Marc J. Lifset
mlifset@mcglinchey.com
(518) 432-8335 (direct voice)
(518) 432-7290 (direct fax)

MEMORANDUM

ATTORNEY-CLIENT COMMUNICATION
PRIVILEGED AND CONFIDENTIAL

To: Friends and Clients

From: Marc Lifset
McGlinchey Stafford, PLLC

Date: June 4, 2107

Re: Enterprise Duty to Serve Underserved Market Plans for Manufactured Housing

1. Overview

The Housing and Economic Recovery Act of 2008 ("HERA") amended the Federal Housing Enterprises Financial Safety and Soundness Act of 1992 ("Safety and Soundness Act") to establish a duty for the Federal National Mortgage Association ("Fannie Mae") and the Federal Home Loan Mortgage Corporation ("Freddie Mac") (collectively, the "Enterprises") to serve three specified underserved markets – manufactured housing, affordable housing preservation, and rural markets – in order to increase the liquidity of mortgage investments and improve the distribution of investment capital available for mortgage financing for very low-, low-, and moderate-income families in those markets.

On December 13, 2016, the Federal Housing Finance Agency ("FHFA") issued its Enterprise Duty to Serve Underserved Markets Final Rule, nearly a year after it issued its latest Proposed Rule. The final rule was December 29, 2016.

Under the Duty to Serve regulation that implements this statutory requirement, each Enterprise must prepare an Underserved Markets Plan ("Plan") describing the specific activities and objectives it will undertake to fulfill its Duty to Serve obligations in each underserved market over a three-year period.

On January 11, 2017, the FHFA issued its Evaluation Guidance.

The proposed Evaluation Guidance ("Guidance") describes the procedures the Enterprises must follow in preparing these Plans, and the proposed process by which FHFA will evaluate the Plans annually to produce a rating for each Enterprise's implementation and impact on each underserved market. This Guidance also explains the opportunities the public has to provide input at different stages of the Plan development and the evaluation processes. The Guidance will be in effect for a three-year term corresponding with the Plans' three-year terms, and FHFA may modify the Guidance as appropriate during this time period.

On January 18, 2017, the FHFA issued a "Request for Information" ("RFI") about chattel lending. On March 21, 2017, MHI filed its response.

On May 8, 2017, the FHFA published the Enterprise Duty to Serve Underserved Markets Plans of Fannie Mae and Freddie Mac.

The public comment period ends on July 10, 2017.

Freddie Mac's Duty to Serve Underserved Markets Plan must receive a non-objection from FHFA before becoming effective. The Objectives in the proposed and final Plan may be subject to change based on factors including public input. FHFA comments, compliance with Freddie Mac's Charter Act, safety and soundness considerations, and market or economic conditions.

The Duty to Serve Regulation[1] specifies the scope of Enterprise activities that are eligible to receive Duty to Serve credit. For the manufactured housing industry these activities generally are those that facilitate a secondary market for mortgages related to: (1) manufactured homes titled as real property, (2) manufactured homes titled as personal property, (3) manufactured housing communities owned by government units or instrumentalities, nonprofits, or residents; and (4) manufactured housing communities with specified minimum tenant pad lease protections.

Each Enterprise proposed plan ("Plan") includes Objectives, activities the Enterprise will undertake for achieving those Objectives, and Proposed Concept Scores for each regulatory activity. The Duty to Serve Regulation does not make any specific activity mandatory. Instead, the final rule establishes a set of procedures for the Enterprises to consider a range of activities for inclusion in their Plans and incentives for the Enterprises to include impactful activities in their Plans.

FHFA will evaluate Enterprise performance on a qualitative and quantitative basis, taking extra credit activities into consideration. Points are awarded depending on the impact an objective has and the degree to which it was implemented. One of the four evaluation factors identified in the Plans – outreach, loan product development, loan purchases, and investments – is applied to each objective. Plans must also serve families of modest means in each year including very low-, low- and moderate-income families.

Before evaluating an Enterprise's achievements and implementation of an objective, FHFA will determine a concept score of 0, 10, 20, 30, 40, or 50 for each objective as included in an Enterprise's Plan. This concept score will measure the expected level of impact that achievement of the objective would represent, assuming at least effective implementation, in light of the information available to FHFA. The concept score will inform FHFA's ultimate evaluation of the achievements and implementation of the objective, allowing FHFA to assign a higher concept score for more meaningful objectives included by an Enterprise in its Plan.

FHFA will provide a preliminary concept score to the Enterprises for each objective at the time it makes its Non-Objection decision for each of the underserved markets in the Plan. FHFA will finalize the concept score for each objective in December of the performance year that applies to the objective.

Based on a format developed by Freddie Mac, we have prepared two charts – one for each Enterprise that lists each Plan Objective, the Evaluation Area for each Objective, the Plan year in which each Enterprise will undertake each Objective and the Concept Score proposed for each Objective. Following the charts is a detailed summary of each Plan.

[1] 12 C.F.R. Part 1282

Freddie Mac Duty to Serve

Underserved Markets Plan

Manufactured Housing

3-Year Activities and Objectives

(By Evaluation Area and Year)

Activities and Objectives	EVALUATION AREA: Loan Purchase	EVALUATION AREA: Loan Product	EVALUATION AREA: Outreach	EVALUATION AREA: Investment	PLAN YEAR & CONCEPT SCORE: Year 1 (2018)		Year 2 (2019)		Year 3 (2020)		LOAN PURCHASE IMPACT
Activity 1 – Manufactured Housing Titled as Real Property: Regulatory Activity											
Objective A: Increase Single-Family Purchase Share of Manufactured Housing Titled as Real Property	✓				✓	30 - 50	✓	30 - 50	✓	30 - 50	Freddie Mac is establishing its baseline for performance in these markets as the 2016 share of purchases: 0.32 percent of all Freddie Mac loans funded (4,647 loans). The 2016 share of purchases is the baseline for all three years of the Plan Term. Freddie Mac maintains that and any increase over that baseline will have a commensurate increasing impact on the market. According, it proposes a sliding scale of Concept Scores ranging from 30 to 50 for all three years of the Plan based on its increase in volume over the baseline.
Objective B: Complete a Review of Offerings and Underwriting Parameters		✓			✓	50	✓	50	✓	50	
Objective C: Increase Homebuyer Education			✓		✓	50	✓	50	✓	50	
Objective D: Develop test practices and partner with market participants to address challenges (appraisals and titling)			✓		✓	50	✓	50	✓	50	

Freddie Mac's Duty to Serve Underserved Markets Plan must receive a non-objection from FHFA before becoming effective. The Objectives in the proposed and final Plan may be subject to change based on factors including public input. FHFA comments, compliance with Freddie Mac's Charter Act, safety and soundness considerations, and market or economic conditions.

