Jim Gray: Okay, so Katie Kaluzny from the U.S. Green Building Council is the first speaker.

Katie Kaluzny: Thank you. My name's Katie Kaluzny, I'm the Associate Director of the Illinois Chapter of the U.S. Green Building Council with 1000 members throughout the State of Illinois. On behalf of the U.S. Green Building Council we are pleased to speak on the Federal Housing Finance Agency's final rule on Enterprise Duty to Serve underserved markets.

USGBC commends FHFA for their work on the final rule, including the adaption of many joint recommendations by USGBC and other efficiency organizations. We work forward to working with FHFA and the Enterprises as they develop compliance paths to implement the rule.

We support the FHFA's proposal to give the Enterprise Duty to Serve credit for financing energy and water efficiency improvements as a pathway to preserve affordable housing. USGBC also supports the use of LEED green building rating systems as a means to demonstrating compliance to those goals.

Cities confirm that housing of low to moderate income families, both single-family and multifamily rentals, needs repairs and improvements that can substantially improve efficiency and reduce utility expenses. For low and moderate income families even modest reductions in utility expenses can be meaningful to the household budget.

Further, improving the efficiency of homes and multifamily buildings can also deliver additional value to residents beyond reduced expenses in the forms of improved housing conditions. For example, a Washington D.C. study of green certified low income housing renovations identified significant health benefits to residents.

As the Enterprises begin to work on their implementation of plans, USGBC recommends the following areas to focus; expanding green building program use to single-family home programs; outreach and technical solutions to financial institutions to ensure market utilization; and research in areas of efficiency to enhance lending products.

In regards to expanding green building programs, we support the FHFA's decision to give the Enterprise Duty to Serve credit for financing energy and water efficiency improvements as a pathway to preserve affordable housing. As the rule acknowledges, third-party verification is a proven strategy to verify with a high degree of certainty and reliability the value of energy efficiency in buildings and to communicate that value in the market.

Education, experience and examples exist, healthy buildings, and energy and water efficient buildings is something that should be expected and prioritized by lenders, developers, architects and contractors. As the purveyors of LEED identified in the final rule as qualified to available to the Enterprises to fulfill their obligations, we hope to be a resource as the Enterprises design and implement their respective schemes.

We appreciate the past collaboration on sustainability related matters by the multifamily teams at the Enterprises, particularly at Fannie Mae. Similar engagement and commitment to workable solutions through industry partnerships will once again be - once again undoubtedly yield positive results.

As the Enterprises look to develop compliance paths we Fannie - we find Fannie Mae’s Multifamily Green Financing products offer an excellent blueprint for single-family lending products.

The U.S. Green Building Council in Illinois particularly has offered free training to over 50 affordable housing stakeholders in Chicago and offers continued support through our large professional network of members and volunteers through property manager outreach and residential engagement and maintaining the energy and water efficiency of those buildings and improves performance over time.

Regarding outreach and technical solutions, our experience suggests that lenders are not widely accustomed to considering utility expenses and possibilities to improve expenses. Outreach to lenders will be critical to the implementation of the Enterprises’ implementation plan.

Financing through the Duty to Serve program can be bolstered with a few initiatives, including initial steps for Enterprise to ask lenders to collect information, if it’s available, on the energy and water efficiency status of a property for Enterprise loans.

The Enterprises will find many conventional loans of properties that have existing HERS reports, which is a home energy score, ENERGY STAR labeling or LEED certification, including other building rating systems, all of which indicate certain levels of energy efficiency.

Simply collecting this information would be a meaningful step towards improving the Enterprises’ ability to assess energy financing and familiarizing lenders with efficiency financing opportunities.

The Enterprises should work with lenders and the industry to ensure that there are sufficient tools to identify properties that are good candidates for energy efficiency financing and water efficiency financing and to determine eligibility and qualification for - without incurring additional burdens or complications.

To better reach lenders and maximize the rule's impact the FHFA and Enterprises should consider incorporating energy and water efficiency improvement mechanisms into conventional loan products so that utility savings and other benefits become a feature of lenders' routine customer interaction, underwriting and appraisal process.

Finally, I'd like to restate that - our support to prioritize energy and water efficiency activities in the final rules. And thank you for the opportunity to share our comments today.

Jim Gray: Great, thank you. (Danielle), do you want to ask the next on-deck speakers to come down please?

Danielle Walton: Yes. Lee Smith and Kim Ulbrich.

Jim Gray: Great, okay. And then I'm going to now - well I'm going to now turn it over to Dawn Stockmo from the National Community Stabilization Trust.

Dawn Stockmo: Great, thank you. Again, my name is Dawn Stockmo and I'm based here in Chicago. I work for the National Community Stabilization Trust. Prior to coming to the trust I was the Midwest Office Director of the Fannie Mae Foundation so I'm very familiar with GSEs.

For those of you who don't know, NCST is a nonprofit organization that aims to keep homeowners in their homes when possible, restore vacant and abandoned properties to productive use, support healthy neighborhoods and fight blight.

Established in 2008 by several leading affordable housing intermediaries, NCST has facilitated the acquisition of more than 20,000 properties by local organizations committed to neighborhood stabilization, affordable housing and community development.

As you all know, the U.S. housing market recovery remains extremely uneven. While some areas have rebounded significantly from the recession others -- especially communities of color, low income areas and cities where economic activity remains depressed -- continue to grapple with high rates of vacant, abandoned and distressed properties that weaken nearby home values, create health and safety risks, reduce local tax revenues and contribute to neighborhood blight.

There are still approximately 1.3 million vacant residential homes in America. A recent study looked at the quantitative costs of abandonment and conservatively concluded that a typical foreclosed home imposes costs of over $170,000 per property which includes the direct cost of the home, the reduction of property value of surrounding homes and increased crime in the area.

If legitimate developers cannot acquire and rehab these properties they will either remain vacant falling further into disrepair, to the point where demolition is the only option, or will be purchased by investors who just sit on the property without making improvements with a plan to resell it if and when property values increase.

Recently through the Neighborhood Stabilization Initiative we have facilitated the transfer of thousands of properties from the Enterprises. NCST has hundreds of stories of what can happen when a property is acquired, rehabbed and reoccupied in a timely manner by a competent developer. I will summarize just two of them for you.

A single mother of three is now renting an affordable fully renovated single-family home due to the acquisition of a Fannie Mae REO through the enhanced First Look program. The three bedroom ranch house is in a Chicago neighborhood hit hard in the 2008 housing crisis and it's still recovering. The home was in need of many updates. About $48,000 of rehab costs were put into the property and the family is now thriving.

Second example, a single-family home which is a Freddie Mac REO is now owned by a retired, disabled U.S. veteran and his wife who are on a fixed income below 80% of the AMI.

The veteran and his wife lived in an apartment less than a mile from this home for 23 years. They drove by this house for years but never dreamed they could afford the home, nor have the opportunity to purchase it. The nonprofit spent more than $60,000 on repairs and provided over $10,000 in closing costs for this disabled veteran.

With that as the backdrop I would like to talk about some specific recommendations that are consistent with the Duty to Serve program and should be a priority for the Enterprises.

First, make renovation financing easier to access for nonprofits, CDFIs, land trusts and land banks. A rehab product is needed that is designed specifically for organizations working in the community development space.

There's a huge desire on the part of nonprofit housing development organizations to step up to the plate and do more but they need access to capital. There is currently a credit desert which is forcing nonprofits to use high cost lines of credit.

A rehab product that can be acquisition, rehab and resale as well as acquisition, rehab and rental would be beneficial for the recovery of these hard-hit neighborhoods. It is critical for nonprofits to access both debt and equity and we believe that this is the Number 1 Aspect for the GSEs to prioritize.

Secondly, expanding investment into the HFA preferred products. Allowing HFAs, including IDA, to serve low, moderate income borrowers with underwriting flexibility and favorable features such as high LTV ratio and affordable mortgage insurance coverage is really important.

Third, as neighborhoods stabilize it is essential to preserve the affordability of that housing stock -- Lee will talk more about that -- to prevent displacement and unhelpful gentrification. Some creative solutions such as shared equity or land trust models and simplifying the requirements for shared equity financing is also important.

Fourth, set aside a certain percentage of pre-foreclosure notes for nonprofit bidders and units of government and/or provide a loan guarantee for the purchase of those loans.

Fifth, expansion of NSI, Neighborhood Stabilization Initiative, to other markets and enhancement of the NSI program in existing markets would increase the number of properties that are rehabbed and accelerates the recovery in these hard-hit neighborhoods.

Thank you for the opportunity. And I'm happy to answer questions if anybody has anything.

Jim Gray: Great, thank you very much Dawn. Let's see, Mr. Bailey, can you come down please?

Okay so now we will turn the floor over to Lee Smith and Kim Ulbrich of Community Partners for Affordable Housing.

Kim Ulbrich: Good morning, I'm Kim Ulbrich, Executive Director of Community Partners for Affordable Housing, and CPAH for short. Thank you for giving us this opportunity to speak to you today about our shared equity homeownership program. We are very grateful that the shared equity homeownership is included in the DTS rule under affordable housing preservation, the underserved market.

CPAH is a nonprofit that creates public and private partnerships to preserve, maintain and develop permanently affordable housing. We do ownership and rental for low to moderate income, and low to moderate income specifically for high-opportunity areas. CPAH helps bridge the gap between the high cost of housing and the incomes of many low income households who live and work in the community.

CPAH is a community land trust. We were the first in Illinois. We also are the only provider of affordable housing in Lake County and in the City of

Evanston that is intentionally structured to ensure that each housing unit is - remains affordable in perpetuity through the shared equity homeownership program.

Each CPAH home remains affordable because there is a ground lease or a deed restriction which governs resale. In effect each CPAH home will serve 13 households over the term of one 99-year renewable ground lease, yet each unit of permanent affordable housing is created by a onetime investment to develop the home. It's a great return on a onetime investment.

The program requires that homebuyers of these permanent affordable housing secure 30-year fixed rate mortgages. One of the frustrations for CPAH is the lack of lending institutions that will provide financing for shared equity homeownership programs like ours.

Many of our buyers have banks that they work with and would prefer to have their home loans with an institution that they have an established relationship with. Currently we have only one bank willing to underwrite our mortgages; Wintrust. Wintrust was a fantastic partner and worked tirelessly to get our buyers approved.

However our buyers have no choice. Many lenders have been interested in serving our clients, but the process gets hung up in underwriting because they will not accept a ground lease. This is a quandary for us because the ground lease is a legal document that is the foundation for the shared equity homeownership.

We strongly urge the GSEs to build out their selling guides and guidelines to be clear and more user friendly for lenders to originate these loans and have confidence that the loans are in compliance.

Grounded Solutions Network, formerly the National Community Land Trust Network, submitted a white paper to both GSEs at the start of 2015 analyzing the problems and recommended changes to the selling guide for three shared equity homeownership models. And we hope that you will use this for activities you include in the Underserved Market Plans.

In particular we ask that the GSEs provide concrete clear guidelines on how to originate mortgages on homes with ground leases and deed restrictions, especially those that survive foreclosure. We urge Freddie Mac to provide concrete guidance on how to originate loans to buyers of homes in community land trusts.

We urge both GSEs to support development of shared appreciation loans aimed at keeping properties affordable over resales and enable a secondary market for them to create more incentive or minimize wrapped in warranties for lenders to originate these loans.

Lenders report that these loans are time-consuming small amounts and yield very little financial return and most require wrap warranties. These are problems that both of the GSEs can solve through promoting incentives, lessoning burden and automating underwriting.

To educate and train lenders in particular, promote larger national lending institutions to establish experts to work with shared equity homebuyers across the country.

To support research on the landscape and characteristics of shared equity homeownership and inclusionary housing sales, as well as research on how to preserve the long-term affordability and financial viability of multifamily affordable rental properties that would reduce the cost of recapitalization while ensuring affordable - while ensuring affordability lasts.

Thank you very much for this opportunity. I'm going to turn it over to Lee.

Lee Smith: Good morning. I'm Lee Smith, Vice President of Community Partners for Affordable Housing, a community land trust in suburban Chicago, and I'm former Senior Planner with the City of Highland Park, Illinois.

I was staffed with Highland Park when it developed and implemented its affordable housing plan which included the development of both a local community land trust organization and an inclusionary housing regulations.

Specifically Highland Park included these strategies for the purpose of creating long-term or permanent affordable housing homeownership opportunities for low and moderate income households in a higher income suburban local.

Highland Park's inclusionary housing program, the first in the State of Illinois, relies on a long-term - long-term deed restrictions; 30 years for rental projects, and in perpetuity restrictions on ownership projects to preserve the affordability of units created under its program.

CPAH's homeownership programs rely on a long-term 99-year ground lease and a shared equity model to assure long-term preservation of the affordable units created by the organization.

Both the city and CPAH work diligently to provide homeownership opportunities to traditionally underserved households. I will note that the median household price in Highland Park for a single-family home is on the order of $350 or $400,000 and CPAH is delivering housing to people for $180,0000 and these will be permanently affordable for 99 years, just as a note.

Access to mortgages for lower income households that acknowledge and respect the long-term affordability controls of the inclusionary and land trust programs is of vital importance to the success of these initiatives.

