



Community Development Bankers Association



July 2018

AGENDA

I. Program Background

- a) Program Overview
- b) Underserved Markets Plan Structure
- c) Evaluation Process
- d) Program Timeline

II. Program Status

- a) 2018 Key Milestones
- b) Current Workstreams

DUTY TO SERVE: OVERVIEW

- Under the Housing and Economic Recovery Act of 2008, Fannie Mae and Freddie Mac have a Duty to Serve three underserved markets – manufactured housing, affordable housing preservation, and rural housing – in a safe and sound manner for residential properties that serve very low-, low-, and moderate-income families.
- After issuing a proposed rule in December 2015, FHFA issued a final rule on December 13, 2016 to implement the Duty to Serve requirements.
- FHFA’s final rule requires the Enterprises to develop three-year Underserved Markets Plans.
- In 2017, both Enterprises proposed their first Plans in the spring, took public input and revised their Plans. FHFA non-objected to the Plans in December. Plan implementation commenced January 1, 2018.
- Each Enterprise will submit its final report for 2018 by March, 2019.

PROGRAM OVERVIEW

KEY MILESTONES OF THE DUTY TO SERVE PROCESS



MENU OF ACTIVITIES

Activities	Manufactured housing	Affordable housing preservation	Rural housing
Statutory Activities	None.	<ul style="list-style-type: none"> • Section 8 • Section 236 • Section 221(d)(4) • Section 202 • Section 811 • Homelessness assistance • Section 515 • LIHTC-debt • Comparable state and local programs 	None.
Regulatory Activities	<ol style="list-style-type: none"> 1. Manufactured homes titled as real-estate 2. Manufactured homes titled as personal property 3. Manufactured housing communities owned by government instrumentalities, nonprofits, or residents 4. Manufactured housing communities with specified tenant pad lease protections 	<ol style="list-style-type: none"> 1. Small multifamily rental properties financing 2. Multifamily energy or water efficiency improvements financing 3. Single-family energy or water efficiency improvements financing 4. Affordable homeownership preservation 5. HUD'S Choice Neighborhoods Initiative 6. HUD's Rental Assistance Demonstration 7. Purchase and rehabilitation financing of distressed properties 	<ol style="list-style-type: none"> 1. Housing in high-needs rural regions 2. Housing for high-needs rural populations 3. Rural small financial institution financing of rural housing 4. Rural small multifamily rental properties
Additional Activities	The Enterprises may propose Additional Activities for each underserved market.		

EXTRA CREDIT ELIGIBLE ACTIVITIES

Activities	Manufactured housing	Affordable housing preservation	Rural housing
Extra Credit Eligible Activities	<ul style="list-style-type: none"> • Manufactured homes chattel pilot initiative • Manufactured housing communities with tenant pad lease protections that are located in states without comparable consumer protections • Residential economic diversity 	<ul style="list-style-type: none"> • Residential economic diversity 	<ul style="list-style-type: none"> • High-needs rural regions • High-needs rural populations (only very low-income families, income \leq 50 percent of area median income) • Residential economic diversity

UNDERSERVED MARKETS PLAN STRUCTURE

Statutory, Regulatory, or Additional Activity

Objective

Evaluation Area

“SMART” Criteria,
including baseline, if applicable

Information on
impact and **rationale**

EVALUATION PROCESS

The evaluation process:

- Occurs on an annual basis
- Produces a separate rating for each underserved market
- Follows a three-step process

Guiding principles for the evaluation process:

- Establish a rigorous and meaningful evaluation process that holds the Enterprises accountable for performance
- Encourage the Enterprises to undertake impactful objectives and activities
- Make clear to all stakeholders FHFA's expectations for Duty to Serve

EVALUATION PROCESS

Step 1

- **Quantitative assessment**
- Determines pass or fail

Step 2

- **Qualitative assessment**
- Evaluates impact and implementation

Step 3

- **Extra credit**
- Upward adjustment for certain eligible activities

Rating

- **Final rating**
- Fails, Minimally Passing, Low Satisfactory, High Satisfactory, or Exceeds