	EVALUATION AREA				PLAN YEAR & CONCEPT SCORE						LOAN PURCHASE IMPACT
Activities and Objectives	**Loan Purchase**	**Loan Product**	**Outreach**	**Investment**	**Year 1 (2018)**		**Year 2 (2019)**		**Year 3 (2020)**		
Activity 2 – Chattel: Regulatory Activity											
Objective A: Research the Chattel Market		✓			✓	50	✓	50			The Plan does not quantify the Chattel pilot loan volume, stating “The success of the pilot program – even if it does not result in a significant volume of loans purchased – will be in the form of “lessons learned.””
Objective B: Develop Initiative Guidelines for Chattel Pilot and Initiate Pilot		✓					✓	50			
Objective C: Increase Homebuyer Education			✓		✓	50	✓	50	✓	50	
Activity 3 – Manufactured Housing Communities Owned by a Governmental Entity, Nonprofit Organization, or Residents: Regulatory Activity											
Objective A: Promote Understanding of the Resident-Owned Communities Market			✓		✓	50	✓	50			• Concept Score of 30: The lesser of two transactions or $5 million. • Concept Score of 40: The lesser of three transactions or $7.5 million. • Concept Score of 50 The lesser of four transactions or $10 million.
Objective B: Develop a New Offering for Resident-Owned Communities		✓			✓	50	✓	50	✓	50	
Objective C: Purchase Resident-Owned Community Loans	✓				✓	30 - 50	✓	30 - 50	✓	30 - 50	
Activity 4 – Manufactured Housing Communities with Certain Pad Lease Protections: Regulatory Activity											
Objective A: Conduct Tenant Protection Law Survey			✓		✓	50					$0
Objective B: Develop Pilot Offering for Borrowers That Institute Duty to Serve Tenant Protections		✓					✓	50	✓	50	

Fannie Mae Duty to Serve

Underserved Markets Plan

Manufactured Housing

3-Year Activities and Objectives

(By Evaluation Area and Year)

	EVALUATION AREA				PLAN YEAR & CONCEPT SCORE						LOAN PURCHASE IMPACT
Activities and Objectives	**Loan Purchase**	**Loan Product**	**Outreach**	**Investment**	**Year 1 (2018)**		**Year 2 (2019)**		**Year 3 (2020)**		
Activity 1 – Manufactured Housing Titled as Real Property: Regulatory Activity											
Objective 1: Conduct outreach and market research			✓		✓	30	✓	30	✓	30	• Purchase between 250 and 750 MH Select loans - an estimated $50 to $100 million of incremental financing. • Over the three year Plan, an additional 2,540 to 3.540 conventional real estate-secured loans will be purchased which equals an estimated additional $305 million to $425 million of liquidity, over the Baseline for the Manufactured Housing Market. The Baseline for these purchases is 8,070 loans per year.
Objective 2: Develop loan products and flexible underwriting guidelines		✓			✓	40	✓	40	✓	40	
Objective 3: Develop an enhanced manufactured housing loan product, MH Select™,		✓			✓	40					
	✓						✓	40	✓	40	
Objective 4: Increase purchase volume of real estate secured MH	✓				✓		✓		✓		
Objective 5: Creating and distributing an analysis of Fannie Mae's manufactured housing loan portfolio			✓				✓	30	✓	30	

	EVALUATION AREA				PLAN YEAR & CONCEPT SCORE			LOAN PURCHASE IMPACT
Activities and Objectives	**Loan Purchase**	**Loan Product**	**Outreach**	**Investment**	**Year 1 (2018)**	**Year 2 (2019)**	**Year 3 (2020)**	
Activity 2 – Chattel: Regulatory Activity								
Objective 1: Outreach and research			✓		✓ 30	✓ 30	✓ 30	Subject to internal and FHFA approval, in each of Year Two and Year Three of the Plan, Fannie Mae proposes to purchase between 350 and 425 chattel loans per year (about $20 to $25 million). The purchase will be bulk – not flow – purchases.
Objective 2: Acquire, aggregate and distribute data for Chattel Loan Pilot			✓		✓ 40			
Objective 3: Establish a Chattel Loan Pilot		✓			✓ 50			
	✓					✓ 50	✓ 50	
Activity 3 – Manufactured Housing Communities Owned by a Governmental Entity, Nonprofit Organization, or Residents: Regulatory Activity								
Objective 1: Outreach and research			✓		✓ 50	✓ 50		• Purchase mortgage loans secured by manufactured housing communities owned by governmental entities and/or non-profits for a total of between 200 and 300 units of manufactured homes. • If the resident-owned community loan pilot program complies with Fannie Mae's Charter Act and receives approval from FHFA, close the investments that have been approved internally and received FHFA's approval.
Objective 2: Product enhancements		✓			✓ 40			
	✓					✓ 40	✓ 40	
Objective 3: Design and conduct a pilot program with resident-owned MHC		✓			✓ 50			
	✓					✓ 50	✓ 50	

	EVALUATION AREA				PLAN YEAR & CONCEPT SCORE						LOAN PURCHASE IMPACT
Activities and Objectives	**Loan Purchase**	**Loan Product**	**Outreach**	**Investment**	**Year 1 (2018)**		**Year 2 (2019)**		**Year 3 (2020)**		
Objective #4: Research, prepare, and publish one white paper			✓		✓	50	✓	50	✓	50	
Objective #5: Establish a pilot program for potential entity level investments				✓	✓	50	✓	50			
Activity 4 – Manufactured Housing Communities with Certain Pad Lease Protections: Regulatory Activity											
Objective #1: Research and outreach; acquire loans subject to the FHFA Pad Requirements.		✓			✓	40					• In 2019 implement one pilot program and purchase at least five loans on MHC with resident owners. • In 2020 continue the pilot program and purchase at least seven loans on MHC with resident owners.
	✓						✓	40	✓	40	

2. Freddie Mac's Proposed Plan

Over the next three years, Freddie Mac proposes to expand its support for the manufactured housing market in the following ways:

2.1 Support Manufactured Housing Titled As Real Property

2.1.1 Objective A: Increase purchases of loans secured by manufactured homes titled as real property.

Freddie Mac is establishing its baseline for performance in these markets as the 2016 share of purchases: 0.32 percent of all Freddie Mac loans funded (4,647 loans). The 2016 share of purchases is the baseline for all three years of the Plan Term. Freddie Mac maintains that and any increase over that baseline will have a commensurate increasing impact on the market. According, it proposes a sliding scale of Concept Scores ranging from 30 to 50 for all three years of the Plan based on its increase in volume over the baseline.

To increase its loan share, Freddie Mac will initially focus its efforts on supporting experienced real property lenders in the market and work to expand opportunities for financing through training and education. Freddie maintains that if it is successful in increasing the share of manufactured housing loans titled as real property that it purchases, it will increase liquidity for lenders to make additional loans in two underserved markets: manufactured housing and rural areas. Because of the relatively small size of the market, any increase in origination volume for loans secured by manufactured housing titled as real property will be significant in terms of market impact and encourage lending and standardization in the market.[2]

Freddie Mac proposes a Concept Score of 50 for these activities.

