



Fannie Mae 2020
Manufactured Housing
Loan Product

ACTIVITY:

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

OBJECTIVE:

3. Develop an enhanced manufactured housing loan product for quality manufactured housing and purchase loans (Partner and Innovate, 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:

<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"/> Enhance, modify, or simplify product offering as needed based on customer feedback and performance of the variance or product. Alternatively, introduce at least one policy change or variance that strategically aligns with the product and, thus, supports its growth and long-term prospects for success.	<ul style="list-style-type: none"> •Fannie Mae issued two variances that each bolster the market appeal of MH Advantage-eligible homes in different ways. •First, a custom variance with a prominent MH construction lender allows loans to be secured by an MH Advantage-eligible primary residence and an MH ADU, which is otherwise not permitted by the Selling Guide. •Second, a custom variance enables a Community Land Trust (CLT) in northern California to place MH Advantage units on vacant lots to create new shared equity affordable housing supply, which is not otherwise permitted by the Selling Guide. We are also working with the CLT to develop materials that can be used to educate other CLTs interested in leveraging this strategy to create new inventory for their programs. 	<ul style="list-style-type: none"> •N/A



Fannie Mae 2020
Manufactured Housing
Loan Product

<input checked="" type="checkbox"/> As appropriate, continue product development activities initiated in prior years.	<ul style="list-style-type: none"> •We regularly engaged with lenders, manufacturers, retailers, appraisers, and MH trade organizations to promote MH Advantage. •We worked with Next Step to research the economic fundamentals for each of the stakeholders in an MH transaction for various types of MH products, including MH Advantage-eligible homes. 	<ul style="list-style-type: none"> •N/A
<input checked="" type="checkbox"/> Build upon consumer awareness created with the 2019 campaign by continuing to target consumers in high-volume manufactured housing markets, and extending into new markets if feasible.	<ul style="list-style-type: none"> •We extended a consumer awareness campaign initially launched in 2019 and maintained it through Q1 2020; the campaign produced strong consumer engagement metrics. 	<ul style="list-style-type: none"> •N/A
<input checked="" type="checkbox"/> Develop outreach strategy aimed at educating and promoting product adoption amongst non-traditional manufactured housing stakeholders. Specifically:	<ul style="list-style-type: none"> •N/A 	<ul style="list-style-type: none"> •N/A
<input checked="" type="checkbox"/> Foster relationships between retailers ordering the eligible home product and at least 10 committed lenders, in areas known to be conducive for real property manufactured housing financing.	<ul style="list-style-type: none"> •We facilitated connections between retailers and lenders through various methods. 	<ul style="list-style-type: none"> •N/A
<input checked="" type="checkbox"/> Provide direct support and product education to a lender with	<ul style="list-style-type: none"> •We met regularly with a prominent MH lender with a record of doing 	<ul style="list-style-type: none"> •N/A



Fannie Mae 2020
Manufactured Housing
Loan Product

an extensive retailer network across several States, in anticipation of a broader rollout.	business with retailers to set up an MH Advantage product rollout, including co-producing marketing and education materials aimed at generating retailer interest in MH Advantage.	
<input checked="" type="checkbox"/> Conduct nationwide analysis to identify geographic areas of the country which would present viable opportunities for subdivision development leveraging eligible homes. Promote the findings of this analysis, and leveraging that analysis, engage with at least three land developers to explore subdivision projects with the product.	•We produced a quantitative analysis of geographies that are most likely to be conducive to MH Advantage lending and distributed it to the appropriate audiences with the help of a third party with an extensive network of subdivision developers.	•N/A
<input checked="" type="checkbox"/> Launch an awareness and education campaign with manufactured housing appraisers focused on the product.	•We launched a marketing campaign aimed at educating MH appraisers about MH Advantage.	•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)
- Objective partially completed: 0-24% (less than a minimal amount)
- No milestones achieved

PARTIAL CREDIT JUSTIFICATION:

N/A



Fannie Mae 2020
Manufactured Housing
Loan Product

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?

