



Executive Summary

As a part of the SmartMH program, Next Step will help you expand Freddie Mac eligible manufactured home loans to low- and moderate-income buyers. We are partnering with manufactured housing retailers committed expanding the sale of ENERGY STAR® manufactured homes to better educated and supported homebuyers.

The SmartMH program needs lenders like you – dedicated to making fair and equitable loans and expanding manufactured homeownership opportunities in your community for qualified borrowers. The SmartMH program is a collaborative partnership with Freddie Mac.

Together, we are assembling key stakeholders to produce:

1. A network of lenders, nonprofits, and retailers that lend credibility to manufactured housing as an affordable housing stock and drive manufactured housing market growth as a key

component of the United States housing market.

2. Financially educated and qualified homebuyers.
3. New, energy-efficient factory-built homes.

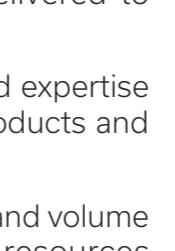
By joining the SmartMH program, you can:

- Reduce credit risk and expand lending with a sellable product delivered to Freddie Mac.
- Gain access to personalized expertise on manufactured home products and lending policies.
- Increase regional outreach and volume by leveraging tools and resources available to SmartMH program participants.
- Increase your pool of qualified loan applicants by referring prospective homebuyers to our factory-built housing

education curriculum on eHome America's online education platform.

- Join a group of lending and banking institutions that are first-movers in a rapidly growing homeownership market.
- Grow your CRA credit by meeting the needs of rural low- and moderate-income borrowers.

To learn more about the program, contact:



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Why Manufactured Housing?

The U.S. homeownership rate is at its lowest point in decades, falling to just 63.4 percent according to the U.S. Census Bureau. This drop has been attributed to a number of factors, but one prevailing issue is a pervasive lack of affordable housing options for many individuals and families.

Manufactured housing serves as a viable option for affordable, sustainable homeownership for hardworking Americans.

Outdated perceptions and stigma – reinforced by popular culture – have held back the potential for manufactured housing as a source of sustainable homeownership opportunity for millions of families.

Advances in the factory-built housing industry, both from a building-science and financial perspective, have made manufactured homes a more appealing homeownership option.

Today's manufactured housing stock marks an incredible shift from the past, with improved building technology, manufacturing processes and regulatory mechanisms combining to create a vastly different landscape for manufactured housing.

Today's manufactured homes present customizable, energy-efficient and affordable options across many demographics of potential homebuyers.

Modern manufactured homes present many advantages for the buyer. Shorter construction times, increased customization and greater control over costs.

The SmartMH program seeks to leverage the benefits of manufactured housing outlined above in order to create affordable, sustainable homeownership opportunities

How does it work?

The SmartMH program seeks to help individuals and families who want to successfully finance, purchase and own a new, energy-efficient manufactured home, expanding opportunity for sustainable homeownership.

We're taking individuals currently unable to purchase a home, and working to make them "mortgage-ready" buyers of manufactured homes.

Partnering with Freddie Mac and eHome America – a premier online homebuyer education platform – the SmartMH program builds on Next Step's decade-long mission to put sustainable homeownership within reach of everyone, while transforming the manufactured housing industry through consumer education, affordability and energy-efficiency.

Starting as a pilot program in Kentucky, the goal of this program is three-fold:

1. Create and implement a consumer education curriculum for buyers of manufactured homes through eHome America, with the goal of expanding the population of prepared homebuyers.
2. Work with nonprofit housing counseling agencies in Kentucky to provide prospective buyers to guide them through the home buying process.
3. Expand the number of lenders that originate real property loans on ENERGY STAR® manufactured homes, allowing greater access to more lenders and fair lending products.

The SmartMH program is expected to be scaled nationwide and fully implemented over five years by the end of 2023.

The program brings together key stakeholders – manufactured home retailers, lending institutions and nonprofit housing counseling organizations – that work

collaboratively to connect educated homebuyers with financial institutions and manufactured home retailers to increase access to ENERGY STAR® manufactured homes with quality mortgage financing.

As potential customers begin the process of shopping for a new manufactured home, they will most often start by visiting a manufactured home retail center. As they work with a dedicated sales professional, many that want to buy a home may learn that they are not currently in a financial position to make a purchase.

