Fannie Mae

Fannie Mae 2020 Manufactured Housing Loan Purchase

ACTIVITY:

A. Regulatory Activity: Manufactured homes titled as real property (12 C.F.R. § 1282.33 (c) (1)).

OBJECTIVE:

1. Increase the purchase volume of conventional manufactured housing secured by real estate each year of the Plan (Do What We Do Best).

SUMMARY OF RESULTS:

Following are the 2020 Actions under this Objective per the January 1, 2021 Duty to Serve Plan:

Objective's components detailed in the Plan	*Corresponding actions taken*	*Explanation of any deviations from the Plan (if applicable)*
☒ Purchase between 11,000 and 11,500 conventional manufactured housing loans, representing an approximate 27 to 33 percent increase over the Baseline. This includes the loan purchases referenced in Objective #2 and #3.	•Fannie Mae purchased 16,962 loans secured by manufactured homes (MH) titled as real property and eligible for Duty to Serve (DTS).	•N/A
☒ Expand lenders outreach to an additional 25 lenders (i.e., lenders not approached in 2018 or 2019) that have been identified as reasonably likely to increase loan originations and loan deliveries of this type to increase the population of lenders delivering manufactured housing loans.	•We engaged with more than 25 lenders on a variety of topics related to MH real property lending.	•N/A

SELF-ASSESSMENT RATING OF PROGRESS:

☐ Objective met
☒ Objective exceeded
☐ Objective partially completed: 75-99% (substantial amount)
☐ Objective partially completed: 50-74% (limited amount)
☐ Objective partially completed: 25-49% (minimal amount)

Fannie Mae 2020
Manufactured Housing
Loan Purchase

☐ Objective partially completed: 0-24% (less than a minimal amount)
☐ No milestones achieved

PARTIAL CREDIT JUSTIFICATION:

N/A

IMPACT:

☒ 50 – Substantial Impact
☐ 40 – Between Meaningful and Substantial Impact
☐ 30 – Meaningful Impact
☐ 20 – Between Minimal and Meaningful Impact
☐ 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?
Loan purchases are the most direct sign of progress in Fannie Mae's efforts to improve its support of the underserved MH market. In 2020, we exceeded the upper bound of our goal by 48 percent and increased year-over-year volumes by 36 percent. As in prior years, we believe loan purchase success is indicative of:

- Internal communication to our employees clarifying the nature and availability of MH lending products.
- Engagement with lenders with the potential to increase MH deliveries.
- Regular outreach to various MH industry stakeholders.

As shown in the table below, nearly three-quarters of the 16,962 MH DTS loans were made to low- or very low-income borrowers. Seventeen percent of the loans had loan balances less than $85,000, 60 percent had loan balances less than $150,000, and 29 percent were made to first-time homebuyers. Fifty-two percent of loans were for purchase and 48 percent were for refinance.

	MH Income Breakout			MH Small Balance		MH FTH	Delivery Breakout	
	>80 and <=100% AMI	>50 and <=80% AMI	<=50% AMI	<85K	<150K	First Time Homebuyer	Purchase	Refinance
Loan Count (Total: 16,962)	4,478	8,532	3,952	2,902	10,108	4,875	8,798	8,165

Fannie Mae 2020
Manufactured Housing
Loan Purchase

While we saw more deliveries of purchase loans than refinance loans, it appears that refinance volumes increased more than purchase volumes due to the low interest rate environment. Comparing 2020 loan volumes to 2019, we found that the former increased by 13 percent while the latter increased by 91 percent. When quantifying the impact of a refinance to a borrower, we are generally unable to compare the terms of the refinance to the terms of the loan that was paid off. However, we can do so in instances where Fannie Mae financed both transactions. In 2020, we were able to identify 433,552 low- to moderate-income (LMI) borrowers who refinanced an existing Fannie Mae mortgage into a new Fannie Mae mortgage. For the 2,638 borrowers who refinanced into an MH DTS loan, the borrower's monthly payment declined by an estimated average of $66 and interest rate declined by an average of 142 bps. Well over 99 percent of these borrowers refinanced into a fixed-rate mortgage. Nineteen percent of these MH refinances were made to very low-income (VLI) borrowers, 51 percent to low-income (LI) borrowers, and 31 percent to moderate-income (MI) borrowers. Interest rate savings were similar across all three income segments. However, monthly payment savings were stronger for VLI borrowers than for LI borrowers, which were, in turn, stronger than for MI borrowers.