<u>Incomes Targeted</u>

Varies Very Low Income ("VLI"), Low Income ("LI"), and Moderate Income ("MI")

<u>Evaluation Area</u>

Loan Purchase

<u>Year Proposed</u>

1, 2 and 3

<u>Concept Score</u>: 50.

[2] Freddie Mac DTS Plan (May 8, 2017), pages 15 - 16.

2.1.2 Objective B: Review current primary market loan products and develop additional product features to further meet the needs of the market.

Freddie Mac proposes that in 2018 it will:

- Evaluate and assess the barriers of existing program policies in the Seller/Servicer Guide or negotiated terms of business ("TOBs") to determine the policies that need to be adjusted and begin adjusting policies, where appropriate, to provide product changes in support of additional appraisal guidance on acceptable manufactured housing collateral and underwriting flexibility related to property use restrictions and land ownership.
- Conduct research using available manufactured housing property databases to support growth and understanding of manufactured housing collateral valuation performance.
- Complete assessment of all Freddie Mac manufactured housing and renovation product offerings to determine product changes necessary to support financing for the renovation or replacement of older manufactured homes and submit findings to Freddie Mac .management

Incomes Targeted

Varies Very Low Income ("VLI"), Low Income ("LI"), and Moderate Income ("MI")

Evaluation Area

Loan Purchase

Year Proposed

1, 2 and 3

Concept Score: 50.

Freddie Mac proposes that in 2019 it will:

- Conclude research using available manufactured housing property databases to assess impact on valuation methodology. Based on research, determine whether additional valuation capabilities can be provided to lenders. Recommend adjustments to underwriting criteria/model as appropriate.
- Provide product changes via the Seller/Servicer Guide or TOBs to lenders to incent conventional financing for efficient siting and installation of a new manufactured home.
- Provide additional underwriting flexibilities to support all approved seller/servicer housing finance agencies' financing of manufactured homes.
- Provide underwriting flexibilities to lenders for borrowers with prior financial hardships via Loan Product Advisor®.
- Work with at least one lender to develop and launch a pilot to address borrowers with non-traditional credit profiles.

Freddie Mac proposes a Concept Score of 50 for these activities.

Freddie Mac proposes that in 2020 it will:

- Provide additional product flexibility to lenders via the Seller/Servicer Guide or TOBs related to the required borrower funds for closing.

Freddie Mac states that it will take this "incremental approach" to address the need for enhancements to its existing offerings, flexible underwriting, pricing adjustments, lower closing costs and shorter processing times. Freddie Mac expects that, if successful, these improvements will also result in increased purchase volume.

Freddie Mac proposes a Concept Score of 50 for these activities.

2.1.3 Objective C: Increase future homebuyer access to education and resources.

Freddie Mac observes that the manufactured housing market requires focused homebuyer education to address consumer questions about the unique aspects of manufactured housing, the benefits of an energy-efficient manufactured home, and general homebuyer education. Freddie Mac intends to address this need by developing a more expansive homebuyer education curriculum that specifically addresses manufactured housing, expanding existing outreach activities to a larger geographic area, promoting homeownership with partners through homebuyer fairs and providing a more comprehensive homebuyer education platform that includes credit counseling along with pre-purchase and post-purchase education. The projected market impact is to help manufactured housing consumers build and maintain better credit, and understand the steps to sustainable homeownership.

Freddie Mac proposes that in 2018 it will:

- Expand beyond the state of Kentucky, to at least one additional state, its existing homebuyer education pilot that specifically addresses manufactured housing titled as real property and the benefits of energy efficiency by adding at least one additional lender. The target will be to provide education to at least an additional 200 consumers.
- Provide additional information on Freddie Mac's website to support manufactured housing content for potential homebuyers.

Freddie Mac proposes that in 2019 it will:

- Expand to at least one additional state its homebuyer education pilot that specifically addresses manufactured housing titled as real property and the benefits of energy efficiency. Freddie Mac will add at least one additional lender to the pilot. The target will be to provide education to at least an additional 200 consumers.
- Hold one to two homebuyer fairs that include a discussion of the value and benefits of manufactured housing.

- Conduct consumer surveys on homebuyer education curriculum at six to twelve Next Steps education training sessions

Freddie Mac proposes that in 2020 it will:

- Expand to at least one additional state our homebuyer education pilot that specifically addresses manufactured housing titled as real property and the benefits of energy efficiency. We will add at least one additional lender to the pilot. The target will be to provide education to at least an additional 200 consumers.
- Use survey results to adjust homebuyer education curriculum, as applicable. Hold one to two homebuyer fairs that include a discussion of the value and benefits of manufactured housing.

Freddie Mac proposes a Concept Score of 50 for these activities.

2.1.4 Objective D: Develop best practices and increase technical assistance to market participants.

Freddie Mac proposes to work with industry leaders to develop best practices addressing appraisals and titling and work toward standardization.

Freddie Mac proposes that in 2018 it will:

- Conduct outreach quarterly to evaluate and assess the opportunities and barriers to financing manufactured housing titled as real estate to assist with product design and establish best practices. Targeted outreach may include the Manufactured Housing Initiative Taskforce ("MHIT"), lenders, Freddie Mac Customer Advisory Councils or other applicable market participants.

- Participate in one to three manufactured housing industry conferences, in order to provide Freddie Mac updates on products, processes and gather market feedback.

Freddie Mac proposes that in 2019 it will:

- Continue outreach quarterly and assess the opportunities and barriers to financing manufactured housing titled as real estate to assist with product design and establish best practices. Targeted outreach may include the MHIT, lenders or other applicable market participants.

- Develop best practices for lenders related to underwriting, appraisal and settlement criteria obtained from outreach activities. Publish summary online by year end.

- Publish one to two fact sheets on underwriting and product features.

- Provide ongoing manufactured housing training to lenders on best practices and product features via an on-demand webinar and/or scheduled quarterly webinars.

- Conduct survey with at least three lenders on the manufactured housing lender curriculum to gather feedback on effectiveness.

- Participate in one to three manufactured housing industry conferences, in order to provide Freddie Mac updates on products, processes and gather market feedback .

Freddie Mac proposes that in 2020 it will:

- Continue outreach quarterly and assess the opportunities and barriers to financing manufactured housing titled as real estate to assist with product design and establish best practices. Targeted outreach may include the MHIT, lenders or other applicable market participants.
- Continue manufactured housing training to lenders on best practices and product features to lenders via an on-demand webinar and/or scheduled quarterly webinars.
- Use lender survey results to make any necessary adjustments to manufactured housing lender curriculum by year end.
- Participate in 1-3 manufactured housing industry conferences, in order to provide Freddie Mac updates on products, processes and gather market feedback.

