

Exhibit G:  
**Annual Loan Products Narrative Reporting Template**

FREDDIE MAC

MANUFACTURED HOUSING COMMUNITIES

2018 REPORT

EVALUATION AREA: PRODUCT

**ACTIVITY:**

*Activity 3 – Manufactured Housing Communities Owned by a Government Entity, Non-Profit Organization, or Residents: Regulatory Activity*

**OBJECTIVE:**

*Objective B: Develop offering for Resident Owned Communities*

**ACTIONS:**

*Freddie Mac substantially exceeded this planned objective in 2018. We developed and marketed an innovative offering with guidelines that meet the needs of Resident Owned Communities (ROCs)—as defined in our DTS plan—and we purchased one loan under this offering in the first year, well in advance of our Plan. This demonstrates a direct and immediate impact in the market.*

*ROCs are typically created when investor-owned MHCs are bought by their residents. Although there are no formal data tracking the incidence of conversions from investor-owned to ROCs across the entire market, our outreach to lenders suggests that up to 25 communities are converted each year. We have also learned that there are some communities being sold back to traditional MHC sponsors/investors, although the exact numbers are not known. We developed our Manufactured Housing Resident Owned Community (MHROC) Loan offering because we recognized a need for better, more scalable financing solutions for resident owned community borrowers who historically have not had ready access to the secondary market. Currently, the marketplace does not offer financing tailored to ROCs that can attract private capital at a sufficient scale or for the market to grow.*

*Since the inception of Freddie Mac’s manufactured housing program in 2014, we purchased 2 ROC loans prior to 2018, which were brought to us as part of our normal course of business in 2016. These 2 loan purchases provided us with helpful insight when developing this loan offering.*

*MHROC Loans enable eligible borrowers to obtain flexible financing tailored to the unique needs of ROCs with certainty and speed of execution. Eligible borrowers are not-for-profit cooperative corporations or associations (Co-ops) in which shares in the Co-op are sold to shareholders and such shares entitle the shareholder to occupy a specific pad. Financing options include loans terms as short as five years to as long as 30 years to fit the need of each ROC. We also enable ROCs to leverage the same prepayment options and the availability of supplemental financing as offered on our conventional loan products, providing greater flexibility and access to more capital over time as their needs change.*

*Achieving such success in the development of the MHROC product was resource intensive, requiring both the labor and intellectual capital from teams from across the company to create a competitive market offering. Building on our prior experience purchasing loans on ROCs, we held multiple outreach sessions with brokers, lenders, and appraisers to better understand the current needs of the market. We developed specialized parameters for ROC borrowers and trained our internal teams and Optigo<sup>SM</sup> lenders. The offering was well received by our lenders and the market, leading to one purchase this year in advance of our DTS plan timelines.*

<b>Plan Actions</b>	<b>2018 Actions</b>
<i>Publish a product term sheet for a pilot product and distribute to one or more seller/servicers engaged in the pilot</i>	<i>The MHROC Term Sheet is published on our website. Instead of issuing the term sheet to select Optigo<sup>SM</sup> lenders as stated in our</i>