Our SmartMH retail partners encourage those customers that are unable to purchase a home presently that there is still opportunity. A salesperson provides take-home material and information about how to get involved with the SmartMH program, with the goal of a buyer being able to come back to the home market pre-approved by a lender.

Potential customers then call a dedicated call center, and are connected to InCharge Debt Solutions – one of 13 Freddie Mac



Borrower Help Centers – where they work closely with individuals and families to get them ready to successfully finance, purchase and own their own home. As a part of this engagement, counselors also administer a homebuyer education course specific to factory-built housing – free of charge to the customer – available in both English and Spanish language.

Customers are then connected with a dedicated HUD-certified housing counseling agency, where professional counselors work

Finally, customers visit a SmartMH lender to get pre-qualified for a mortgage loan for a new manufactured home, prior to returning to a retail sales center to purchase their home.



What is the process for homebuyers?

1

CALL 1-844-MHTODAY

The lessons you learn throughout your SmartMH homebuying experience will help you strengthen your credit, buy smart and save you money.

2

MAKE YOUR ACTION PLAN

Work with your homebuyer coach to create your personalized action plan for homeownership success. Learn what programs are available for homebuyer education, down payment assistance and financing options.

3

SHOP FOR A HOME

After working with your homebuyer coach, talk to a lender about getting pre-approved for a loan and then visit a manufactured home retailer to shop for the right home for you and your family.

4

OWN YOUR HOME

Enjoy the benefits of owning your own modern and energy-efficient home, saving money on monthly utility costs and building more equity in your home.

How do I join?

SmartMH is a direct market intervention – in partnership with Freddie Mac – to expand access to mortgage capital for manufactured home buyers, who need to be prepared and supported in their home purchase and, ultimately, their homeownership success. Our SmartMH members are first-movers in a rapidly expanding market, investing in a growing pipeline of manufactured home buyers.

By joining SmartMH, you have the opportunity to generate more business and build a stronger market for manufactured home sales and financing. SmartMH members are leaders in the movement to provide greater – and sustainable – homeownership opportunities for more families.

SmartMH lenders making mortgage loans will not only have access to this pool of borrowers, but also offer an alternative to the chattel loan market for manufactured homes – representing a nearly \$23 billion market over the next five years.

The current manufactured housing market represents a source of significant recoverable loan volume, and increased home sales.

SMARTMH LENDERS:

SmartMH lenders include national, regional and community banks, as well as mortgage lenders, credit unions, and specialized manufactured housing lenders. As a part of SmartMH, you will have the opportunity to:

- ☐ Expand purchase business by increasing availability and speed to market for new energy-efficient, affordable manufactured housing.
- ☐ Grow customer referrals through exclusive access to a referral system with local retailers.
- ☐ Increase pool of qualified loan applicants through exclusive access to a referral system for counseling and manufactured housing homebuyer education with a premier online platform, eHome America.
- ☐ Receive personalized onboarding and in-person training for lending staff, as well as introductions to retailers in the local market.
- ☐ Organically grow Community Reinvestment Act (CRA) credit for meeting the credit needs of rural and low- and moderate-income borrowers, and gain an opportunity to provide a program investment that qualifies for CRA credit.
- ☐ Reduce credit risk and expand lending with a sellable product delivered to Freddie Mac, allowing for secure investments in the secondary market.
- ☐ Increase regional outreach and volume by leveraging SmartMH branding and marketing materials, being linked on the