Freddie Mac proposes a Concept Score of 50 for these activities.

2.2 Support Manufactured Housing Titled As Personal Property.

Freddie Mac states that "The RFI will help us identify the organizations in the marketplace that have the interest and capability to contract with Freddie Mac to develop responsible underwriting parameters and other appropriate requirements for a chattel pilot program based on loan level data and subsequent loan performance." Freddie Mac observes that

> The secondary market for manufactured housing chattel loans is currently very limited. Our success in meeting this objective will have a significant impact on the market. First, we understand that a lack of widely available information is a key challenge. We intend to address this by publishing notable findings from our research. Second, our ability to provide liquidity to this market in a safe and sound manner hinges on gaining a greater understanding of it.[3]

2.2.1 Objective A: Promote a Greater Understanding of The Market Through Research.

Freddie Mac proposes that it 2018 it will:

- To help inform pilot design and construct, Freddie Mac will conduct research on chattel performance and chattel loan life cycle and complete the initial analysis by year end.

[3] Freddie Mac DTS Plan (May 8, 2017), page 22.

Research to include, but not limited to, an evaluation of loan performance, current underwriting models, credit enhancements, loan servicing practices including servicing compensation, disposition activities, pricing and securitization. Memorialize findings in memorandum to Freddie Mac management.

- Convene the MHIT bi-annually and conduct outreach to other market participants, including two to four lenders, to gather information that can assist with our research of chattel financing and performance.

Freddie Mac proposes that it 2019 it will:

- Publish on its website research based on chattel performance and loan practices analysis.
- Continue market outreach, including convening the MHIT, to obtain feedback on chattel pilot development.

Freddie Mac proposes a Concept Score of 50 for these activities.

2.2.2 Objective B: Develop a Pilot For Chattel, Subject To Receipt Of FHFA Approval.

Freddie Mac proposes that in 2019 it will:

- Complete policy parameters to support chattel pilot program (which could include but is not limited to underwriting, credit enhancements, delivery criteria, documentation, securitization, servicing, and disposition requirements).
- Implement chattel pilot with select counterparties; subject to receipt of FHFA approval.

Freddie Mac proposes a Concept Score of 50 for these activities.

The success of the pilot program – even if it does not result in a significant volume of loans purchased – will be in the form of "lessons learned."[4]

2.2.3 Objective C: Develop Homebuyer Education In Support Of Chattel Financing.

Freddie Mac explains that "The goal of this objective is to expand on our existing homebuyer education curriculum to focus on pre-purchase education that delves into the unique characteristics of chattel-financed manufactured housing."[5]

The goal of this objective is to expand on Freddie Mac's existing homebuyer education curriculum to focus on pre-purchase education that delves into the unique characteristics of

---

[4] Freddie Mac DTS Plan (May 8, 2017), Page 23.

[5] Freddie Mac DTS Plan (May 8, 2017), Page 24

chattel-financed manufactured housing loans along with the benefits of purchasing energy-efficient manufactured homes.[6]

Freddie Mac proposes that in 2019 it will:

- Expand our homebuyer education pilot that showcases the benefits of manufactured housing and energy efficiency to include chattel financing by year end in the states where the curriculum has been implemented.
- Conduct consumer surveys on homebuyer education curriculum at two to four training sessions

Freddie Mac proposes that in 2020 it will:

- Continue homebuyer education, including chattel lending and energy efficiency.
- Conduct consumer surveys on homebuyer education curriculum at two to four training sessions.
- Use survey results to inform future changes to the curriculum and counseling efforts.

Freddie Mac proposes a Concept Score of 50 for these activities.

2.3 Support the Resident Owned Community Market

The completion of a conversion from an investor-owned community to a ROC is a challenging process that requires a unique alignment of circumstances. Generally, at least seven factors must come together:

- A community must be put up for sale;
- The residents must want to own their community;
- A sophisticated tenant group must be appropriately organized to purchase;
- Sufficient equity or equity-equivalent financing must be available;
- Specialized debt financing products must also be available;
- Adequate technical assistance must be provided; and
- The seller must choose to sell the community to the residents.

[6] *Id.*

2.3.1 Objective A: Promote Understanding Of The Resident-Owned Communities ("ROC") Market

Freddie Mac proposes that in 2018 it will:

- Commission research on ROC market size, ownership structures of MHCs and market needs. This includes designing a survey to be completed by MHCs and analyzing survey results.

Freddie Mac proposes that in 2019 it will:

- Publish report on survey results and begin to identify best practices.

Freddie Mac proposes a Concept Score of 50 for these activities.

2.3.2 Objective B: Develop a New Offering For Resident-Owned Communities

Freddie Mac proposes that in 2018 it will:

- Publish a product term sheet for pilot product and distribute to one or more lenders engaged in the pilot
- Term sheet will contain at least the following elements:

  o Product overview and loan purpose

  o Borrower and/or property eligibility requirements

  o Loan-to-Value limits

  o Debt Coverage limits

  o Allowable lengths of loan term

  o Allowable lengths of amortization
- Engage one or more lenders to test and refine the pilot offering, which may include loan purchases

Freddie Mac proposes that in 2019 it will:

- Engage in pilot transactions based on the published term sheet. Update term sheet based on pilot transactions and market acceptance of the product.
- Ensure that updated term sheet covers most common transaction challenges during the pilot while allowing for transaction customization as needed based on market and borrower.

Freddie Mac proposes that in 2020 it will:

- Publish lessons learned from our pilot and, depending on the results, seek guidance on what is required for this market to develop

Freddie Mac proposes a Concept Score of 50 for these activities.

Freddie Mac cautions that the volume under such an offering is likely to be minimal in the near and mid-term relative to the total MHC market and is directly related to the availability of technical assistance to the borrowers from industry experts who will structure the ROC entity and advise on raising equity.

2.3.3 Objective C: Purchase Resident-Owned Community Loans

The ROC market, as described above, is relatively small, with perhaps up to 25 conversions per year. Freddie Mac proposes that support of "roughly 10 percent of this market, translated as the lesser of two transactions or $5 million, is a meaningful impact in our first year of deliberate ROC loan purchases."[7] Freddie Mac proposes a Concept Score of 30 for these activities, increasing based on higher volume:

- Concept Score of 40 The lesser of three transactions or $7.5 million.
- Concept Score of 50 The lesser of four transactions or $10 million.

