

2024 Manufactured Housing Loan Purchase

ACTIVITY:

C. Regulatory Activity: Manufactured housing communities (MHCs) with certain pad lease protections (12 C.F.R. § 1282.33 (c) (4)).

OBJECTIVE:

1. Increase the number of loan purchases of MHCs with tenant site lease protections.

INFEASIBILITY:

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

SUMMARY OF RESULTS:

This objective was modified. Please see the impact explanation section below for more detail.

Objective's components detailed in the Plan	Corresponding actions taken	Explanation of any deviations from the Plan (if applicable)
<input checked="" type="checkbox"/> Purchase MHC loans that include tenant site lease protections meeting the FHFA Mission criteria financing between \$800,000,000 and \$1,000,000,000 delivery UPB, reflecting meaningful financing of MHCs amidst significant market contraction.	In 2024, Fannie Mae achieved our target by financing 122 manufactured housing community (MHC) properties with tenant site lease protections (TSLPs) for residents, totaling 19,808 pads and \$943.4 million in mission-adjusted unpaid principal balance (UPB) at delivery.	

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 third full year of mandatory implementation of the TSLPs as a condition of Fannie Mae MHC financing, we achieved a cumulative TSLP implementation of 128,868 pads across 790 communities. Based on publicly available data, we estimate that this comprises roughly 69% of overall government-sponsored enterprise (GSE) MHC lending volume in the current Duty to Serve plan cycle.¹ When looking at total market originations, there is no single data source that gives a comprehensive view of the MHC market, but publicly available data combined with third-party vendor data provide some insight into overall industry financing trends. While comprehensive market data for 2024 are not available at the time of writing, we estimate that the roughly \$6.2 billion in total MHC financing Fannie Mae provided from 2022 – 2023 comprised approximately 33% of all MHC financing extended during this time frame.² This is a higher market share than we observed within our overall Multifamily Delegated Underwriting and Servicing (DUS®) platform over the same time frame, indicating that our pricing, credit underwriting, and industry outreach have had an outsized impact on underserved markets.³

These successes have been achieved despite regulatory constraints and credit challenges observed in the marketplace in 2024. Regarding regulatory challenges, our ability to aggressively price MHC business has diminished in recent years as additional eligibility requirements have been added to an asset class that was formerly exempt from counting toward annual Multifamily cap constraints. This, combined with the fact that MHC loan acquisition is balanced with other Mission and Housing Goals objectives, creates challenges in structuring MHC deals for competitive pricing while managing against other regulatory requirements. Regarding credit challenges, MHC deals submitted to Fannie Mae in 2024 demonstrated lower park quality, property condition scores and fundamental credit metrics relative to prior years. This can be observed to some degree in the available industry data as well, as average cap rates for both institutional-quality MHCs and smaller MHCs increased through the second quarter of 2024 after almost a decade of cap rate compression.⁴ Considering these trends, we believe Fannie Mae continues to deliver significant levels of liquidity to the MHC sector while successfully managing evolving credit risk trends — despite modifying targets that were originally established in 2021.

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

As we have now completed a full three-year Duty to Serve plan cycle with the mandatory TSLP requirement, our annual MHC attainment is less a function of sponsors' willingness to adopt the program and more a function of broader trends in the MHC sector and the multifamily sector at large. Competition remains very strong as the MHC asset class continues to outperform other commercial real estate classes — benefiting from high occupancy rates at existing parks and limited supply of new communities due to high barriers to entry for greenfield developments and lasting perception challenges among planning officials in municipalities across the country. To add to these competitive pressures, this year we noted increasing frequency of relatively new sponsors who have undertaken a high velocity of park acquisitions within a fairly short period of time (one to three years). As the risk and counterparty landscape for the MHC market continues to evolve, our task will be to continue serving the marketplace while appropriately managing the business and credit constraints that are unique to the MHC asset class.

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

N/A

¹ <https://www.fhfa.gov/data/dashboard/dts/multifamily/2023>

² <https://www.fanniemae.com/media/53321/display>

³ <https://multifamily.fanniemae.com/media/37196/display>

⁴ Ibid.