We also observed that, compared to 2017, the year preceding the Duty to Serve initiative, there were 31 percent more lenders delivering DTS-eligible MH loans to us in 2020. For reference, the total number of active Fannie Mae lenders was stable during the same period, increasing by less than 1 percent. Even compared to 2019, there were 19 percent more MH lenders in 2020.

By conventional measures, 2020 outreach activities to lenders (discussed in more detail under Objective 2) was highly successful. For example, in the second half of 2020, we initiated an email marketing campaign targeted to lenders highlighting three MH resources. Given the timing of these campaigns, we are unable to compare how they impacted loan deliveries before and after the 2020 engagement. However, an analysis of similar outreach to 27 lenders conducted in 2019 is promising. In aggregate, when comparing the 12 months prior to a targeted outreach engagement with the 12 months following that engagement, 19 of them increased their MH lending, six remained mostly flat, and only two saw a decrease.

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

Fannie Mae's lender customers continue to be receptive to increasing MH real property lending. Significant increases in loan purchases and in the number of participating lenders both bode well for the continued growth of this business. We believe that the combination of lender outreach, other MH stakeholder outreach, responsive product development, and internal commitment to growing the MH business contributed to this success and should continue in future years. However, sustaining growth might be challenging for several reasons.

First, it is possible that the types of efforts that supported growth over 2018 through 2020, such as MH-focused lender outreach and MH policy modernization, will provide diminishing returns in future years. For example:

- Fannie Mae may have already educated the lenders most likely to begin or expand lending on MH, in which case, it might be more difficult to drive incremental loan deliveries from remaining lenders.

Fannie Mae 2020
Manufactured Housing
Loan Purchase

- Fannie Mae may have addressed some of the more pressing issues with its MH lending products in previous updates of its Selling Guide, in which case, there may be less opportunity to drive innovation through policy moving forward.

To address this, we may need to seek growth through methods other than policy innovation, such as directing lenders towards emerging MH distribution channels like subdivision developments.

Second, for much of the Duty to Serve period, but especially in 2020, historically low-interest rates have benefited Fannie Mae's loan purchase business. If interest rates rise in future years or other macroeconomic impacts slow lending generally, loan purchase growth could be inhibited. As previously noted, refinance volumes are most responsive to interest rate fluctuations, so mitigating that risk requires us to remain focused on purchase loans, including for newly constructed MH, and seeking new opportunities for refinances, including on single-width homes.

Finally, we learned that the ongoing pandemic poses some risks that are specific to the MH industry. Most directly, interruptions in labor supply related to COVID-19 reduced MH factory output for periods in 2020. MH retailers have expressed concerns about unprecedented price fluctuations throughout the supply chain that make communicating with consumers more challenging. And some MH servicers have had issues operationalizing CARES Act-required forbearance. We will be mindful of these pandemic-related challenges as we move forward.

3. (Optional): If applicable, why were all components of this objective not completed?
N/A

Fannie Mae
Manufactured Housing
First Quarter Report: January 1 - March 31, 2020
Loan Purchase

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OBJECTIVE:

1. Increase the purchase volume of conventional manufactured housing secured by real estate each year of the Plan (Do What We Do Best).

SUMMARY OF RESULTS:

Through March 31, 2020, we purchased 3,149 MH loans eligible for Duty to Serve. Assuming each remaining quarter will result in the same deliveries, we would expect to purchase over 12,500 loans, well in excess of our goal of 11,000 to 11,500. Of course, the assumption that loan volumes will hold steady for the remainder of the year is highly unlikely due to the ongoing pandemic; therefore, this loan purchase goal is in jeopardy.

Manufactured housing purchase applications began falling during the second half of March, and as more households lose income, we anticipate a further decline.

Following are the 2020 Actions under this Objective:

☐ Purchase between 11,000 and 11,500 conventional manufactured housing loans, representing an approximate 27 to 33 percent increase over the Baseline. This includes the loan purchases referenced in Objective #2 and #3.

☐ Expand lenders outreach to an additional 25 lenders (i.e., lenders not approached in 2018 or 2019) that have been identified as reasonably likely to increase loan originations and loan deliveries of this type to increase the population of lenders delivering manufactured housing loans.

SELF-ASSESSMENT RATING OF PROGRESS:

☐ On-target to meet or exceed the objective

☒ Progress delayed and/or partial completion of the objective expected

☐ Unlikely to achieve any milestones of the objective

ADDITIONAL INFORMATION (IF APPLICABLE):