2.4 Loans to Manufactured Housing Communities with Certain Pad Lease Protections

Freddie Mac proposes that will make loans to communities that observe the "lease pad protections" described in the Duty to Serve Regulation:[8]

> Manufactured housing communities with pad leases that have the following pad lease protections at a minimum, or manufactured housing communities that are subject to state or local laws requiring pad lease protections that equal or exceed the following pad lease protections:
>
> (i) One-year renewable lease term unless there is good cause for nonrenewal;
>
> (ii) Thirty-day written notice of rent increases;
>
> (iii) Five-day grace period for rent payments and right to cure defaults on rent payments;
>
> (iv) Tenant has the right to sell the manufactured home without having to first relocate it out of the community;
>
> (v) Tenant has the right to sublease or assign the pad lease for the unexpired term to the new buyer of the tenant's manufactured home without any unreasonable restraint;
>
> (vi) Tenant has the right to post ''For Sale'' signs;
>
> (vii) Tenant has the right to sell the manufactured home in place within a reasonable time period after eviction by the manufactured housing community owner; and

[7] Freddie Mac DTS Plan (May 8, 2017), page 27.

[8] 12 C.F.R. § 1282.33(c)(4).

(viii) Tenant has the right to receive at least 60 days advance notice of a planned sale or closure of the manufactured housing community.

Freddie Mac observes that based on limited research no state currently mandates all of these tenant protections.

Freddie Mac proposes to work with industry experts and MHC owners to develop a pilot offering that recognizes borrowers who adopt the full complement of Duty to Serve-compliant tenant protections through state law, voluntary adjustments to their leases, or a combination of both. The development of the pilot's terms will be largely dependent upon the results of the 50-state survey and work with industry experts and MHC owners.

2.4.1 Objective A: Conduct And Publish A 50 State Survey of Tenant Protections.

Freddie Mac proposes that in 2018 it will:

- Conduct a 50-state survey of tenant protection laws and publish results.
- Study will identify gaps between state tenant protections and Duty to Serve tenant protections.

Freddie Mac proposes a Concept Score of 50 for these activities.

2.4.2 Objective B: Develop a Pilot Offering For Borrowers Who Implement Qualifying Tenant Protections

Freddie Mac observes that a market for MHCs with the full complement of Duty to Serve-compliant tenant protections does not yet exist, and the development of a pilot offering will have a meaningful impact on this market. Success will be in the form of the lessons learned and shared with the market, not necessarily in resulting purchases.

Freddie Mac proposes that in 2019 it will:

- Publish a term sheet for a pilot offering that recognizes borrowers who adopt the full complement of Duty to Serve -compliant tenant protections through state law, voluntary adjustments to their leases or a combination of the two, and distribute to one or more lenders engaged in the pilot
- Publish a product term sheet and internal policy guidelines for a pilot offering Term sheet will contain at least the following elements:
    - Product overview and loan purpose
    - Borrower and/or property eligibility requirements
    - Loan-to-Value limits
    - Debt Coverage limits
    - Allowable lengths of loan term

  - Allowable lengths of amortization
  - Engage one or more lenders to test and refine the pilot offering, which may include loan purchases

Freddie Mac proposes a Concept Score of 50 for these activities.

Freddie Mac proposes that in 2020 it will:

- Publish lessons learned from our pilot and, depending on these results, seek market guidance on what is required for this market to develop.

Freddie Mac proposes a Concept Score of 50 for these activities.

3. Fannie Mae's Proposed Plan

Over the next three years, Fannie Mae proposes to expand its support for the manufactured housing market in the following ways:

3.1 Regulatory Activity: Manufactured Homes Titled As Real Property (12 C.F.R. § 1282.33(c)(1))

3.1.1 Objective #1: Conduct outreach and market research through engagements with lenders and cross-functional industry representatives to identify and analyze market challenges, provide information about lending products, facilitate the delivery of loans, and maintain a communication feedback loop to facilitate a continuous improvement process.

Fannie Mae will undertake the following measurable actions in each of Year One, Year Two, and Year Three of the Plan.

- Host one manufactured housing roundtable with cross-functional industry representation.
- Participate in two key industry conferences.
- Produce and distribute one set of educational materials that provide information about Fannie Mae's manufactured housing loan products.
- Assist lenders in meeting manufactured loan delivery requirements by:
  - Engaging 25 Fannie Mae lenders.
  - Hosting two lender webinars.

<u>Income Levels</u>

For all years of the Plan, this Objective will serve very low-, low-, and moderate-income families.

<u>Evaluation Factors</u>

Year One: Outreach

Year Two: Outreach

Year Three: Outreach

<u>Proposed Concept Score for each Year</u>: 30

Foundation for Future Impact: This Objective is a critical component of Fannie Mae's overall strategy to increase liquidity within the Manufactured Housing Market through Objective #2: Increase access to Fannie Mae financing by continuing to develop loan products and flexible underwriting guidelines that facilitate a secondary market of manufactured housing loans eligible for sale to Fannie Mae, while maintaining appropriate risk controls.

3.1.2 Objective #2: Increase access to Fannie Mae financing by continuing to develop loan products and flexible underwriting guidelines that facilitate a secondary market of manufactured housing loans eligible for sale to Fannie Mae, while maintaining appropriate risk controls

Fannie Mae proposes to undertake the following measurable actions in each of Year One, Year Two, and Year Three of the Plan.

- Revise one or more terms (i.e., create a variance) for Fannie Mae manufactured housing loan products to facilitate purchase.
- Engage five Fannie Mae lenders to discuss opportunities and challenges to sell variance program loans to Fannie Mae.
- Issue one or more variances to select lenders.
- In Q4 of each Year, conduct one economic and operational impact analysis to determine ongoing impact of Fannie Mae's purchases of manufactured housing loans under the variance terms.

Income Levels

For all years of the Plan, this Objective will serve very low-, low-, and moderate-income families.

Evaluation Factors

Year One: Loan Product

Year Two: Loan Product

Year Three: Loan Product

Proposed Concept Score for each Year: 40

3.1.3 Objective #3: Develop an enhanced manufactured housing loan product, MH Select™, to increase purchases of loans of manufactured housing titled as real estate and purchase such loans.

The MH Select product is consistent with Fannie Mae's strategy to promote industry and market acceptance of modern, high-quality manufactured housing built to specific standards, and with certain features (e.g. garages, pitched roofs, porches) as a viable more affordable alternative to site-built homes. It will serve moderate income borrowers.

Fannie Mae proposes to undertake the following measurable actions in the three Years of the Plan.

In Year One of the Plan, Fannie Mae proposes to:

- Create one set of product terms for MH Select.

- Conduct and document one economic and operational impact analysis to determine feasibility of Fannie Mae purchase of manufactured housing loans under the product terms.
- Engage five Fannie Mae lenders to discuss opportunities and challenges to sell MH Select loans to Fannie Mae.
- Issue one or more MH Select variances to select lenders, or publish one set of MH Select product terms in the Fannie Mae Selling Guide.

In each of Year Two and Year Three of the Plan, Fannie Mae proposes to:

- Purchase between 250 and 750 MH Select loans.

Income Levels

For all years of the Plan, this Objective will serve very low-, low-, and moderate-income families.