	<p><i>plan, we publicly released our term sheet to all our lenders and launched the offering broadly.</i></p> <p><i>The support we received from industry leaders through our outreach demonstrated that our offering was in line with the market need and ready for broad adoption.</i></p>
<p><i>Term Sheet will contain at least the following:</i></p> <ul style="list-style-type: none"> <li>▪ <i>Product overview and loan purpose</i></li> <li>▪ <i>Borrower and/or property eligibility requirements</i></li> <li>▪ <i>LTV Limits</i></li> <li>▪ <i>Debt Coverage Limits</i></li> <li>▪ <i>Allowable lengths of loan term</i></li> <li>▪ <i>Allowable lengths of amortization</i></li> </ul>	<p><i>We published a term sheet to our Optigo<sup>SM</sup> lenders that included more elements than we originally stated in our plan. These include, but are not limited to:</i></p> <ul style="list-style-type: none"> <li>▪ <i>Product Overview and Loan Purpose</i></li> <li>▪ <i>Borrower/ sponsor and Property Eligibility Requirements</i></li> <li>▪ <i>Loan to Value Limits</i></li> <li>▪ <i>Debt Coverage Limits</i></li> <li>▪ <i>Allowable lengths of loan term</i></li> <li>▪ <i>Allowable lengths of amortization</i></li> <li>▪ <i>Subordinate debt financing options</i></li> <li>▪ <i>Flexible prepayment types</i></li> <li>▪ <i>Occupancy Requirements</i></li> <li>▪ <i>Replacement Reserve Requirements</i></li> </ul>
<p><i>Engage at least one lender within our Seller/servicer network to test and refine the pilot offering, which may include loan purchases</i></p>	<p><i>We engaged an advocacy/policy organization, 2 brokers, 5 lenders, and 2 appraisers to help us develop, test, and refine the offering. These contacts provided valuable insight into the market need and different borrower requirements.</i></p> <p><i>In addition to the lenders we spoke with as part of outreach, we worked with Hunt Mortgage Partners, LLC to purchase the loan on World Marine Estates, an MHROC located in American Canyon, CA.</i></p>
<p><i>Develop internal underwriting parameters and policy guidelines for ROCs that address components of the ROC market, including, but not limited to these:</i></p> <ul style="list-style-type: none"> <li>▪ <i>Borrower net worth and liquidity requirements</i></li> <li>▪ <i>Acceptable forms of subordinate debt</i></li> <li>▪ <i>LTV and debt coverage parameters</i></li> <li>▪ <i>Operating reserve requirements</i></li> <li>▪ <i>Third Party technical assistance requirements</i></li> <li>▪ <i>Home rental allowance</i></li> <li>▪ <i>Home sales requirements</i></li> <li>▪ <i>Rules and regulations enforcement covenants</i></li> </ul>	<p><i>We established credit parameters and authored a credit policy and term sheet. These parameters address all the items identified in our Plan either explicitly in the MHROC credit policy or elsewhere in our Multifamily credit policy. These include, but are not limited to:</i></p> <ul style="list-style-type: none"> <li>▪ <i>Borrower net worth and liquidity requirements</i></li> <li>▪ <i>Acceptable forms of subordinate debt</i></li> <li>▪ <i>LTV and debt coverage parameters</i></li> <li>▪ <i>Operating reserve requirements</i></li> <li>▪ <i>Third Party technical assistance requirements (none required)</i></li> <li>▪ <i>Home rental allowance</i></li> <li>▪ <i>Home sales requirements</i></li> <li>▪ <i>Rules and regulations enforcement covenants</i></li> </ul>
<p><i>Provide one to three training sessions to internal production and underwriting staff covering product parameters and underwriting guidelines</i></p>	<p><i>One internal training session addressed underwriting and production teams involved with manufactured housing communities and covered offering parameters and underwriting guidelines.</i></p>
<p><i>Provide one to three training Freddie Mac seller/servicers covering product parameters and underwriting guidelines</i></p>	<p><i>One external training session covered offering parameters and underwriting guidelines. All MHC Optigo<sup>SM</sup> lenders attended the training session and provided valuable feedback in line with our outreach.</i></p>

**SELF-ASSESSMENT RATING OF PROGRESS:**

Select the category that best describes progress on this objective for the year.

- Objective met
- Objective exceeded
- Objective partially completed:
- 75-99% (substantial amount)
  - 50-74% (limited amount)
  - 25-49% (minimal amount)
  - 1-24% (less than a minimal amount)
- No milestones achieved

**PARTIAL CREDIT JUSTIFICATION:**

N/A

**IMPACT:**

Provide a self-assessment of the level of impact that actions under the objective have accomplished.

- 50 – Substantial Impact
- 40
- 30 – Meaningful Impact
- 20
- 10 – Minimal Impact
- 0 – No Impact

**IMPACT EXPLANATION:**

Answer the following questions.

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? (*Character limit: 3,000 characters, including spaces*)

*The creation of MHROC provides the market with a competitive, innovative, secondary market solution tailored specifically to ROCs. These communities previously had limited options for financing as the marketplace did not offer a product tailored to ROCs that could attract private capital at a sufficient scale or the market to grow. This offering is the first of its kind and will provide financing not only for existing communities, but also for acquisitions/conversions, which would allow investor-owned communities to be converted to new resident-owned communities. Most importantly, this offering is available in all markets nationwide.*

*The creation of our MHROC offering has provided additional liquidity to an important market that has had limited financing options and, consequently, those that did provide financing could charge rates well above the broader market. Our emergence as a secondary market outlet for this asset-type has made the market more competitive, aligning rates with the broader market and presenting better terms for the ROCs.*

*In year one, we not only developed this loan offering, we also purchased one ROC loan using the offering. Our first mortgage purchase in 2018 was on World Marine Estate, which is located in American Canyon, CA and has 126 units. Our MHROC offering allowed the borrower to refinance their high interest rate existing debt into a longer term MHROC loan that materially reduced their operating expenses. After refinancing with Freddie Mac, the annual debt service was reduced by \$110,807, which translates to \$1,662,105 savings over the 15-year loan term. This is a clear indication of the impact of our MHROC offering has in the 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. (Character limit: 1,500 characters, including spaces)

*MHROC has been well received in the market. Our Optigo lenders have embraced the offering and are actively marketing to borrowers who until now did not have access to the secondary market. We anticipate this market awareness will grow over time. To assist with this, we have provided our lenders with appropriate training and marketing materials. In addition, our ROC market survey will further equip our lenders to find and provide financing for more ROCs.*

