

2024 Manufactured Housing Loan Product

ACTIVITY:

E. Additional Activity: Support manufactured home lending on tribal trust land (12 C.F.R. § 1282.33 (d)).

OBJECTIVE:

1. Develop product and process flexibilities to streamline manufactured home lending on tribal trust land

INFEASIBILITY:

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

SUMMARY OF RESULTS:

| <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"/> Fannie Mae will build upon its 2023 efforts to streamline lending for manufactured home consumers living on trust land by undertaking the following: | Target met through 2024 actions; see subsequent implementation steps. | |
| <input checked="" type="checkbox"/> Promote the 2023 programmatic change to NACLI to three lenders and/or tribal entities deemed reasonably fit for adoption, based on 2023 outreach findings. | Fannie Mae focused its engagement efforts on lenders and representatives of tribally designated housing entities (TDHEs) involved in both active and prospective memoranda of understanding (MOUs) in relation to our Native American Conventional Lending Initiative (NACLI). We exceeded the minimum engagement target of three stakeholders. | |
| <input checked="" type="checkbox"/> Through lender and stakeholder outreach, research tactics and strategies employed by tribal entities in procuring new and/or used manufactured housing units. | Throughout MOU negotiations, we learned of lenders and tribes interested in having a secondary market financing option for manufactured homes (MH), which have relocated from one residential site to another. Such "used" homes are an important source of affordable housing stock in markets across the country, including on-reservation. | |



SUMMARY OF RESULTS CONTINUED:

| Objective's components detailed in the Plan | Corresponding actions taken | Explanation of any deviations from the Plan (if applicable) |
|---|--|---|
| <input checked="" type="checkbox"/> Further research legal and collateral standards applicable to homes on trust land which may be streamlined to promote adoption of MH as a housing supply option on trust land. | We researched applicable construction standards and determined that while HUD construction code applies to new MH units, collateral standards for any subsequent moves would be established by a state or local administrative agency. In researching these state and local standards, we found that such standards exist in markets across the country and these manufactured homes can be of suitable condition and quality. | |
| <input checked="" type="checkbox"/> If feasible, issue one additional programmatic change to the NACLI variance which furthers the use of manufactured housing as an affordable supply option on tribal trust land. | We developed a first-of-its-kind variance program for permitting delivery of loans secured by relocated manufactured homes, finalizing terms and securing approvals in the fourth quarter of 2024. | |

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?

Though MH is known for its affordable price point, it has not been immune to increased production costs in recent years. From 2019 to 2022, the average cost per square foot of a new manufactured home increased by 55% to around \$88, surpassing the 44% increase in the average cost per square foot (excluding land) of a new site-built home. This shows that MH production costs rose faster than those for site-built homes amid COVID-related supply chain constraints and inflationary pressures.¹ Relocated or “used” MH, in contrast, represent an opportunity to utilize existing affordable housing stock to the benefit of low- and moderate-income buyers. One lender reported originating these loans on tribal trust land for an average loan balance of just below \$60,000.

¹ Census Bureau.



Beyond facilitating affordable conventional financing for homes on trust land, our product enhancement is deeply rooted in the federal policy landscape for MH. In developing and promulgating its Model Manufactured Home Installation Standards in the early 2000s, HUD made it clear that while these standards apply to the initial installation of an MH, building standards for any subsequent relocation and reinstallation would be the responsibility of state and local authorities. HUD therefore encouraged states to establish procedures for the inspection of used MH and for the monitoring of the installation of such MH within each state.² We believe that while some states appear to have taken steps to provide minimum installation and habitability standards for these homes, the development of this marketplace has been hampered, in part, by a lack of secondary market financing for the homes. Both government-sponsored enterprises and FHA currently require in their policy guides that eligible MH be moved only once and only in connection with its initial transport from the production factory. Fannie Mae is pursuing this variance flexibility to be responsive to the needs of tribal borrowers while also recognizing that it has the potential to incentivize additional research and investment in state, local, and tribal building codes as they apply to MH.

In addition to representing the first-ever secondary market investment in relocated MH, our product enhancement is directly responsive to public input received during the 2024 Duty to Serve Listening Sessions convened by FHFA. During the Rural Housing session, a representative of a prominent MH lender stated that enabling conventional financing for relocated homes could position manufactured housing as a viable homeownership option in markets where the existing single-family housing stock is substandard due to deferred maintenance and lack of investment.³ While we are initially pursuing this flexibility to be supportive of homeownership opportunities on trust land, we leave open the possibility of expanding this flexibility to include MH loans on fee simple land.

Considering our product enhancement is focused on serving Native American borrowers, representing a key policy investment likely to incentivize further adoption of enhanced building codes as they relate to MH and is directly responsive to stakeholder feedback received earlier this year, we believe our actions represent a substantial contribution to the financing landscape for MH and should receive high-impact consideration from FHFA.

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

In researching the marketplace for relocated homes, Fannie Mae was pleased to find that some states and localities have developed standards and processes that anticipated these homes. In many cases, moving permits are issued by a relevant authority, while private relocation companies are licensed, bonded, and insured. Relocated homes can be transported and then re-installed on a new permanent foundation system before being inspected and certified to state standards. Combined with Fannie Mae's existing requirements for property condition, quality, and inspection, these standards should provide adequate consumer protections while facilitating new affordable homeownership opportunities.

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

N/A

² commerce.nd.gov/sites/www/files/documents/Community%20Services/Manufactured%20Homes/ManufacturedHomeInstallationStandardsFinalRule.pdf

³ <https://www.fhfa.gov/news/videos/2024-duty-to-serve-listening-session-rural-housing>



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

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E. Additional Activity: Support manufactured home lending on tribal trust land

OBJECTIVE:

1. Develop product and process flexibilities to streamline manufactured home lending on tribal trust land.

SUMMARY OF PROGRESS:

Under this Objective, Fannie Mae plans to release one new lending flexibility for manufactured homes (MH) on tribal trust land by year-end. In the first half of the year, Fannie Mae has narrowed its engagement efforts to those lenders or tribes currently participating in Native American Conventional Lending Initiative (NACLI) or those who have expressed an interest in doing so.

Product development and research efforts undertaken through the second quarter include interviews with lenders and representatives of Tribally Designated Housing Entities (TDHEs). These interviews have focused largely on collateral due diligence we conducted on MH homes on tribal trust lands, considering that many MH homes moved to reservations are not “new” but have been relocated from one residential location to another. Since loans secured by these “used” MH homes are not eligible for sale to Fannie Mae today, efforts in the second half of the year will include finalizing a business case and risk opinion concerning these “twice-moved” homes and using that to inform future product development strategy.

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):