Fannie Mae

2024
Manufactured Housing
Loan Purchase

ACTIVITY:

D. Additional Activity: Additional Manufactured Housing Communities Activities (12 C.F.R. § 1282.33 (d)).

OBJECTIVE:

1. Increase the purchase of MHC loans benefiting from Manufactured Housing Rental flexibilities.

INFEASIBILITY:

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

SUMMARY OF RESULTS:

This objective was modified. Please see the impact explanation section below for more detail.

Objective's components detailed in the Plan	*Corresponding actions taken*	*Explanation of any deviations from the Plan (if applicable)*
☒ Purchase MHR loans on MHC properties to finance an estimated 2,300 new rental units, representing an approximate 35% increase over the baseline.	Fannie Mae financed 2,156 units through our Manufactured Housing (MH) Rental flexibilities execution in 2024, exceeding the baseline of 1,708 units while falling just short of the 2,300-unit target.	

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?

Fannie Mae strives to provide competitive financing solutions for manufactured housing community (MHC) borrowers and operators, and in certain instances has allowed experienced operators to maintain a larger percentage of park-owned homes (POH) within properties than is laid out in the Multifamily Selling and Servicing Guide. The related underwriting flexibilities for high proportion POH communities are collectively referred to as "MH Rental" (MHR) flexibilities. Among the loans financed under this Objective in 2024 were an eight-property addition to an existing credit facility for an institutional borrower with demonstrated experience in managing POHs, a multi-property portfolio deal financing relatively few MH properties with high proportion POH communities, and a handful of smaller deals. Critically, the flexibilities offered by Fannie Mae also allowed one Lender to originate and finance a 185 unit property which ultimately did not count towards Duty to Serve attainment despite being made possible through the product flexibilities created by this purchase Objective. In this specific case, a borrower presented the DUS Lender and Fannie Mae with a plan to transition ownership of Park and Affiliate Owned Homes to tenant ownership, as required by the Multifamily Selling and Servicing Gide, but fulfilled its business plan ahead of schedule ultimately delivering the loan with fewer POH than required to count for the Objective. While inconvenient from a Duty to Serve attainment perspective, this is an ideal case study where the product flexibilities enabled a property to be financed while the borrower actively mitigated credit risk before the loan was delivered.

Fannie Mae acquisitions financed 2,156 mission adjusted units towards the Objective. However, when considering the 185-unit property which obtained financing due to product flexibilities created by this Objective, Fannie Mae believes this objective made a meaningful impact on the market with regards to the published target of 2,300 units.

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

We have financed MHCs for more than 20 years and have adapted our approach to sponsorship and deal structuring over time. While it is generally true that MHCs with a high proportion of POH experience higher turnover and require more specialized management practices when compared to traditional MHCs, we made a concerted effort in the current Duty to Serve Plan cycle to expand access to credit for these communities. Despite carefully structuring our earlier MHR financing transactions with sophisticated sponsors and conservative leverage and amortization terms, we have experienced disproportionate credit risk on MHR transactions compared to the overall MHC book of business. In addition to credit risks, operational risks have arisen due to prolonged timelines for the processing of lien applications on POH for eligible transactions, which have prolonged lien perfection timelines by up to a year in certain instances. In response to these heightened credit and operational risks, we modified this goal in 2024 to include properties with a lower concentration of POH to demonstrate our willingness to continue providing underwriting flexibility to well-situated borrowers while ensuring that providing this flexibility does not drive undue credit risk for the company.

Furthermore, the instance highlighted above in which a borrower successfully transferred ownership of numerous POHs to tenants may serve as an opportunity to learn more. While properties with a high degree of park, affiliate or other non-tenant ownership present some credit risks to Lenders, the borrower and DUS Lender in this deal may hold some insight into how other MHC borrowers can successfully shift ownership of homes to tenants to lower credit risk and potentially improve the terms or pricing of future financing.

The work completed under this Objective in the 2022 – 2024 Duty to Serve Plan cycle was successful in expanding our reach into underserved markets and in testing innovative loan product approaches that respond to demonstrated market needs. Given the heightened credit and operational risks noted above, we will be discontinuing these specialized aspects of our MHC program moving forward. However, we anticipate continuing productive dialogue with the industry regarding emerging trends in sponsorship, credit, and affordability.

