



## Fannie Mae Manufactured Housing Loan Product

### ACTIVITY:

A. Regulatory Activity: Manufactured homes titled as real property (12 C.F.R. § 1282.33 (c) (1)).

### OBJECTIVE:

3. Develop an enhanced manufactured housing loan product for quality manufactured housing and purchase loans (Partner and Innovate, Do What We Do Best).

### SUMMARY OF RESULTS:

On June 5, 2018, Fannie Mae introduced the MH Advantage<sup>®</sup> (MHA) product type in the Selling Guide.

Subsequently, on September 14, 2018 Fannie Mae clarified the required features of an MHA home by updating the terms of its MHA Manufacturer Agreement. For example, this update clarified what types of materials would be acceptable for use in the interior and exterior of the home, based on constructive feedback from a broad group of participating manufacturers.

In the October 2, 2018 update to the Selling Guide, Fannie Mae issued an update "clarifying the comparable sales requirement for appraisals of MHA homes. Appraisers must use sales of other MHA homes when available. If fewer than three MHA sales are available, then the appraiser must supplement with the best and most appropriate sales available, which may include site-built homes." As with the September update, this policy clarification was responsive to widespread feedback from the industry participants whose support is necessary for the eventual success of MHA.

Together, these three policy-related developments reflected a significant investment in the launch of MHA. Additionally, marketing the MHA program to manufacturers, retailers, and lenders was a crucial aspect of Fannie Mae's outreach strategy in 2018. As the success of a new manufactured home product is dependent upon buy-in from multiple constituent groups, Fannie Mae staff worked to articulate clear value propositions for not only lenders who would originate and sell the loans, but manufacturers who would build MHA homes and retailers who would sell and drive consumer demand for the homes. Notable pieces of marketing collateral that were produced to promote the MHA product included an updated eLearning video on how to underwrite manufactured home loans, comprehensive FAQs and fact sheets, and product guides for manufactured home retailers to ensure they understand how to communicate its value proposition to consumers and to further understand the role they play in promoting the MHA product.

In December 2018 Fannie Mae issued its Appraiser Update with additional information on both its standard manufactured housing (MH) appraisal policy requirements, and those specific to the MHA product. Additionally, representatives from Fannie Mae's Collateral Policy team conducted two MHA appraisal trainings with lenders and representatives from appraisal management companies who have experience with appraising standard manufactured homes. The trainings focused on reiterating 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 MHA homes.

While Fannie Mae did not purchase any loans over the roughly seven months since the MHA program has become active, it achieved significant traction that bodes well for the success of the program in 2019 and 2020.

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

Issue one negotiated variance to select lender(s) or issue one policy change to improve financing options for quality manufactured housing by taking the following actions:

Define distinguishing construction features or property characteristics of quality manufactured housing. These may include items such as exterior or interior design features, energy efficiency features, foundation systems, or other structural build features.



If necessary, enhance business processes and technology infrastructure.

Enhance, modify, or simplify product offering as needed based on customer feedback and performance of the product.

Purchase between 100 and 250 loans, representing an approximate one to three percent of the total manufactured housing purchases in Objective #1. These loans are included in the total manufactured housing purchases in Objective #1.

### **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:**

Fannie Mae introduced MHA as a policy update to its Selling Guide on June 5, 2018. In doing so, it was first to market with an innovative financing option for borrowers with loans secured by a subset of manufactured homes. As a Selling Guide policy update, MHA became available to all of Fannie Mae's approved sellers. By the end of 2018, five lenders had publicly expressed support for the initiative, prepared to originate loans. As MHA loans must be preceded by the production of an MHA-eligible home, Fannie Mae secured the support of twelve participating manufacturers by the end of 2018. In other words, Fannie Mae's MHA product development work in 2018 essentially established the market for an enhanced manufactured housing loan product for manufactured homes that meet a set of enhanced standards.

While Fannie Mae failed to purchase any loans in 2018 because the subject homes were not available for financing it confirmed multiple manufacturers had begun production of MHA-eligible homes and two lenders have taken applications on MHA loans. This represents small but meaningful progress over less than seven months of the product being in existence.

Given its failure to meet its stated loan purchase targets, Fannie Mae is not seeking full credit under the Objective. However substantial partial credit of 80 percent should be provided for the significant product development work completed in 2018 that establishes a strong foundation for MHA in the coming years.

