Fannie Mae

2024
Manufactured Housing
Loan Product

ACTIVITY:

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

OBJECTIVE:

6. Broaden existing efforts to facilitate adoption of manufactured housing in leasehold community settings

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 stakeholders involved in the development and financing of manufactured housing communities by undertaking the following tactics:	Target met through 2024 actions; see subsequent implementation steps.	
☒ Evaluate opportunities to clarify existing manufactured home programs, which permit eligibility for homes subject to a leasehold estate.	Pursuant to lender and industry feedback, Fannie Mae updated our leasehold lending and project review guidelines in November 2024 to enable delivery of loans secured by manufactured homes on leasehold estates and provide new policy guidance covering lease default and the related protections for a secured lender.	

SUMMARY OF RESULTS CONTINUED:

Objective's components detailed in the Plan	*Corresponding actions taken*	*Explanation of any deviations from the Plan (if applicable)*
☒ Necessarily consider site leasing practices, the applicability of common interest property regimes, such as condominiums and planned unit developments on property tax obligations, and the titling of homes on leased land as real property to ensure better clarity for both developers and lenders involved in MH leasehold communities.	In considering these elements, we strengthened consumer protections related to our leasehold lending policies by introducing a new requirement that any secured party or lienholder of the fee estate on which a leasehold estate is formed must acknowledge the leasehold estate and agree not to disturb that tenancy as evidenced through a recorded legal agreement. Such a policy requirement previously existed for manufactured housing (MH) mortgages made on land owned by a community land trust, but introducing this requirement for homes in leasehold communities owned by private operators ensures consistency in consumer protections across these distinct forms of land tenure.	
☒ Produce lender and MHC stakeholder-facing collateral to educate and help drive adoption for MH loans subject to a leasehold estate.	To aid lenders in abiding by the distinct policy requirements for MH collateral, leasehold estates, and project review, we updated our Selling Guide and created a new lender resource that incorporates all of these requirements into one easy-to-reference document.	
☒ Develop a plan to promote these resources.	Preferring to focus on high-impact engagements as opposed to far-reaching marketing or promotional campaigns, our plan to promote our new policy offerings consisted of revisiting the compatibility of new policy standards announced in November 2024 with the business plans of select manufactured housing community (MHC) operators with whom we had previously engaged on the topic of leasehold mortgage lending. Key insights from these engagements are described in the sections below.	

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 the current Plan cycle, Fannie Mae has taken significant steps toward recognizing and providing eligibility for manufactured homes on various leasehold property regimes. In May, we updated our *Selling Guide* to allow for manufactured homes in community land trusts (CLTs), after previously expanding eligibility for homes in resident-owned communities (ROCs). With the work completed under this Objective, we are expanding conventional financing eligibility for manufactured homes in privately owned and operated communities, which are arguably the larger market opportunity when compared to these other niche housing types. While nonprofit CLTs and limited-equity ROCs generally preserve the affordability of existing housing stock, privately owned MHCs are generally owned by larger institutional investors who regularly access the capital markets and have the scale and operational sophistication to pursue new construction developments comprised of manufactured homes. A new leasehold MHC has the potential to add net-new affordable housing supply in supply-constrained markets that may not otherwise be feasible for development of traditional single-family homes or conventional multifamily apartments. And with new MHCs proposed or under construction in several markets as of mid-2024,[1] the land-lease MHC sector may be poised for expansion after several decades of limited growth due to poor perception. Releasing this product enhancement will give us the opportunity to expand conventional financing to new communities while also improving consumer protections by standardizing certain policies for notices of lease default, options to cure, and merger of title and other issues that may arise in a scenario where the homeowner owns the home but leases the land underneath it.

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

In 2024 alone, Fannie Mae received more inquiries about the availability of a conventional mortgage product for MH on leased land than we had in all prior years combined since 2018, when Duty to Serve (DTS) began. Stakeholders included lenders, developers, appraisers, and others involved in new construction MHC projects in California, Colorado, Indiana, Washington, and more. Considering the fairly well-publicized concerns regarding the risk and performance of personal property loans and the belief that this dynamic, in considerable part, is attributed to the fractured land tenure,[2] we believe some new entrants into the MHC sector may be willing to relinquish control of certain aspects of a leasehold development in exchange for better consumer financing and the enhanced marketability that comes with it. The key balancing act will be developing and promoting a Single-Family program and market delivery structure that ensures basic protections for both the consumer and secured lender without jeopardizing the community owner's ability to make a reasonable economic profit on their investment. Key programmatic considerations, such as the calculation of a transparent and predictable ground rent for the term of the lease, are still top-of-mind

---

[1] https://www.fanniemae.com/media/53321/display

[2] Kevin A. Park, Housing and Urban Development. *Cityscape: A Journal of Policy Development and Research, Volume 24, Number 3 (2022.)* "Real and Personal: The Effect of Land in Manufactured Housing Loan Default Risk."

for Fannie Mae and external stakeholders alike but were not explicitly addressed in our 2024 *Selling Guide* update. We believe more engagement with the industry is needed to finalize our approach to this and other related programmatic standards, which is the reason we included additional outreach and product development work related to leasehold MHCs in our 2025 – 2027 DTS Plan.

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

N/A

Fannie Mae

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:

6. Broaden existing efforts to facilitate adoption of manufactured housing in leasehold community settings.

SUMMARY OF PROGRESS:

Through the second quarter, Fannie Mae has made progress towards clarifying its policy for MH in leaseholds by evaluating our existing policy guidance for project review of leasehold communities. In certain instances, we identified gaps or misalignment in our stated policy which were contributing to confusion in the marketplace and discouraging use of a conventional MH product for leasehold communities. Fannie Mae plans to address this with a Guide update tentatively scheduled for October of this year. These policy updates conducted in 2024 will establish a clean slate upon which enhanced leasehold programs, described in our 2025 – 2027 Plan, can be developed.

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):

According to CoStar data on new Multifamily housing development, new MHCs are beginning to be developed in places like Montana, Colorado, California, and Arizona. We believe that an enhanced Single Family financing program for MH subject to a leasehold is well-timed to capitalize on the increasing pipeline of new communities by offering community owners an opportunity to retain long-term ownership of the land while strengthening consumer protections by replacing the existing personal property lending structure with mortgage financing structure backed by secondary market liquidity.