

2024 Manufactured Housing Loan Product

ACTIVITY:

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

OBJECTIVE:

7. Support the use of manufactured housing in shared equity programs

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 promote the use of manufactured housing to shared equity program practitioners across the country by undertaking the following tactics:	Target met through 2024 actions; see subsequent implementation steps.	
<input checked="" type="checkbox"/> Based on 2022 loan purchase activity, analyze property appraisals and develop an appraiser resource for best practices for appraising MH subject to a CLT leasehold.	Fannie Mae analyzed the property appraisals for five MH Advantage® loans purchased from a community land trust (CLT) development in Sonoma County, CA, in late 2022. Based upon this analysis, we produced two new appraiser resources emphasizing proper calculation of the leased fee value for CLTs and other important policy items. These resources should support more originations as additional CLTs adopt manufactured housing (MH) as a property type in their homeownership portfolios.	
<input checked="" type="checkbox"/> Assess opportunity to increase lender and shared equity program administrator capacity, such as by building out internal approval processes for projects incorporating MH subject to community land trust affordability restrictions.	We considered these opportunities but ultimately made the decision to expand our policy to allow MH in CLTs as a <i>Selling Guide</i> offering.	



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"/> Develop marketing approach tailored for shared equity program practitioners highlighting cost-effectiveness of MH and socialize with all shared equity providers currently engaged through Fannie Mae's shared equity program certification system.	We launched a Salesforce email marketing campaign targeting existing CLT contacts established through the shared equity program platform (SEPP) in August. Our messaging paired new MH product eligibility with existing standardization efforts through the SEPP in the hope of further incentivizing the use of MH in CLTs across the country.	
<input checked="" type="checkbox"/> Assess opportunities to expand existing CLT and MH variance to additional lenders and/or community land trusts based on industry engagement.	Instead of expanding our existing variance offering, we took the more accommodating stance of making MH in CLT an eligible product offering in our <i>Selling Guide</i> . Key considerations included the strong performance of CLT loans and the compatibility of MH as a property type with the programmatic goals of many CLTs across the country.	
<input checked="" type="checkbox"/> Based upon learnings from engagements described above, produce one programmatic change broadening eligibility for manufactured homes subject to shared equity program restrictions by end of year.	After analyzing possible programmatic enhancements and speaking with external stakeholders, we made the decision to update our <i>Selling Guide</i> in May 2024 to permit all manufactured homes in a CLT per standard <i>Guide</i> eligibility. This update will encourage CLTs across the country to utilize MH as part of their portfolio expansion strategies.	

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?

As discussed in other narratives related to our shared equity Duty to Serve objectives, lack of housing supply is one of the key barriers to expanding the use of shared equity programs across the country. Faced with stagnant or even dwindling funding sources in some markets, CLTs will likely need to turn to unfamiliar but lower-cost housing products, like manufactured housing, to continue adding housing stock to their portfolios and serve their low-income constituents. Following our policy announcement in May, we held intensive meetings with stakeholders involved in an upstart community land trust in Detroit to connect them with lenders and manufacturers who could provide manufactured and modular homes for their inaugural home sales and ensure lenders could support the loan originations. We were encouraged through these engagements that lenders who had never originated or delivered a CLT loan to Fannie Mae were interested in originating these MH CLT loans given the community-based nature of the programs, the affordability of the MH units, and the potential for replicability with other partners in Detroit and on a national scale. Considering the ability of MH to catalyze additional investment in shared equity lending, we will continue to seek out new partnerships and novel applications of MH lending programs.

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

Compared to resident-ownership through a limited equity cooperative structure, shared equity lending via the CLT model remains an underutilized market application for MH. Many of the structural challenges that complicate the outlook for ROC lending are not features of the CLT model. These challenges include infrastructure issues due to the age of these communities, the need for highly leveraged financing structures to convert the community to resident-ownership, and the reality that low-income community residents must become professional property managers as members of the ROC. The CLT, through its professional nonprofit management structure and its ability to tap into unsecured financing sources such as Community Development Block Grant (CDBG) or Home Investment Partnerships Program (HOME) funds, presents an opportunity to scale subsidized homeownership opportunities with enhanced affordability through lower-cost MH.

Another key distinction between CLT and ROC lending is the nature of the subsidy and the recapture provisions that preserve that subsidy for future homebuyers within the program. With limited-equity ROCs, the membership share in the ROC corporation is typically resale-restricted, but the home itself freely appreciates in value. In high-demand ROCs, this has the effect of generating home price appreciation consistent with that observed with fee simple properties in the surrounding market area — potentially eroding the affordability of the ROC program for future buyers. By contrast, CLT resale formulas typically preserve the value of the subsidy through successive property sales given more prescriptive resale formulas. Given this potential for deep affordability via the combination of the shared equity CLT model and low-cost MH housing product, we encourage market participants to continue to explore the application of MH within CLTs.

While Fannie Mae only has direct knowledge of MH being used by a handful of small and regional CLTs without broader market affiliations, we are aware of larger institutions with CLT portfolios, such as Habitat for Humanity, which have increasing familiarity with MH.¹ Working strategically with such entities has the potential to enable CLTs to tap into additional sources of funding and programmatic marketing in order to expand their reach to new consumers and new markets.

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

N/A

¹ <https://www.habitatlacrosse.org/events/housing-community-development-with-manufactured-homes/>



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:

7. Support the use of manufactured housing in shared equity programs.

SUMMARY OF PROGRESS:

Fannie Mae updated its Selling Guide in May to expand its shared equity policy to allow one-unit single-width, multi-width, and MH Advantage® manufactured homes subject to a community land trust (CLT) that are not located in a condo or planned unit development (PUD) project. This update enables CLTs utilizing scattered-site or infill development strategies to use MH units without having to convert the sites to a condo or PUD regime.

As Fannie Mae financed the first-ever MH units in a CLT in 2022, we have analyzed appraisals conducted on these homes and are developing recommendations to improve appraiser confidence and familiarity with CLT appraisals. These recommendations are tentatively scheduled to be published via an enhanced appraisal checklist in the third quarter of 2024. Given Fannie Mae's success in financing the first-ever MH Advantage units in a CLT in late 2022, we are developing a digital email marketing outreach strategy to additional CLTs in the second half of the year, which is designed to encourage CLTs across the country to leverage MH units in their ongoing portfolio acquisition and development strategies.

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



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ADDITIONAL INFORMATION (IF APPLICABLE):

As anticipated in the Evaluation Guidance, we are describing a proposed technical edit to one of the implementation steps under this Objective.

In the existing implementation steps, Fannie Mae commits to analyze property appraisals of manufactured homes in a community land trust and develop a "research report" based on those findings.

As Fannie Mae has only purchased five MH loans in a community land trust, a research report would be inconclusive based upon a small sample size of appraisals. As such, we are proposing a technical edit which changes the phrase "research report" to "appraiser resource."

With the required appraisal analysis complete as of Q2, we are planning to develop and release an appraiser resource which will offer best practices for appraising MH loans subject to a CLT leasehold and should prove valuable as additional CLTs begin to turn to manufactured housing as a viable option for their homeownership portfolios.