Evaluation Factors

Year One: Loan Product

Year Two: Loan Purchase

Year Three: Loan Purchase

Proposed Concept Score for each Year: 40.

Achieving the loan purchase goals of Year Two and Three results in an estimated $50 to $100 million of incremental financing provided to underserved segments of the Manufactured Housing Market.

3.1.4 Objective #4: Increase the purchase volume of conventional manufactured housing loans secured by real estate each year of the Plan.

Fannie Mae proposes to undertake the following measurable actions in the three Years of the Plan.

In Year One of the Plan, Fannie Mae proposes to:

- Purchase between 8,250 and 8,500 conventional manufactured housing loans.[9]

In Year Two of the Plan, Fannie Mae proposes to:

- Purchase between 8,500 and 8,750 conventional manufactured housing loans.

In Year Three of the Plan, Fannie Mae proposes to:

[9] Baseline: Based on an average of the number of manufactured housing loans purchased by Fannie Mae over the last three years (2014, 7,806; 2015, 7,749; 2016, 8,655), the Baseline for these purchases is 8,070 loans.

- Purchase between 10,000 and 10,500 conventional manufactured housing loans.

Loan volume increases may include loans in high-needs rural regions or for high-needs rural populations and may include loans from small financial institutions.

<u>Income Levels</u>

For all years of the Plan, this Objective will serve very low-, low-, and moderate-income families.

<u>Evaluation Factors</u>

Year One: Loan Purchase   Year Two: Loan Purchase   Year Three: Loan Purchase

<u>Proposed Concept Score for each year</u>: 50.

<u>Direct Impact</u>: The output of this Objective has significant impact in providing liquidity to the market, estimated as follows: Over the three year Plan, an additional 2,540 to 3.540 loans will be purchased which equals an estimated additional $305 million to $425 million of liquidity, over the Baseline for the Manufactured Housing Market.

3.1.5 Objective #5: Promote transparency of manufactured housing loan performance by creating and distributing an analysis of Fannie Mae's manufactured housing loan portfolio.

Fannie Mae proposes to undertake the following measurable actions in Year Two and Year Three of the Plan.

In Year Two of the Plan, Fannie Mae proposes to:

- Publish the results of Fannie Mae's analysis of its manufactured housing portfolio before the end of Q3.

In Year Three of the Plan, Fannie Mae proposes to:

- Publish an update of Fannie Mae's analysis of its manufactured housing portfolio before the end of Q3.

The ultimate opportunity available in this market is to finance an increased number and types of manufactured housing mortgages secured by real estate, and this Objective will contribute to that end. The results to be published will report on issues related to the safety and soundness of Fannie Mae's acquisitions.

Fannie Mae will incorporate reporting into outreach activities as outlined in Objectives #2 and #3.

<u>Income Levels</u>

For Year Two and Year Three of the Plan, this Objective will serve very low-, low-, and moderate-income families.

Evaluation Factors

Year One: Not applicable Year Two: Outreach Year Three: Outreach

Proposed Concept Score for Each Year: 30

Foundation for Future Impact: The output of this Objective is essential to increasing access to credit through product enhancement activities as described in Objectives #2 and #3. This

3.2 Regulatory Activity: Chattel. Loans on manufactured homes titled as personal property (12 C.F.R. § 1282.33(c)(2)).

3.2.1 Objective #1: Conduct outreach and market research through engagements with lenders and cross-functional industry representatives to support development of a chattel loan pilot.

Fannie Mae proposes to undertake the following measurable actions in each of Year One, Year Two, and Year Three of the Plan.

- Host two manufactured housing advisory board meetings with representation from the chattel manufactured housing industry.
- Participate in:
    - Two key industry conferences;
    - Two regional conferences serving different geographic areas; and
    - One manufactured home show.
- Engage a total of five single-family and multifamily lenders to identify challenges and potential solutions to creating a chattel secondary market.

To participate in this market, Fannie Mae's strategy is to conduct outreach to understand all aspects of chattel lending from origination practices to loan servicing, loss mitigation, and property disposition. Furthermore, Fannie Mae must establish advisors who currently participate in chattel financing and may provide valuable insights into the challenges and successes within the market. Taking such steps are prerequisites to being able to determine whether Fannie Mae may participate in this market, consistent with notions of safety and soundness.

Income Levels

For all years of the Plan, this Objective will serve very low-, low-, and moderate-income families.

Evaluation Factors

Year One: Outreach

Year Two: Outreach

Year Three: Outreach

Proposed Concept Score for each Year: 30

3.2.2 Objective #2: Acquire chattel data from multiple sources to inform development of a chattel pilot, aggregate information acquired, and distribute findings.

Fannie Mae proposes to undertake the following measurable actions in Year One of the Plan.

- Acquire industry chattel data and information essential to the development of a chattel pilot such as:
- Chattel loan origination, performance and loss severity data from lenders, servicers, FHA Title I, and other government programs.
- Chattel valuation and appraisal data; including homes in communities and on private land.
- Chattel lending underwriting guidelines, servicing and disposition best practices and policies, and investor reporting requirements.
- State and local titling, insurance, disposition, and decommissioning requirements.
- Structures to reduce economic risk to Fannie Mae.
- Conduct and document one analysis that reflects a full understanding of the legal differences between chattel and real property secured manufactured homes (e.g., disclosures, State titling requirements, and investor responsibility and liability).
- Publicize key findings to promote industry awareness and inform future research.

The strategy for the Objective is to establish the foundation of knowledge which clarifies the gaps that exist between the chattel market and the conventional manufactured housing mortgage market. In conjunction with Objective #1, it creates the opportunity to standardize data, guidelines, policies, and best practices.

Despite the limited availability of data, Fannie Mae will seek out data from industry sources willing to share, leverage the information obtained by the FHFA Request for Information, and rely on insights, collaboration and feedback obtained in Objective #1 as part of its analysis.

Income Levels

For Year One of the Plan, this Objective will serve very low-, low-, and moderate-income families.

Evaluation Factors

Year One: Outreach   Year Two: Not applicable   Year Three: Not applicable

Proposed Concept Score for each year: 40.

3.2.3 Objective #3: Establish a chattel loan pilot by securing approval from FHFA to place chattel loans in our portfolio, putting underwriting policies and credit standards in place to acquire chattel loans in a safe and sound manner, purchasing chattel loans, and developing securitization structures to attract private capital.

Pursuant to FHFA's proposed Evaluation Guidance, Fannie Mae seeks extra credit for this Objective.

Fannie Mae proposes to undertake the following measurable actions in the three Years of the Plan to create a chattel pilot.

In Year One of the Plan, Fannie Mae proposes to:

- Pursue internal approval to purchase chattel loans.
- Pursue FHFA approval for the purchase of chattel loans, which are illiquid assets and may remain on Fannie Mae's balance sheet for the life of the loans.
- Assuming internal approval and approval from FHFA, prepare one set of credit and servicing policies and standards to acquire chattel loans in a safe and sound manner.