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

ACTIVITY:

C. Manufactured housing communities (MHCs) with certain pad lease protections

OBJECTIVE:

1. Increase the number of loan purchases of MHCs with tenant site lease protections.

SUMMARY OF PROGRESS:

As of June 30, 2024, Fannie Mae purchased 66 MHC loans with tenant site lease protections (TSLPs), covering 12,138 pads and a total of \$567.2 million in mission-adjusted unpaid principal balance (UPB) at acquisition. The pace of acquisitions has us off-track relative to the stated target of \$2.1 billion and the baseline target of \$1.8 billion of mission-adjusted UPB, which were established in a fundamentally different macro-economic environment.

Fannie Mae has introduced pricing flexibility to attract and stimulate acquisition of MH deals, but these adjustments are not expected to dramatically re-align market volume through the end of 2024.

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):

Fannie Mae financing of MHCs with tenant site lease protections (TSLP) trails behind recent years' activity, due to a reduction in acquisition volume across the Multifamily business at large. The proportion of Fannie Mae's Multifamily financing of MH properties through June of 2024 sits at 3%, well within the historical range of 2.7 to 3.3% seen in each of the last three years, but overall Multifamily volumes lag far behind previous years' at less than \$20 billion acquired year to date, down from \$34 billion and \$25 billion acquired in the first two quarters of 2022 and 2023, respectively.



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

As heightened interest rates have curtailed Multifamily acquisition volume across the board, signs of further market contraction are evident when analyzing internal and external data sources regarding demand for MHC financing. Per CoStar, MHC sales volume through Q1 of 2024 was on pace for a ~50% year-over-year decline relative to 2023—a year in which sales volume fell 40% relative to 2022.¹ To further illustrate this dynamic, we note multiple large public MHC companies indicated in their Q1 and Q2 public filings that they did not acquire new communities or refinance existing mortgage debt in the first quarter of this year, opting instead to wait for interest rate dynamics to improve before pursuing new financing terms.

¹ https://info.northmarq.com/hubfs/6-Corporate-Marketing/Research/Report%20PDFs/Viewpoint-Apr2024-Kane-Benson-Neumark.pdf?utm_referrer=https%3A%2F%2Fwww.northmarq.com%2F



Manufactured Housing Third Quarter Report: July 1 - September 30, 2024 Loan Purchase

ACTIVITY:

C. Manufactured housing communities (MHCs) with certain pad lease protections

OBJECTIVE:

1. Increase the number of loan purchases of MHCs with tenant site lease protections.

SUMMARY OF PROGRESS:

As of September 30, 2024, Fannie Mae purchased 85 MHC loans with tenant site lease protections (TSLPs), covering 15,727 pads and a total of \$739.6 million in mission-adjusted unpaid principal balance (UPB) at acquisition. The pace of acquisitions has us off-track relative to the stated target of \$2.1 billion and the baseline target of \$1.8 billion of mission-adjusted UPB, which were established in a fundamentally different macroeconomic environment.

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):

Consistent with our second quarter reporting, Fannie Mae financing of MHCs with TSLPs trails behind recent years' activity, largely due to a reduction in acquisition volume across the Multifamily business at large. The proportion of Fannie Mae's Multifamily financing which comprises MH properties through September of 2024 still sits at 3.0%, well within the historical range of 2.7 to 3.3% seen in each of the last three years. However, overall Multifamily volumes lag far behind previous years' at around \$32 billion acquired year to date, down from \$51 billion and \$42 billion acquired in the first three quarters of 2022 and 2023, respectively.



**Manufactured Housing
Third Quarter Report: July 1 - September 30, 2024
Loan Purchase**

While the broader market for multifamily financing has contracted in recent years, we continued to analyze MHC market trends specifically in our September 2024 Multifamily Market Commentary. Notably, total MHC lending volume through the first half of 2024 totaled just \$2.2 billion—on pace for 40% less activity than 2023. Also evident in national data sources are signs that transactions which are being completed in the marketplace are taking place on communities with weaker fundamentals, as MHC cap rates have trended upward in 2024 while CMBS investment activity in the sector has increased. Absent a meaningful improvement in interest rate dynamics, the combination of increased competition in the marketplace and fewer transactions overall will likely further constrain our loan purchase activity for the remainder of 2024.