I'd like to thank the FHFA for incorporating both shared equity homeownership and inclusionary housing activities under the affordable housing preservation Underserved Market Plans. These activities should be maintained and supported by specific guidance in the final rule.

As a municipality, Highland Park works very hard to provide housing within its borders to a wide range of household income types. The local development market needs no assistance in providing housing for upper income buyers. It is in ensuring development for low and moderate income households that challenges exist.

Consequently, utilizing its local zoning authority, the municipality established regulations requiring that all housing developments of five or more dwelling units set aside 20% of those units to be affordable to low and moderate income households.

In order to assist developers in establishing the units required under the inclusionary housing regulations, the regulations provide cost mitigation measures, including density bonuses, permits and fee waivers for these projects.

The city has a partnership agreement with CPAH to income qualify and support, through the purchase process the homebuyers of the affordable units created under the inclusionary housing program. This includes working with homebuyers to locate and qualify for mortgage financing.

To support inclusionary housing programs that imply long-term - that employ long-term deed restrictions to assure affordability it is vitally important for the rule that it is ultimately adopted for the GSEs Underserved Market Plans to include;

User friendly guidance for lenders;

Originating mortgages for homes with deed restrictions that can survive and preserve long-term affordability in the case of foreclosures;

Support for the development of shared appreciation loans aimed at keeping properties affordable from sale to resale, and allow for these loans to be sellable in a secondary market;

And support for ongoing researching for the shared equity homeownership and inclusionary housing field, as well as research on the preservation and long-term affordability and financial viability of multifamily affordable rental properties that would reduce the cost of recapitalization while ensuring the affordability for households in need lasts.

In closing, thank you for the opportunity to testify here today and your desire to address the home financing issues faced by low and moderate income households participating in innovative affordable housing programs. Thank you.

Jim Gray: Great. Thank you.

Danielle Walton: J.R., would you like to come.

Jim Gray: All right, next we have Melvin Bailey from the Community Male Empowerment Project.

Melvin Bailey: Yes.

Jim Gray: Mr. Bailey.

Melvin Bailey: Yes, thank you guys from these - you know, not at least but thank you guys for having this Duty to Serve.

Melvin Bailey: Okay, I'd like to say thank you for having this Duty to Serve because I am the Executive Director of Community Male Empowerment Project with the mission to break down barriers that impede progress, growth and inclusion in Chicago's inner city hard to serve neighborhoods.

And I want to speak to you guys, and I'd like to thank - again, thank you guys for having this meeting and thank National Community Stabilization Trust and the NSI program for allowing us to be a part of the program.

Because just for - from experience our organization, if we did not receive the discounted property from the NSI, no way in the world we can house hard to serve people, no way. Because when we rehab the home - thank God, you know, we're not-for-profit, have very little capital to rehab a home, but from experience when we put a family into a home we go over their financial statement and their bank statements to see where their income can fall in at.

And we had experienced that, you know, we charge like $700 for a three bedroom and they fell on - they missed work and they was living from check to check, check to check. And with the living expenses, food, daily, everyday living expenses, you know, so we set down with them and said “Can you guys come up with $550 a month?”

Because we do not, as an organization, and especially, you know, going down to the city and, you know, advocating for jobs and opportunity, affordable housing, we did not want to be labeled, “Oh, Community Male is putting a family out.” So we will work with the family.

And again, we serve like the Austin community, North Lawndale, East and West Garfield, where the annual income may be 20 grand. So for them to - twenty - I’m sorry? Maybe annual income of maybe $20,000 for a family in Austin and in the surrounding areas in the hard to serve communities.

And I would like for you guys to come into the neighborhood to talk, to talk to the inner city community, to let them know that someone, and you guys are listening. Seriously, pick a community.

Pick a hard to serve community and come on out and talk to the community because this is what we need; we need a listening ear because a lot of times when you’re - when the properties get foreclosed on and we look at the numbers they’re like man, who can afford that? Who can afford that building? Can’t nobody afford that, even if it’s vacant and abandoned. Who going to buy that building on that block for that high price?

So we look at the disparity in the numbers. And you know, we would love to continue with the Duty to Serve to put this listening ear so we can go back to the community and share with them that someone is listening, it’s a slow process just be patient, and we're going to try to continue providing affordable housing.

You know, I can go on and on but I just wanted to talk to you guys from experience on what we're having as an organization, some of the challenges that we having placing families into homes and, you know, even when we rehabbing inside of the home. We make sure that we stay below that threshold so they can - like this Dawn Stockmo said, "That they can have a nice home."

You know, I don't want to bore you guys and I don't want to continue talking. But thank you for this opportunity and that we can continue working together.

Jim Gray: Thank you very much. Okay, our next speaker is Mr. Willie "J.R." Fleming from the Chicago Anti-Eviction Campaign. Mr. Fleming.

Willie "J.R." Fleming: All right.

Jim Gray: Yes, that was it. That worked.

Willie "J.R." Fleming: That'll do it. All right, well first of all thank you for having me here. My name is Willie "J.R." Fleming, I'm an Executive Director of the Chicago Anti-Eviction Campaign, Vice President of the Black Chicago Development Coalition, community partners with NSI participants, Road To Righteousness, B & J Construction, as well as a promoter and teacher of community land trusts.

First I'd like to thank the FHFA. As you heard multiple time, the Neighborhood Stabilization Initiative, acronym being NSI, has been quite an asset, a valuable asset, not just to the community but to the local government. It has given us opportunity to collaborate with our local government in a manner in which we are both confronting the issues of blight and affordable housing.

I want to acknowledge that the NSI program has also given opportunity to non-traditional groups who traditionally wouldn't participate in programs like this. And with the spirit of the NSI I'm hoping after this listening session that you will take to heart our comments, our recommendations, and produce a final product like the NSI program.

With that being said, so today we are hoping that we can discuss the Enterprises' role as it pertain to community land trusts.

We want to put a lot of strong emphasis on community land trusts, cooperative housing models, both utilizing multifamily and single-family homes, as well as talk about creating alternative non-traditional loan products that could support community land trusts, cooperative housing models, neighborhood non-for-profits, community development corporations, community development financial institutions and community land trusts.

We know in today's current market it's not hard for non-for-profits to access capital. With all of the - how can I say it? With all of the success we have had in the NSI program, one of the main barrier has been identifying a loan product that organizations can get to provide affordable housing long-term outside of just selling to homeowners, right.

For ownership purposes we were looking at "How can we come up with a loan product that would encourage community land trusts, non-for-profits, community development corporation, to take on the role of long-term rental housing, providing long-term rental housing to folks who need it the most; underserved communities."

You pick a community in Chicago I'll say there's 19 African American wards in Chicago. Out of the 19 African American wards a good 15 of them are underserved, a good 15 - a good 6-7 of the 15 are in blighted communities. I mean we have an excess of vacant and abandoned building, not just REOs controlled by Fannie Mae, Freddie Mac or HUD, but also by banks.

And so the traditional - the problem has been traditionally in our community there are homeowners who will face what we call redlining, right, where you can't get into (unintelligible) community, you can't get money to get a house in the community.

Well that redlining exists today when African American groups, non-traditional participants I would say, cannot access the capital that is needed, right, to sustain some project over a given amount of time. They cannot access the correct mortgage packages or get any type of Enterprise to back their mortgages and where we're talking about providing housing opportunities or homeownership opportunities for people of low income.

We believe that if you can come up and create a package and a product that will allow non-for-profits, right, to get access to these mortgage loans so that they can provide mortgages to these homeowners we'll be able to sustain some of the issues that our communities are facing with homelessness, underemployment, and things of that nature.

Providing a loan product that would support a community land trust or cooperative housing model is necessary, right? We can get all the houses we wanted at discount, we could rehab them, but there's not a loan product that we can give to a homeowner who we're trying to sell the community land trust model to then we're just spinning our wheels.

So we really want you to take into account that this community land trust is a new and emerging trend in America, right? It's been around for a while but more and more people are buying into it. with the increase of property taxes in Chicago threefold, the increase in water bill taxes in the next three years fourfold.

Folks are starting to come around to see that the value of a community land trust is the only truly way that we can guarantee affordable housing would be in certain neighborhoods, 10, 20, 30, 40 years to come.

So I just wanted to be short and sweet with our emphasis that one, we appreciate the NSI program, we appreciate the creativeness of FHFA to create pilot programs, but we want to make sure that we're clear that community land trusts are an emerging market, emerging trend that's going on when we talk about the language of affordable housing.

And to make them successful we've got to come up with loan products that will help CDFIs sustain these investment (unintelligible) in community land trusts, encourage non-for-profits to participate and formalize in community land trusts.

All of this can be done when the people know that there are resources and opportunities to support their vision. They're most likely to go in - they'll most likely get involved, they'll most likely encourage other groups, be it non-for-profit, community development corporations, or housing agencies, to get involved with this process.

And I left out one particular group, housing authorities, right? Is there an opportunity for the Enterprises to figure out some type of collaboration with the housing authority?

In the city of Chicago we have three homeownership program for public housing residents; one is called Choose To Own, one is called Family Self-Sufficiency, and then there's another program called Property Rental Assistance.

Creating products for housing authority would only ensure that we're providing long-term affordable housing and giving folks a chance to be self-sustainable to go from rental to ownership while we're also making sure there's products out there that in case there's a default, the non-for-profit, utilizing the community land trust, can protect the asset or the housing authority utilizing a community land trust can protect the asset.

Thank you.

Jim Gray: Thank you.

Danielle Walton: Maria Vesey.

Jim Gray: The one thing that would be helpful to us, (Danielle)'s going to call out the next speaker on deck. We'd like to have two speakers - or the next speaker plus the person who's on. So (Danielle), who's the next person after Maria?

Danielle Walton: Russell Kaney you're on deck. And we apologize, there's been some changes to the schedule so I will be calling name. There are a couple of people that might not be going up in front of you. So Russell Kaney if you can come on deck.

Jim Gray: Okay, so I'll turn it over to Maria Vesey from Eagle One Financial.

Maria Vesey: Can you hear me? Okay. First of all, I'm the CEO of Eagle One Financial, we do a lot of infrastructure for community building, for community development. I am also personally a political activist and I work with a lot of the federal, state and local politicians in order to create new housing opportunities for single-parent families and veterans.

That being said, Dawn Stockmo stole most of my speech.

Dawn Stockmo: Sorry.

Maria Vesey: It's okay. But I'd like to play into what Melvin and Willie both said. We're not utilizing gentlemen like them, community leaders, as much as we should. We are not as politicians, as community leaders, we're not using those people. They are right there in the trenches, they know who needs the housing, they know who needs the help and who needs the help today.

Those are the people we need to have outreach programs to, we need more education to homeowners. Education is the key and we are just - there are programs out there we're just not using them enough. We need to reach out to community colleges and libraries and have these session more often so people know the steps to becoming a homeowner.

If you're talking about a single parent and it's not necessarily just a single mom, there are single dads out there. They need to know the steps; "This is what I make, this is how I make it, how do I find a home for my family; how do I do that?"

A child of a homeowner is 80% more likely to go to college than the child of a renter. A home creates something for many generations. And I'm going to get a little weepy because that's what I do. It creates a stability for the generation that came before who can no longer take care of their own home, they can move in with their family, they can stay in a home instead of an assisted living center more - till the end.

Those children now have multiple generations looking after them, they're less likely to get into trouble with the law if there's more generations, more eyes, and more adults looking at them. A home is just so much more than four walls.

That being said, I don't have my other glasses (unintelligible). We really do need to create more tiny home communities. That's an affordable aspect for a lot of parents. It's a stepping stone to a larger home, it's a stepping stone to a different community. They're looking for better schools. If we've got a tiny home community with a really great school, you've created nirvana for people.

And those are the things we need to start looking at. We have to stop looking at the McMansions that are being built and start looking at the 700 square foot home, which is to someone a mansion.

These are the people that we need to start targeting, and we need to get to them through these community leaders before they're being evicted, before they're out in the street. The average age of the homeless person is 9-1/2; that's not what we want in this country, at least that's not what I want.

Again, I can't see, (unintelligible). We were just discussing back there, in 2005 they did a voucher to own program through section 8, they did 14,000 loans, only one of them defaulted and that was because the gentleman passed away.

These are the stepping stones to homeownership and we need to utilize these stepping stones. This is not a one-hit wonder, this is not one answer, this is - we've got to build on this and these are the things we need to do.

Okay, now I'm going to shut up. Thank you.

Jim Gray: Thank you. (Danielle).

Danielle Walton: So we're running a little ahead of schedule so I'm going to call down some of the people for the manufactured housing market...

Danielle Walton: So Maria you're going to be up next again.

Jim Gray: Okay, so our next speaker, the final speaker - and we will let - we have some people who may come later and we will give them an opportunity to speak at the end if we have time. But our next speaker is Russell Kaney from the Wisconsin Counsel for Affordable and Rural Housing.

Russell Kaney: Good morning. My name is Russell D Kaney, President of the Wisconsin Council for Affordable and Rural Housing, also known as WI-CARH. The Wisconsin Council for Affordable and Rural Housing was established in 1998 as a state chapter of the Council for Affordable Rural Housing, both nonprofit organizations dedicated to the advocacy of rural and affordable housing across the United States of America.

As the Wisconsin chapter we take great pride in our state. The continuing changes and challenges in funding, regulations and general real estate market conditions require all real estate and housing professionals to stay educated and informed on current conditions.