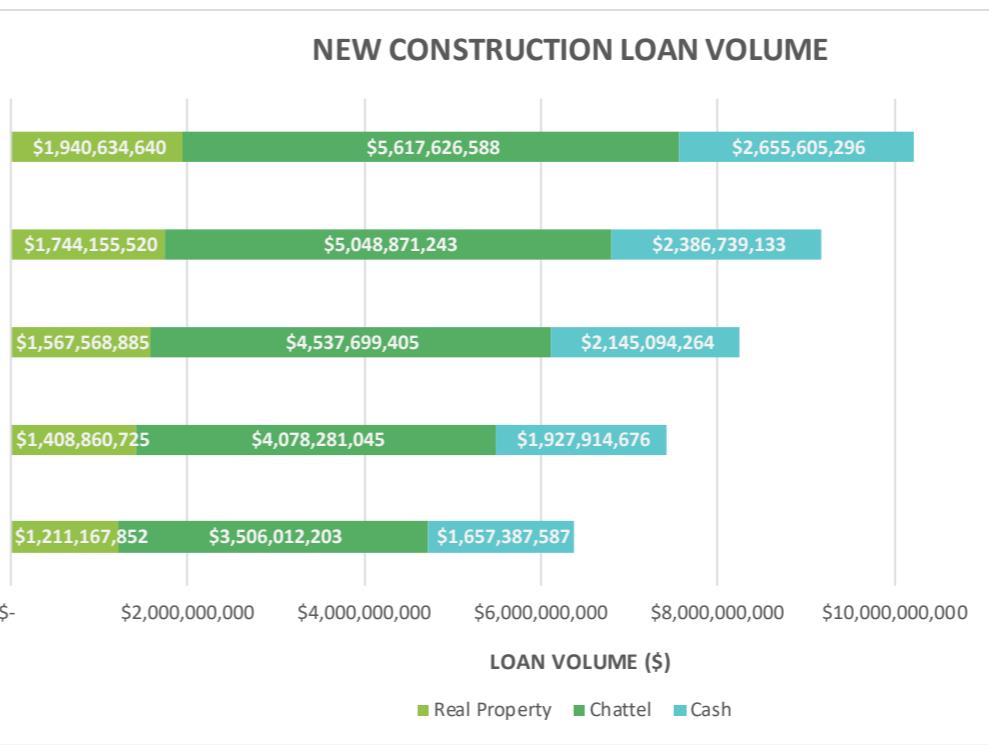
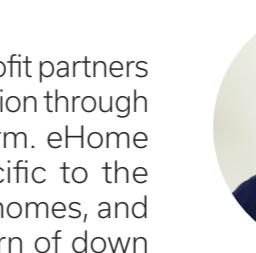


Figure 1. New Construction Loan Volume (from 2016 - 2017)

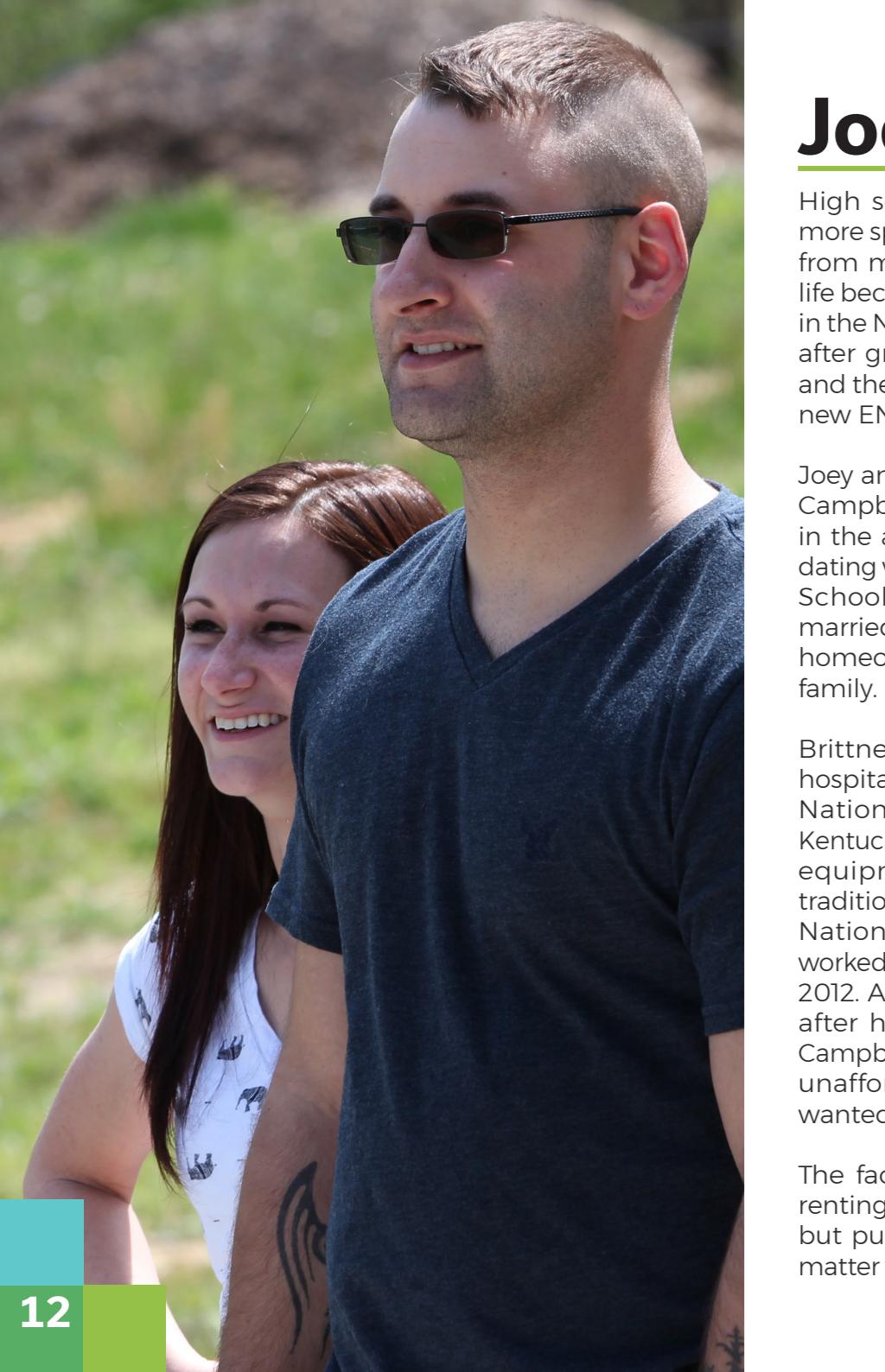
SMARTMH NONPROFIT COUNSELORS:

