

**2022
Manufactured Housing
Loan Purchase**

REGULATORY ACTIVITY:

C. Manufactured housing communities (MHCs) with certain pad lease protections (12 C.F.R. § 1282.33 (c) (4)).

OBJECTIVE:

1. Increase the number of loan purchases of MHCs with tenant site lease protections.

INFEASIBILITY:

Check here if the Enterprise is submitting an infeasibility request for the objective.

SUMMARY OF RESULTS:

Objective’s components detailed in the Plan	Corresponding actions taken	Explanation of any deviations from the Plan (if applicable)
<input checked="" type="checkbox"/> Increase the purchase of MHC loans that include tenant site lease protections meeting the FHFA Mission criteria to \$1,900,000,000 delivery UPB, reflecting an approximate 5% increase from the baseline.	In 2022, Fannie Mae achieved its target by financing 336 MHC properties with tenant site lease protections (TSLPs) for residents, totaling 47,072 pads and \$1.92 billion in mission-adjusted UPB.	N/A

SELF-ASSESSMENT RATING OF PROGRESS:

- Target met
- Target exceeded
- Target partially completed
- No milestones achieved

IMPACT:

- 50 – Very Large 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 in laying the foundation for future impact in addressing underserved market needs?

In Fannie Mae's first full year requiring mandatory implementation of the tenant site lease protections within 12 months of note date, Fannie Mae financed \$1.92 billion in Mission-adjusted UPB across 336 MHC properties and 47,072 pads qualifying for Duty to Serve credit. This exceeds the number of pads receiving the TSLPs in 2021 by 124% and exceeds the total number of pads receiving tenant site lease protections in the four years preceding Fannie Mae's current Duty to Serve plan. In support of our Rural loan purchase targets, nine of these properties were rural small multifamily properties with 5-50 units and 10 of these properties were in high-needs rural regions—representing roughly 12% and 19% of loans counted towards those loan purchase goals respectively. The success of this program clearly demonstrates the receptiveness of the secondary market to serve as a conduit for promoting basic tenant protections at scale.

Despite challenging macroeconomic factors, our 2022 loan purchase activity in this market was successful. Fannie Mae successfully weathered the volatility of the 2022 market environment while still achieving a significant level of TSLP program implementation. In 2022 alone, the number of tenants benefiting from the implementation of the tenant site lease protections exceeded those receiving the protections during the entire initial Duty to Serve plan cycle from 2018-2021. To further support borrower and lender adoption of the tenant site lease protections program, we streamlined the annual compliance certification process for borrowers by integrating aspects of that process into our standard asset management portal known as DUS 360[®]. When the annual certification process began in 2019, we established an email box to which servicers sent the required compliance certifications and other data points. From there, a member of the Fannie Mae asset management team manually collated that information, which was then remitted to FHFA for reporting purposes. As we shifted to TSLPs as a requirement for all MHC loans in 2022, this process became resource-intensive and unsustainable. In our new process, borrower certifications will be managed through an automated portal that allows for scheduled notices to be sent to servicers to remind them of upcoming annual certifications and standardizes the collection of required data points in our internal data systems, making the process more efficient and easier to maintain for both internal and external stakeholders – without compromising the integrity of the required certifications. These improvements are expected to streamline borrower and lender adoption of the program in future years.

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

Increased market competition in the first half of the year softened Fannie Mae's pricing power and prompted some borrowers to request pricing and credit terms that would have compromised economic returns and credit quality of our historically well-performing MHC business. However, in line with FHFA's expectations, we continued to provide competitive pricing for MHC loans implementing the tenant site lease protections by building in a formerly optional pricing reduction for mission-eligible business into our standard execution for MHCs and continued to offer reimbursements for costs incurred in ordering third-party reports on MHC loans.

Fannie Mae routinely convenes a conference call with some of its most committed MHC lenders and originators to solicit feedback on its program parameters for its MHC financing execution. Generally, these originators have noted acceptance of the TSLP program amongst borrowers and investors active in MHC financing. Still, our success in 2022 was achieved despite certain implementation challenges that have been consistently noted by borrowers. For example, a literal interpretation of the tenant site lease protections would compel an MHC borrower to authorize a sublease to non-resident owners. In practice, third-party investors are buying up homes within various MHCs, and then leasing the home while subleasing the site lease to tenants. Due to the shortage of affordable housing, these third parties are charging the tenants a higher rent than does the owner of the MHC on its park-owned homes. Since the TSLP obligates the MHC to accept this sublease, the MHC is unable to prevent the tenants from being charged a higher-than-normal rent on the manufactured home. This concern was also raised during FHFA's Duty to Serve Listening Session for manufactured housing, convened in July 2022. Further, FHFA's treatment of MHC loan purchases under its annual Scorecard does not allow MHC loans to receive Housing Goals treatment despite being an affordable option for renters across the country. As such, pricing or credit concessions made to MHC borrowers are made at the expense of other deals that are accretive to Housing Goals commitments. While committing to a meaningful Duty to Serve goal based on mandatory implementation of TSLPs in 2022, Fannie Mae also substantially increased its Multifamily Housing Goals commitments, creating unforeseen challenges in implementation that Fannie Mae successfully managed throughout the year.



3. Optional: If applicable, why was the Enterprise unable to achieve the Plan target?

Not Applicable



**Fannie Mae
Manufactured Housing
First Quarter Report: January 1 - March 31, 2022
Loan Purchase**

ACTIVITY:

C. Regulatory Activity: Manufactured housing communities (MHCs) with certain pad lease protections (12 C.F.R. § 1282.33(c) (4)).