### **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?

With starter home prices rising, and affordable homes increasingly in need of major repairs, manufactured housing is a critically important piece of the affordable housing puzzle. MHA represents one of the biggest changes to the way we approach financing for manufactured housing in years. Initially announced in June 2018, Fannie Mae developed the program to encourage the broader use of manufactured housing as an affordable alternative to site-built homes.



MHA offers attractive terms to buyers of MHA-eligible manufactured homes that have typically been available only to site-built homes in the past, like down payments as low as three percent and reduced mortgage insurance requirements.

Fannie Mae's Actions under this Objective reflected a significant effort above what was initially anticipated and illustrated a successful accomplishment to make significant gains over a short period of time and take measures designed to assure continued growth in the future.

For example, Fannie Mae's MHA product development work laid the foundation for future impact in addressing underserved market needs by engaging the major participants in this market. Specifically, Fannie Mae secured the support of twelve manufacturers that signed the MHA agreement with Fannie Mae extending eligibility and related responsibilities for producing these homes. It also secured public commitments to support the origination of MHA loans from multiple lenders.

With support and commitment from across the industry, MHA is poised to extend a new, competitive form of financing to the underserved borrowers in the manufactured housing market.

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.

Fannie Mae does not anticipate any changes to future Actions detailed in the Duty to Serve Plan (the Plan) at this time.

In 2019, Fannie Mae still anticipates investing resources to accomplish the following:

- Explore opportunities to enhance or clarify policies to support appraisals;
- Enhance, modify, or simplify product offering as needed based on customer feedback and performance of the product; and
- Purchase between 250 and 500 loans.

Regarding supporting appraisals, Fannie Mae clarified its comparable sales requirements for MHA appraisals in the October 2, 2018 update to the Selling Guide, and completed four appraiser training sessions disseminating information on Fannie Mae's MHA appraisal policy. However, Fannie Mae still commits to further educate the market about MHA appraisals in 2019, even if further policy changes or enhancements are unlikely.

Regarding enhancing, modifying, or simplifying MHA, Fannie Mae simplified the product offering in late 2018, by clarifying the features of an MHA home as noted in the MHA manufacturer agreement, in response to widespread manufacturer feedback that the agreement was difficult to implement and manage in practice. While Fannie Mae does not anticipate to further "enhance, modify, or simplify MHA in 2019, it commits to exploring the need for doing so "as needed based on performance of the product and feedback from customers.

Regarding loan purchases, please see Impact Explanation Question 4.

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

According to manufacturing partners, 2018 production timeframes for MH homes typically range between three and nine months, depending on region and factory, and driven largely by severe labor shortages. When considering the additional time required for the lender to originate the loan and to deliver the loan to Fannie Mae, it was exceedingly unlikely that Fannie Mae could purchase any MHA loans in the less than seven months MHA was active in 2018, even if orders began the same day that it was announced.

However, production delays are not the primary reason that Fannie Mae failed to meet its loan purchase targets for 2018. To the best of our knowledge, no more than twenty MHA homes began production during the year, meaning we would have been short of the target of 100 to 250 loans, even if production timelines had been dramatically compressed.

The single factor that most adversely impacted the loan purchase target was simply that our expected timeline for the product to gain traction within the broad MH ecosystem may have been too ambitious. Manufacturers and



retailers, for example, require time to strategize on the rollout of a new product. And since lenders cannot lend on homes that have not yet been built, Fannie Mae's 2018 loan purchase targets were never likely to have been met.

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

During 2018, Fannie Mae's gained experience engaging with various participants on MHA, including several with which it does not commonly deal directly, such as MH manufacturers and retailers/dealers. As discussed throughout this document, Fannie Mae has invested heavily in addressing information deficits for these groups and will continue to do so in 2019. This experience will be crucial in meeting the loan purchase targets set by the Plan for 2019 and 2020. Paired with engagement with Fannie Mae's more traditional audiences, such as lenders and appraisers, we expect to see loan purchases increase over each of the next two years.



Fannie Mae

Manufactured Housing

Loan Purchase

First Quarter: January 1 - March 31, 2018

## **ACTIVITY:**

A. Regulatory Activity: Manufactured homes titled as real property (12 C.F.R. § 1282.33 (c)(1)).

## **OBJECTIVE:**

3. Develop an enhanced manufactured housing loan product for quality manufactured housing and purchase loans (Partner and Innovate, Do What We Do Best).