MH Advantage® loan purchases:

We purchased 19 MH Advantage loans in 2020, but only six of those loans met the statutory requirements of Duty to Serve (DTS). This falls well below our hopes and expectations for this program roughly two and a half years after its introduction. While there are factors that contributed to this shortfall and that require our attention, we believe the small but significant growth in loan production (triple that of the year prior), continued network building, and promising leading indicators of a successful subdivision strategy all lay the foundation the success of MH Advantage in the long run.

Lender Outreach:

What MH Advantage lending has occurred has largely been attributable to sustained and focused outreach to lenders. For example, we regularly engaged with lenders that had formally rolled out MH Advantage in prior years, collecting information such as volume forecasts, the impact of COVID on warehouse lines and C2P programs, retailer outreach updates, and request for additional Fannie Mae support. Refining strategies from prior years, we identified and targeted lenders that had not yet delivered loans but appeared primed to do so. Specifically, we reached out to those lenders that either had expertise with site-built construction lending or with newly-constructed MH lending. Consequently, we saw more lenders deliver MH Advantage loans to us (9 lenders in 2020, as opposed to 5 in 2019) and thus gathered more diverse and valuable feedback from this broader group. These learnings will drive continued growth in the future.

HFAs are a subset of customers we continued to engage with, given their role in promoting affordable housing. We arranged a training with one HFA and a group of lenders, realtors, and developers. We engaged with another HFA to specifically consider MH Advantage in disaster-impacted areas. Beyond this, we’ve separately worked with multiple HFAs on MH Advantage opportunities in infill settings, disaster impact areas, and community land trusts (CLTs). This has led to productive discussions on potential development projects in multiple states and updated variance terms for using our HFA Preferred™ product in some CLTs. We believe that these opportunities will translate into significant loan volumes in the future.

Retailer outreach:

As we’ve known for some time, a key barrier to MH Advantage adoption has been limited connection between our lender partners and traditional MH retailers. In this regard, we developed a list of retailers familiar with and



Fannie Mae 2020 Manufactured Housing Loan Product

supportive of MH Advantage and shared them with select lenders. This network building will be critical for future success at the retail channel. In one specific example, we participated in monthly retailer calls convened by one of our lenders, the purpose of which was explicitly to deepen market awareness and acceptance of MH Advantage in a particular state. In another example, we worked alongside a lender in its rollout of MH Advantage, which resulted in their first loan delivery. Over the course of this work, we discussed the best practice of bringing lenders and retailers together in a roundtable format. Subsequently, we participated in a December event with that lender and several retailers interested in partnering on future business.

We also executed an agreement with ManufacturedHomes.com in November 2020 to promote MH Advantage on their existing online platforms, building upon previous marketing campaign outcomes in leveraging high-value MH partnerships. While early, we saw tangible progress from this partnership in 2020, including website enhancements that we expect to promote more retailer and consumer awareness of the product.

Developer outreach:

Finally, as reflected in the Plan, we aggressively pursued a strategy of promoting MH Advantage to subdivision developers located in areas where the product is most economically viable compared to local alternatives. Specifically, we worked with a research firm to compare hard costs and soft costs of manufactured housing and site-built housing in metropolitan areas across the country, ranking markets based on potential cost savings to developers and subsequently layering qualitative analysis of relevant factors in addition to cost, such as zoning. Ultimately, we selected four test markets: Northern CA; Southern CA; Columbus, OH; and greater Washington, DC (which includes parts of MD, VA, and WV). We publicized that research through multiple webinars and created an internal framework for vetting builder/developer leads. Currently, more than 60 developers have expressed interest, of which 10 are already highly engaged. While these opportunities will take several more months or over a year to materialize, we think there is potential for MH Advantage lending to take hold in these and other markets and to expand the scope of MH generally.