At WI-CARH we bring together, through seminars, training programs and our annual conference, national and state experts in the areas of affordable and rural housing issues. Our members at WI-CARH represent ownership and/or management of over 90% of the section 515 rural rental housing in the State of Wisconsin.

We are a membership organization made up of owners, property managers, housing not-for-profit organizations and companies with an interest in rural and affordable issues in Wisconsin. Our organization has a particular interest in the preservation of rural rental housing, especially units financed by the section 515 rural housing program authorized by the Housing Act of 1949.

These units serve over 430,000 households nationally, almost 9000 households in Wisconsin, with a combination of nearly 100% financing, interest credits reducing the interest rate to as low as 1%, and the availability of rental assistance made this a go-to program in the 1960s, 70s and 80s. Peak funding for new units was in 1979 almost 39,000 units built. There were more units constructed in 1979 than all units constructed over the last 22 years.

Average income for a tenant in a 515 project is approximately $12,000 per year, $1000 per month. More than 60% of the units nationally serve the elderly 62 years of age or older or people with disabilities.

Preservation of these units is critical. Once these units are lost to foreclosure, taken to market or mortgages are paid off through maturing mortgages, the units likely will not be replaced with additional or like-kind units.

As beneficial as the Low Income Housing Tax program - tax credit program is, in creating new units that program will not, due to market, due to project size, due to rural low incomes, be able to replace this housing. Loss of units compounds our rural housing inventory, both in quantity and quality across Wisconsin.

Your efforts through Duty to Serve rules are encouraging, however the pace of lost units is accelerating. Over the last three years Wisconsin has lost 56 projects, over 800 units, 577 of them with valuable rental assistance. The creation of a plan by the Enterprises to finance the preservation of these units is critical.

More flexibility by USDA through the rural housing service has allowed lenders to take a first mortgage position on these properties allowing the continuance of the smaller USDA loan which brings the benefits of rental assistance.

As many of the current owners of these - as many of the current owners of these projects were the original developers we are constantly seeking new owners to acquire and rehab these projects. With limited resources from Rural Development USDA program for rehab we are continually looking for third-party financial assistance and partners. We encourage the Enterprises to draft plans that make the rural rental housing 515 preservation a major focus of their Duty to Serve programs.

Many of our members not only work with the rural rental housing 515 program, but also owner managed LIHTC units, Low-Income Housing Tax Credit units. These units reach a critical period after the 15-year IRS compliance period has passed, often referred to as Year 15 Properties, a limited partner has realized their benefits of tax benefits, credits, losses and depreciation are looking to exit.

This period of affordability between the years 15 to 30 or whatever number of years an individual housing finance agency required in their original qualified allocation plan and/or scoring is critical to maintaining affordable housing. Recapitalization after Year 15 is often needed in a light rehab inclusion of energy and water saving materials and programs not incorporated into the original design.

The opportunities for acquisition, refinancing and rehabilitation on 15 year-old units are available on a large scale and we encourage the Enterprises to create products that can serve this segment of affordable preservation units. Thank you very much for the opportunity to speak.

Jim Gray: Thank you. All right, since we are at the completion of the affordable housing preservation market we're going to take a 15-minute break now and then we'll start in on the next market, which is the manufactured housing market.

Also I want to give you a little advance heads up that during at least part of the lunch period we will offer an optional opportunity for people to ask questions about the evaluation guidance, to try to get into more details. And we'll be doing that in this room.

And so people who want to talk and network and not be a part of that conversation, during that part of the lunch we'll ask you to have your lunch in the area outside of this room. But we'll give you more specific details on that when we get to the lunch break or - yes, which will be probably about an hour after we resume.

So we will resume promptly at 20 minutes to 11:00. Thank you.

Jim Gray: If Maria and Richard could please come to the front table.

Jim Gray: Okay, thank you all. One thing I want to point out before we start on the manufactured housing market is that in the folders that were at each person's place, one of the items in there is a request for information that FHFA put out last week and we're asking for comment on that by February 17.

And we encourage everybody who has an interest in the manufactured housing market, particularly in chattel, to please take a close look at that request for public input and to please let us have your thoughts in writing on that.

Okay, so now we're going to start the listening session for the manufactured housing market. And we have Maria Vesey again from Eagle One Financial to kick us off.

Maria Vesey: Okay I might cry again so just, I'm pre-warning you all.

There are three things that I love; champagne, tootsie rolls and manufactured housing.

I believe that manufactured housing is the little jewel in the basket that gets ignored. It's got a bad reputation because it is often associated with...

Okay. I often think that it has the bad reputation because it is associated with trailer parks and that connotation and what goes with it, and I think trailer parks have a bad reputation too.

One of the issues I think that is going on with manufactured housing is the fact that a lot of communities will not let them into their towns. They won't let the cranes down the street, they say there's no way to inspect them, they have just a lower reputation than they need.

I think we need to reeducate the cities, like the city of Chicago and some of the smaller communities and suburbs on exactly what manufactured housing is and how it can help revitalize their neighborhoods.

These things can be put on the ground, built and have people in them in fractions of the time of traditional homes. You can get them at a price point, and if you use a land lease program, this becomes affordable housing, this becomes beautiful affordable housing for a century for a family.

And if - and again, I just think the issue is we're not educating people on what manufactured housing is and what a beautiful product it can be and how it can help so many towns and communities. And we need to get within - we need to start talking to the mayors and the building inspectors and the firemen and all of these people and explain what this product is and start doing little roadshows if necessary to inform them about this.

And it'll make a world of difference in affordable housing. That price point, you can slice it in half from stick and brick. And this is how you get people into homes, this is how you create homeownership. It's all about the money and that's where you - what you got to do.

And okay now it's (Dick)'s turn, I'm done.

Jim Gray: Okay, thank you Maria. Go ahead...

Richard: You ready (unintelligible)?

Jim Gray: I'm sorry, yes I almost forgot to introduce you because I know you so well. Dick Ernst from Financial Marketing Associates will address us next.

Dick Ernst: Thank you Jim. Thank you everyone and I appreciate the opportunity to provide some comments to FHFA and the Enterprises. My remarks, I've also prepared in writing, they're out at the front table if anyone's interested in taking them.

I've spent the last 45 years of my career in the manufactured housing finance and consulting arena and I've worked with many of the industries' manufacturers, their retailers, community operators and finance entities, both on lending compliance as well as innovative - creating innovative structures that enhance financing capabilities for customers interested in making manufactured home - a manufactured home their permanent residence.

I've created a private loan conduit structure since there was no public conduit structure through the GSEs with the community bankers association - independent community bankers association of America. That program operated for eight years until the private finance entity ended up selling out to Citicorp.

But I spent those eight years travelling the country educating financial institutions, primarily community banks, small community banks, and making available to them the ability for them to offer longer-term fixed rate loans to their customers, which they had never been able to do before because they can't match fund obviously.

As a result we ended up with over 400 banks in the program, some have used it sporadically, some of them used it more often than not, but it was a successful program. And it underscored to me how this program can work and how it can be expanded with the public market through the Enterprises.

I also created a finance entity for Palm Harbor Homes, one of the major manufacturers, country place mortgage, and they're still in the business today making mortgage loans and chattel loans as well.

I created a joint venture mortgage operation between three manufactured housing manufacturing companies and Wells Fargo Mortgage. And the idea was that there's an inconsistent application, even with the largest institutions through their branch network, on what they will do and what they won't do with respect to manufactured housing. This was an effort to provide a consistent source of construction lending and permanent mortgage lending to the retail customers of these three entities.

And so you can see through all of these initiatives, in order to create a successful program, which the Enterprises are considering today, you have to think, and we always have to think beyond just the needs of the GSEs, you have to think about the needs of the customers themselves. What are they looking for? What do they need? What portions of the market can you fill that are not being filled today?

And I'm the first to recognize, and I did it in everything that I've created, that risk mitigation is an important factor, and that'll be an important factor in this as well. And I think you'll find that this industry is willing to work and will work with whomever necessary to make the appropriate risk mitigation necessary for you.

I'm currently serving my third term, and probably my last, as Chairman of the Financial Services Division for Manufactured Housing Institute too. So you'll see and hear a lot from me in my last year of service as the Chairman.

FHFA and the Enterprises are certainly aware of the value proposition that manufactured housing brings to customers. And as Maria just stated, the price point which was outlined in many of the materials that FHA put out there is pretty impressive when you compare it to site-built housing.

All of the Enterprises are all equally aware that in 2015 80% of the manufactured housing purchases opted to finance their homes as chattel financing, home only financing. Now there are a variety of reasons for that, because about 2/3 of those I think went on private property and the third went into land lease community.

But one of the considerations as to why they chose chattel are the high closing costs associated with a mortgage loan. And also probably a little known fact, for those who haven't been in the industry, is that oftentimes borrowers who want to place a home on their private property, they're placing it on property that is what's considered family property, it's been in their family for years and years and years.

And while no one goes into a situation thinking "What happens if I default or if I can't make my payments," that becomes a key consideration because they'll have brothers and sisters and aunts and uncles who will be all over them if they lose that property because it's been in the family for so long.

So the issues before FHFA and the Enterprises on how to serve this market in a fair and efficient manner, keeping in mind the risk mitigations necessary but maintaining safety and soundness for the GSEs. So let me address many of, I think the key elements of a program and some of the things that this - a program can do for customers of manufactured housing.

First I think the customers would be the first to say they appreciate the designation that the GSEs, if they go forward with a pilot chattel lending program, will get Duty to Serve credit -- that's a major step for our industry and for the customers as well.

But the final rule says that the GSEs may consider the development of a pilot chattel program for manufactured housing loans. I would submit that the term "May" is in conflict with Duty to Serve.

I had - I looked it up, "Duty means a moral or legal obligation to do something or to provide something," but "May" gives them an option. And I think that conflict of terms needs to be addressed. Obviously I think you should do it.

The housing market segment also, that's the only mainstream housing segment that the GSEs are not serving is the chattel housing market. You're serving every other market but that. And as you - by your own statistics in 2015, 80% of the purchases were chattel transactions but yet you're not serving it and making (unintelligible).

Being denied a secondary market outlet or opportunity creates a couple of major issues.

Number 1, lenders, private finance entities, have to compete for their capital in the private capital markets. That drives up the cost obviously because you're competing with a number of other types of financing that the private capital markets are looking to serve. Oftentimes 100 to 150 basis points, they're paying 100 to 150 basis points higher than they would if there was a market.

Number 2, in order to serve and serve the customers, long-term fixed rate financing is what's necessary. And in order to do that though, lenders competing in the capital markets are borrowing short-term, typically on a five-year basis but making 15, 20 and 25 year loans.

And as Warren Buffet said in his letter to the shareholders, "You do that for very long you're not going to be in business very long." Fortunately he had $60 billion that he was hedging his risk with in other markets. Not everybody has the capability of doing that.

But the - so the lenders, you can't buy a hedge for that long, so the lenders have to build in interest rate risk on these long-term loans, as much as 200 basis points over a 20 year period. So now we've added to the cost of the borrower by as much as 350 basis points. These are costs that have to be passed through to the borrower. So your raising the cost to the borrower as a result of not having a secondary market.

Also the private capital markets, the lenders who are using private capital or even depository funds, can't take the risk on longer-term fixed rate loans. And so as a result there's no market on the preowned market, there is no market for loans. No lenders are willing to do loans on homes that are more than 15 years old.

What does that do to a customer that's got a 2000 year old - dated 2000 manufactured housing loan? That restricts them and I would ask you to think of this in the mortgage sense. That restricts them from - to cash customers only. If no one's willing to finance it and there's no market, now they're having to find someone for cash. And there are real life stories that have customers that want to sell their home for $20,000. They have someone that wants to buy it for $18,000 but they cannot find financing because it's a pre-owned home that's over 15 years old.

And so what happens? They end up selling it for cash and taking a substantial amount less than they would have if there would have been a financed partner. So I would encourage the enterprises to consider also when in putting this together you can bet that we're going to when we show you that in our request for information what a program should look like, it should include a pre-owned financing program as well.

Woman: Okay.

Jim Gray: All right thank you very much (Dick).

Dick Ernst: Thank you.

Jim Gray: All right are - Danielle?

Danielle Walton: George if you could come down on deck.

Jim Gray: Okay our next speaker is Titus Dare of Eagle One Financial.

Titus Dare: Thank you very much to everyone here on the panel. We appreciate it. Thanks to everyone listening. As the majority of the people know behind me, I can't say anything in less than ten minutes. So I will do my best and when you have to buzz me out Jim, I'll be ready. I think one of the keys that everyone needs to realize is that there are a lot of experienced people that critique in this room with respect due to manufactured housing industries specific to manufacturing channels and simple programs. And I think we have to address all of the options that are available for everyone in the room to be satisfied and to satisfy all the consumers in the market. We must look at just about everything out there but make those adjustments and programs available.

I will just briefly tell you I've been in the business 35 years. Thirty-five years of that have been in the affordable housing business. I haven't spent a whole lot of time in the jumbo business or anything that exceeds $150,000. I'm an affordable housing guy nationally. And I think when you look at some of the programs that I have been instrumental in creating over the last 35 years, you know, I have the lease purchase program with both Fannie Mae and Freddie Mac put on their votes. I was very instrumental in putting that together and pushing it out with GMAC.

