



Fannie Mae 2019
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:

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"/> Explore opportunities to enhance or clarify policy to support appraisals that account for the value of distinguishing construction features or property characteristics specific to the variance or policy change implemented in 2018. If enhancements or clarifications were delivered prior to 2019, engage with industry participants to assess the value of those enhancements or clarifications and seek input on additional areas that may affect appraisal policy.	As appraisal policy for MH Advantage® was both introduced and substantively updated in 2018, our 2019 efforts were focused on engaging with lenders and appraisers to ensure that they and other key stakeholders understood the guidelines. • In that spirit, we developed, the MH Advantage Appraiser Checklist with input from industry stakeholders and published and promoted it in June.	N/A
<input checked="" type="checkbox"/> Engage appraisers about Fannie Mae requirements and acquire feedback to establish best appraisal practices.	We regularly engaged with appraisers, both in-person and via online training sessions. • We launched and promoted a self-directed online MH Advantage Appraiser Training in February.	N/A
	We manually reviewed the appraisal of every MH Advantage loan delivered in 2019.	N/A



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<input checked="" type="checkbox"/> Assess appraisals for loans delivered in 2018 or 2019 under the variance or product offering.		
<input checked="" type="checkbox"/> Enhance, modify, or simplify product offering as needed based on customer feedback and performance of the product.	<p>We completed this objective in 2018 when the product was substantively updated in the latter half of the year. We determined that further enhancements, modifications, or simplifications to our product offering in 2019 were not needed and would have confused the market.</p>	<p>N/A</p>
<input checked="" type="checkbox"/> The following actions are necessary to address the reality that introducing a new manufactured housing finance product that involves commitment from participants across the industry is difficult. Fannie Mae's role as product developer is not limited to introducing a product in its Selling Guide, it also entails significant outreach and education to lay the groundwork for future success, in the form of loan purchases.	<p>We completed this task per the following activities listed on this table in the rows below.</p>	<p>N/A</p>
<input checked="" type="checkbox"/> Identify opportunities to market loan product and disseminate key information to manufactured home retailers and other key industry stakeholders. Launch campaign and evaluate success.	<p>We launched an email-based marketing campaign aimed at retailers in key geographies to generate awareness and help promote MH Advantage-eligible homes to consumers.</p> <ul style="list-style-type: none"> • We analyzed this campaign using standard metrics associated with the email marketing channel. 	<p>N/A</p>



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	<ul style="list-style-type: none"> • We engaged with retailers and related stakeholders at events throughout 2019, including two retailer-facing MH shows. 	
<input checked="" type="checkbox"/> Conduct foundational research to gauge consumer perception of manufactured housing, and leverage findings to build out consumer-facing education campaign. Launch campaign and evaluate success.	<p>We conducted focus group research that provided insights around consumer perceptions of MH and MH Advantage, and helped us better understand opportunities to overcome barriers to adoption.</p> <ul style="list-style-type: none"> • We launched an online consumer-facing education campaign in key geographies. • We analyzed standard metrics on an ongoing basis associated with online marketing channels. 	N/A
<input checked="" type="checkbox"/> Support consumer and lender product adoption by promoting the installment of manufactured homes in subdivisions.	<p>We educated developers and lenders on the potential application of MH Advantage financing in subdivision developments, including a presentation at a key industry conference and dozens of direct discussions.</p>	N/A

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



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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 and its industry partners demonstrated impact in laying the foundation for MH Advantage in the future. While successes have been modest to date, our long-term goal is for MH Advantage to serve as a key component of affordable housing supply and, based on those successes, we remain committed to growing MH Advantage in 2020 and beyond.

Manufacturer Engagement:

Through the end of 2019, our vendor distributed nearly 4,000 MH Advantage stickers to participating manufacturers. These stickers are used to indicate to lenders that a home is eligible for MH Advantage financing and act as the critical first step for using this product. Importantly, we spent much of 2019 educating not just senior leadership at our partnered manufacturers, but also their sales and plant management staff. To do this effectively, we introduced point-of-sale brochures that manufacturer sales reps could leverage when promoting their ability to produce MH Advantage homes to their retailer customers. By the end of 2019, participating manufacturers had produced and placed stickers on over 200 MH Advantage-eligible homes.