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

MH Advantage is not “standard” to most lenders:

Since its inception, in spite of the fact that MH Advantage is designed to resemble other Fannie Mae products and processes where possible, lenders have conveyed that originating these loans is non-standard business for them (some common reasons offered below). When the pandemic emerged, lenders noted that non-standard business would be deprioritized to streamline business operations. This dynamic was only exacerbated by the subsequent refinance boom spurred by low interest rates. With an overwhelming demand for “standard” refinance business, lenders stressed that non-standard MH Advantage loans were even less of a focus for 2020. Common reasons lenders consider MH Advantage to be non-standard business include:

- Non-universal coverage by MIs
- Unique appraisal requirements
- Zoning limitations



Fannie Mae 2020 Manufactured Housing Loan Product

- Unfamiliarity engaging with MH retailers at the point of sale, many of which were subject to backlogs from manufacturers
- Lack of inventory of eligible homes in the market
- Uncertainty of consumer demand and market acceptance

Lending is subject to home production, which can be volatile:

We believe 2020 loan purchases would have been higher absent the pandemic. Data from MHI and Census both point to a slowdown in MH production in the Spring and early Summer. Anecdotal data with lenders and other stakeholders point to labor disruptions and supply chain challenges as contributing to limited MH and MH Advantage-eligible housing supply. Until significantly more eligible homes are available for purchase, MH Advantage lending will grow slowly. Fortunately, there are small signs of improvement in this regard. Despite the pandemic, our partner manufacturers have reported slightly more MH Advantage homes produced in 2020 as compared to 2019. This trend is likely a reflection of increased awareness from retailers and consumers, as subdivision production has not yet begun at scale.

There remains an appetite for resources that support MH Advantage:

With MH Advantage in mind, we have developed a suite of resources, marketing materials, and training targeting various audiences, including lenders, consumers, retailers, developers, appraisers, and others. Using appraiser training as an example, we have provided support on an ad hoc basis, developed a self-directed 30-minute training course available for free on our website, and worked with McKissock to produce in-depth continuing education training on MH and MH Advantage. Since launching the latter, we have observed over 1,700 completions of that training and are aware of several hundred more registered but not yet completed appraiser trainings.

We believe that industry engagement with these resources is a leading indicator of acceptance of the product. Therefore, we will remain committed to providing support as appropriate.

MH Advantage appeals to non-LMI borrowers as well:

As a DTS initiative, our primary focus for MH Advantage is finding opportunities for this product to bring homeownership to low- and moderate-income (LMI) borrowers. However, of all MH Advantage loans purchased to date, roughly three quarters do not qualify for DTS. We have worked with HFAs and CLTs to search for creative opportunities to promote this housing type to LMI borrowers to address this. We will continue to stress to our industry partners that LMI consumers, especially in high cost, supply-constrained markets, should be considered for this product. We will continue to track the ratio of LMI to non-LMI borrowers in the future.

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

N/A



**Fannie Mae
Manufactured Housing
Second Quarter Report: April 1 - June 30, 2020
Loan Product**

ACTIVITY:

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

OBJECTIVE:

3. Develop an enhanced manufactured housing loan product for quality manufactured housing and purchase loans (Partner and Innovate, Do What We Do Best).

SUMMARY OF RESULTS:

As of the end of Q2, Fannie Mae has purchased two MH Advantage loans that meet the statutory requirements for Duty to Serve in 2020. Over the duration of the program, we have purchased 13 MH Advantage loans, of which 4 have qualified for Duty to Serve and we have made significant investments in the product that we believe will generate meaningful volume in the years to come. However, given the historically low percentage of MH Advantage loans that are made to LMI borrowers, we expect to miss our 2020 loan purchase goal of 25 MH Advantage Duty to Serve loans.