Subject to internal and FHFA approval, in each of Year Two and Year Three of the Plan, Fannie Mae proposes to:

- Purchase between 350 and 425 chattel loans per year (about \$20 to \$25 million)[10] to understand impact to existing policies, standards and processes, and develop solutions in a safe and sound manner.
- Identify and document three possible chattel securitization structures that effectively build liquidity and attract private capital participation with transparency to the industry.
- Engage four potential investors to obtain feedback on proposed structures.

This Objective is consistent with Fannie Mae's strategy of directly increasing liquidity to the chattel market through purchase of chattel loans through bulk transactions. Fannie Mae's strategy in purchasing these loans is to enhance Fannie Mae's opportunities to assess chattel loan performance and appropriately model risk to support development of a chattel loan product. Extensive and thorough analysis of the subject chattel loan portfolios, consistent with notions of safety and soundness, will be completed prior to the purchase of the chattel loans. Fannie Mae has significant experience purchasing loans, including loans of types with which it has limited experience, and analyzing those loans prior to making such purchases.

---

[10] Baseline: Fannie Mae has previously purchased chattel loans, but has not made any purchases of chattel loans in the last three years.

<u>Income Levels</u>

For all years of the Plan, this Objective will serve very low-, low-, and moderate-income families.

<u>Evaluation Factors</u>

Year One: Loan Product Year Two: Loan Purchase Year Three: Loan Purchase

<u>Proposed Concept Score for each Year</u>: 50

Direct Impact: The Objective establishes the credit criteria and servicing standards for Fannie Mae to participate appropriately and attract private capital to the chattel market and provides direct liquidity of up to $50 million to the chattel market. The acquisition of chattel loans is essential in determining impacts to Fannie Mae infrastructure and processes as part of a comprehensive assessment of a potential chattel pilot. Acquisition of chattel loans will also provide Fannie Mae direct and fully transparent access to chattel loan performance and servicing, which will inform chattel product development efforts and will supplement the information and data to be publicized.

3.3 Regulatory Activity: Manufactured housing communities (MHC) owned by a governmental entity, non-profit organization, or residents (12 C.F.R. § 1282.33(c)(3)).

3.3.1 Objective #1: Conduct outreach to and research of MHC owned by governmental entities, non-profits, and residents to determine market opportunities for product enhancement that will result in increased loan purchases of mortgage loans secured by MHC with the identified ownership

Fannie Mae proposes to undertake the following measurable actions in each of Year One, Year Two, and Year Three of the Plan.

- Research the MHC market to determine how many MHC have the identified owners and how much opportunity there is in the market, including:
  - Meeting with three governmental entities that own or have considered MHC ownership.
  - Meeting with three non-profit entities that own or have considered MHC ownership.
  - Meeting with four entities that have a significant focus on resident-owned MHC.
  - Meeting with four Fannie Mae lenders that have significant involvement with MHC financing.
  - Participating in two key industry conferences.

- Hosting two manufactured housing roundtables with cross-functional industry representation.

- Use the ongoing outreach and research to inform the other Objectives, and to ensure continuous improvement opportunities.

This outreach and research will address how loans with the identified ownership may be purchased consistent with notions of safety and soundness.

Income Levels

For all Years of the Plan, this Objective will serve very low-, low-, and moderate-income families.

Evaluation Factors

Year One: Outreach Year Two: Outreach Year Three: Outreach

Proposed Concept Score for each Year: 30

3.3.2 Objective #2: Conduct a review of existing MHC loan product guidelines and, based on market research and outreach, consider and approve product enhancements that would facilitate an increase in loan purchases of mortgage loans secured by MHC owned by governmental entities and non-profit organizations, and purchase an increased number of mortgages secured by MHC owned by governmental entities or non-profit organizations.

In Year One of the Plan, Fannie Mae proposes to:

- Review research and outreach results from Objective #1 on a quarterly basis (i.e., four times) and consider potential changes to our underwriting guidelines and credit standards that could result in an increase in mortgage loan purchases.
- Review, approve, and distribute one to three changes in the form of a lender letter, change to the Multifamily Selling and Servicing Guide, or other communication to lenders revising, supplementing, or clarifying our underwriting guidelines for MHC in a way designed to facilitate an increase in MHC loan purchases consistent with notions of safety and soundness.
- Educate four lenders on approved changes.

In Year Two of the Plan, Fannie Mae proposes to:

- Purchase mortgage loans secured by MHC owned by governmental entities and/or non-profits for a total of between 200 and 300 units of MH.[11]

---

[11] Baseline: Fannie Mae has financed one MHC owned by a non-profit and zero MHC owned by a governmental entity in the past three years.

- Continue to review research and outreach results from Objective #1 on a quarterly basis.

In Year Three of the Plan, Fannie Mae proposes to:

- Purchase mortgage loans secured by MHC owned by governmental entities and/or non-profits for a total of between 200 and 300 units of manufactured housing.
- Continue to review research and outreach results from Objective #1 on a quarterly basis.
- Establish and document goals for the 2021 – 2023 Plan.

One of the actions associated with Objective #1 and this Objective is to develop and utilize data.

All changes in underwriting guidelines or credit standards will be supported by thorough economic, risk, and operational analyses, will be subject to Fannie Mae's governance and approval processes, and will only be made consistent with safety and soundness concerns.

<u>Income Levels</u>

For all years of the Plan, this Objective will serve very low-, low-, and moderate-income families.

<u>Evaluation Factors</u>

Year One: Loan Product   Year Two: Loan Purchase   Year Three: Loan Purchase

<u>Proposed Concept Score for each Year</u>: 40

3.3.3 Objective #3: Design and conduct a pilot program with resident-owned MHC stakeholder organization to increase liquidity and test possible roles for Fannie Mae.

Fannie Mae proposes to undertake the following measurable actions in the three Years of the Plan.

In Year One of the Plan, Fannie Mae proposes to:

- Review research and outreach results from Objective #1 on a quarterly basis and consider implications for the development of a pilot program to increase liquidity to resident-owned MHC.
- Approve one pilot program that will test potential roles for Fannie Mae.
- Create one implementation plan for the pilot with the goal of beginning the pilot in Year Two, including determining appropriate underwriting guidelines and credit standards for the pilot program, as well as factors for assessing the pilot.

In Year Two of the Plan, Fannie Mae proposes to:

- Implement one pilot program and purchase at least five loans on MHC with resident owners.[12]
- Conduct and document quarterly reviews on the progress of the pilot program.
- In Q4 of Year Two, conduct and document one review utilizing ongoing research and outreach (Objective #1) to determine what, if any, changes to the pilot should be approved for Year Three activities.