Lender Engagement:

Since its launch, MH Advantage has always been available to all Fannie Mae lenders and we have made resources, such as the online Lender Fact Sheet and online Lender Process Overview, available to them to promote adoption of the product. However, select lender customers have demonstrated particular interest in the product and we have worked closely with those customers to respond to their questions and feedback on MH Advantage.

For example, we convened multiple training sessions, both in person and online, for lenders interested in learning more. In some cases, we leveraged our broad network of MH industry participants to include manufacturers and retailers in those discussions in order to help facilitate potential transactions. These events were successful in building the relationships necessary to establish an end-to-end process aimed at ensuring MH Advantage-eligible properties are financed by MH Advantage loans, and we believe they will translate into greater loan purchase volume moving forward.

Appraiser Engagement:



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Several activities in Fannie Mae's 2020 Plan relate to educating appraisers about MH Advantage properties, as we anticipated there would be guidance necessary for valuing this type of home. To further support market adoption of MH Advantage, we completed several activities aimed at increasing appraiser knowledge of MH. As an on-demand option, we produced a self-service training on MH Advantage appraisal requirements and made it available on our website in February. This training was viewed over 5,300 times from February to November 2019.

Retailer and Borrower Engagement:

To support demand for the MH Advantage product, we conducted market research and subsequently designed marketing campaigns to inform both retailers and consumers about MH Advantage.

In the case of retailers, we sent targeted MH Advantage product messaging through a Salesforce email campaign to select retailers to introduce them to the loan product and begin facilitating new relationships with Fannie Mae-approved lenders who would be in a position to provide MH Advantage financing for these homes. We hope to learn from the first round of engagement and have already begun engaging retailers via an online digital marketing strategy in early 2020.

In rolling out MH Advantage, we recognized that we needed to promote not only the loan product but the availability of the home product, as no other market players have taken on this messaging at scale. To do this, we launched an online consumer education campaign that targeted specific geographical areas, resulting in nearly 30 million impressions and over 125,000 unique interactions with the campaign's landing page.

To support both marketing efforts, we revamped our MH and MH Advantage websites to provide relevant information to these audiences. For example, the retailer landing page contains loan product information and downloadable content to ensure all parties have point-of-sale materials that explain the MH Advantage loan offering.

Loan Purchases:

In 2019, we purchased six MH Advantage loans, of which two were eligible for Duty to Serve credit. Even with several more loans actively in the pipeline that we expect to purchase in 2020, we acquired fewer loans than we projected internally and hope to increase the number of loans dramatically in the future.

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

MH Advantage Distribution Channels Require Distinct Strategies

In general, there are two methods for consumers to find and purchase MH Advantage-eligible homes: the retail channel or the development channel.

The retailer model is the prevailing distribution model for manufactured homes, but conventional mortgage products are not always widely available or utilized. Alternatively, developers have the capital to bring manufactured home subdivision and infill lot development to scale and provide an experience that more closely aligns with the traditional home buying experience. However, developers are largely unfamiliar with MH



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products and installation processes. Ultimately, we purchased three loans through each of these channels, and learned that a targeted approach supporting both channels is necessary to grow MH Advantage.

As mentioned previously, we are working closely with retailers and our partnered manufacturers to educate them on the product and will continue to look for ways to support the prevailing MH distribution model. We have provided information to retailers through events hosted by a national trade organization. We have also worked through a limited number of manufactured home state associations to promote and disseminate information on MH Advantage to each group's respective retailer membership. We also continue to support our lenders by giving them a platform to promote the MH Advantage program with retailers, and with our partnered manufacturers to focus on promoting understanding of both the home product and the loan product at the point-of-sale.