Given this, we have begun to shift more of our focus for this product to nontraditional stakeholders, including subdivision developers who are actively considering utilizing this housing type or who might begin to consider it if educated about it. As part of this nontraditional stakeholder outreach, we partnered with a research firm with substantial builder/developer relationships to conduct a nationwide macroeconomic analysis to identify potential geographic target markets for promoting the sale of MH Advantage-eligible homes in larger-scale developments. These resources will be shared with the industry in early Q3 2020. As we expect this developer outreach to generate meaningful demand for the eligible home product, we needed to revisit our policies to ensure they accommodated the many ways in which MH Advantage-eligible homes may appear for sale in the market. In certain supply-constrained markets, many developers are actively scoping the inclusion of accessory dwelling units as part of their plans for subdivision development. A customer variance to support this went live in Q2, and we will actively monitor its use to ensure it enables delivery of loans.

Continuing product development begun in prior years, we actively supported our customers as they pursue MH Advantage business through the traditional retail channel. One of the known friction points preventing broader retailer adoption of MH Advantage was the perception that appraisers were unfamiliar with the unique requirements of the program or were otherwise unqualified to appraise MH Advantage-eligible properties. In May, we



**Fannie Mae
Manufactured Housing
Second Quarter Report: April 1 - June 30, 2020
Loan Product**

released, through a partnership with McKissock, a 7-hour online continuing education course designed to equip appraisers with the knowledge and techniques needed to render a well-supported value for MH Advantage properties. Through Q2, over 400 course completions have been registered and we have a plan to further promote the course to appraisers in the second half of the year. Additionally, we have continued our support for a large MH industry lender that we onboarded as a Fannie Mae customer late last year, and are partnering with them to market MH Advantage to their extensive network of affiliated retailers. And finally, we attended multiple industry events where MH retailers were present, prior to travel restrictions brought on by the pandemic, to promote and answer questions about MH Advantage.

Promoting a relatively new housing type and loan requires generating and sustaining consumer demand, regardless of whether the home is sold through the developer channel or the retail channel. To drive consumer awareness of MH Advantage in the early part of 2020, we maintained a web presence for our consumer marketing campaign, Home Made. In 2020, this campaign drove over 6.6 million online impressions averaging an impressive click through rate (CTR) of ~4 percent, which was much higher than Google's financial benchmark of 0.06 percent CTR for business to consumer audiences.

Finally, the Plan calls for Fannie Mae to enhance, modify, or simplify MH Advantage, as needed. After deliberation with our lender customers and other industry stakeholders, we decided that additional product modifications were not needed in the first half of 2020.

Following are the 2020 Actions under this Objective:

- Enhance, modify, or simplify product offering as needed based on customer feedback and performance of the variance or product.
- As appropriate, continue product development activities initiated in prior years.
- Build upon consumer awareness created with 2019 campaign by continuing to target consumers in high-volume MH markets, and extending into new markets if feasible.
- Develop outreach strategy aimed at educating and promoting product adoption amongst non-traditional MH stakeholders.
- Purchase 25 loans. These loans are included in the total manufactured housing purchases in Objective #1.



**Fannie Mae
Manufactured Housing
Second Quarter Report: April 1 - June 30, 2020
Loan Product**

Continued product development work that builds on initiatives begin in prior years is critical for the long-term success of this product, which is worthwhile because it addresses a need in the affordable housing market.

Further, this is a meaningful loan purchase target and, in fact, represents a significant increase in purchase volumes as compared to 2018 and 2019. The target is derived from ambitious projections of 2020 loan purchases as reported by lenders that have expressed commitment to growing this product. It is based on both homes sold through the traditional MH retail channel as well as the real estate developer channel, each of which require distinct support strategies from Fannie Mae and its customers.

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):

COVID-19 has impacted all segments of the MH Advantage value chain, as it has the broader economy. For example, in early Q2, several factories building eligible homes shut down temporarily and some retailers reported limited operations. On the other hand, later in Q2, some lenders have noted a general uptick in MH lending activity, likely due to interest rate declines, that should be beneficial to MH Advantage lending. Finally, Fannie Mae's ability to engage with industry participants, including visits to local home shows and state trade group events has been effectively halted, limiting our ability to promote the product. In total, we believe that the pandemic has slowed adoption of MH Advantage.