And I was also very instrumental in the Section 8 Voucher to Own program which clearly makes sense based on the opportunities in the marketplace and the ability to take some of these generational Section 8 folks and those in the elderly column and make them homeowners. And then of course with a colleague back here Rick Rand from Great Value Homes, 1998 we authored the Manufactured Housing Leasehold and State Program. That program mirrors the channel program.

Although in this specific thought process, it is real progress and we created a real property entity on a virtual map in order to be able to create the real estate piece of title and asset to sell into the secondary money market. As many of you know, ESC specifically has the enterprises have to exit this paper for the secondary securitization market. When you exit something in the secondary securitization market, you have to do things in reverse. This isn't from an origination to closing and then where does the loan go?

You have to start from the backside and service it and who wants to do that. But they understand the servicing type and what are they going to charge you for that? Then you have the back end of securitization piece that'll knock on doors on Wall Street, both at the rating agencies and of course of the investment bankers but they want to buy what these folks are willing to put through the keyhole. Then you have to talk to the rating agencies. And then you've got Moody, Fitch, S&P and All Dominion. Those people have to buy in.

And then you have to back up to the aggregator. Who's going to aggregate this? Is it going to be aggregated by the bank, by the mortgage company? Is it going to be aggregated by a private entity aggregator? Where does the aggregation take place in order to create the securitization piece? Because we know if we can't securitize, we can't leave it on your books or your books. It has to get out the door. So somebody's got to buy that whether it's Goldman, Merrill, White Rock, take your pick. It'd be private too. There'd be some bad people out there that are buying strips, right, of what they want.

When it comes down to the funding piece, funding is pretty elementary because it's with every mortgage originator on the planet whether you're a bank, a mortgage company or a mortgage broker. Closing those are just documents but you run into the title question. How do I foreclose on this piece of property? Always the primary question that I receive when I sit down in front of folks like you. How do I get my property back and remarket my property and make sure that I take as little a hit as I possibly can or maybe no hit at all?

And then, of course, when you get into the underwriting component, you know, there's a lot of underwriting issues that have come to the surface over the last 15 years. How did we underwrite this stuff? Who underwrote it?

Why? I'm not sure I would underwrote that today. No I would never have underwritten that today. And so you have to look at those procedures. When as an underwriter, which I am, any ready VA, FHA, (unintelligible) B2 you look at safe, sound, sanitary and sustainable, the four Ss. If you don't have those components, you really should take a look at what you're underwriting again.

When you get down to the securitization piece there is a privatized entity out there that is engaged in securitizing. There are several who would be interested in this product if it was presented properly and you could prove to them from origination through securitization servicing and foreclosure that you could protect them and their investment in that asset. When you swing around to the chattel piece, I think you have to really be cognizant of what's out there. There are, you know, five lenders that are off the top of my head: Cascade, Vanderbilt, 21st Mortgage, JCF, Country Place, which (Dick) was very instrumental in ramping up. I don't believe and I've been told this by several folks in the last month and a half, if the property was to be chatteled and it was to ramp up to X, I've been told by three different players that there's sufficient capacity in that market to absorb that need.

When you look at the mortgage banking perspective of it, it's a very high cost product for a very low budget. And what ends up happening to the agencies, specifically to enterprises at this point, is are they being adversely selected. And the question really becomes these five entities that I just named typically underwrite from 640 up and it's 40 incremental bumps up on the slide goes. So what happens? Are we really looking for a 600, 640 product that you're adversely chosen to buy? I think that could be something that needs to be taken a look at very closely.

You also have to look at the geographic concentration, something that we had to deal with which was very problematic in the early going because you have an untested market. You have people on the other side of the table that are not sitting here at this table but you have the rating agencies and you have the investment bankers and the private folks that are buying these securitizations. And that would include the insurance companies. I don't want to leave them out. And these are the questions they ask because they have a perceived risk. And when they have a perceived risk, they look at who is the pool insurer. Who's going reinsure this? Is it going to be AIG? Is it going to be Allianz? Who's it going be?

And from there, that pool insurance is broken down into who's going to do the private mortgage insurance on this? We talked about it. Now listen to (Dick) very pointed, accurate, you have bumps in interest rates on chattel because there is no typical pool underwriting wrap that goes around that. It's not available typically in the market. And if you can get somebody to find it, please call me because it's very expensive. And not only that, you start looking at the mortgage insurance companies that are going to insure the underwriting risk of that particular consumer based on a FICO score. They're not out there either. That is the typical mode of what the enterprises and FIFA and everybody on the back side of you on Wall Street is looking at.

So in closing, I think that we need to take a very close look at the original leasehold state program and see why that didn't work. And I will tell you why that didn't work. There wasn't enough buy in for the industry. We were needing 35 year lease agreements. Some of them were 60 pages. Some of them were 80. Some of them were 40. We capped the amount that the land lease could be increased on an annual basis at call it plus three. From there what we saw and is now a year old is that we did appraisals. We had appraisals go out there and appraisers can appraise a real property. They can appraise a leaseholder state. And a leaseholder state is very important. Thank you very much.

Jim Gray: Okay thank you Titus. All right. Danielle?

Danielle Walton: Yes. Next up is George Allen and then we have Brian Gallagher on deck.

George Allen: I guess it's still good morning. I appreciate the opportunity to address this group. I hope you also took note of what Titus said about Dick Ernst's presentation. I've known Dick for years yet anytime I've ever listened to him talk I've learned something more about the very industry that I have been in. And so I think that you were actually treated to a special presentation this morning from him.

Now I'm George Allen. I'm from Indianapolis, Indiana. I represent the Community Owners Business Alliance or COBA7. I've owned that. Now listen to this carefully. I have owned land in these communities where for many years and some folks still do refer to them as manufactured home communities, manufactured housing communities. And years ago we referred to them as mobile home parks. But since we now have six different types of housing commonly cited within these properties, I - as the main author for the industry I have changed my terminology to go with land based communities. So when I talk, that's what I'm speaking to in terms of synonyms.

I have owned this type of income producing property now for 35 years. I have authored all of the manufactured housing related textbooks that are in print today on the subject. And COBA7 is a national advocate for land based community owners large and small throughout the entire United States. And it has to do too with why there are no fewer than four owners of land based communities sitting in the room today in a chattel finance listening session. And I'll come back to this. Well I'll just tell you the reason why.

Unlike 2009 when only 20% to 25% of our annual shipments of new manufactured homes went into this type of property at the yearend 2015 more than 40% were going into manufactured home communities. And it's roughly estimated that by year 2020 we'll be at 75%. So community owners have a really vested interest in seeing us return in some fashion to reasonable access to chattel capital, which is how our homes are financed on site.

Again I thank you for the opportunity to address the manufactured housing needs as they pertain particularly to this type of unique property. I'm going to come at it from a slightly different fashion, however. Two parks, two scope of what I'm going to cover. First is the historical. Just be aware there's in a large stack of paper that's on a table there is a historical perspective we've prepared especially for this session. It goes back 65 years. In fact, let me just quickly read the introduction and two introductory quotes to that document. Hopefully it'll whet your appetite to want to pick up a copy when you go to lunch.

This document was prepared especially for the Federal Housing Finance Agency listening sessions. It is a 65 year look back at manufactured housing finance cycles plus a challenge to look forward and collectively decide how to restore reasonable access to chattel capital for financing of new and resale manufactured housing in land leased communities nationwide. And then two quotes I used to prepare the document was the first is an ancient Eastern proverb emphasizing the historical nature. "If you dwell in the past, you lose an eye. If you forget the past, you lose both eyes."

And use this document - and use this look back into our 65 year manufactured housing finance history to ensure 20/20 vision going forward. So that is the major and purpose of the document that I hope you pick up and take an opportunity to read. I also could anecdotally mention two of the both Dick Ernst who just spoke to you and a speaker who I don't see yet (Marty Laven) retired from our industry are both scheduled speakers to be here and they are both liberally quoted in this document because they were the financial kingpins at one time or at this case still is in our industry.

Now the other perspective for me and that really - and it relates directly to the document that I only just received a day or two ago from the FHFA helping to prepare for this session. And so my remarks are going pretty much indicate the follow-up I plan to execute after today's session relative to this document and more than likely directly to (Michael Price). There are four areas of quick comment.

There's sources of chattel loan financing section in this book. And I didn't realize until I wrote it that you folks I guess didn't really know the sources of - all the sources of chattel capital out in the secular market. And I prepare a document every year called the signature series research document. It's called the National Registry of All Manufactured Housing Lenders and the 19th edition. I'll mature - well my comment is at the end of this, I will forward a copy of that to the FHFA so that you have that as a resource document.

Another category covered in the booklet is origination of chattel loans. Following this session, I will supply the FHFA information relative to a firm (unintelligible), some of them - some of the folks probably know the data because it's not - you need this as a marketing value alternative to the NBA book value which is referenced in the book. So rather than focus just on one avenue, I want to make sure that you broaden your perspective to cover that as well.

The third category has to do with the borrower and tenant protections for chattel loans. Now I'm going to hedge my remark slightly by saying maybe recommend okay because I'm not really sure that my peers will push a maybe one or more of the things I'm going to share with you. But I feel that if we're going to move this ball forward as (Dick) has challenged us to do, these are some things we need to consider. I've felt one of the problems historically with the chattel and with loans not going well is a lack of balance that sometimes is allowed to creep in between the rents charged in local manufactured homes communities to pair with other forms of multi-housing in that market.

And there is indeed a formula that allows practitioners to know beforehand where they should pay their site rent so that it is in sync with other forms of multiple multi-housing in the area, particularly three bedroom, two bedroom - three bedroom, two bath non-subsidized apartments and townhouses. So I will support that information to the FHFA.

Another point would be the use of an existing worksheet that many of us use to use local housing market area meeting income and homebuyer site lessee, potential site lessee annual gross income to know beforehand going in there to what they can really afford to buy. What - how much house can they afford to buy relative to also the amount of rent they're going to pay and still be let's say $50 a month under what they would pay purely as an apartment renter. And these formulas are out there and worksheets because I don't think that the FHFA there might be aware of them.

And finally a new tool that I know have recently come up with and it's probably been around longer than I have is the national average affordable housing multi-housing rent statistic. I'm taking them from the Statistic Bureau. Basically the current figure is $849 a month nationwide. And obviously it's going to vary from local housing market to market. But my contention and I'll explain this to the FHFA when I correspond with them later is that maybe that is the line in the sand that they want to help evaluate how some of the chattel financing is handled in the future that the monthly payment to be taken on by a homebuyer or site lessee has to be able to figure at or slightly less than in this case the $849 as a national average, which would be PITI plus rent payment. I'm just saying to you that there are alternatives. I know that you haven't discussed and in fact this one is new to us and I'm working with it and I'll see that that information is passed on as well.

Chattel loan servicing, and this is probably the most controversial one and you wouldn't probably think so but it is in our industry or our real estate asset class, is like I feel that if an effort was made that the folks who own and operate manufactured home communities took their own responsibility to execute professional property management as evidenced in professional property management certifications, it would tend to raise the bar as to where chattel can be more effectively done with fewer failures in between. That about does it for now for me. It'll be interesting to see where all of this goes once we leave here. But in the meantime, thank you for the opportunity.

Jim Gray: Thank you George.

Danielle Walton: Dwight Selby if you can come down.

Jim Gray: Okay and so our next speaker is Brian Gallagher from the Santefort Real Estate Group. Mr. Gallagher?

Brian Gallagher: Thank you very much. Thank you very much. I guess I drew the short straw by following George Allen. He's known in the industry as the guy who was manufactured housing when manufactured housing wasn't so cool and we thank you very much George for all you've done for us. I very much appreciate the fact that you're recognizing the duty to serve millions of manufactured home community residents by supporting a secondary market or considering a secondary market for chattel loans. And I thank you for this opportunity to provide our perspective on this important matter, which is really a view from the trenches in community lending.

By way of introduction, my background includes practices of CPA with KPMG, a real estate attorney with Mayer, Brown & Platt. And I have earned an MBA from Kellogg Northwestern. And I'm currently the COO and CFO of (Santa Fe) Real Estate Group of Companies, which is a family owned organization with no outside investors. We own and operate 3000 home sites in 11 manufactured home communities in Illinois and Indiana which ranks us about 43rd in the nation.

We also recognize our duty to serve and our committed to providing quality affordable housing to our diverse pool of residents, which are millennials in general, millennials starting their first household families and retirees. It's a wonderful cross section of middle America clearly in need of quality affordable housing alternatives which we are proud to offer. Our communities already comply with the resident protection standards that I've seen mentioned often in your duty to serve information.

Because of the severe economic consequences of the great recession, which continues to disproportionately impact our target market, blue collar workers and retirees, the chances of a resident coming to us with the home they've acquired at a dealer hoping to set it in our communities are really slim and none anymore. In fact, it just doesn't happen. Social security payments to retirees did not increase in 2009 or '10 or '15 and only increased by 3/10ths of a percent in 2016.

