



Fannie Mae 2019  
Manufactured Housing  
Loan Product

**ACTIVITY:**

C. Regulatory Activity: Manufactured housing communities owned by a governmental entity, non-profit organization, or residents (12 C.F.R. § 1282.33(c) (3)).

**OBJECTIVE:**

1. Increase liquidity to governmental entity, non-profit organizations, or ROC (collectively "Non-Traditional Owners") through research, data analysis, loan product review and enhancement, implementing a pilot for ROC, and publishing Fannie Mae's experiences (Analyze, Partner and Innovate).

**SUMMARY OF RESULTS:**

Following are the 2019 Actions under this Objective per the December 20, 2019 Duty to Serve Plan:

<i>Objective's components detailed in the Plan</i>	<i>Corresponding actions taken</i>	<i>Explanation of any deviations from the Plan (if applicable)</i>
<input type="checkbox"/> Purchase four loans secured by MHC owned by government entities and/or non-profits.	<p>In 2019, Fannie launched a product enhancement for Non-Traditional MHCs developed and approved in Q4 of 2018. The product offered a discount on the Guarantee and Servicing Fee along with up to 10k in reimbursement of third-party reports. A lender memo was distributed to all DUS partners in Q1, which outlined the qualifications for the product and pricing enhancement. We developed marketing and training materials to inform and market these new product enhancements to our DUS lenders and industry stakeholders. We conducted three DUS lender web training sessions (in February and March) to further inform and educate our partners. Each session was followed by an in-depth Q&amp;A. Lenders still had many questions about this ownership type and were slow to begin marketing the product.</p>	<p>Despite extensive outreach and effort, Fannie Mae ultimately did not purchase loans secured by Manufactured Housing owned by Government Entities in 2019.</p>



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<input type="checkbox"/> Implement pilot program for ROC loan purchases and purchase five loans.	<p>Fannie Mae launched the pilot in January of 2019. This launch was a significant milestone and part of Fannie Mae’s three-year plan to research and develop products that would increase the flow of liquidity to Resident-Owned Communities (ROCs) with safety and soundness. Fannie Mae continued the collaboration with the pilot partners with an initial goal to acquire five ROC loans in 2019. We hosted regularly scheduled bi-weekly meetings with Credit and Customer engagement teams from each partner organization. We analyzed all loans in ROC USA Capital’s loan portfolio report to identify transactions that would fit within the pilot parameters and developed strategies to win these loans.</p>	<p>Ultimately the pilot did not result in loan purchases in 2019, though Fannie Mae learned a significant amount through the process.</p>
<input checked="" type="checkbox"/> Prepare a review of the results to date of the pilot program and identify what, if any, guideline or other changes might be required based on performance to date coupled with ongoing industry outreach and research.	<p>A review of the pilot results was completed, and key contributing factors were identified that limited Fannie Mae’s ability to purchase Resident-Owned Communities (ROCs) transactions in 2019. The primary obstacle that Fannie Mae faced was the limited credit tolerances of the pilot, the small pool of eligible deals, and pricing and fees. Fannie Mae is currently developing a strategy to be more competitive in the market for ROCs.</p>	<p>N/A</p>
<input checked="" type="checkbox"/> Continue ongoing outreach activities to increase our understanding of the Non-Traditional Owners market to	<p>Fannie Mae presented at several key industry conferences throughout 2019, including the Louisville Manufactured Home</p>	<p>N/A</p>



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<p>ensure our work is correctly targeted to increasing liquidity in this market over the previous year including:</p>	<p>Show, MHI Winter meetings &amp; congress, and the Prosperity Now “I’m Home” Conference.</p>	
<p><input checked="" type="checkbox"/> Meeting with two additional government entities (i.e., not met with previously) that own or are considering owning MHC and with at least two additional non-profits that own or are considering owning MHC to obtain their input regarding the challenges that affect this market.</p>	<p>Fannie Mae met with two government entities and two non-profits to discuss challenges to Non-Traditional Ownership.</p>	<p>N/A</p>
<p><input checked="" type="checkbox"/> Meeting with two additional non-Fannie Mae lenders (i.e., not met with previously) that have experience with MHC finance, including MHC with Non-Traditional Owners, to obtain their perspective regarding additional challenges that affect this market over previous year.</p>	<p>Fannie Mae engaged with two additional non-Fannie Mae Lenders with experience in MHC Finance, including those with Non-Traditional Owners. During this engagement additional credit variances were identified. We learned that nonprofits often lack funds for down payment and require financing up to 100 percent. Poor infrastructure, requiring significant repairs within communities, is a major problem for many of these transactions. Rents also do not support new debt, and debt-service coverage ratio (DSCR) constraints create financing challenges.</p>	<p>N/A</p>
<p><input checked="" type="checkbox"/> Participating in two key industry conferences to gain additional perspective on</p>	<p>Fannie Mae participated in two key industry conferences, the MHI Congress and Expo in May and the Prosperity Now “I’m Home”</p>	<p>N/A</p>



