018 were intended to directly contribute to increased future loan purchases. That intent is reflected in the fact that the 2019 Duty to Serve Plan calls for Fannie Mae to "evaluate the outcomes [of these activities] ... and expand our manufactured housing policies and product offering."

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

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:

Fannie Mae became a member of the Manufactured Housing institute (MHI), and attended the annual MHI Congress & Expo. At the event, we hosted a roundtable with industry leaders representing diverse perspectives on the challenges facing manufactured housing. We enhanced our understanding of the challenges, priorities, and opportunities to address them, and discussed new ways to provide liquidity to the market.

During and after the roundtable, we led substantive meetings to discuss MH Advantage™ (launched in June 2018), our manufactured housing chattel pilot, and other Fannie Mae manufactured housing initiatives. We also participated in an MHI reception to further these conversations.

In addition, Fannie Mae updated HomeStyle® Energy and HomeStyle® Renovation policy to explicitly allow these loans for manufactured housing. With a test and learn approach, we established multiple lender variances. One of those variances was intended to promote a strategy to replace homes destroyed by natural disasters.

For internal purposes, Fannie Mae completed an analysis of the states where manufactured housing can be titled as real property instead of personal property and where manufactured housing titled as personal property can be converted to real property. Key findings include:

- Every state has laws that govern conveying and encumbering a manufactured home as personal property.
- The legal classification, as real property or personal property, of a manufactured home and the real property to which the manufactured home is affixed varies not only from state to state, but often within each state's laws, depending on the type of transaction or the model year of the home.

These legal issues have important implications for financing manufactured housing.

Following are the 2018 Actions under this Objective:

- Actively participate in the manufactured housing industry as a member of the Manufactured Housing Institute (MHI) (excluding any lobbying activity) in order to maintain an industry presence and remain current on activities and developments facing the market.
- Review credit and/or collateral policies identifying opportunities to simplify and overcome challenges with Fannie Mae's manufactured housing loan products for the purpose of increasing mortgage loan purchases. Examples of barriers and challenges that will be reviewed include loan-to-value (LTV) limits, affordable housing programs with resale restrictions, and use of manufactured housing as accessory dwelling units.
- Establish a test and learn approach issuing one negotiated variance to select lender(s). Fannie Mae will determine test Objectives and proposed terms based on stakeholder input, conduct related economic and operational impact analyses, and issue at least one lender variance – by Q2 end.



- One or more participating lenders will be chosen, based on level of interest and capacity after conducting lender outreach as noted above, potential volume, and market focus.
- The variance outcome will be evaluated in 2019 and success will be based on actual volume delivery relative to projected volume as well as positive lender feedback on the changes implemented.
- Publish at least one policy change that expands access to credit for manufactured housing – by Q4 end.
- Host one manufactured housing roundtable in Q2 with cross-functional industry representation (e.g., manufacturers, dealers, community owners, valuation providers, and lenders) to capture diverse perspectives on market challenges and identify new opportunities to provide liquidity.
- Develop and publish manufactured housing data set from Fannie Mae's portfolio (e.g., transaction type, LTV, borrower credit score, and performance) and other analysis of our manufactured housing business to promote transparency, inform the industry, and encourage increased market development – by Q3 end.
- Participate in two key industry conferences to maintain market awareness, identify market concerns, and obtain insights to inform manufactured housing activities – by Q4 end.
- Identify the States where manufactured housing can be titled as real property instead of personal property and where manufactured housing titled as personal property can be converted to real property – by Q2 end.
- Educate 15 lenders active in manufactured housing lending to the advantages of originally titling manufactured housing as real property or subsequently converting its title to real property – by Q3 end.
- Engage appraisers of manufactured homes via webinars, Fannie Mae Appraiser Update newsletter, or presentations at appraisal roundtables, seminars, workshops, or panel discussions to provide information and education about Fannie Mae policies, including policy changes. The newsletter currently is subscribed to by over 7,000 appraisers and other industry participants. Webinars, roundtables, seminars, workshops, or panel discussions, in total, will typically produce in-person engagement with over 200 appraisers.

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):