Retirees are earning almost nothing in interest on their retirement savings as compared to the 90s and 2000s. And we're all well aware that downward pressure on hourly wages and importantly and this is the most mind blowing part that I found in preparing for this is that a September 6, 2016 survey reported in Forbes Magazine indicates 34% of America does not have any savings at all, 35% have under $1000. Therefore 69% of America don't have $1000 in the bank and it - the next level is 11% has $1000 to $5000 in the bank. So 80% of our nation doesn't have $5000 in the bank.

It was clear then that the residents in our target market suffering from stagnant wages, social security payments and almost no savings for a down payment would have difficulty qualifying for the few remaining offered manufactured home chattel lenders. Therefore, we obtained an MLO in Illinois and Indiana to be able to lend our money to our residents to buy our homes. Earning an MLO is no easy task as I'm sure you're aware. We require $150,000 in the bank at all times, which is a loan enough to preclude many of our colleague MAT operators from obtaining the license. And we had to satisfy significant additional education testing, bonding, financial reporting and servicing requirements, which we have done and we continue to do.

Over the course of 2 1/2 years, we have funded over 270 loans for an aggregate $7.7 million in original capital averaging about $28,500 each. Our underwriting complies with Dodd Frank. We use a 33% front end ratio and 43% back end though we must necessarily work with lower FICO score borrowers who struggle to put 10% down. Our interest rates have ranged from the very special 0% fixed program to a typical 8% fixed rate for a 15 year term. And I have to say these are below what I think you'd find among traditional chattel lenders. We also offer a neighborhood heroes rate to veterans, nurses, teachers, police and fire personnel of 5% down and 5% fixed for 15 years.

We charge minimal fees, only $285 per loan, and avoid the red flag to the past. We are all fixed rate, fully amortizing, full underwritten, fully documented and verified loans. This deal structure allows a two income family earning only $9 an hour to build equity and live in a brand new, energy efficient, 1280 foot - square foot three bed, two bath home for about $1000 a month or less depending on the site rent in our portfolio. Others purchasing rehabilitated used homes which significantly be less - would be significantly less. This is what we mean by quality affordable housing in communities which may also offer swimming pools, clubhouses, new playgrounds and basketball courts and good schools.

We also consider residents who don’t qualify for even these loans can apply for a lease of the same home with an option to purchase when their credit improves. Our applicants have the opportunity to apply to other industry lenders that you’ve heard mentioned here in addition to our related party financing. But those who don’t qualify for these pure lenders, try at 21st or Oxford for example, apply to us because they still need someplace to live. Our borrowers FICO scores are generally then between 540 to 590. So we believe we’re providing financing and quality affordable housing options to those who do not have many other alternatives.

Our experience has been about what we’ve expected. Our resident’s significant financial stress with generally minimal savings means it doesn’t take much, a major car repair, a few weeks out of work, a boyfriend or girlfriend leaving what was once a two income household, for our borrowers to fall behind. Of our 273 originations, 60, about 22%, have required some level of work out. We’ve been willing to work carefully with them in good faith to accommodate their needs. In general we've avoided any material lending loss or charged any borrower with a deficiency if their financial situation was beyond restructuring.

We have approximately 500 more empty lots to fill in our portfolio. With $40,000 per lot for site prep, home and install, we would have a capital need of $20 million to provide as many homes as we can - as many quality affordable housing units as our portfolio would allow. However, we don't have the capital to do that so long as we're unable to liquidate our growing loan portfolio as many single family home lenders do. Therefore, our markets will be underserved. Further, manufactured home construction is generally local to the markets to minimize transport costs. Therefore our ability to buy more homes manufactured in our geographic regions will support our local economies. If we had a secondary market for our chattel loans, we could continue to provide quality affordable housing and stimulate local job markets.

As an example of how we might develop a model for the secondary market, I'd like to describe our particularly successful relationship with a chattel lender who is focused on manufactured home lending. It's completely separate from our own loan originations. We agree with this lender at the community level that if the lender makes a loan in our community which defaults, we support the lender to mitigate their risk as follows. We rehab the home at the - at our - at the lender's cost. We don't charge the lender site rent during the vacancy of the home. We actively use our community sales teams to prioritize reselling the unit for a commission paid by the lender to preserve the home's value and minimize the lender's losses.

We've found this be very successful though rarely needed to be implemented. Still it can serve as a model for the secondary market to reduce lender's risk in the housing in this niche. To this list I imagine we could add creation of PMI pool per chattel loans, perhaps bonds for communities to provide recovery in the very, very unlikely event that a home is removed and standardize uniform loan documents, the community standards you reference and age limits if you choose.

If the enterprises were to support a secondary market of our loan portfolio, obviously the 8% loans, not necessarily the 0% or 5% rates, it would allow us to recapitalize our home acquisition efforts and make more quality homes available to our core market of lower economic class millennials, families and downsizing. It would be a win, win, win for the residents, the industry and investors. I think for residents they would enhance home ownership and echoing Dick Ernst it would allow people to preserve immediately the value they have in used homes.

I assume if you're not renting a home, you could think of how difficult the market - or what the market value impact of your homes would be if you had to find a cash buyer. If you didn't think that you could sell your home for finance, you could see you would lose 10% and 20% and 30% and 40% echoing (Dick's) story. So this would immediately provide value creation for the used home owner. It would also lower rates in general.

Our standard $40,000 8% 15 year loan is about a $382 monthly payment for lot rent. In a secondary market, if there was a secondary market and that dropped the loan to 7% and say 25 year term, that becomes a $282 payment, which is $100 less and would reduce the wages required by $1.75 an hour to meet the 33% front end threshold. With PMI, we could also allow more borrowers to qualify with lower down payments reflecting the 80% of the country with no significant savings.

For the industry, greater liquidity would mean more MAT owners could become MLOs and originate loans and liquidate them in the secondary market to repeat the cycle. More capital would mean more new homes acquired driving more jobs in the manufacturing concrete site prep, management and maintenance fields. And for investors, it would almost certainly yield higher rates than real estate loans but the safeguards could disproportionately reduce the risk. So thank you very much and.

Jim Gray: Thank you very much.

Jim Gray: All right. The next person on deck Danielle?

Danielle Walton: That would be James Dougherty.

Jim Gray: Okay and our next speaker is Dwight Selby from Global Homes. Mr. Selby?

Dwight Selby: I love manufactured housing. I'm passionate about the manufactured housing industry. In fact, I am a self-proclaimed manufactured housing advocate. Thank you for the opportunity to address you regarding serving the underserved with manufactured housing chattel lending in land leased communities. My name is Dwight Selby and I live in Ormond Beach, Florida. On the national level, I'm a member of and attend virtually all of the MAHI meetings. On the state level, I'm treasurer of the Florida Manufactured Housing Association. In my home town of Ormond Beach, I own a manufactured home community and a dealer business, mobile home dealer business, and I am elected City Commissioner.

I'm here today at my own expense because I believe there is nothing more important to the manufactured housing industry than a vibrant secondary market for manufactured home chattel loans. I believe in the concept and power of home ownership and the positive impact it has on families, communities and our nation. However, there is a crisis in America that will only get worse over time. The bad news is we are not building enough new, affordable homes to meet the demand. The good news is, the manufactured housing industry is uniquely qualified to meet that need with a little help from the GSEs.

No other product or method has the ability to have a bigger impact on the affordable housing crisis in America than manufactured housing provided financing for chattel is readily available and less expensive. I know this for a fact because for the last 2 1/2 years my sales team and I have been in the trenches selling new manufactured homes to working class families, single moms with kids and seniors with limited incomes. They love our product. They love our lifestyle. But they are paying far more than buyers of site built homes using other government programs like FHA.

Manufactured housing gets virtually no government assistance. Some call us the forgotten housing type. However, most prospects never get financed because the lack the big down payment, have a lower FICO score or cannot afford payment due to high interest rates and shorter amortizations. Congress had it right in 1992 -- by the way that was 25 years ago -- when they passed the Safety and Soundness Act requesting that the enterprises provide liquidity in the manufactured housing chattel market. I’m quite certain and I hope you will agree that if we had a robust secondary market for chattel loans, far more lenders would be active in the space. Interest rates would be lower. Down payments would be reduced. Loan amortization terms could increase and using FHA as a guide acceptable FICO scores could be substantially lower.

The net effect of all this would dramatically increase the number of families who could secure their American dream. In other words, the underserved would be truly served. My wife and I have owned Shady Oaks, an all ages manufactured home community in Florida, for over 20 years. We provide affordable housing for up to 87 families. In the last several years, many of the original 40 year old mobile homes were becoming physically and functionally obsolete. They were wearing out and we started experiencing significant vacancy.

We considered selling the community or changing the use and we - however we decided to rejuvenate which meant new homes on all the vacant lots. In a little over two years, we have purchased 27 new homes and placed them in our community. Many of our buyers come from rental apartments. They appreciate the privacy of no neighbors above, below or attached to the side. They like having a yard and being able to park at their front door. Frequently, their loan payment and lot rent is less than their own rental amount. But it could be, and I advocate should be, even better.

Let’s compare a typical manufactured housing loan to an FHA loan. First of all, credit scores. Most manufactured housing lenders require a FICO score of 650 and above. FHA will finance 580 and up. Twenty-seven percent of all Americans have FICO scores below 650. That’s a quarter of the U.S. population. These are the very low and moderate income families duty to serve is designed to help. Next, down payment. Most MH lenders want 20% down. FHA is only 3.5%. That’s nearly six times more cash down payment for the manufactured home buyer. The down payment for many FHA buyers looks more like first, last and a security deposit that’s required by most landlords.

And as for interest rates, it’s not uncommon for lenders to charge 9.75% while FHA loans are readily available at 4.25% or lower, more than double the rate for manufactured housing buyers. And finally, loan amortization terms. Well manufactured housing lenders typically want 15 to 20 years whereas FHA will go 30 years. Obviously the longer term reduces the monthly payment. The bottom line on all of these differences is fewer buyers qualify for substantially more expensive debt. I have a handout demonstrating the impact. The bottom line is a $15,000 down payment versus a $3500 down payment and a $954 a month monthly payment versus $475.

There is a direct correlation between household income and credit score. Approximately 20% or one in five of all Americans have credit scores between 580 and 650. If the GSEs model their pilot programs after the hugely successful FHA program and allow 580 and above FICO scores, then the underserved will be served and the trajectory of lives of tens of thousands of American families will forever be enhanced. If they require a minimum of 650, then the very few if any of the underserved will be served.

Finally, I'd like to address risk mitigation. After all making sure the programs are profitable for Fannie and Freddie is critical. Reducing risk while being intentional about serving the riskiest population is a gigantic challenge. I've reviewed the list of protections that the GSEs would like to see in the land leases. In the state of Florida, most all of these are covered by chapter 723 state statute. The remaining appear reasonable. One characteristic that distinguishes manufactured housing community owners from residential developers is we never go away.

Yes it's true that you don't have the land as collateral but you have me and I do not want that manufactured home to leave my community. It requires a great deal of time, energy and capital to fill a vacant lot with a new manufactured home. So when one is in foreclosure, I'm going to do everything in my power to mitigate the loss, mitigate your loss and find a new buyer for that home so that you get paid and I start collecting lot rent as quickly as possible. Removing that home from the community as was frequently done in the past is a recipe for financial disaster. We are in this together, so let's work together.

I strongly encourage the GSEs to collaborate with the National Communities Council of MHI. The NCC is comprised of community owners of all sizes from all over the country. As a community owner and future purchaser of additional communities, I love the non-recourse community acquisition lending the GSEs offer me. However in my opinion, no community lending of any kind should count for duty to serve credit under the chattel program. The underserved are not served by community lending. On the topic of mortgage insurance, I would encourage discussion with community owners about an upfront fee or monthly contribution to a PMI fund from the community owner.

So in closing, I'd like to leave you with four thoughts. Number 1, let's end the discrimination against manufactured housing and enact these pilot programs. Two, let's provide access to as many as the underserved as possible by lowering minimum FICO to 580 like FHA. Three, let's not give chattel credit for community acquisition lending. And four, let's collaborate with community owners to develop safeguards in the event of a default. Thank you for listening and have a fantastic day.

Danielle Walton: Next up we have Edward Huffy on deck.

Jim Gray: Yes right. So you don't need to come down because we're going to take our lunch break after this next speaker and that's James Dougherty from Community Management Group.

James Dougherty: Thank you. I have to follow that. So everything he said. Chattel, chattel, chattel is the issue for the land lease community for sure. I've been in the business 25 years. As a little background, I started by career as a CPA and I had my own small CPA and 25 years ago I gave it all up to go into what some people call the trailer business. And I'll tell you at the end why I made that decision.

But in considering the shadow portion and what scares me the most is this ability to maybe satisfy you by doing community lending. In my 25 years in this business, I have never had an issue finding a lender for my community. Never. They're standing in line to give us money on the community side. And while when you purchase a community for the first time and you get a great deal, it may help you keep the rents low. I don't know anybody who has gone out and refinanced and got a great loan and then cut everybody's rental rate. So chattel, I just I can't say it enough.

And as far as the market for real estate cited homes, I think they already have a system for that in place. So chattel is the issue. Now I will say after listening to some other people speak, we mentioned tiny homes. We've been in the tiny home business for a long, long time. We just never thought to have a TV show about it. So we can help with that and we have that solution already made. And it meets standards and it's not built in somebody's back yard. So if somebody has interest, speak to any manufacturer in our business.

