2024
Manufactured Housing
Outreach

ACTIVITY:

A. Support manufactured homes titled as real property (MHRP) (12 C.F.R. § 1282.33 (c) (1))

OBJECTIVE:

5. Champion efforts that bring awareness of mortgage product offerings to residents of manufactured housing communities organized as cooperatives

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)*
☒ Improve awareness and lay groundwork for future adoption of mortgage financing products among residents in manufactured housing cooperatives by crafting a playbook for implementing such programs in new geographic areas, necessarily considering the following tactics:	Target met through 2024 actions; see subsequent implementation steps.	
☒ Engagements with resident service providers, community leaders, and other relevant stakeholders to ascertain the total addressable market for loan originations based upon Fannie Mae credit and collateral standards defined in 2023.	Through our Single-Family program offerings, Fannie Mae deepened engagement with industry stakeholders involved in resident ownership. As conventional underwriting standards differ in meaningful ways from existing personal property and home-only programmatic standards, sustained effort and engagement will be required to transform individual markets into those that are conducive for mortgage lending in resident-owned communities (ROCs).	

SUMMARY OF RESULTS CONTINUED:

Objective's components detailed in the Plan	*Corresponding actions taken*	*Explanation of any deviations from the Plan (if applicable)*
☒ Promote manufactured housing cooperative mortgage product offerings to at least five new lenders with demonstrated experience in manufactured housing lending, leasehold lending, and/or cooperative lending.	We promoted our new ROC program offering to six lenders operating in target geographic markets. While these lenders expressed enthusiasm about the opportunity to partner with us to expand conventional MH lending to new market applications, they are aware of the challenges in expanding mortgage lending into lending markets that until now have been served by personal property lending.	
☒ Host at least two training sessions or convenings for resident-owned cooperative stakeholders and practitioners in target geographies on topics such as project approvals, borrower qualification, and collateral standards.	We partnered with national and regional industry stakeholders to host two convening sessions with ROC program practitioners at an industry conference in April.	
☒ Considering feedback received through the aforementioned engagements, develop a three-year market engagement strategy for further supporting mortgage lending to consumers living in resident-owned cooperatives as a component of Fannie Mae's 2025 -– 2027 DTS plan.	Informed by the stakeholder engagement described in this narrative, we developed a three-year market engagement strategy as a component of our 2025 – 2027 Duty to Serve (DTS) Plan, with key commitments supporting new construction ROC projects, improving confidence in appraisals of homes in ROCs, and other tactics.	

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?

The delta between the median interest rate for an MH mortgage loan and an MH property financed as chattel is around 300 basis points.[1] While some of this risk premium is attributable to the difference in credit risk profiles between borrowers choosing a home titled as real estate and a home titled as personal property, a meaningful component of this risk is understood to be attributable to the insecure land tenure for homes in traditional MH communities and the heightened default risk associated with these properties.[2] The resident-ownership model presents an opportunity to address this key risk by enabling residents to maintain control over the land underneath their homes via membership in a cooperative corporation that owns the land.

In 2023, Fannie Mae developed a product enhancement enabling conventional financing for homes in ROCs in select geographic markets and began to implement that product offering through targeted lender and stakeholder engagements undertaken in 2024. These engagements uncovered meaningful impediments to market adoption (described further below) that will need to be addressed through long-term process and partnership development at the local and regional level. Thus, while meaningful levels of loan origination and purchase volume have not been achieved yet, the outreach described in this narrative lays the foundation for future impact in ROC real estate markets across the country and remains the only proactive outreach being undertaken by secondary market participants to further develop a marketplace for mortgage lending in these communities.

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

One of the major challenges to expanding conventional financing for homes in MH resident-owned communities is the perceived ambiguity in state real estate laws and practices regarding insurable legal descriptions for homes in ROCs and, relatedly, hesitancy on the part of title insurance companies to insure homes in ROCs. While Fannie Mae has conducted our own analysis to confirm that proper mortgage liens can be created and homes can be conveyed as real estate when located on leased land in select states, engagements with lenders and practitioners in these states suggest that few of these homes have actually been financed as real estate. The broader community of practice may be unaware or skeptical that these homes can truly be treated as real estate. We plan to further engage lenders and title companies in future years to bolster confidence in this process and support future loan originations.