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<p>information gained in the previous year.</p>	<p>Conference in November. During both events, subject matter experts presented an update and answered questions from attendees to maintain engagement with a broad set of Manufactured Housing industry stakeholders.</p> <p>In addition, Fannie Mae participated in multiple annual events hosted by state MH associations.</p>	
<p><input checked="" type="checkbox"/> Hosting/participating in one manufactured housing roundtable with key stakeholders to gain additional knowledge over the previous year and use the information to further increase our understanding of the market.</p>	<p>Fannie Mae hosted a Roundtable event in May with a diverse group of attendees who engaged on a series of topics, including Manufactured Housing as an affordable housing supply solution and potential sharing of Manufactured Housing data.</p>	<p>N/A</p>
<p><input checked="" type="checkbox"/> Continue work on a white paper by collecting and documenting Fannie Mae’s outreach, product development, and loan purchase activities during 2019 with respect to MCH with Non-Traditional Owners.</p>	<p>Fannie Mae completed quarterly Narratives to FHFA to document outreach, product development, and loan purchase activities. Fannie Mae also released a perspectives piece and Economic Commentary, which provides a basis for market knowledge on Non-Traditionally Owned MHCs.</p>	<p>N/A</p>
<p><input checked="" type="checkbox"/> Confirm 2020 loan purchase goals based on 2019 research and outreach.</p>	<p>2020 Purchase goals confirmed.</p>	<p>N/A</p>



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**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)
- No milestones achieved

**PARTIAL CREDIT JUSTIFICATION:**

Fannie Mae is seeking partial credit for the high level of effort expended to develop and launch the pilot and important learnings developed as well as for the completion of all action items in the plan, with the exception of falling short of its loan purchase goals.

**IMPACT:**

- 50 – Substantial Impact
- 40 – Between Meaningful and Substantial Impact
- 30 – Meaningful Impact
- 20 – Between Minimal and Meaningful Impact
- 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?**

Fannie Mae believes that the most relevant impacts to date under this Objective were the overall increases in market awareness, data, and access to credit. The actions taken have laid the foundation for future Non-Traditional Ownership in this underserved market.

Fannie Mae increased awareness through outreach efforts and participation at industry conferences and roundtables across the country. The knowledge gained through these efforts will be used toward the development of the White Paper in 2020, designed to bring awareness of the Non-Traditional MHC market to policy-makers, investors, and advocates. In addition, Fannie Mae released a Multifamily Market Commentary piece entitled “A Need for Non-Traditional Ownership of Manufactured Housing Communities” and a perspective piece entitled “Innovative Solutions to Support Non-Traditional Ownership of MHCs” in 2019. This commentary provided a foundation of market knowledge of these ownership structures and described the important role these entities have toward the preservation of affordability and stability to residents. Lenders provided valuable feedback, which supported the development of a new strategy in mid-year to increase liquidity by providing “in-depth” data on Non-Traditionally Owned MHCs to our Delegated Underwriting and Servicing (DUS(R)) lenders. This data will enable lenders to develop marketing strategies to secure loans from Non-Traditional MHC borrowers. The data will be made available in Q1 of 2020.



## Fannie Mae 2019 Manufactured Housing Loan Product

The pilot for Resident-Owned Communities (ROCs) provided Fannie Mae an environment to test and learn with its pilot partners ROC USA and NCB. Although Fannie Mae did not achieve the original goal of acquiring five loans through the ROC pilot in 2019, the engagement of Fannie Mae in this industry and through this pilot has had positive reverberations throughout the industry. Throughout the year as potential deals were discussed, Fannie Mae was advised by its partners of the increase in competition for ROC loans from local banks and State HFAs. We are encouraged by the increase in access to credit that ROCs had through these entities and see it as a result, at least in part, to Fannie Mae's attention to this market segment through our extensive Duty to Serve efforts. This attention and associated research and resources have helped to draw additional investors and institutions to the market, resulting in more market players, more favorable terms for borrowers, and positive outcomes for the ROC sub-market.

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

2019 was a year of knowledge gathering. From our initial conversations with governments and Non-Traditional Owners, we learned about current challenges affecting the market. First, acquisition of MHCs is becoming more difficult as "highest and best-use" definitions for the land set the value and price at levels in which debt cannot be supported. Additionally, private equity and real estate investment trusts (REITs) are able to quickly come in and purchase manufactured housing communities, similar to what we've seen with other business segments, including Naturally Occurring Affordable Housing and workforce housing. Quick access to capital is needed for Non-Traditional Owners to compete in this market. Where grants and funding dollars are available, there is high competition, and these types of funds increase the time for transactions to close. In addition, some government entities are at a financing disadvantage because they are prohibited or restricted in their ability to borrow institutional funds.

Fannie Mae will continue to develop new strategies to provide liquidity to this underserved market through continued industry outreach, research, and utilizing the lessons learned.