And also in speaking with Mr. (Fleming), I mentioned our product is tough in the inner city because we need more land to do our land lease product and he said well what about in fills. Well exactly. I mean that's great. I tend to think only of my end of the product but our manufacturers can produce homes in two stories that can meet an inner city in fill and this is a place where real estate can be attached. And I would encourage a look at that. But really I'm here for the land lease side of the business and I would suggest this. Here's a real world example.

If you give credit for financing communities, let's take a 100 site community on the outskirts of town. It would value at $35,000 a site. That gives a total value of $3.5 million to that community. If you were going to borrow 75%, that's $2.625 million and that's one loan. In that same community if you're looking at the homeowners, your average home is $40,000. It can be purchased let's say that's the used value of the homes and that you might finance $25,000 of those. So you take the $2.625 for the one loan. That would - that same amount of money would have supported 105 mortgages for individual homeowners and their families.

And I would encourage you to keep that in the back of your mind of who we're helping and how people we can help if we distribute our efforts in the right way. So if they insisted on having this as one of their avenues for duty to serve, I would say that the amount of money they distribute should be weighted $1 on $100, right, if we're talking about who we're going to serve. So the weighting has to be looked at if that's going to be a part of the system.

I do apologize. I'm a brand new grandfather and this got written on the train on the way here last night so. If I bounce around, I had a chance to babysit my granddaughter. So I took that. One of the things we need to do is create competition. Competitions will lower our rates as Mr. Selby pointed out. This difference in financing rates between our chattel product and what's available to conventional housing is too great and it sucks the affordability of our product or a lot of it out of the system. So whatever we can do to create competition and bring more lenders in, that's the way we're going to reestablish our affordability gap between what we can offer and what stick built lenders can offer.

Finally, I'll just tell you quickly what I love about the business, what took me out of the CPA business to come and do this. I loved designing communities. And we have not been able to build a new community in 15 years. We're involved in one now where we're rehabbing a failed community and we're going to expand it. So I'm extremely excited about that. But the thing I love most about it and we haven't been able to do it in a long time is handing the keys to a young family to a brand new home, three bedrooms, two baths that they never thought they could afford. And there's just nothing like it. It's the greatest thing.

So finally, I'll say we need you. And if you'll just - if the government will just wade into the chattel pool, you can create a tsunami of affordable housing in that pool. And I appreciate you listening to me and thank you very much.

Jim Gray: Okay our next speaker back in the manufactured housing market is Ken Rishel from the Rishel Consulting Group.

Ken Rishel: Good afternoon. My name is Ken Rishel and I'm with Rishel Consulting Group. We are a national consultancy in the manufactured housing industry that specializes in chattel finance. And that's really my focus here although I'm also a community owner and a retailer and have...

Ken Rishel: It is on - and has been a number of years. I've also been an outside lender in addition to having my own (unintelligible) related finance company to finance products that we sell. We sold that off in March I believe of 2013 and there was about $478 million worth of loans in that. Our clients and we have both clients and customers, the difference being that clients pay us a retainer and customers use our services as needed. And six people in this room right now are already clients or customers of ours. But we focus mostly on helping people with their finance companies not including a few depositories.

But what I would want to say - well first I want to be nice. I want to say after having to deal with the CFPB, it’s really a relief to be in front of federal agencies that actually knows what a manufactured home is and knows that they have toilets inside and all of those things and that it serves an important purpose in providing affordable housing. And I’m going to get personal here for a second. My son is an MD. He’s actually an instructor, researcher position at Stanford University. He just moved from Chicago where he was at the University of Chicago to Stanford University. He is in a home that is less than 1000 square feet that I would not choose to live in that I had spent $3.5 million on to get him in it.

We have a crisis in this country with housing. It is extreme in the west coast and parts of the east coast. I don’t know, you know, we actually were in a little fender bender out in California the first time we went out there with him to look for houses. And the chips officers told me he drove 85 miles across the mountains every day to get to work and 85 miles to get home because he couldn’t afford to live in the area that he was working in. And we’re not even talking about somebody that is totally disadvantaged at the poverty levels. We’re talking about the mainstay of our country can’t afford the housing.

I’m very passionate about manufactured housing because it provides a solution. Now, I don’t really care whether you call them trailers or mobile homes or manufactured homes or anything else, it - one of the things that I want to make sure that all of you understand today is this is the answer to that crisis. This manufactured homes are the answer. And if you are going to be involved in the financing, you’re going to help provide answers to a lot of people that otherwise would not have that opportunity for home ownership.

I'm going to echo what somebody else said from another industry. It's very true that people that own their own homes their kids do better. They make better citizens.

Why in the hell do we want to put these people in Section 8 and why do we want to put them in substandard apartments rather than giving them an opportunity to own their own home? Maybe their home isn't as nice as what you or I might want to live in in some cases and I'm going to talk a little bit about that as we get along. But it's a home they are own - they own and I guarantee you whether they pay $5000 for it, $15,000 or $300,000 for it, they're proud of it. And they raise their families differently. And we need to help these people. You know, and most of us in the industry want to help these people but we have battles to overcome. And I'm going to talk a little bit about that.

You know, the - there are a number of outside lenders in our industry that have been referred to, 21st of course being the largest, Vanderbilt being your - their sister and a whole number of others. Okay? Some of them are depositories like CU Factory Built and some regional banks and credit unions and some are non-depositories. And there's a distinct difference there because non- depositories have to go somewhere else for their funds. Okay? And they pay more for them. And you should be aware of that. It's important that anything you do will also allow the smaller non- depositories to participate in this process, to be able to qualify to originate under your programs.

In this I'm referring okay here's some - a couple of firms you may not know, Park Lane Financial, okay, Alliance. Park Lane Financial is out of the east coast. Alliance is out of Ohio. These are small firms that based on things that have been done in the past they wouldn't stand a chance of qualifying for it any more than Triad's had a chance to qualify under the last program, Title 1 and Title 2 program that came out and Triad is a good company.

The - so, you know, you need to think about that there are smaller but very significant players. Hell there's a small one, you know, Performance Equity Partners based out of Illinois that's now operating in six or seven states. And you need to be cognizant of these people and think about them when you're sitting there deciding what the guidelines are going to be to qualify to do this. It would also have a significant impact if the captive related finance companies could also qualify to originate under the chattel program.

Now these guys are going to be anywhere from small operators that do, you know, 10 or 12 loans a month to 100 loans a month or more. Okay? The - a lot of people would like to be in that business because of state regulations and federal regulations they can't afford to be in that business. In some states, it's harder than others. It's very difficult. Brian Gallagher referred to how long it took for him to get his licenses. And I'm not just talking about the MLO. I'm talking about his state license in Illinois, you know, whereas in Texas he could have had it in 30 days. And that's part of the problem because there's a barrier to entry here that you're going to hear about several times that's there.

But I want to give you a little more background, okay. People talk about the fact that our - that in general manufactured home loans are more expensive than real estate loans. Why? Well they don't have the same access to capital and, you know, the majority of them that are our clients are paying somewhere between 4% to 6% for money that they're going to loan out themselves.

There are some people that are not clients of ours that are paying as much as 9% for their money. Okay? So what kind of rate can they put that out at that they don’t go broke, that they don’t lose money? The - as Dick Ernst referred to earlier, you know, we have to pack in a couple percent on the interest rate just to cover the length of term. Okay? And all of this is stuff that you guys could help solve. And by the way, Dick Ernst is somebody you guys should be talking to. And I’m going to get into pre-owned, which is something Dick brought up and didn’t have time to finish and a couple of other things here if I’ve got time.

The - so to me the goal is to provide an affordable source of capital. Now you guys aren’t providing the capital but you’re setting up the resale markets which will then make capital more available. Most of our clients are going to private individuals of wealth, of substance, and borrowing the money, you know, $1 million here, $10 million there, from private individuals in order to fund what they’re doing. Companies like Triad are working with over 200 banks, which I’m sure you’ll hear about when (Donny Glisson) testifies in Washington, you know, in order to access the capital that they need to make these kinds of loans.

You know, people are all over the board as to where they’re getting their money from. And when I had a finance company, heck I got some of my money out of Beijing. I got some of it out of Dubai before that debacle went down and some from insurance companies. But we had to go all over the place to do it and only because I had a good and long track record, which is another thing we’re going to talk about in relation not just to me but everybody else of success. Did - were we able to access this money at reasonable interest rates? If we went to Wall Street for this money, they’d want 13%, which is actually more than we can charge for a loan because of the Dodd Frank regulations.

The - a question I often get is why do community operators and retailers actually navigate through all of the formidable barriers to entry that it costs them and as Brian somewhat described and others might have to set up a captive or related finance company. Okay here's some numbers for you. Now a lot of stuff is back of the envelope but this is stuff I know well, okay. For every 100 potential customers that appear in a community or a retail operation looking to buy a manufactured home that are also going to need financing as chattel, only 20% of those people will successfully get a loan from an outside lender, only 20%. That's 20 out of 100.

Jim Gray: So I think we'll have to stop you there because your time expired.

Ken Rishel: All right thank you.

Jim Gray: Okay. Who's the next person on deck?

Danielle Walton: Next we have Edward Hussey and if (Richard Ran) can come down

Jim Gray: Okay Mr. Hussey?

Edward Hussey: My name is Ed Hussey. I'm with Liberty Homes of Indiana. Liberty Homes is a manufactured housing manufacturer that's been in business since 1941. I've personally been involved in the manufactured housing industry since the early 1980s and have testified many times before Congress on manufactured housing issues. In the late 1990s, I served on the Congressional Commission on Manufacture Housing which held public hearings around the country in an effort to ascertain how manufactured housing could be improved to address any concerns that consumers, lenders, retailers, installers and builders might have concerning our homes.

We heard from among others lenders who were concerned that conflicts between manufacturers, retailers, installers and consumers were resulting in manufactured housing customers defaulting on their loans. The Commission therefore sought to develop programs and policies designed to redress these conflicts. The result of the Commission's hearings, meetings and negotiations was the Manufactured Housing Act - Improvement Act of 2000. This act provided for a method to update the building code under which manufactured homes are constructed, an inspection system to ensure that manufactured homes are installed properly whether in a real property setting or in a land lease arrangement and a dispute resolution system designed to rectify any disagreements between the consumer, manufacturer, retailer or installer.

All of these provisions were designed to ensure that manufactured homes were not only viewed as homes but could be financed as homes. This act was passed unanimously by Congress and signed into law by President Clinton. Since that time, manufactured housing construction and safety standards have been updated and modernized by a consensus committee. HUD and the various states have implemented it and enforced installation standards and dispute resolution procedures.

Today, manufactured homes are homes affordably priced without federal subsidy and ready to be purchased by low and moderate income American families. Despite this fact, the government sponsored enterprises have consistently refused to include manufactured homes in their portfolios. At the time of 2000 act, manufactured housing loans constituted approximately 4% of the GSE's portfolios. Today 17 years later, manufactured home loans constitute approximately 1% and those loans are by and large conventional loans secured by real property.

We in the industry have over the years since the 2000 act attempted to work with the GSEs to entice them to provide loan products for manufactured housing whether in a real property conventional mortgage situation or as personal property where the home is cited in a land leased community or on leased private lots. Even today, we get information from retailers that submit a sectional manufactured home on a real property with a customer to - for financing to financial sources and they are refused because it’s a manufactured home.

The same customer goes back with a modular home, which is built in a factory just like a manufactured home. It looks just like a manufactured home. It is composed of the same materials as a manufactured home built to a different building code and that same customer is approved. That’s just discrimination against manufactured housing for no real reason other than the fact that it’s build to the HUD code.

As (Maria Vesey) said, “It is much more beneficial for individuals, families, and for society as a whole to have families in a home they own and take pride in.

Programs that help finance McMansions are not going to accomplish this. Programs that finance manufactured homes will go a long way toward that goal.

Prior to DTS we often pointed out that these types of manufactured homes would go a long way toward fulfilling in a GSEs congressionally mandated affordable housing goals. Our efforts would largely for not.

While the GSEs were willing to talk to the industry concerning manufactured homes -- and we’ve talked a number of times at a number of shows at a number of meetings in Washington -- no significant programs were ever implemented.

Only once did one of the GSEs propose a manufactured housing loan program. It was called Manufactured Housing Select and was to be a pilot program involving about 2500 loans utilizing sectional manufactured homes sited on real property yet still identified as manufacture homes.

To qualify the homes would have to include significant optional items raising the overall cost of the homes. These include a high roof pitch, heavy insulation packages, wide roof (unintelligible) and various other options that drive up the cost to the consumer.

In addition restrictions were put in place regarding down-payments, low-level price adjustments, and appraisals utilizing only similar manufactured homes in restricted geographic areas for comparables.

This pilot program failed. I'm not aware of any loans being made under this program. And in any event it did not include any provision for Chattel Loans. It was a program designed for homes that looked exactly like site-built homes and cost a good deal more than your average manufactured home.

The industries frustration with trying to work with the GSEs resulted in a manufactured housing Duty to Serve provision and the housing in the Economic Recovery Act in 2008.

DTS is a mandatory statutory directors to the government sponsored enterprises developed loan products and flexible on the writing guidelines to facilitate a secondary market for mortgages on manufactured homes for the low and moderate income families.