2018 CRITICAL MILESTONES

Enterprises begin to execute Year 1 of Plans
1/1/18

Enterprises submit Q2 performance report
8/30/18

Enterprises submit Q3 performance report
11/30/18

Enterprises begin to execute Year 2 of Plans
1/1/19



5/31/18

Enterprises submit Q1 performance report

9/30/18

Enterprises submit Plan modification requests

12/15/18

FHFA approval of modified Plans

3/18/19

Enterprises submit Annual Report

Duty to Serve Update

June 10, 2018



Rural Housing Initiatives

Affordable Supply and Renovation of Aging Housing Stock

- HomeStyle Renovation – 97% LTV
- Single Close Construction Loans
- MH Advantage

Flexibility and Affordability

- 4% Interested Party Contribution
- 105% CLTV with Manufactured Housing
- Non-Traditional Forms of Credit and Manual Underwriting
- Sweat Equity and Self Help Programs

Increasing Awareness

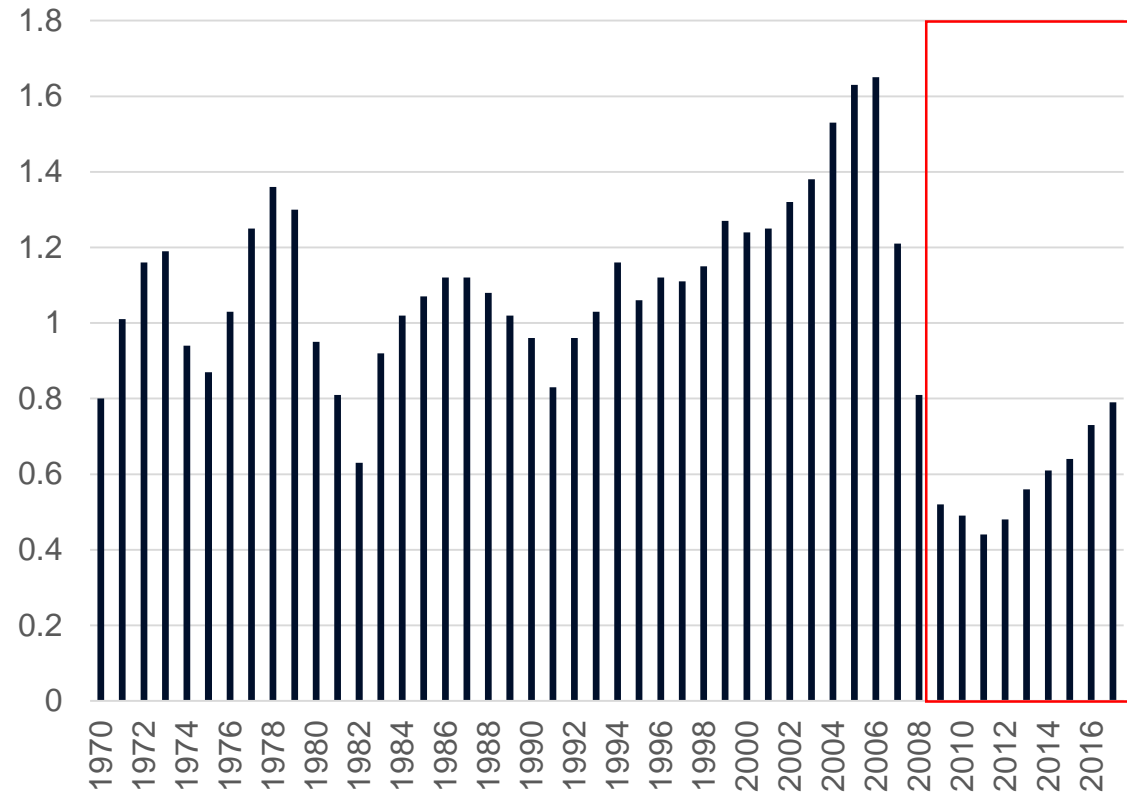
- Analyzing rural property CU data for collateral enhancements
- Hosting webinars to educate rural appraisers
- “Rural” specific section in Fannie Mae’s Appraiser Newsletter
- Supporting and investing in homebuyer education with HFA’s, Small Financial Institutions through Affinity Relations (i.e., The Mortgage Collaborative)



