



Fannie Mae 2019  
Manufactured Housing  
Loan Purchase

**ACTIVITY:**

D. Regulatory Activity: MHC with certain pad lease protections (12 C.F.R. § 1282.33(c) (4)).

**OBJECTIVE:**

1. Conduct research and outreach to determine market opportunities for FHFA's minimum tenant pad lease protections (FHFA Pad Requirements), offer one loan product enhancement, and acquire loans (Test and Learn, Partner and Innovate, Do What We Do Best).

**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 checked="" type="checkbox"/> Train three MHC lenders to market the product enhancement to 10 MHC owners to encourage the owners to adopt the FHFA Pad Requirements at their properties based on the response of the MHC owners.	Through planning with the Multifamily Product Development team, Fannie Mae successfully conducted three live web-based training sessions to its network of DUS lenders. These sessions provided over 20 Lenders necessary information and guidance on the product enhancement. Lenders subsequently marketed the product to 10 MHC owners.	N/A
<input checked="" type="checkbox"/> Market product enhancement at appropriate trade conferences to increase awareness and loan purchases.	Fannie Mae marketed the product enhancement at the Louisville Manufactured Home Show and MHI congress and expo. During these events, the product enhancement was shared with lenders and borrowers, and any questions or concerns were addressed.	N/A
<input checked="" type="checkbox"/> Acquire 431 units secured by MHC that meet the FHFA Pad Requirements.	This action was completed in accordance with the plan.	Fannie Mae exceeded the goal and acquired 3,492 units secured by Manufactured Housing Communities (MHCs) that meet the FHFA Pad Requirements.



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<input checked="" type="checkbox"/> Review proposed 2020 loan purchase goal based on 2019 results.	This action was completed in accordance with the plan.	N/A
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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:**

N/A

**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?**

Manufactured housing is the largest form of unsubsidized affordable housing and provides residents an opportunity to own a home. Residents of Manufactured Housing Communities (MHCs) often own their home and lease the land underneath. This ownership and lease structure expose the tenant to potential risks, for example:

- These land leases often lack protections against unfair evictions and rent increases.
- Tenants may lack the ability to sell their home in place or sublease.
- Leases often do not include a provision to provide advance notice of a park sale or closure.
- Finally, once a tenant places their home in the park it becomes cost prohibitive or impossible to move again.



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While some protections are required through state laws, Fannie Mae has concluded that there are no states that require all of the FHFA Pad Lease requirements. As part of our Duty to Serve efforts, Fannie Mae has researched ways to provide residents of MHCs additional protections in their site leases, specifically those not required on a state or local level. Through engagement with tenant advocacy groups, community owners, MHC residents, and lenders, Fannie Mae has developed a product enhancement that provides pricing incentives to the borrower (community owner) in exchange for implementing the FHFA Pad Lease protections in their communities. In Q1 of 2019, Fannie Mae released product memo 19-01 to DUS lenders outlining the provisions of the product enhancement. Fannie Mae also conducted web training sessions for our DUS Partners and internal customer engagement teams. In addition, Fannie Mae participated in and presented on DTS efforts and new products at major industry conferences throughout the country to create greater awareness of tenant protections and obtain feedback from market stakeholders. In Q2 we acquired the first MHC with FHFA pad lease requirements. Fannie Mae created a “Deal Spotlight” to highlight the acquisition of Harmony Pointe in Ohio, a property serving residents aged 55+ and the first MHC acquisition with the protections. The spotlight was posted on all Fannie Mae social media platforms. Fannie Mae continued its outreach by meeting with lenders and borrowers to bring light to the need for tenant protections and promote its product to provide protections to tenants of MHCs.

The actions were impactful, as they enabled residents living in manufactured housing communities to receive protections in their site leases not required by state or local government that provide stability and peace of mind for these homeowners. Fannie Mae was the first GSE to provide residents with Tenant Site Lease Protections (TSLP) through its loan products and set the standard for the rest of the industry to follow. Providing lease protections is central to Fannie Mae’s mission to provide stable and affordable housing for everyone. The outreach to increase industry awareness and success of this product has established a foundation for the industry to standardize the Tenant Site Lease Protections.

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

Fannie Mae has learned that the market opportunity for Tenant Site Lease Protections (TSLP) is greater than anticipated and gaining momentum as evidenced by the early success of the TSLP product. Fannie Mae was especially surprised by how eager larger, more sophisticated borrowers were to incorporate the TSLPs using Fannie Mae’s Credit Facility product. This product enabled TSLPs to be incorporated over a pool of MHC properties in a single transaction. In conversations with lenders, we learned of borrower concerns specific to the complexities of implementing the protections on credit facility transactions and purchases. Logistically, it was onerous for the borrower to implement the TSLPs prior to the loan origination date, as required by the product enhancement guides. Credit Facility transactions have hundreds if not thousands of units to convert. According to their feedback, more time was needed to incorporate the TSLPs. For acquisition transactions, it proved especially difficult to implement protections by the origination date, as the borrower did not have control over the park until after the loan origination date. As a result, we are developing enhancements to address these concerns, which will enable borrowers more time to implement protections, thus allowing greater usage of the TSLP product and providing more residents with Protections.

We are aware of the impact of profit-driven Private Equity firms and Real Estate Investment Trusts (REITs) entering the MHC market. Advocacy and tenant right groups voiced concerns during the FHFA DTS Listening Sessions and throughout the year in various outreach forums. They advised the GSEs to do more to protect



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tenants and preserve the affordability of living in an MHC. Fannie Mae takes these concerns seriously and is engaging in outreach and research to identify the challenges and work toward developing workable solutions within Fannie Mae's ability to address the concerns raised by the market.

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

N/A



## **Fannie Mae Manufactured Housing First Quarter Report: January 1 - March 31, 2019 Loan Purchase**

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### **OBJECTIVE:**

1. Conduct research and outreach to determine market opportunities for FHFA's minimum tenant pad lease protections (FHFA Pad Requirements), offer one loan product enhancement, and acquire loans (Test and Learn, Partner and Innovate, Do What We Do Best).

### **SUMMARY OF RESULTS:**

In January, Fannie Mae launched a new Manufactured Housing Communities (MHC) product enhancement to incentivize MHC Owners to adopt Tenant Site Lease Protections in their communities. In addition to publishing a Lender Memo, which provided details on the pricing incentive, we also conducted two training sessions for our DUS partners and internal customer engagement teams. In the training sessions we provided details on the pricing incentives, tenant protection requirements, minimum qualifications, and loan delivery procedures. Each training was followed up with an in-depth Q&A session. Ongoing training sessions are scheduled for Q2 to continue to educate our DUS lenders as well as internal stakeholders.

We continued our outreach efforts and presented at two major industry conferences and participated in a live Webex session conducted by a major industry advocate this quarter. We provided industry stakeholders a summary of our 2018 Duty to Serve (DTS) achievements, including the product enhancements for MHC, and 2019 DTS objectives.

Following are the 2019 Actions under this Objective:

- Train three MHC lenders to market the product enhancement to 10 MHC owners to encourage the owners to adopt the FHFA Pad Requirements at their properties based on the response of the MHC owners.
- Market product enhancement at appropriate trade conferences to increase awareness and loan purchases.
- Acquire 431 units secured by MHC that meet the FHFA Pad Requirements.
- Review proposed 2020 loan purchase goal based on 2019 results.

### **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):**