### **3. (Optional): If applicable, why were all components of this objective not completed?**

As described above, while Fannie Mae completed all aspects of the outreach, research, and pilot development and launch for Resident-Owned and Non-Traditionally Owned communities, ultimately the pilots did not result in the purchase of MHC loans of this type.

Through our pilot programs, we encountered many challenges that impacted our ability to purchase loans through the ROC pilot. For example, the credit tolerance of the pilot, which limited the combined loan-to-value (CLTV) ratio to 90 percent, reduced the pool of eligible transactions and was not able to support financing of newly forming ROCs, as these transactions require CLTVs at or above 100 percent. We also encountered competition from local banks seeking CRA credit and State HFAs looking to acquire existing ROCs with a strong operating history. These financial institutions offered lower pricing and reduced fees that we could not compete with.

Our ability to purchase Non-Traditionally Owned MHCs was affected by the lack of data for these types of MHCs. In conversations with our lenders, we learned of the need for more comprehensive data for Non-Traditionally Owned MHCs. Lenders wanted more in-depth data on these ownership structures in order to "rough size" the market and develop marketing strategies to win this business. As a result, DataComp, in association with Fannie Mae, developed in-depth market data needed for lenders to build the foundation of knowledge for the Non-



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Traditionally Owned MHC industry. Lenders will be able to identify Non-Traditionally Owned communities, develop an in-depth market analysis, and create more opportunities for business. This report will be made available to the industry in 2020



## **Fannie Mae Manufactured Housing Second Quarter Report: January 1 - June 30, 2019 Loan Product**

### **ACTIVITY:**

C. Regulatory Activity: Manufactured housing communities owned by a governmental entity, non-profit organization, or residents (12 C.F.R. § 1282.33(c) (3)).

### **OBJECTIVE:**

1. Increase liquidity to governmental entity, non-profit organizations, or ROC (collectively "Non-Traditional Owners") through research, data analysis, loan product review and enhancement, implementing a pilot for ROC, and publishing Fannie Mae's experiences (Analyze, Partner and Innovate).

### **SUMMARY OF RESULTS:**

As of the end of the second quarter, Fannie Mae has not acquired any Non-Traditional owned Manufactured Housing Community (MHC) loans. In conversations with lenders to better understand what we could do to drive adoption of the product enhancement we launched earlier in the year, we learned lenders need education to better understand the complexities of these ownership structures and more data so that they can effectively create marketing strategies to reach potential borrowers.

As a direct result of this feedback, we produced and released an economic commentary piece on our external website, "A Need for Non-Traditional Ownership of MHCs." This piece serves to educate the industry and underscores the role and need for Non-Traditional Owned MHCs across the country. We also conducted additional DUS Lender training sessions on the newly released product enhancement for Non-traditional owned MHCs.

We believe that through continued education and outreach, as well as creating resource guides, lenders will be better equipped to develop effective marketing strategies and begin to build their pipeline of loans of MHCs with Non-Traditional Owners.

We continue to engage with our partners (NCB and ROC USA) on a bi-weekly basis to monitor the pipeline of eligible ROC transactions, but we have not yet acquired any loans. This lack of acquirement is primarily because our combined loan-to-value ratio limit reduces the pool of eligible transactions in ROC USA's pipeline.

ROC USA is committed to further expanding their model into other states to build their pipeline of eligible transactions for the pilot, and we are currently tracking several potential refinance transactions later this year that do fit the pilot criteria, but it is too soon to determine whether these transactions will take place as estimated. We will continue to monitor the progress of the pilot and work with our partners.

Following are the 2019 Actions under this Objective:

- Purchase four loans secured by MHC owned by government entities and/or non-profits.
- Implement pilot program for ROC loan purchases and purchase five loans.
- Prepare a review of the results to date of the pilot program and identify what, if any, guideline or other changes might be required based on performance to date coupled with ongoing industry outreach and research.
- Continue ongoing outreach activities to increase our understanding of the Non-Traditional Owners market to ensure our work is correctly targeted to increasing liquidity in this market over the previous year including:



Meeting with two additional government entities (i.e., not met with previously) that own or are considering owning MHC and with at least two additional non-profits that own or are considering owning MHC to obtain their input regarding the challenges that affect this market.

Meeting with two additional non-Fannie Mae lenders (i.e., not met with previously) that have experience with MHC finance, including MHC with Non-Traditional Owners, to obtain their perspective regarding additional challenges that affect this market over previous year.

Participating in two key industry conferences to gain additional perspective on information gained in the previous year.

Hosting/participating in one manufactured housing roundtable with key stakeholders to gain additional knowledge over the previous year and use the information to further increase our understanding of the market.

Continue work on a white paper by collecting and documenting Fannie Mae's outreach, product development, and loan purchase activities during 2019 with respect to MCH with Non-Traditional Owners.

Confirm 2020 loan purchase goals based on 2019 research and outreach.

#### **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):**