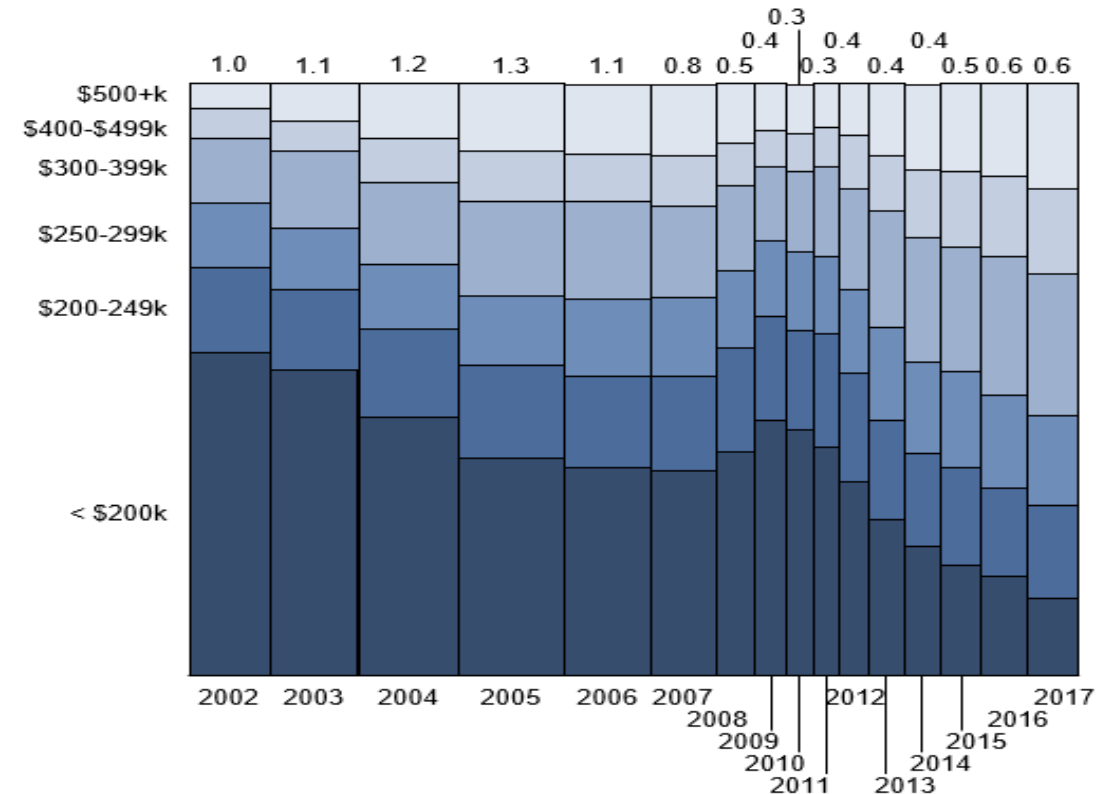
Too many low and mod income homebuyers cannot find an affordable home to purchase.

New home construction continues to lag, and those with prices under \$200k are increasingly rare.