As a part of SmartMH, you will gain specialized knowledge in manufactured home purchase, finance and maintenance support for homebuyers – supported by Freddie Mac. SmartMH nonprofit counseling organizations gain access to the factory-built homebuyer education course on the eHome America platform, and Next Step will train and certify counselors to deliver consistent, quality homebuyer support for manufactured housing.

All partners within the SmartMH Network are featured on the program webpage – www.nextstepus.org/find-a-member



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Joey & Brittney Jones

High school sweethearts that needed more space, Joey and Brittney both come from military families. They met early in life because their parents served together in the National Guard, and married shortly after graduating high school. Now they, and their many pets, are enjoying a brand new ENERGY STAR home.

Joey and Brittney Jones both grew up in Campbellsville, Kentucky, and have lived in the area their entire lives. They began dating while attending Taylor County High School. The high school sweethearts married shortly after graduating and set homeownership as a goal for their new family.

Brittney is a housekeeper with a local hospital, while Joey works at the Boone National Guard Center in Frankfort, Kentucky, repairing and inspecting military equipment. Following in the family tradition, Joey has been a Sergeant in the National Guard since 2008, and has worked at the National Guard Center since 2012. As they began working during and after high school, they rented all over Campbellsville. Unsurprisingly, renting was unaffordable in the long term if they wanted to own their own home.

The fact that they were losing money renting was not lost on Joey and Brittney, but purchasing a home is expensive no matter which way you approach it. In order

to achieve their goal of homeownership, they made some sacrifices. For a year and a half they lived with Brittney's parents in order to save money to purchase a home.

While exploring their options for homeownership they found a number of options, both site-built and manufactured. One place they kept coming back to was Goff Homes, also in Campbellsville. After speaking with owner Eddie Goff, they realized that with their budget a manufactured home would not only be more affordable, but that they would also get more for their money.

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Upon finally deciding to buy, they were introduced to Darrell Overstreet with Key Mortgage, a SmartMH partner in Columbia, Kentucky, who informed them about the ENERGY STAR upgrade program. It seemed simple to Joey and Brittney—get a better home and save money at the same time! With expected utility savings of \$66 a month, this home is going to save them money throughout the entire lifetime of the loan.

Because they participated in the upgrade program, they were able to secure a SmartMH loan through the Veteran's Administration and Kentucky Housing Corporation. With a 30-year fixed-rate of 4 percent and 100 percent financing with closing costs included, they know they received a good loan.

