

# **Manufactured Housing Securities Status Report**

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**Presented to:  
Assets and Liabilities Policy Committee  
Fannie Mae Board of Directors**

**April 15, 2003**

**FMSE 081491**

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## Manufactured Housing Securities Owned or Guaranteed as of April 9, 2003

Ratings	Current Balance	% of Current Balance based on Original Ratings	% of Current Balance based on 1/17 Ratings	% of Current Balance based on Current Ratings	Change in Ratings 1/17 to 4/8
AAA	\$ 1,294,336,201	96.6%	61.4%	67.8%	-3.7%
AAA-					
AA+	\$ 12,140,000	1.3%	9.8%	12.7%	2.9%
AA	\$ 154,789,430	2.1%	5.9%	4.2%	0.3%
AA-	\$ 7,907,441		6.8%	7.6%	0.7%
A+	\$ 14,118,222		7.5%	10%	0.3%
A	\$ 1,000,000		6.3%	1.7%	-0.5%
A-	\$ 9,077,100		0.4%	0.4%	-0.1%
BBB+	\$ 1,500,000		0.1%	0.1%	-0.1%
BBB	\$ 13,468,177		1.7%	1.7%	-0.2%
BBB-	\$ 1,000,000			0.1%	0.4%
BB+					
BB					
BB-					
B+					
<b>Total</b>	<b>\$ 1,329,940,168,392</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>0.0%</b>

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## **Outcome of Conseco Finance Bankruptcy**

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Conseco's servicing platform was sold to CFN Holdings. Fannie Mae and other bondholders agreed to waive liens and increase the servicing fee to 125 bps for 12 months and 115 bps thereafter in exchange for CFN agreeing to a Pooling & Servicing Agreement that provides:

- Fannie Mae has 2 of the 5 votes on an Oversight Committee that has the rights of a 25% certificate holder
- CFN and the Oversight Committee accept the servicing protocols and metrics that Fannie Mae had negotiated with Berkadia
- Fannie Mae is entitled to a variety of regular reports from the Servicer, as well as access to liquidation processes
- CFN is committed to provide at least \$100 million of debt financing for repossessed units and to post \$100 million of capital to secure its ability to perform its duties
- Fannie Mae is entitled to have its servicing consultants monitor servicing practices and procedures every 30 days, to meet with management every 60 days, and to meet with senior management every 180 days

The sale of the servicing platform to CFN is scheduled to close as early as May 28, but we think a June 30 closing is more likely

On March 31, losing bidder Berkshire Hathaway tendered to purchase Clayton Homes

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## Assumptions Underlying Our Cash Flow Projections

### November 2002 Assumptions 1999-5

Servicing Fee 100 bps Senior  
 Recovery Period 12 months  
 Cumulative Collateral Loss 24.8%  
 Cumulative Default on extensions over the next 4 years 48%\*

### January 2003 Assumptions 1999-5

Servicing Fee 120 bps Senior  
 Recovery Period 10 months  
 Cumulative Collateral Loss 28.5%  
 Cumulative Default on extensions over the next 4 years 75%

### March 2003 (CNF Servicing) Assumptions 1999-5

Servicing Fee 125 bps Sr. for 12 months, then 115 Sr.  
 Recovery Period 10 months  
 Cumulative Collateral Loss 25.8%  
 Cumulative Default on extensions over the next 4 years 60%

Year	Default	Severity	Prepay	Cum Loss
2003	8.4%	80.0%	6.0%	
2004	8.2%	85.0%	6.0%	
2005	8.1%	85.0%	6.0%	
2006	7.0%	80.0%	6.0%	19.3%
2007	5.8%	80.0%	6.0%	
2008	5.0%	80.0%	6.0%	
2009	3.8%	80.0%	6.0%	
2010	3.3%	80.0%	6.0%	
.	.	.	.	.
.	.	.	.	.
.	.	.	.	.
2020	0.6%	80.0%	6.0%	
.	.	.	.	.
.	.	.	.	.
2026	0.2%	80.0%	6.0%	24.8%

Year	Default	Severity	Prepay	Cum Loss
2003	8.3%	93.1%	5.1%	
2004	12.1%	90.7%	5.1%	
2005	11.8%	82.1%	5.4%	
2006	6.9%	76.6%	5.8%	25.0%
2007	3.2%	75.0%	6.8%	
2008	2.4%	75.0%	7.0%	
2009	2.1%	75.0%	7.0%	
2010	1.9%	75.0%	7.0%	
.	.	.	.	.
.	.	.	.	.
.	.	.	.	.
2020	0.7%	75.0%	7.0%	
.	.	.	.	.
.	.	.	.	.
2026	0.4%	75.0%	7.0%	28.5%

Year	Default	Severity	Prepay	Cum Loss
2003	9.3%	93.3%	5.5%	
2004	10.8%	90.9%	5.7%	
2005	8.6%	82.5%	5.9%	
2006	4.1%	76.9%	6.5%	22.6%
2007	2.5%	75.0%	6.9%	
2008	2.1%	75.0%	7.0%	
2009	1.9%	75.0%	7.0%	
2010	1.7%	75.0%	7.0%	
.	.	.	.	.
.	.	.	.	.
.	.	.	.	.
2020	0.6%	75.0%	7.0%	
.	.	.	.	.
.	.	.	.	.
2026	0.3%	75.0%	7.0%	25.8%

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\*Defaults on extensions allowed to occur over a much longer time period than March projections.