In 2019, we also continued to see encouraging signs of market adoption by builders/developers who might help make the MH buying experience more similar to other non-MH real estate purchases. For example, the first two loans purchased under the program were from homes installed in a subdivision and we are aware of several other potential development opportunities in states across the country. In some instances, MH Advantage appeals to developers, relative to site-built, because of its cost, in other instances, including some disaster recovery areas, MH Advantage is appealing because of the relative speed at which these units can be built and installed. We will continue to build our understanding of the relative costs and benefits to developers of choosing an MH product and will refine our developer outreach strategy in 2020.

Industrywide Engagement:

As directed by our Plan, we have provided and must continue to share information on MH Advantage to appraisers, manufacturers, retailers, and other stakeholders.

For example, we learned that some appraisers are unfamiliar with or unclear on the guidelines that apply to MH Advantage, such as those that allow them to draw on site-built comparables, where appropriate, and we responded with several actions described in this report. Further in 2019, we began to develop an appraiser training course with a prominent continuing education provider that contains detailed information on MH Advantage appraisals. We plan to launch and promote that training in 2020.

Consumer Demand:

As noted previously, we conducted qualitative research to inform a limited consumer education campaign that promoted MH Advantage. The underlying research revealed that consumers responded positively to messaging highlighting the durability, aesthetic appeal, customizability, and value of these homes when financed with an MH Advantage loan. The resulting marketing campaign performed remarkably well according to industry benchmark metrics, such as online click-through-rates and website engagements. We believe that cultivating both an understanding of the high quality of today's manufactured homes and the financing parity offered with programs like MH Advantage will be key to expanding the size of the manufactured home market and encouraging broader lender adoption of manufactured home lending in general.



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We recognize that translating consumer demand into loans will require continued efforts to drive consumer awareness and interest as well as support for the stakeholders who interact most directly with consumers: lenders, realtors, and retailers.

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

N/A



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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:

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"/> Evaluate the outcomes of variance(s) and policy change(s) executed in 2018 as well as findings from industry and customer engagement to identify, validate, and prioritize opportunities to enhance, simplify, clarify, and expand our manufactured housing policies and product offering. Introduce one new negotiated variance with terms for at least one additional change to Fannie Mae loan product parameters, or depending on research, learnings, and analysis, publish at least one policy update.	<p>We conducted a quantitative analysis of all policy changes and variances that were executed in 2018 (and some that were executed in 2019).</p> <ul style="list-style-type: none"> • We met and corresponded with stakeholders to attain qualitative feedback on policy actions. • We updated an existing variance to allow more flexibility for the borrower's age of credit documentation when qualifying for a construction-to-permanent (C2P) loan. One goal of this is to increase the volume of C2P manufactured housing (MH) loans. • In response to lender feedback, we introduced a variance allowing the use of MH as or with an accessory dwelling unit. • We expanded on a 2018 variance with a policy change to the Selling Guide that formally allows the use of C2P financing structures for MH loans. This responded to frequent industry feedback for parity with 	<p>N/A</p>



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	<p>site-built homes and to support newly constructed MH financing.</p> <ul style="list-style-type: none"> • We published a link in the Selling Guide to a newly developed resource containing detailed information related to MH titling laws in certain states, in response to frequent feedback from both non-MH lenders and MH lenders interested in expanding geographically. 	
<input checked="" type="checkbox"/> Provide training and resource support to housing counselors on the topic of manufactured housing so that they are better equipped to provide counseling to manufactured home buyers.	<p>Through a contract with Next Step, we helped to develop a training curriculum for housing counselors focused on the MH market that can be distributed either in-person or online.</p> <ul style="list-style-type: none"> • We supported a training for housing counselors that included the newly developed curriculum at the Neighborworks Training Institute in December. 	N/A
<input checked="" type="checkbox"/> Continue to engage appraisers 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.	<p>In addition to significant appraiser engagement on the topic of MH Advantage discussed under Objective 3 of this section, we conducted frequent outreach to appraisers, including a March update to Fannie Mae’s Appraiser Newsletter, several in-person and online presentations, and significant work towards forming a 2020 partnership with an MH appraiser training provider.</p>	N/A
<input checked="" type="checkbox"/> Continue industry outreach activities started in 2018 to		