## **SUMMARY OF RESULTS:**

Following are the 2018 Actions under this Objective:

- Issue one negotiated variance to select lender(s) or issue one policy change to improve financing options for quality manufactured housing by taking the following actions – by Q2 end:
  - Define distinguishing construction features or property characteristics of quality manufactured housing. These may include items such as exterior or interior design features, energy efficiency features, foundation systems, or other structural build features.
  - If necessary, enhance business processes and technology infrastructure.
- Purchase between 100 and 250 loans – by Q4 end, representing an approximate one to three percent of the total manufactured housing purchases in Objective #1. These loans are included in the total manufactured housing purchases in Objective #1.

## **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):**

We are currently off track on our loan purchase target of 100 loans. Our MH Advantage product is scheduled for a June 2018 release which is later than anticipated, and manufacturers are dealing with serious inventory backlogs. We hope to get a clearer picture on loan purchases after we officially launch our product.



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

### **ACTIVITY:**

A. Regulatory Activity: Manufactured homes titled as real property (12 C.F.R. § 1282.33 (c) (1)).

### **OBJECTIVE:**

3. Develop an enhanced manufactured housing loan product for quality manufactured housing and purchase loans (Partner and Innovate, Do What We Do Best).

### **SUMMARY OF RESULTS:**

Fannie Mae launched MH Advantage™ in June 2018. MH Advantage is a financing option that recognizes the similarity of many manufactured homes to traditional site-built homes by offering the same conventional mortgage financing – including lower interest rates than most traditional manufactured home loans. In support of MH Advantage, we developed a manufacturer’s agreement which defines the central features a home must include to qualify.

While there was broad enthusiasm for MH Advantage at launch, we quickly discovered the program needed fine-tuning to promote adoption. With the help of our industry partners, we identified several areas for improvement we are working through, and hope to have information to share with the industry by mid-Q3.

Following are the 2018 Actions under this Objective:

- Issue one negotiated variance to select lender(s) or issue one policy change to improve financing options for quality manufactured housing by taking the following actions – by Q2 end:
  - Define distinguishing construction features or property characteristics of quality manufactured housing. These may include items such as exterior or interior design features, energy efficiency features, foundation systems, or other structural build features.
  - If necessary, enhance business processes and technology infrastructure.
- Purchase between 100 and 250 loans – by Q4 end, representing an approximate one to three percent of the total manufactured housing purchases in Objective #1. These loans are included in the total manufactured housing purchases in Objective #1.

### **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):**

We are currently off track on our loan purchase target of 100 loans. Conversations with manufacturers indicate that there is a substantial backlog at manufacturing plants.



**Fannie Mae  
Manufactured Housing  
Third Quarter Report: January 1 - September 30, 2018  
Loan Purchase**

**ACTIVITY:**

A. Regulatory Activity: Manufactured homes titled as real property (12 C.F.R. § 1282.33 (c) (1))

**OBJECTIVE:**

3. Develop an enhanced manufactured housing loan product for quality manufactured housing and purchase loans (Partner and Innovate, Do What We Do Best).

**SUMMARY OF RESULTS:**

We do not yet have deliveries for our MH Advantage loan product, placing us off track to reach our loan purchase goal of 100 loans this year.

MH Advantage is a financing option that recognizes the similarity of many manufactured homes to traditional site-built homes by offering the same conventional mortgage financing - including lower interest rates than most traditional manufactured home loans. In support of MH Advantage, we developed a manufacturer's agreement that defines the central features a home must include to qualify.

Following launch, the market provided feedback on ways to promote adoption. With the help of our industry partners, we identified several areas for improvement, which resulted in revised terms and policy clarification. On September 14, we announced simplified terms for the manufacturer's agreement; and on October 2, an update to our Selling Guide issued clarifications to our appraisal requirements for MH Advantage - making it clear that appraisers may refer to site-built comparable sales (under certain circumstances, and where appropriate).

Following are the 2018 Actions under this Objective:

- Issue one negotiated variance to select lender(s) or issue one policy change to improve financing options for quality manufactured housing by taking the following actions – by Q2 end:
  - Define distinguishing construction features or property characteristics of quality manufactured housing. These may include items such as exterior or interior design features, energy efficiency features, foundation systems, or other structural build features.
  - If necessary, enhance business processes and technology infrastructure.
- Purchase between 100 and 250 loans – by Q4 end, representing an approximate one to three percent of the total manufactured housing purchases in Objective #1. These loans are included in the total manufactured housing purchases in Objective #1.

**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):**