The details of their loan package required a little extra work, but after hearing what would be included Joey and Brittney were happy to accept the upgrades, like a block

foundation and front porch. In order to make the financing work and ensure a good home, the loan required an FHA Title II Permanent Foundation and inspection.

Their spacious new home was built by Fleetwood Homes to have a warm, welcoming feeling. They achieved this with an open floor plan, including a large living room and kitchen area. With 1,800 square feet of living space, Joey and Brittney (along with their four cats and two dogs) will have plenty of room to grow.

Though they had been feeling cramped living with Brittney's family, they didn't choose to go far. The location they selected for their home was just down the road, on land that had been in Brittney's family for 15 years. This ensured that they would stay close to the things that matter most to them: family, friends and nature.

Working with SmartMH partners, Joey and Brittney were able to purchase a home that will provide for them now and in the future.





Clarence Davis

Clarence has lived through a firefighter's worst nightmare: he answered a fire call for his home. "I was on a 36-hour shift and 16 hours into it we got a call. The address was for next door but halfway there they said it was my address," said Clarence. "I lost everything but the bed. The only clothes I had were the two uniforms I had with me for the shift."

Within a few hours, everything in his home except his bed was destroyed. Family photos, antique fire station memorabilia, heirlooms passed down through generations. Clarence describes it like an oven, where his home's thick concrete walls baked all of the contents until they crumbled.

For the next six months, Clarence lived in the first fire station in Prestonsburg, Kentucky. In ordinary circumstances six months might not seem like a long time, but to Clarence, it felt like an eternity. While grateful for having a place to stay and for the friends who supported him through this tough time, he knew he would never truly relax until he built another home of his own.

He started his search for a new home, visiting manufactured home retail centers in and around Prestonsburg. He compared prices, floorplans and financing options, and finally decided to buy a home from Hylton Sales and Rentals.

Part of Hylton's appeal was that they were a SmartMH retailer offering a free ENERGY STAR upgrade and access to new financing products. Clarence chose a 1 percent mortgage through Kentucky Housing Corporation's partnering lender and SmartMH lender, Key Mortgage Company. This special financing product is available in the 54-county SOAR region to make buying a home more affordable.

After Platinum Homes had built the home and it was ready to be installed, Clarence was on site to oversee the process. The new home would be placed exactly where his previous home once stood. His neighbors and people driving by on the highway came to watch, curious to know more about his new home. "The whole time it was going in, I had people stopping and talking about it, wanting to know where I got it," said Clarence.

"I like the design of this home because it looks like it always belonged in the neighborhood. It's got that 6/12 roof pitch and it was amazing how they raised it up and built that main arch."

On move-in day, Clarence felt a burden lift off his shoulders. It was one week before Christmas and even though all he had was

a Christmas tree and a bed, he finally felt at home. He celebrated the holiday with his mother, a retired nurse, and grandmother, a former lieutenant in the Marine Corps and retired school teacher. He hopes to start hosting family and friends more often once he gets fully settled.

From the curb, the exterior of Clarence's home is warm and inviting. Grey with maroon shutters, white trim on the wrap-around porch, tons of windows. Bricks salvaged from his old home line the driveway and landscaping in the front yard. Inside, the rooms are spacious and filled with light.

said Clarence. "For one, the utility costs will save them a lot. And the construction of it is better, you get a better value and better quality."

So what's next for a firefighter who has lost everything? Clarence plans to keep on doing his job with a new outlook on what people are going through. He also wants to put some more family pictures up on his walls. But long term, he wants to remember what is truly important.

Stay grounded. No matter how much you have in your life you can lose it a whole lot quicker than you got it.



SmartMH Partners



Next Step is a housing intermediary working to build an ecosystem of consumers, manufactured housing retailers and lenders to create better homes and better loans.



Freddie Mac was chartered by Congress in 1970 with a public mission to stabilize the nation's residential mortgage markets and expand opportunities for homeownership and affordable rental housing.



eHome America is a HUD-approved, online education platform for homebuyer education creating homebuyer education modules for prospective manufactured homebuyers.



OPENING THE DOOR TO HOME OWNERSHIP STARTS HERE



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