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maintain engagement and inform product activities.		
<input checked="" type="checkbox"/> Host one manufactured housing roundtable with cross-functional industry representation and discuss new challenges facing the market. Feedback and engagement will inform future decisions and prioritizations.	<p>We hosted a Roundtable event in May with a diverse group of attendees who engaged on a series of topics, including MH as an affordable housing supply solution and potential sharing of MH data in a centralized location.</p>	N/A
<input checked="" type="checkbox"/> Participate in two key industry conferences to remain current on activities and developments in the market and to inform future decisions and prioritizations.	<p>We participated in two key industry conferences, the MHI Congress and Expo in May and the Prosperity Now I'm Home Conference in November. During both events, we presented an update on Duty to Serve and answered questions from attendees to maintain engagement with a broad set of MH industry stakeholders.</p> <ul style="list-style-type: none"> • We participated in several additional industry conferences. These include, but are not limited to, the Educate MHC International Networking Roundtable, multiple annual events hosted by state MH associations, and multiple MH shows. 	N/A

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)



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- 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?

Across several dimensions, Fannie Mae observed significant impact due to the actions taken under this Objective.

General MH Loan Purchases:

As was the case in 2018, we believe that the most relevant impact of the outreach and product development activities described under this Objective is measured by loan purchases of MH loans secured by real property. As discussed under Objective 1 of this section, loan purchases of this type exceeded the upper bound of the goal by 29.5 percent.

MH Loan Purchases Tied to Duty to Serve Activities:

Sustained engagement with the industry and targeted policy actions that address their most pressing needs contributed to a meaningful increase in acquired loans. Specifically, we purchased at least 541 loans directly tied to variances and policy changes introduced as part of our MH Duty to Serve Plan. The actual number is likely greater, but a handful of variances and policy changes cannot be traced with the level of precision necessary for reporting purposes.

Active MH Lenders:

Another way to measure the value of our activities is to track the number of distinct MH lenders doing business with us. As noted under Objective 1 under this Activity, we observe that compared to 2017, the year preceding the Duty to Serve initiative, there were 9.7 percent more lenders delivering Duty to Serve-eligible MH loans to Fannie Mae in 2019. For reference, during the same time period, the total number of active Fannie Mae lenders declined by 2.3 percent. While we lack sufficient evidence to claim that the increase in the number of active MH lenders is directly caused by our actions under the Duty to Serve Plan, we find the growth of MH lenders promising for the future.



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Financing New Homes:

Finally, consistent feedback we've received over the course of the Duty to Serve initiative has been the insufficiency of our products, policies, and marketing in support of financing newly constructed manufactured homes. These homes have traditionally been sold to consumers by MH dealers or retailers who have varying levels of connection to conventional mortgage lenders, let alone those that are approved to sell loans to Fannie Mae. As a result, the percentage of our MH loans that are secured by newly constructed homes appears to be very small, at less than 6 percent, according to our best estimates. In a promising development, this percentage has modestly increased during each of the first two years of the Duty to Serve initiative, potentially supported by some of the outreach and product development efforts targeted at this segment of the MH market.

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

Outreach and product development activities under this Objective revealed four key lessons for Fannie Mae to incorporate into its affordable MH strategy moving forward.

First, our guidelines include several instances where MH and site-built homes are treated differently. Lenders and other industry participants believe these policies limit our ability to serve the market. We have removed several of these distinctions over the course of the Duty to Serve initiative, including a 2019 policy change formally allowing MH C2P loans. We will continue to seek additional opportunities to bring parity to MH guidelines in a safe and sound manner.