In Year Three of the Plan, Fannie Mae will:

- Continue the pilot program and purchase at least seven loans on MHC with resident owners.
- In Q2, design one presentation format for pilot program results.
- In Q3, create one document reflecting the assessment of results and/or learnings from the pilot program and make recommendations for financing resident-owned MHC.
- In Q4, create one document responding to recommendations made regarding the pilot program with respect to Fannie Mae's role(s) in the resident-owned MHC market.

One of the actions associated with Objective #1 and this Objective is to develop and utilize data.

All changes in underwriting guidelines or credit standards will be supported by thorough economic, risk, and operational analyses, will be subject to Fannie Mae's governance and approval processes, and will only be made consistent with safety and soundness concerns.

Results from the pilot program will be utilized to, consistent with notions of safety and soundness, revise Fannie Mae's MHC guidelines so as to increase liquidity to the market for resident-owned MHC.

Income Levels

For all years of the Plan, this Objective will serve very low-, low-, and moderate-income families.

Evaluation Factors

Year One: Loan Product

Year Two: Loan Purchase

Year Three: Loan Purchase

Proposed Concept Score for each Year: 50

[12] Baseline: Zero. Fannie Mae has not purchased any MHC of this ownership type.

3.3.4 Objective #4: Research, prepare, and publish one white paper based on Fannie Mae's experiences with MHC of the identified ownership types to educate financial institutions and MHC stakeholders on best practices for underwriting, investing in, and managing these assets.

Fannie Mae proposes to undertake the following measurable actions in Year Two and Year Three of the Plan.

In Year Two of the Plan, to draw attention to affordable housing issues and potential solutions, Fannie Mae proposes to:

- Establish and document a work-plan that will result in completion of a white paper by the end of Year Three of the Plan.

In Year Three of the Plan, Fannie Mae proposes to

- Publish the white paper.

Proposed Concept Score for each year: 50.

3.3.5 Objective #5: Establish a pilot program for potential entity level investments in non-profit organizations, Community Development Financial Institutions (CDFI), small financial institutions or other entities that have a major focus on MHC owned by a governmental entity, a non-profit organization, or residents.

Fannie Mae proposes to undertake the following measurable actions in Year One and Year Two of the Plan.

In Year One of the Plan, Fannie Mae proposes to:

- Design one pilot investment program, including review and addressing:
  - One to five potential investment types.
  - Investment underwriting.
  - Approval process.
  - Maximum portfolio capacity.
  - Asset management.
  - Reporting.
  - Performance measures – traditional financial as well as impact performance.
- Attain preliminary internal approval for proposed pilot program.
- Submit pilot program to FHFA for review.

- If the pilot program complies with Fannie Mae's Charter Act and receives approval from FHFA, process the proposed investment(s) through Fannie Mae's internal product development process.
- Close the investments that have been approved internally and received FHFA's approval.[13]

In Year Two of the Plan, Fannie Mae:

- Based on the experience in Year One, revise pilot program and seek FHFA non-objection.

Income Levels

For Year One and Year Two, this Objective will serve very low-, low-, and moderate-income families.

Evaluation Factors

Year One: Investment

Year Two: Investment

Year Three: Not applicable

Proposed Concept Score for each Year: 50

Direct Impact: Investing in CDFI or similar organizations that have a strong focus on manufactured housing of this ownership type would leverage significant additional capital that would support the need for more liquidity in these submarkets.

3.4 Regulatory Activity: MHC with certain pad lease protections

3.4.1 Objective #1: Conduct research and outreach to determine market use and potential acceptance by MHC owners of FHFA's proposed minimum tenant pad lease protections (FHFA Pad Requirements), approve and market at least one enhancement to Fannie Mae's MHC product that will encourage adoption of the FHFA Pad Requirements, and acquire loans subject to the FHFA Pad Requirements.

Pursuant to FHFA's proposed Evaluation Guidance, Fannie Mae seeks extra credit for this Regulatory Activity.

In Year One of the Plan, Fannie Mae proposes to:

- Research the laws to determine which States or localities with significant MHC require, in whole or in substantial part, pad lease protections that meet FHFA Pad Requirements.

[13] Baseline: No investments of this nature have been made by Fannie Mae in the past three years.

- Conduct outreach to three organizations, five states, five MHC owners, and four lenders to better understand the market opportunities for financing MHC that meet FHFA Pad Requirements.
- Identify, review, and approve at least one product enhancement for lenders and/or MHC owners that would increase loan purchases secured by MHC that meet FHFA Pad Requirements.

In Year Two of the Plan, Fannie Mae proposes to:

- Market the product enhancement approved in Year One to five MHC owners and three MHC lenders for MHC owners to adopt FHFA Pad Requirements.

In Year Three of the Plan, Fannie Mae proposes to:

- Finance at least 250 MHC units subject to FHFA Pad Requirements.[14]
- Establish loan purchase goals for MHC subject to FHFA Pad Requirements for the 2021 – 2023 Plan.

Based on Fannie Mae's initial research, there are no States or localities that require all or substantially all of the FHFA Pad Requirements. By conducting research and outreach to both its current and new MHC stakeholders, Fannie Mae could facilitate a greater understanding of the FHFA Pad Requirements and identify opportunities to incent developers, States, localities, and MHC owners to establish such protections where they are not required to do so.[15]

<u>Income Levels</u>

For the three years of the Plan, this Objective will serve very low-, low-, and moderate-income families.

<u>Evaluation Factors</u>

Year One: Loan Product

Year Two: Loan Product

Year Three: Loan Purchase

<u>Proposed Concept Score for each Year</u>: 40

4. Gratuitous Observations

- As can be seen in each chart in Section 1 of this Memo, in the Columns labeled "Loan Purchase Impact", Chattel Loan purchases will be minimal: Freddie Mac offers no

---

[14] Baseline: Fannie Mae has not purchased any MHC subject to FHFA Pad Requirements, thus it is unable to establish a Baseline.

[15] Fannie Mae DTP Plan (May 8, 2017), page 46

specific figures, and Fannie Mae's projected purchases top out at $50 Million. These amounts are far from impactful.

- MHI has significant concerns that an over-reliance on the grading system, combined with a wide range of actions that the Enterprises can take to receive credit, might produce scores that technically result in a passing grade – while the overall Enterprise impact on making manufactured housing less of an Underserved Market could be minimal or non-existent.
- Specifically, for manufactured housing, while research, meetings, internal contemplation and other "soft" activities may be valid in the first year of a Plan, it is essential that the evaluation in subsequent years be based on tangible activities and impact, including: (a) loan purchases, (b) an increased number of participating seller-servicers, (c) development of new or more flexible loan products, and/or (d) progress in developing a secondary market for chattel loans.
- Freddie Mac generously gives itself a Concept Score of 50 for every proposed Objective. Fannie Mae is more circumspect.