New Privately Owned Housing Units Completed By Year (millions)



New Single Family Houses Sold by Sales Price (US, millions)



Note: houses completed (left) will not match new houses sold (right) Source: US Census

DRAFT AND CONFIDENTIAL

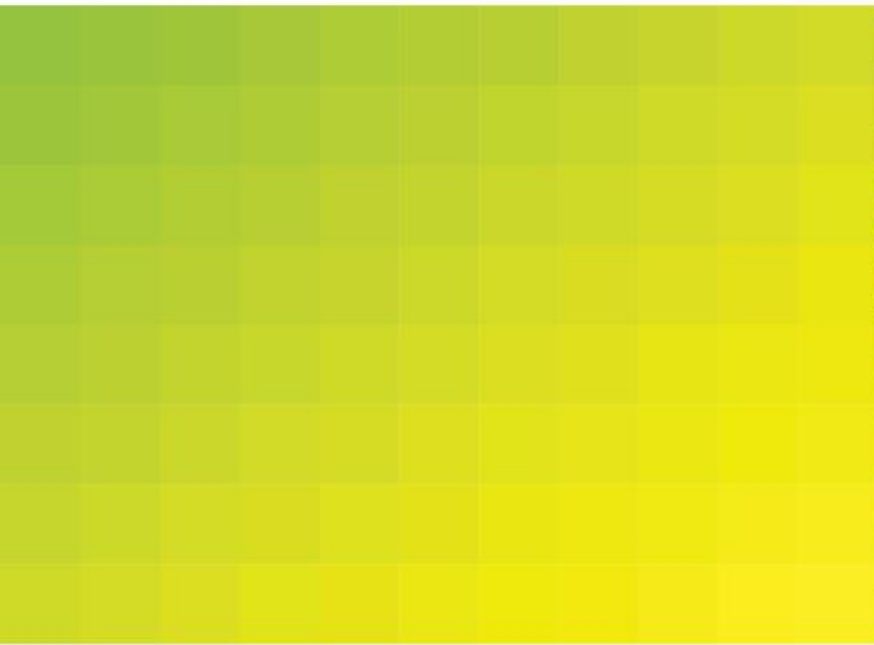
What is MH Advantage?

New affordable financing option for specific manufactured housing having characteristics more typical of site-built homes.

Financing Terms

- 97%/105% LTV/CLTV
- May be combined with HomeReady
- Removal of 50 bps LLPA





Duty To Serve Discussion

Mike Dawson, VP Affordable Lending Strategy and Policy

July 11, 2018

Housing and Economic Recovery Act established for the GSEs the duty to serve very low-, low- & moderate income families in three underserved markets

Manufactured Housing

Titled as:

- Real property – resident finances the unit structure and the land together
- Personal property (chattel) -- resident finances the unit structure without owning the land

Rural Housing

Regions

- Middle Appalachia
- Lower Mississippi Delta,
- Colonias – located in Arizona, California, New Mexico and Texas
- Persistent Poverty Areas

Populations

- Members of a federally recognized Native American tribes
- Agricultural workers

Affordable Housing Preservation

- Financing of single-family **energy efficiency** improvements on first lien mortgages.
- Affordable homeownership preservation through **shared equity** programs administered by nonprofits, or state or local governments.

How we will get there...key tactics

Manufactured Housing

- Promote a greater understanding of the manufactured housing market through research
- Increase purchases of manufactured housing as real property
- Increase borrower access to education and resources
- Provide product flexibilities & innovations to support real property
- Initiate policy changes for manufactured housing as personal property
- Partner with industry leaders to improve product offerings

Rural Housing

- Increase borrower access to education and resources
- Increase technical expertise for lenders and appraisers to increase participation in the market
- Provide product flexibilities & innovations to support market need
- Provide support to the market through research & development of a robust renovation product
- Deepening industry partnerships
- Increase purchases in rural regions & from small financial institutions

Affordable Housing Preservation

- Increase borrower access to education and resources.
- Increase technical expertise for lender and appraisers to increase participation in the market
- Develop valuation guidance and data collection mechanisms to account for energy-efficient property features
- Initiate policy changes for new product features and underwriting flexibilities
- Provide education on shared equity models to lenders
- Conduct energy efficiency and shared equity research to present solutions