Another major challenge is the physical condition of MH in ROCs, many of which have infrastructure and home foundation issues that may render the collateral insufficient in quality and condition. While national efforts led by HUD to provide grant financing to support ROC infrastructure improvements are starting to come to fruition,[3] these funds will take considerable time to implement and may still be less than the funds needed for necessary capital improvements at ROCs nationwide.

Given the diverse needs of ROCs and the resource-intensive nature of these loans, we are also cognizant of the need to attract and partner with mission-oriented lenders who can tailor their lending and outreach platforms to conform to these unique circumstances. As this program builds upon the success experienced in New Hampshire and loans originated by the state housing finance agency (HFA), we expect to need an HFA or community development financial institution (CDFI) in each of our target expansion markets to bring more resources to bear in support of ROC homeowners. In particular, CDFIs are often notable for their ability and willingness to subsidize the mortgage transaction with down payment assistance funds or the use of unique credit enhancements such as lender-funded mortgage insurance (MI). The Welcome Home portfolio loan product offered by the New Hampshire Community Loan Fund, for example, allows for a loan amount of up to 95% loan-to-value (LTV) without the need for MI. While loans purchased by Fannie Mae are required by charter to feature some type of credit enhancement when above 80%

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[1] Consumer Financial Protection Bureau's Offices of Research and Mortgage Markets, "Manufactured Housing Finance: New Insights from the Home Mortgage Disclosure Act Data," Consumer Financial Protection Bureau, May 2021.
[2] Kevin A. Park, "Real and Personal: The Effect of Land in Manufactured Housing Loan Default Risk," *Cityscape: A Journal of Policy Development and Research*, Vol. 24, No. 3 (2022).
[3] https://www.hud.gov/program_offices/comm_planning/price

LTV, this is usually accomplished through borrower-paid MI. If depository and CDFI-type lenders would be willing to deploy balance sheet capital in a way that subsidizes the mortgage payment for the end consumer, this would support future originations.

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

N/A

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

ACTIVITY:

A. Regulatory Activity: Support manufactured homes titled as real property (MHRP)

OBJECTIVE:

5. Champion efforts that bring awareness of mortgage product offerings to residents of manufactured housing communities organized as cooperatives.

SUMMARY OF PROGRESS:

Fannie Mae launched an expanded product offering for manufactured homes in resident-owned cooperative communities (ROCs) in 2023 and added this Objective in 2024 to begin promoting adoption of that product in several expansion markets.

Adoption conversations have been steady but slow, considering there is limited history of conventional mortgage loan originations in ROCs in our expansion markets. We have begun engagements with credit unions and/or housing finance agencies in two new states, who were identified as either already having experience with mortgage lending in ROCs in our expansion states or who have expressed interest in working with Fannie Mae to develop a conventional option for borrowers in ROCs.

Although the identified states have titling laws which are conducive for real estate lending in ROCs, the absence of a community of practice which is focused on conventional financing for these homes has slowed our adoption efforts. Key ancillary players in the mortgage ecosystem, including appraisers and mortgage insurers, are generally unfamiliar with ROCs as an asset class and thus required additional engagement and guidance this year. Appraisers have requested additional support in deriving a market value for homes in ROCs given that documented sales in ROCs are limited, with the potential for comparable sales to be greater than 12 months old or located outside of the subject property's neighborhood.

Fannie Mae believes cooperative ownership of communities has the potential to dramatically change the landscape for MH financing, and accordingly produced a three-year plan for continuing our product adoption efforts in ROCs during next Duty to Serve plan cycle. While we are hopeful that these efforts will translate into meaningful loan volume in future years, we are

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cognizant of the fact that it will take considerable time and effort to divert communities away from the traditional home financing option towards a conventional option.

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):