

## 2024 Manufactured Housing Loan Product

### ACTIVITY:

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

### OBJECTIVE:

8. Incentivize the construction of energy-efficient manufactured homes by developing new program and securitization standards

### 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 incentivize the construction of new energy-efficient manufactured homes by undertaking the following tactics:	Target exceeded through 2024 actions; see subsequent implementation steps.	Fannie Mae broadened the initial scope of this loan product Objective to include not just enhanced securitization efforts via our Green Mortgage-Backed Security (MBS) program, but also novel credit enhancement applications designed to lower the cost of homeownership for low- and moderate-income (LMI) borrowers purchasing a new energy-efficient home. Given this, we make the case for higher impact scoring in the Impact Explanation below.
<input checked="" type="checkbox"/> Analyze MH book of business to determine current exposure and degree of support for energy-efficient MH and to begin to establish a baseline against which future loan purchase activity could be assessed.	We utilized property appraisal data to enable an estimate of manufactured home (MH) loan acquisitions secured by homes built to industry green building certifications (GBCs). In comparing this property appraisal data to external databases maintained by a third-party quality assurance provider (QAP) which enable us to definitively identify MH with GBCs, our initial estimate is 110 energy-efficient MH properties being financed by Fannie Mae on an annual basis. We expect this number to increase as more energy-efficient homes are delivered into the marketplace.	



## SUMMARY OF RESULTS CONTINUED:

<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"/> If appropriate, socialize results of 2023 property performance analysis to inform external stakeholders of the opportunities and challenges with building energy-efficient manufactured housing.	We engaged the nonprofits mentioned below, in addition to other industry stakeholders such as lenders, manufacturers, and federal energy program quality assurance providers, to collaborate on the enhanced securitization of manufactured home loans built to recognized industry standards.	
<input checked="" type="checkbox"/> Working with nonprofit stakeholders, cultivate a pipeline of 50 energy-efficient manufactured homes constructed to one of the green building certification program standards explored in 2023 by conducting stakeholder outreach in at least one geographic market.	We engaged a variety of nonprofits, including those focused on national industry standardization efforts, cooperative ownership, and local and regionally based economic development. All told, the total pipeline of units related to these engagements is no fewer than 310.	
<input checked="" type="checkbox"/> Include manufactured housing loans with energy-efficiency features in at least one green or sustainable bond offering.	We included manufactured home loans in our Single-Family Green Bond issuances in October. While total securitization volume will likely remain limited due to data dependencies described in this narrative, our work in 2024 to promote adoption of the program with industry stakeholders will ensure greater impact in future years.	

## 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 2023, Fannie Mae conducted research and began establishing programmatic standards for Single-Family MH loans built to higher energy efficiency standards that could be pooled into Green MBS. In 2024, we operationalized this work by establishing an internal process for identifying purchased loans secured by MH built to standards set by the EPA's ENERGY STAR® program, the Department of Energy's Zero Energy Ready Home program, or Northwest Energy Works' Northwest Energy-Efficient Manufactured Housing Program (NEEM). As a result of our efforts this year, we purchased no fewer than 110 manufactured housing loans totaling \$31.9 million in unpaid principal balance (UPB) in 2024, which were confirmed to be secured by properties built to ENERGY STAR, Zero Energy Ready Home, or NEEM standards. We subsequently issued Green MBS that were in part comprised of these loans. Being built to higher efficiency standards, these homes should lessen energy burdens for new homeowners, improve the resiliency of the MH housing stock over the long term to the benefit of future buyers, and serve as a meaningful contribution to a broader industry community of practice. This comes amid a contentious national conversation led by the Department of Energy to enact more stringent baseline energy efficiency standards for MH.

Beyond the scope of our initial commitments, we took additional steps to support the market for energy-efficient homes by pursuing other product structures that have the potential to reduce the higher initial cost of buying these homes through targeted reserve funds. Loan loss reserves have been extensively discussed in the context of facilitating new homeownership opportunities for LMI borrowers in general, and MH in particular.<sup>1</sup> In 2024, we worked collaboratively with an awardee under the EPA's Greenhouse Gas Reduction Fund to draft product terms for the utilization of lender recourse in lieu of traditional borrower-funded mortgage insurance. Our charter requires some form of credit enhancement for over-80% loan-to-value ratio mortgages, which is commonly accomplished through the provision of mortgage insurance by private insurers — the cost of which is ultimately borne by the homeowner. In contrast, recourse and repurchase agreements allow a mortgage seller to provide a charter-compliant credit enhancement through a commitment to indemnify Fannie Mae for losses on delinquent loans. By supporting the use of novel credit enhancement structures that funnel public resources to ultimately lower the cost of financing for the homebuyer, we successfully integrated our product development efforts into a national ecosystem of motivated actors working to deliver net-new affordable, energy-efficient housing to the marketplace in 2024 and beyond.

In future years, we plan to continue developing the marketplace for energy-efficient MH by working to streamline and expand property identification through partnerships with third-party quality assurance providers, lenders, and others in the marketplace.

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

While we are encouraged by our initial activity in this segment of the MH market, our efforts remain limited due to the lack of property data consistency needed to establish a true flow program that would identify energy-efficient MH properties at scale. Through our engagements with the QAPs for the GBCs mentioned above, we learned that each provider requires different data points to definitively identify properties that have received each certification. As many of the required data points are currently captured in free-form text box fields on our manufactured housing appraisal form, we remain reliant on inconsistent data entry provided by appraisers. As we transmitted this data to the third-party QAPs, our success rate was low, as many potential matches were dropped due to incomplete or inconsistent data. While forthcoming data standardization efforts such as the Uniform Residential Appraisal Report should improve data quality over time, we will continue to rely on appraisers for the collection of complete and accurate information to support our property identification efforts. This finding validates our strategy to focus on MH as a property type during the rollout of the Uniform Appraisal Dataset with select early adopters as a component of our 2025 Duty to Serve Plan.

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

N/A

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<sup>1</sup> [https://www.naseo.org/data/sites/1/documents/publications/NASEO\\_Energy-Efficient-Manufactured-Homes\\_v2.pdf](https://www.naseo.org/data/sites/1/documents/publications/NASEO_Energy-Efficient-Manufactured-Homes_v2.pdf)



## **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:**

8. Incentivize the construction of energy-efficient manufactured homes by developing new program and securitization standards.

### **SUMMARY OF PROGRESS:**

Fannie Mae's Green MBS program depends upon independent verification of homes by trained and certified home energy rating companies, otherwise known as quality assurance providers or "QAPs." In the first half of 2024, Fannie Mae has established an internal process for collecting available property data on delivered MH loans and transmitting that information to third-party quality assurance providers participating in the Environmental Protection Agency's Energy Star program and the Department of Energy's Zero Energy Ready green building certification programs.

Establishing a definitive pipeline of loans which are built to the industry standards mentioned above has been challenging. Data received on MH appraisals are often incomplete as appraisers may not deliver key identifying information, such as the home's HUD certification label. While these data limitations will ultimately result in an initially smaller number of MH properties being verified and pooled into Green MBS, these challenges should be largely addressed with the forthcoming uniform appraisal dataset efforts.

Fannie Mae has worked with non-profit organizations in Minnesota and Maryland to cultivate pipelines of newly constructed MH unit in both fee simple and leasehold ownership arrangements by promoting the availability of conventional financing for such homes. These efforts have the potential to attract additional capital for future developments and improve the perception of MH amongst lenders and public policy officials who have a vested interest in making energy-efficient housing stock more widely available in the United States.



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

**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):**