OBJECTIVE:

1. Increase the number of loan purchases of MHCs with tenant site lease protections

SUMMARY OF RESULTS:

Through March 31, 2022, Fannie Mae purchased 57 MHC loans with tenant site lease protections, covering 5,864 units and a total of \$494M in unpaid principal balance at acquisition. Through engagements with our customers regarding the manufactured home community market, we understand that broader macroeconomic trends, including interest rate volatility and inflationary pressures, are causing some MHC sponsors to wait to pursue new financing until the impact of such trends becomes clearer. Moreover, pricing and credit concessions that Fannie Mae might typically offer in its normal course of business are generally aligned with loans that meet Housing Goals criteria. With Housing Goals attainment in jeopardy and considering that MHCs are not counted for Housing Goals credit, the confluence of external market factors and competing priorities in otherwise meeting our Mission requirements is expected to make our ambitious \$2.5B in UPB goal difficult to attain.

Following are the 2022 Actions under this Objective:

- Increase the purchase of MHC loans that include tenant site lease protections meeting the FHFA regulatory criteria to \$2,500,000,000 delivery UPB, reflecting an approximate 7% increase from the baseline.

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):



Manufactured Housing Second Quarter Report: April 1 - June 30, 2022 Loan Purchase

ACTIVITY:

C. Regulatory Activity: Manufactured housing communities (MHCs) with certain pad lease protections (12 C.F.R. § 1282.33 (c) (4)).

OBJECTIVE:

1. Increase the number of loan purchases of MHCs with tenant site lease protections.

SUMMARY OF PROGRESS:

As of June 30, 2022, Fannie Mae purchased 166 MHC loans with tenant site lease protections (TSLPs,) covering 22,249 units and a total of \$1.259 billion in unpaid principal balance at acquisition. When adjusted for the Mission percentage, UPB through the second quarter of 2022 is \$972.6 million.

These attainment numbers put us off track to attain both the target of \$2.5B and to meet the baseline of \$2.3B—derived from 2021 MHC loan purchases with TSLPs.

FOLLOWING ARE THE 2022 ACTIONS UNDER THIS OBJECTIVE:

Increase the purchase of MHC loans that include tenant site lease protections meeting the FHFA regulatory criteria to \$2,500,000,000 delivery UPB, reflecting an approximate 7% increase from the baseline.

SELF-ASSESSMENT RATING OF PROGRESS:

- On-target to meet or exceed the target
- Progress delayed and/or partial completion of the objective expected
- Unlikely to achieve any milestones of the objective

ADDITIONAL INFORMATION (IF APPLICABLE):

The primary challenge in meeting or exceeding this target in 2022 remains the dichotomy that exists between MHC loan purchases and Housing Goals attainment. In an environment in which Housing Goals attainment is extremely challenging, Fannie Mae is compelled to



manage against competing priorities and cannot effectively administer business strategies to win MHC business without some confidence that Housing Goals targets will also be met.

Our baseline for this Objective was modeled very aggressively by applying the 2022 requirements for our MHC product execution to 2021 attainment. Given that the tenant site lease protections went from optional implementation on 50% of pads to required and now on 100% of MHC pads, it is likely that our 2021 MHC attainment would have been lower if this product requirement were in place at the time.

Through Q2, while we are projecting missing both the target and baseline as they are currently constructed in the Plan, we do note that our business decision to require TSLP implementation on 100% of pads has led to a meaningful increase in the number of tenants benefitting from these protections. 22,628 pads incorporating the TSLPs have been financed through Q2 2022, compared to 21,076 units financed through all of 2021.



Manufactured Housing Third Quarter Report: July 1 – September 30, 2022 Loan Purchase

ACTIVITY:

C. Regulatory Activity: Manufactured housing communities (MHCs) with certain pad lease protections (12 C.F.R. § 1282.33 (c) (4)).

OBJECTIVE:

1. Increase the number of loan purchases of MHCs with tenant site lease protections.

SUMMARY OF RESULTS:

As of September 30, 2022, Fannie Mae purchased 230 MHC loans with tenant site lease protections (TSLPs), covering 31,382 units and a total of \$1.638.8 billion in unpaid principal balance at acquisition. When adjusted for the Mission percentage, UPB through the second quarter of 2022 is approximately \$1.367 billion.

These attainment numbers put us off track to attain both the target of \$2.5B and to meet the baseline of \$2.3B – derived from 2021 MHC loan purchases with TSLPs. We have submitted a Modification request to FHFA for this Objective which we believe maintains a significant level of commitment to implementing the TSLPs through Fannie Mae execution while considering changes in the broader macroeconomic environment in 2022.

Following are the 2022 Actions under this Objective:

- Increase the purchase of MHC loans that include tenant site lease protections meeting the FHFA regulatory criteria to \$2,500,000,000 delivery UPB, reflecting an approximate 7% increase from the baseline.

SELF-ASSESSMENT RATING OF PROGRESS:

- On-target to meet or exceed the target
- Progress delayed and/or partial completion of the objective expected
- Unlikely to achieve any milestones of the objective



Manufactured Housing Third Quarter Report: July 1 – September 30, 2022 Loan Purchase

ADDITIONAL INFORMATION (IF APPLICABLE):

The primary challenge in meeting or exceeding this target in 2022 remains the dichotomy that exists between MHC loan purchases and Housing Goals attainment. In an environment in which Housing Goals attainment is extremely challenging, Fannie Mae is compelled to manage against competing priorities and cannot effectively administer business strategies to win MHC business without some confidence that Housing Goals targets will also be met.

Through Q3, while we are projecting missing both the target and baseline as they are currently constructed in the Plan, we do note that our business decision to require TSLP implementation on 100% of pads has led to a meaningful increase in the number of tenants benefiting from these protections. 31,659 pads incorporating the TSLPs have been financed through Q3 2022, compared to 21,076 units financed through all of 2021.