Second, we have learned that our guidelines cannot stand on their own and must be supplemented by additional resources, such as previously mentioned outreach to appraisers and housing counselors. As an additional example, we have learned that one of the largest perceived barriers to lenders seeking to establish or expand an MH lending business is the variability of state titling laws.

In response, we developed a document summarizing titling requirements in ten key states and published a link to that resource in our Selling Guide. We intend to expand this document to cover remaining states in 2020. These types of supplemental resources as well as continued marketing support and outreach will be necessary to drive more MH lending in the future.

Third, we continued to learn about external barriers that remain outside of our control, including restrictive zoning and labor supply shortages that impact new home production. We will continue to stay informed on these topics while not overstepping our role in the market.

Fourth, we became aware of several instances where our data systems were unable to track our progress in this space. As previously noted, we are unable to count all loans stemming from prior Duty to Serve policy efforts. Additionally, we would like to analyze information captured by our MH appraisal data over time, such as the count of distinct MH appraisers, distinct MH retailers, and other metrics, but learned that our appraisal data systems could not reliably support this analysis. We will pursue methods to better access this information in the future.

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

N/A



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

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 is on-track for our work supporting MH real property loan purchases, in part due to frequent and meaningful engagement with the industry. After extensive discussion with lenders and other market participants, Fannie Mae added flexibility to an existing skeleton variance that allowed certain lenders to structure MH loans as a single-close construction to permanent (C2P) transaction. The additional flexibility permits credit documents aged more than 12 months but not exceeding 15 months, subject to certain conditions. Over the first half of 2019, Fannie Mae also laid the groundwork for an upcoming Q3 policy change that would permit MH C2P as an option in the Selling Guide.

Fannie Mae developed and launched a consumer marketing campaign aimed at addressing outdated perceptions of MH and options for financing MH. Furthermore, Fannie Mae engaged with financial counseling organizations to plan for potential efforts to make MH financial counseling more widely available.

Regarding appraiser education, we released an online training which clearly explains our manufactured home appraisal guidelines. It has been viewed almost 5,000 times since its release and we have plans to edit the material pursuant to feedback from participants.

We maintained engagement through a variety of meetings and events, including an MH Dinner and Panel attended by a large cross section of industry participants as well as an in-person meeting of the MH Advisory Council, both held in Q2. Fannie Mae shared updates on policy and product development as well as on various MH initiatives, such as MH Data Exchange and the recently-launched MH Consumer Marketing Campaign. Participants shared feedback on our work and also shared suggestions for future areas of focus for Duty to Serve. Fannie Mae also participated in several industry conferences and events of various sizes and with various audiences to promote our MH businesses and to provide updates related to our Duty to Serve activities.

Finally, it is worth noting that Fannie Mae invested in numerous activities in support of this objective that were not explicitly described by the Plan. For example, Fannie Mae has launched a wide-ranging MH market research project that includes interviews with a broad group of industry participants. Staff also organized several training sessions for lenders to educate them on MH titling requirements, a topic of significant concern among lenders unfamiliar with MH.

Following are the 2019 Actions under this Objective:

- Evaluate the outcomes of variance(s) and policy change(s) executed in 2018 as well as findings from industry and customer engagement to identify, validate, and prioritize opportunities to enhance, simplify, clarify, and expand our manufactured housing policies and product offering. Introduce one new negotiated variance with terms for at least one additional change to Fannie Mae loan product parameters, or depending on research, learnings, and analysis, publish at least one policy update.



Expand the scope and availability of homebuyer education and financial counseling based on diverse industry perspective and collaboration, identifying areas targeted to benefit manufactured housing homebuyers and homeowners because education and counseling are equally important for manufactured housing homebuyers as they are for any affordable housing.

Continue to engage appraisers 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.

Continue industry outreach activities started in 2018 to maintain engagement and inform product activities.

Host one manufactured housing roundtable with cross-functional industry representation and discuss new challenges facing the market. Feedback and engagement will inform future decisions and prioritizations.

Participate in two key industry conferences to remain current on activities and developments in the market and to inform future decisions and prioritizations.

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):