Congress further provided then in determined whether an enterprise has complied with DTS F-itch (sic) - excuse me - FHFA may consider loans secured by both real and personal property. It is clear that congress intended the GSEs to (desilitate) personal property loans.

Since the passage of (Hera) the GSEs have not purchased any manufactured housing Chattel Loans, not made any provision for a secondary market for such loans.

It’s also clear from the comments filed with FHFA by the GSEs concerning the DTS (unintelligible) for Chattel Loans the GSEs are low to provide Chattel Loans or a mechanism to support such loans.

Manufactured homes are the most affordable source of home ownership for the American consumer. They average price - or they - excuse me - they average purchase cost of manufactured homes is half that on a per-square foot basis of site build homes.

80% of manufactured homes sold today are titled as personal property. Thus in order to comply with the DTS for manufactured homes in any meaningful way the government sponsored enterprises must development Chattel lending products that provide secondary markets and/or securitization support for such loans.

A suggestion in the DTS evaluation guide that a pilot program may be developed for creditory compliance is an extremely weak provision to solve an enormous deficiency in a GSEs performance.

The GSEs must be directed to provide for securitization on that secondary market support for manufactured home Chattel Loans on a scale and within an expedited timeframe sufficient to meaningfully impact and expand the finance market for manufactured homes.

In addition a meaningful enforcement mechanism is necessary to address any failure by one of the enterprises to comply with its duties. To insist that a pilot program is necessary to evaluate the performances Chattel Loans made on manufactured homes ignores the experience and is available. So the FHA Title 1 program.

If you're concerned about the default rate on manufactured homes and how manufactured homes perform there's some good information right there, the FHA Title 1 program.

Any bad experience which the GSEs have had in the past in dealing with Chattel Loans relates to poor performing portfolios purchased in the 1990's in an attempt by the GSEs to fulfil congressionally mandated affordable housing goals.

The GSEs have never provided the systematic approach for Chattel lending on manufactured homes. Continued failure to provide a Chattel lending program a secondary market support will result in a higher non-competitive Chattel lending rate, but the consumers at the DTS legislation was designed to assist. The provision of a true Chattel lending program may also help the GSEs meet the DTS rural area goals.

In states such as Mississippi where 90% of manufactured home purchases are funded through Chattel Loans such a program could help lower interest rates and ease an affordable housing shortage.

If the opportunity for affordable housing for low, very low and moderate income families is to be provided. It will come from the manufactured housing industry.

Conventional home builders are not willing to make the commitment to this market. Every day I read about a critical shortage of entry-level affordable homes around the country. There is a very real need for manufactured housing.

Over the last 16 years manufactured housing sales have been an incline due in large part to the absence of manufactured home finance. Unless a meaningful program for manufactured home finances developed by the GSEs manufactured homes -- the most affordable source of housing for low, very low and moderate income Americans -- will continue to be denied to those consumers. Thank you.

Jim Gray: Thank you.

Yes. Mr. Walker, I believe you're on deck now. And our next speaker is Richard Rand from Great Value Home.

Richard Rand: Thank you very much. My name is Rick Rand. I'm - Richard, Rick Rand. I'm with Great Value Homes based in Milwaukee, Wisconsin.

I'd like to give you a very quick background so that I can use the majority of this time that we have to talk about my involvement in some of the programs that we've brought forth. And also the involvement with communities and residents in communities.

My background started as - at - working for a site home builder and developer in the ‘70s we were the largest developer builder in Wisconsin during the mid to late ‘70s before the crash of interest rates. And I learned land development in new home single family construction.

Our specialty was what today would be called workforce housing. And I’m almost (unintelligible)shocked I think I’ve only heard that phrase once today. And that was the - regards to the police officer. I think Ken Rishel may have brought that up.

But workforce housing, manufactured housing could easily be considered workforce housing.

Post that period of time I went on and went on to work and I worked on a number of different things. I started my own company which ultimately named Asset Development Group. It was recently sold to West partners out of Carlsbad, California.

It - at its peak it was the 25th largest community owner in the United States, 6000 sites, 5 different states. We had five different street stores at one time. Unfortunately where we sold product I prefer just to sell homes in the communities just like you would sell homes in a sub-division. But that is my preference.

We also had a few multi-family buildings. It was quite an experience, quite a large company. I left there to go on my own in 2007.

During the early ‘80s I was - I had the opportunity to work with NBIC which is based out of Milwaukee. And that is probably what changed a lot of my thought processes.

I’ve actually worked with them and a lender in Milwaukee to put together the first Fannie Mae, a group condominium development in Wisconsin.

And, you know, you talk about turning - moving mountains? Well here’s a 30-year-old kid or 32-year-old kid learning how to move mountains pretty quick. It’s - it was an experience.

But it really set me up to then work later on in about (unintelligible) I think it is. I had the privilege to work with Titus Dare who worked for a lender and Freddie Mac put me and my company, my attorney, and this lender together to work on putting together a model program which Titus referred to.

I don’t want to spend a lot of time on it. I’m happy to answer questions about it. But frankly best way to refer to it is a few simple interests in a lease-holder state.

The program was successful. My company had four proved projects. I don’t remember -- Titus may remember -- but we originated quite a few loans just in my own company. We had absolutely no foreclosures, no late pays, and we had a bunch of REFIS from people that went in early at higher rates and then resized.

There were non-successes in the program which had to do with other community operators, et cetera.

After that Fannie Mae came to a small group of us and wanted to try to put together a Chattel program for MH. And that was up 2008. It wasn’t why we publicized. It wasn’t why we talked about, but I was the one that wrote the lease, because I had the most familiarity with the leasing, et cetera, due to having been involved in the Freddie.

Now I'm telling all of you this for a reason. Because this talks about - you're going to see this - how this all wraps up and bow-ties up with the community, the residents, and what our business is which I think people just don't get. Unfortunately 2008 we all know what happened and naturally nothing happened with the Fannie program.

So as we move forward - and I don't want to - I'm not going to belabor this point, because some of my colleagues friends and - have been up here, they've talked about why we need Chattels financing. There's no question of why we need Chattels financing.

We have to increase, you know, home sales. It is the life blood of the American academy -- whether its manufactured homes, site constructed homes, modular homes, open panel, closed panel, whatever it is -- home and new - multi-family construction drives the United States academy. Has for years. It has a top bound and bottom-up effect on so many different industries. It's mind boggling.

We have to improve the existing or resale of homes. We have to provide financing for resale homes. We cannot have that nice homeowner who's 75 years old whose husband just died. She's got to go to a nursing home. And the people who really love her house want to pay her a reasonable price, but they can't get financed, because there's no financing for them. So they come in and they pay her 50% on the dollar.

And so her equity has just been slashed due to lack of available financing. That’s unconscionable. That - we - that shouldn’t be taken. That shouldn’t be going on.

All of these increasing employment. All of these are for increased production, increased capacity. All of them create homes for families -- which I was almost in tears when (Maria) was talking about that before -- but that’s a fact of the matter.

We’re talking about housing families, single parents, multi-parents, all sorts of family arrangements. We’re talking about people’s homes. We’re talking about people bringing - having a place to bring up their kids that care for their grandparents or their great-grandparents, their aunts and uncles.

We have a lot of different nationalities who live in this country and who live in our communities. And you would not believe the amount of families that care for their grandparents. How many families are - and we know all about it. And it’s a wonderful thing.

We need to provide housing. It’s a huge element and a recovery. I encourage you to continue to work on the DS (sic) - DTS project. I don’t want to lose my time here. But we have to, we have to, we have to (unintelligible)plea - the enterprises have to serve all forms of housing including manufactured housing.

It may not have (unintelligible) and this is why. See manufactured housing is a unique structure of housing and ownership. Got - that’s where I got all this stuff from the condo days, from the Fannie/Freddie days.

That’s what’s got everybody boggled. People don’t even understand. You know that most of Hawaii is on at least land. I did.

So, what do we do? We went to a title company and said, “What do you mean we can’t do this? You’re crazy.” Half of Hawaii, most of Washington D.C., right? So guess what? Is this really that wacko of a form of home ownership? Having a structure on leased land? No it’s not. It actually is a great form of home ownership.

Now it’s not far off in many ways from a condo concept, but it’s also not far off from single family home ownership. You have common area, you have limited common area, and your exclusive area.

Lots of people just think we have trailer parks. Okay. We’ve had lower communities and they’re dumps and some of them have been bad and some of them have been good. And some people like me have gone in and redone them and some people -- like behind me -- have done it too.

So I’m almost out of time I see. So all I can tell you is it is an unique form of ownership.

But here’s the facts. In our company -- here is actual results -- we have about 10% resales every year, 10%. So you have 100 in homes, you have about 10% resale every year.

We’ve had absolutely no repossessions, stolen good seize, or foreclosures in the last seven years. None. Hello? None. We - you must work with your residents. Resident’s retention is our number 1 goal. Please, please don’t think that we as community owners are the enemy and want to go after our residents. Our residents are allies’ blood.

I’m running out of time.

And the only reason residents end up usually in some sort of problem is the three reasons they end up in the same problem with single families -- Freddie or Fannie, traditional owned -- health, family, or employment.

Page four is going to get left off. Sorry about that.

But without any losses from repos, working with the lenders, making the commitment of doing these items here that actually every one of the leases we have out-does these commitments that we’ve put in to proposed role. And owners and management and - I’m sorry - management and residents we have that as our life-blood.

We have to work together. And it’s a key to high occupancy. When you have happy residents they are going to get their families, their brothers, their sisters, their aunts, their uncles our biggest source of residents, they’re existing residents.

Happy to answer questions later. Thank you so much for the opportunity. And please, please don’t let this opportunity slip by us.

Jim Gray: Okay. Thank you so much, Rick.

Richard Rand: Thank you.

Jim Gray: Tom, you’re on deck. And our next speaker is Kevin Walker representing CFED.

Kevin Walker: Hello. Hi. My name is Kevin Walker and my comments here today are meant to represent the views o'clock the corporation for enterprise development. Excuse me. A non-profit organization dedicated to asset building for low income households. And that's for these remarks.

I'll also say as preface that my background in manufactured housing runs about 14 years with North Country Cooperative Foundation, Minneapolis, where I've lead efforts to a resident ownership in the upper Midwest, Minnesota and Wisconsin, principally where we've carried out 10 such resident purchases serving nearly 700 households and transactions valued over $25 million.

Again in the view of CFED the focus must be on safe and sustainable home ownership. In particular consumer protection should include long term leases, no unreasonable restrictions on the right to sell homes, evictions only for good cause.

Two of the GSEs should revise their guidance to include single width homes, which is a substantial part of the market, otherwise likely to be unserved. In addition for guidance that would apply for communities that are outside approved sub-divisions. GSEs should not demand over-engineered foundation systems that served to undercut the value of manufactured housing and undermined manufactured housing's essential value proposition.

The GSEs should require reasonable and practicable standards for appraisal value and insurance coverage. GSE purchases of existing portfolios of manufactured home loans should be eligible provided that the portfolios performed are supported by long-term leases and provide other basic consumer and letter protections.

We would also suggest a special consideration be made to homes located in a mission-owned communities such as cooperative public housing authorities, land trusts, or non-profit owned communities. Such loans can represent a better loan risk due to long-term security of tenure delivered with mission related ownership and in the event of resident owned communities. A long-term commitment to an investment in the community through cooperative membership and community governance.

GSEs should be encouraged to work with state FHFAs and USDH recently released 502 pilot program targeted manufactured housing communities in five states, Oregon, Minnesota, California, New Hampshire, and Vermont.

GSEs should be rewarded for investing in lenders that are undertaking sectoral reform of the manufactured housing sector through resident and non-profit ownership and other innovative ownership models.

We would also suggest Steps Forward, a paper I wrote this last year as a helpful overview of many successful Chattel lending programs already in existence around the country. And we will circulate a link to that in response to final comments due in February.

In just a few other manufactured housing issues in terms of the process, in light of the preponderance of Chattel loans in the market GSEs need to clearly show affirmatively how they will serve the manufactured housing market if -- as seems possible -- under the rule and proposed evaluation guidance they choose to exclude Chattel loans.

Second, on blanket loans for communities GSEs need to be clear how current community standards can be safely revised to ensure that liquidity serves affordable manufactured housing community preservation. In particular Duty to Serve should drive commercial investment toward resident non-profit ownership models, or if not in investor owners who offer long-term lease arrangements, or at least hold a state arrangements as have been spoken about here.

Lastly the Federal Housing Finance Agency should clarify the timing of the new product approval process. That's a modified question after - that was frontally responded to earlier.

And that concludes my remarks. Thank you very much for the opportunity.

Jim Gray: Thank you, Kevin. Danny, you're going to be the next on deck person and next speaker is Tom Heinemann in the Manufactured Housing Institute.

Tom Heinemann: Hi there. Tom Heinemann, MHI.

I wanted to provide a little context in a way of numbers and give you some perspectives on the market and why this is important to provide some recommendations on a path forward.

So MHI represents about 80% - 87% of the manufactures, the manufacture home space. Our members include community owners, manufactures, lenders, suppliers, and retailers. Basically the entire scope of the industry.

Manufactured housing is a critical sources of portable housing as you guys know. 22 million Americans live in affordable housing and meeting an income of those folks of $26,000 a year.