*As a result of our development efforts this year—and a successful transaction—we are considering additional improvements to the offering to add further flexibility and increase certainty for borrowers, two goals that are especially important to this segment of the market.*

3. **Optional:** Are there any market factors that adversely impacted the actions under this objective? If so, describe. (Character limit: 3,000 characters, including spaces)

*The primary market challenge to supporting the ROC market is the size and specialization of the market itself. Resident owned manufactured housing communities are a relatively small market. While we have purchased loans on ROCs, our experience is still limited. Per our outreach to lenders and other market participants, we understand approximately 25 communities are converted to ROCs each year. Overall, there are an estimated 1,000 ROCs.*

*These ROCs are extraordinarily difficult to locate, and not all ROCs are suitable for financing, with many containing fewer than 25 units and some with fewer than five. Additionally, the completion of a conversion from an investor-owned community to a ROC is a challenging process that requires a unique alignment of circumstances. Generally, at least seven factors must come together:*

1. *A community must be put up for sale.*
2. *The residents must want to own their community.*
3. *A sophisticated tenant group must be appropriately organized to purchase it.*
4. *Sufficient equity or equity-equivalent financing must be available.*
5. *Specialized debt financing products must also be available.*
6. *Adequate technical assistance must be provided.*
7. *The seller must choose to sell the community to the residents.*

*Although many MHCs are sold annually (the exact number of which is unknown), these seven factors presumably align in only a small minority of these cases. Further, many ROCs require substantial debt—often in excess of the appraised property value—which further limits the viable market for first mortgage debt unless qualifying financing partners can be found.*

*Because this market is so small, and ROCs are generally of small size (and therefore likely to need only small loans), putting in the extraordinary effort to find and finance them is not likely to be economically attractive to lenders. Our MHROC loan offering, and the training we provided in conjunction with it, is a vital step in helping this market develop. It provides our Optigo<sup>SM</sup> lenders with the primary tool required to support these communities—loan terms that are tailored to the unique needs of this market. Additionally, our research on the ROC market—to be published in 2019—will help to lenders and ROCs connect for more financing opportunities.*

4. **Optional:** How did the actions under this objective contribute to increased or future loan purchases for the underserved market? (Character limit: 1,500 characters, including spaces)

*In our first year of development and loan origination, we have established a strong foundation for our future purchase targets in year 3. Based on initial market feedback, we determined that the launch of this offering would take some additional marketing and outreach from our Optigo<sup>SM</sup> network to expand awareness, given the specialized nature of this market.*

*Our current Plan targets purchases in year 3. We are still on track to meet this target based on the market size. While we do look to continue to grow our support of resident owned manufactured housing communities, we will do so while exercising market discipline so that we may provide long term and consistent liquidity.*

Attach the information detailed in the list of documentation specific to the objective that was provided by FHFA.

Exhibit C:

**Second Quarter Loan Products Narrative Reporting Template**

FREDDIE MAC

MANUFACTURED HOUSING COMMUNITIES

2Q REPORT

EVALUATION AREA: PRODUCT

**ACTIVITY:**

*Activity 3 – Manufactured Housing Communities Owned by a Government Entity, Non-Profit Organization, or Residents: Regulatory Activity*

**OBJECTIVE:**

*Objective B: Develop offering for Resident Owned Communities*

In today's market, financing for Resident Owned Communities (ROCs) is generally provided by smaller banks and CDFIs using specialized products that often require considerable leverage. In addition, many of these lenders lack liquidity due to limited secondary market outlets. Our ROC offering has the potential to create additional liquidity and enable other MHC financing providers, such as our Seller/Servicer network, to enter and further develop the market. In the first half of 2018, we have been conducting outreach to industry participants (lenders, capital providers, and consultants) who help ROCs organize and obtain financing, and have developed internal underwriting parameters and policy guidelines. We plan to complete development efforts and launch this offering in 3Q 2018. Additionally, we purchased a loan on a ROC in the first half of the year. Accordingly, we are on track to exceed this objective.

**ACTIONS:**

<b>Action Category</b>	<b>Action Reference – Activity 3; Objective B</b>	<b>Status</b>
Market Actions	Action 1	Publish Product Term Sheet – Outstanding
	Action 2A-F	Establish Term Sheet Elements – Complete
	Action 3	Engage one lender to test and refine offering – Complete
Underwriting Actions	Action 1A-H	Develop UW parameters – Complete
	Action 2	Internal trainings – Complete

	Action 3	Seller/Service Trainings – Outstanding
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**SELF-ASSESSMENT RATING OF PROGRESS:**

*Select the category that best describes progress on this objective for the reporting period.*

- 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):**

N/A

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