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

As discussed previously, emerging credit risk stemming from MHR transactions relative to the overall MHC book of business significantly reduced Fannie Mae's ability to continue acquiring loans financing high POH properties in 2024. Despite this reduction, Fannie Mae nearly achieved the target, falling short by a single property in which the Borrower used the offered credit flexibility to obtain a quote, and successfully executed a business plan as instructed by the MF Selling and Servicing Guide to reduce its proportion of POH by loan delivery. The efficiency with which the borrower sold POHs to new or existing tenants exceeded their own expectations and was the difference between Fannie Mae meeting this target and failing to do so.

Manufactured Housing
First Quarter Report: January 1 - March 31, 2024
Loan Purchase

ACTIVITY:

D. Additional Manufactured Housing Communities Activities (12 C.F.R. § 1282.33 (d)).

OBJECTIVE:

1. Increase the purchase of MHC loans benefiting from Manufactured Housing Rental flexibilities.

SUMMARY OF PROGRESS:

The following are the 2024 Actions under this Objective:

- Purchase MHR loans on MHC properties to finance an estimated 2,300 new rental units, representing an approximate 35% increase over the baseline.

Fannie Mae has encountered significant credit and operational risks in its portfolio of loans benefitting from Manufactured Housing Rental flexibilities. As a result, credit guidance for future deals has evolved and we are largely focused on MHC deal submissions that fit within Multifamily Guide requirements for park-owned homes.

SELF-ASSESSMENT RATING OF PROGRESS:

☐ On track 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):

Fannie Mae

Manufactured Housing
Second Quarter Report: April 1 - June 30, 2024
Loan Purchase

ACTIVITY:

D. Additional Manufactured Housing Communities Activities

OBJECTIVE:

1. Increase the purchase of MHC loans benefiting from Manufactured Housing Rental flexibilities.

SUMMARY OF PROGRESS:

Fannie Mae continues to encounter significant credit and operational risk in its portfolio of loans benefitting from Manufactured Housing Rental flexibilities. As a result, updated credit guidance focuses on quoting and acquiring MHC deal submissions that fit within established Multifamily Guide requirements for property condition and allowed percentage of park-owned homes.

SELF-ASSESSMENT RATING OF PROGRESS:

☐ On track 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):

Multifamily attainment for this objective in the 2023 calendar year came exclusively from the high proportion Park Owned Homes (POH) eligibility channel, in which Fannie Mae acquired loans financing a standard MHC property for which a waiver allowed more than 35% of the sites to house a Borrower-owned home.

Based on observed market conditions and loan performance for Objective-eligible deals from 2023 into 2024, Multifamily strategy has been refocused to adhere to existing credit parameters for POH in compliance with the Multifamily Guide with a percentage of park-owned homes between 25% and 35%.

Manufactured Housing
Third Quarter Report: July 1 - September 30, 2024
Loan Purchase

ACTIVITY:

D. Additional Manufactured Housing Communities Activities

OBJECTIVE:

1. Increase the purchase of MHC loans benefiting from Manufactured Housing Rental flexibilities.

SUMMARY OF PROGRESS:

Fannie Mae continues to encounter significant credit and operational risk in its portfolio of loans benefitting from Manufactured Housing Rental flexibilities. As a result, updated credit guidance focuses on quoting and acquiring MHC deal submissions that fit within established Multifamily Guide requirements for property condition and allowed percentage of park-owned homes.

SELF-ASSESSMENT RATING OF PROGRESS:

☐ On track 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):

Fannie Mae has traditionally counted MHC deals with a park-owned home concentration of greater than 35% towards this Objective. Based on observed market conditions and loan performance for Objective-eligible deals from 2023 into 2024, Multifamily strategy is focused on adherence to existing credit parameters for POH in compliance with the Multifamily Guide with a percentage of park-owned homes between 25% and 35%. As a result, we do not expect to meet our initial targets as we continue to focus on MHC deals which meet our credit standards.