## Projected Losses on Manufactured Housing Bonds With Market Prices Below \$90

								Current Market Price	Impairment On Balance
64.91	GT 1999-4 M1	BBB+(w)	\$9.0	\$3.8	\$3.8	\$7.5	\$3.7	\$7.5	83%
66.65	GT 1999-5 M1	BBB(w)	\$75.0	\$22.9	\$22.9	\$51.4	\$28.5	\$51.4	69%
67.47	CNF 1999-6 M1	BBB(w)	\$50.0	\$16.7	\$16.7	\$37.4	\$20.7	\$37.4	75%
72.94	CNF 2000-3 B1	AA-**/B1	\$35.0 (\$8.8)	\$7.6	\$8.8	\$8.5		\$8.8	100%
76.59	UCFCM 1998-3 A1	BBB-	\$36.4						
80.85	GT 1999-1 A7	AA+(w)	\$40.0						
82.35	OAK 1998-DM1	BBB-	\$11.4						
82.81	GT 1999-4 A8	AA(w)	\$34.2						
82.96	GT 1998-2 M1	A-	\$8.0			\$5.2	\$5.2	\$5.2	65%
83.05	GT 1999-2 A6	AA+(w)	\$31.0						
83.84	GT 1997-7 M1	A	\$13.3			\$5.2	\$5.2	\$5.2	39%
84.44	GT 1999-3 A8	AA+(w)	\$54.5						
84.78	INDMH 1998-2 A4	BBB	\$10.0						
85.92	OAK 1999-EM1	A+	\$18.7						
86.21	GT 1995-3 M1	AA-(w)	\$37.9						
86.94	CNF 2000-3 M2	AA-**	\$40.0						
87.05	GT 1997-3 M1	A-	\$6.0			\$3.1	\$3.1	\$3.1	52%
87.20	CNF 2000-3 M1	AA-**	\$45.0						
88.75	GT 1999-1 A6	AA+(w)	\$10.0						
89.29	GT 1998-6 A8	AAA(w)	\$55.5						
Total of bonds < \$90			\$584.3	\$51.0	\$52.2	\$118.4	\$66.3	\$118.4	

\*Current Ratings reflect lowest ratings among S&P, Moody's and Fitch.

\*\*CNF 2000-3 M1 and M2 fully insured by Radian, B1 75% insured by Radian. Ratings reflect Radian Guaranty ratings.

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**Summary of March 31, 2003 Mark-to-Market Losses on  
 Manufactured Housing Securities owned in Portfolio (by Price Category)**

Current MTM Prices	Number of Securities	Current UPB	Weighted Avg Cumulative Impairment	Weighted Average Book Basis 3/31/03	Weighted Average Price 1/31/03	Weighted Average Price 3/31/03	3/31/2003 MTM Gain (Loss) *
<=80	5	205,431,329	51.1120	48.8805	67.3927	69.5493	42,460,226
80 to 85	8	202,252,594	5.0926	94.5209	83.1918	83.0413	(23,217,744)
85 to 90	7	213,058,000	1.4550	98.6950	86.6098	87.4750	(23,915,676)
90 to 95	12	1,505,294,914		99.9884	93.2089	93.1963	(102,240,470)
95 to 100	37	3,903,902,951		100.1035	98.2232	97.7798	(90,714,403)
>100	56	3,195,095,241		99.8719	103.1033	103.4522	114,395,320
Total	125	9,225,035,030		99.9925	97.1552	97.8068	(83,232,747)

\* MTM gains and losses reflect the \$118,400,000 of impairments we recorded in December, January and March

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## **Fannie Mae's Current Focus**

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- Create and staff a new MH group within our Single Family Business
- Help CFN charter the Oversight Committee
- Have our servicing consultants review the operations of CFN and other MH servicers
- Hire an industry expert to represent Fannie Mae on the Oversight Committee and manage our servicing consultants
- Monitor the performance of all MH bond deals and tranches
- Develop and implement a way to finance repossessed units and provide at least \$50 million of funding
- Continue to explore opportunities to partner with CFN and other vertically-integrated MH participants like Berkshire Hathaway's Oakwood and Clayton Homes
- Monitor MH whole loans delivered by lenders; refine the underwriting, appraisals, and pricing for these loans
- Develop a prudent and sustainable long-term approach to serve the affordable MH sector of the housing market

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## **Lessons Learned from the Manufactured Housing Bond Experience**

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- Have formal guidelines for investing in non-agency asset-backed securities
- Avoid undue reliance on the risk-assessment or risk-monitoring capabilities of others, including the bond rating agencies
- Ensure that the trade-offs between mission, business and risk are balanced
- Ensure that the strategic and economic interests of the issuer, servicer and investors are aligned
- Be prepared to act quickly and fight hard if negative events strike

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