In 2016 the industry produced close to 80,000 new homes. And just to give you a sense of a medium price for a single section was about $45,000, for a double section is $86,000. And that's sort of nationwide, it varies by region, the country. That gives you an idea of how affordable these are.

Generally, because manufactured homes are built in a controlled factory setting they achieve and are regulated by a federal code. They achieve real economies of scale -- and I think you - we heard one of the previous speakers say -- the cost per square foot for a manufactured home is about $44." For a site-built home it's $94.

And essentially -- I forget where I was -- I was talking with someone and he got a question from one of his colleagues and it was something akin to the fact of, "When something breaks in your home what store do you go to?", as if they had to go to Pep Boys. But the thing is manufactured homes are essentially homes and are built to a federal code that in many cases exceeds some state codes and are quality-built homes.

To give you a sense of where these homes are two thirds of the manufactured homes are outside of metropolitan areas. About 14% of the homes in non-MSA areas are - outside of MSAs are manufactured homes. So as you can see manufactured homes are predominantly rural. In that presents a lot of opportunities in terms of when you can sort of combine credits as it were.

So we do think that this rule is a very important first step. To put it bluntly this gives homeowners more options in terms of financing, and more options in terms of refinancing, and attracts more lenders to the market. And it brings many of the benefits enjoyed by the single family market.

So onto our recommendations on the pilot. We believe that you -- and a number of other folks have said this -- you can't meet the letter of the law essentially without including this critical component. And when you look at a pilot, you know, we believe that it has to be a scalable enterprise.

In that I mean you have to look at the type of loan. You have to look at economic and geographic diversity. You have to cap (sic) - get a good FICO mix you have to have geographic diversity.

And so when we look at it, instead of doing a Chattel pilot where you take the best of the market, we think you need to take a representative vertical slice of the market. And that way you can get the information and the experience that you need to have something that is in the long term going to scalable.

Now what I mentioned before -- you know, that we did 80,000 new homes -- relative to the size of the GSEs and relative to what you potentially would put into a pilot we're talking about a small number. We're talking, you know, relative to where you got - this could be 5, 6000 loans for a pilot, maybe more, maybe less, but that's something to be discussed at. And given the small types of the loans given what the used homes sell for, what the new homes sell for you have very little risk in this.

And in fact if you assume that, you know, 5, 10% go bad then you're only looking at losses in 7 to $10 million range, which is very, very small relative to where the GSEs are. But it makes a huge difference for this market.

And additionally -- as some of the enterprises might know -- the experience that the lenders have and of what they conveyed show that since the crisis that these are safe loans.

For example they have the ability to repay protections, they're fully documented, they have reasonable terms. And on top of that -- as the rule mirrors our comments in the comment letter -- the community protections are there.

And you heard a number of community owners say that it's in their best interest to keep the long-term residents, their partners. And in fact the ones that you finance within communities become your counterparties in a lot of ways. Because they're the ones that are willing to do the rent for (bearance). They're the ones that are willing to post the for rent signs and many of the things that are laid out in the final roll and in our comment letter that you guys picked up on.

So - and we believe that the - this can be done safely. We believe that the parameters are there. I think the market experience is there. I think through a lot of dialog with our members, looking at the quality of manufactured homes to the lending practices you will find a good deal of comfort moving forward.

That being said I think that in the evaluation -- as I mentioned before -- this is a new product. It is a new endeavor. And none of us in the Chattel of the manufactured housing space don't underestimate the difficultly that this poses.

So in order to meet at least significant to have met the Duty to Serve requirement on a significant basis we think that Chattel should be included. We also think that credit should be given, because this is indeed - a lot of credit should be given, because this is indeed a difficult undertaking. Because, you know, I've been in this space, in the housing finance space for a long time and I get how the GSEs work.

And a lot of this with -- even though we have a lot of understanding of the legal parameters, around loss mitigation, around titling, around all of these things -- a lot of this is going to be, you know, you're going to have to take your toe and dip it in the water and see what happens. And we understand that.

But I think from what we would tell you is that it's safe, it's doable, and ultimately it'll do a lot of good for the industry. Thank you.

Jim Gray: Thank you, Tom. Okay. Jay Hamilton is the next person on deck and, Danny Ghorbani, you are the next...

Danny Ghorbani: Thank you. Yes.

I'm Danny Ghorbani and I'm here on behalf of Manufactured Housing Association for Regulatory Reform. I'm (unintelligible) for my colleague the current president of MHARR, because the - he would doing the same thing be in the (unintelligible) at your (unintelligible).

Just for the benefit (unintelligible) of those who don't know (unintelligible) the other association beside my colleague. MHARR was formed in mid '80s in exactly 4th of July - 3rd(unintelligible) of July of 1985 by a handful of manufactures medium and small size manufactures.

And the reason they had to form MHARR was very simple. By that time the industry had become secondary regulatory that - for a few years, actually since 1976. And these manufactures realized that typically in Washington, if you don't watch the regulators you're going to have problem.

So they formed this association with one mission. The other watchdog (unintelligible) the other watchdog for this industry (unintelligible) come to any type of regulation. And what we do is that we analyze the regulation, we make a (unintelligible) regulation and either support it. If you don't support it you have (unintelligible) go against that regulation.

Now we initially - they're not involved with financing. We are a regulatory/production part of the industry which is governed by the federal law that HUD enforces.

We were (unintelligible) to financing in mid '80s and -- by the way -- I think the history (unintelligible) calling Georgia which are very (unintelligible) to read that, because one thing about our industry is that things are very complex.

I know that my background is engineering. And I know that is not easy for the people who are not in this industry understanding and I'll get to that later (unintelligible) relation to GSEs.

But this industry on financing really has a checkered past. I mean it has been horrible. And (unintelligible) the biggest (unintelligible) of this industry.

So when the industry dropped the ball in mid-2000 and we decided we would ask for a lot of retailers and committees who were serving our manufactures and step in. So we were joining to that.

And it (unintelligible) just met was the chairman of industry all of that time. And I'd really like to echo - I don't really have the copy of his presentation, but I really think you should get a copy of his presentation, because it is not a regulatory manufacture. He has been before Congress -- an agency -- more than any other member of this industry and then you listen to his presentation. He so nicely explained why the Chattel financing is so important to our industry.

So we were joining to this in mid ‘80s and there are several people behind me from this industry. They’re all experienced in financing (unintelligible) want to get close to what they know.

So what I’m going to do here in addition to (unintelligible) (Ed)’s presentation is to give you focus on the legislations and a related policies. The (unintelligible) is (unintelligible) part of that that has brought us to this stage.

I personally am the 48 years veteran of this industry. There is nothing I have - that I haven’t seen and I have seen everything, I have done everything. And I’m here to assure you that this product has evolved.

When I entered this industry with a trailer then it became mobile home. Then it became manufactured housing. And we all in this industry profitable. And now it’s legitimate affordable housing for American people. No doubt about that.

So when (Ed) and I and people who are -- also the people here -- look at this proposal - this - not proposal (unintelligible) final rule we look at it and we say, “What went wrong?” Because we have been involved at every step of bringing this legislation together. MHARR was very involved with other colleagues (unintelligible) in preparing and passing this legislation.

And I’m here to tell you that this is not what we were expecting. This is (unintelligible) and other customers have (unintelligible) now. You have taken it (unintelligible) legislation and spending nine years and you’re coming back to the industry and consumer and say, “Look, we need another pilot project.” All this have passed.

You should come to the industry and consumer with a program that says it's starting tomorrow. We are going to start enforcing, implementing this program and by golly you are going to serve 80% of a production.

You are leaving 80% of a production out and you are - and the Congress that we are serving this industry that was on this (unintelligible). No you are not. You may be - you may - you are not.

What you have done is (unintelligible) is taking too long and is too late.

Now I can spend a lot of time here to explain why and all that. But what we have done we have prepared a two-pager - I think my party (unintelligible) that explain of a position in more detail.

And in fact we have gone a step further. Living in Washington I know people (unintelligible) and complain and whine about the regulation. You haven't (unintelligible) giving you a suggestion which is along the line of what you are trying to (unintelligible) that pilot project.

So I ask you to read that paper very carefully. And if possible make it part of the record of this sessions.

Now what have you done today? What you have done (unintelligible) again as practical people who have been fighting for this industry in Washington for a long time I can tell you right now what would come out of this.

You are going to send the industry and consumers probably back to Congress. And I don't think people sitting on that side of the room want this happen right now with this (unintelligible) and with this administration. But that's going to happen, because we are not accepting this rule.

The other thing you have done which is very (unintelligible) you are failing the consumers 80% of a production, of (unintelligible) back again to the high cost loan.

Now don't get me wrong. High cost loans is necessary for this industry, because there are people who want to have home ownership and they cannot afford it. There are low credit, high rates.

So I respect those companies that provide high cost. And by the way it's already a small group who's done this. It's dominated by two, three companies.

But what you are doing really indirectly that's really - how you get high cost loan as a (unintelligible) loan. It's really a niche market. It's for people that cannot do any better. But look at how good those people are doing and it's expanding.

So what you are doing with this tomorrow, the day that you start implementing this rule the consumers are going to look at it and say, "Well, you know, I want to own my own home. I better go and get a high cost loan." See that's what you are doing. You are legitimately - you are expanding that market.

Now is that the answer to what Congress asked you to do? Is this the way you're going to serve medium, low - and low income (unintelligible) families? By sending them into over 9% rate? No. That's not what you're supposed to do. No.

There is one silver lining. You can do one thing which you haven't done are (unintelligible) you out. You can see how these people do it. How does the company -- those two, three companies who provide high cost loan -- how do they do it and make money? They do creative financing. They do creative segregation. You folks should do the same thing.

(Unintelligible) I was talking to some developers today. They were telling me how they (unintelligible) with the (unintelligible) the internet (unintelligible) mortgage. How they work together. And (unintelligible) part of the tab. They pay for it.

I mean there are ways to do this. It's not that it's not doable. It is doable.

So what we have done, we decided -- my colleague and I, (Mark) -- we said, "All right. Having got everything, let's spend a little time and find out what -" oh here my time is almost finished. "What has gone wrong?"

And I - we have come up with two reasons that this is not happening. A, we don't think GSEs have any interest in this industry and we are very open, we express our reviews to be sure they really have done a good job.

They talk (unintelligible) talk. They go through the right motion. They really have to spend time and effort and money in this industry. They go to the event. They have hired experts from all the industry to help them.

I just encourage you to read over paper (unintelligible) explain everything. Thank you very much.

Jim Gray: Okay. Thank you very much, Mr. Ghorbani.

Jim Gray: All right. So we're going to take another ten minute break. And then we'll go to the rural market and the other area's market.

Jim Gray: And we're going to try to see if we can power through the rest without another break, so that maybe we can get people out of here a little early.

Before we start this session some people have asked about cabs and talked about how there's bad weather and rush-hour traffic to the airport from here. So one of the things that you might want to consider is on the same table -- the speaker check-in table -- the good people from the Federal Reserve Bank of Chicago have some...

Jim Gray: Okay. Our next speaker is Titus Dare from Eagle Financial. Titus?

Titus Dare: Yes. Thank you again. I appreciate it.

The topic this afternoon is going to be preservation of rural housing and how it can affect and how it can be addressed by both of the enterprises through a little push from those in that side of the market.

There are a lot of programs available in the market today that could easily answer that need. That I think could be moved quickly through the agencies specifically through the enterprises. And when you look at them you've got the VA Loans and you've certainly got the 101 guaranteed loan which offers a great opportunity for the very well income borrowers which is what we're here to address today. As well as the low income bar work. And what we used to call the low mod borrower.

The interesting part about the rural development programs are they have a business development component which -- as many of you know -- riding through some of these smaller outlined communities, whether it be in Wisconsin, Iowa, Southern Illinois, Indiana.

You see a lot of the store fronts that are boarded up and, you know, you wonder, “Gee whiz what has happened to all of the business in this town?” And ultimately maybe a couple of the big box stores have opened and it has depleted the downtown area.

With that you’ve had some depletion and some deterioration in value with respect to your housing in those communities, because if you lose your business owners and your entrepreneurial flavor and taste you ultimately are going to see those business owners either close their businesses or move to another location or another town where their businesses can flourish.

So with that said when you’re talking about rural preservation there is a lot of different components that can go into that. There is new factories. There are new businesses.

What is what drives some of this? In the old days -- and I will say this very gingerly -- we had enterprise zones in Cuba, Missouri, and in Salem, Missouri, and places in Southern Illinois that people like Canadian Break or some of the window companies, CertainTeed Insulation.

Those kind of folks were enticed to come to those enterprise zones in which that sort of business development we now saw housing need increase and we also saw the preservation of housing increase. Because I think the old adage a rising tide will rise all ships is absolutely conclusive when you start looking at what affect those enterprise zones -- add-on housing -- those communities and their schools and the continued development enticing more businesses to come to those specific towns.

When you get into the actual preservation of a specific single family, two family, three family, four family dwelling you really need to have entrepreneurial people who are like-minded with the community.

There has to be someone within the community -- whether it be a Mayor, or a non-profit, or a religious organization -- that looks at this and says, “Hey, we need to do this for our town. We need to -”, and then they start working together as cohesive unit to update properties. Some of the properties that either get sold on the courthouse steps or potentially, or foreclosed, or unfortunately somebody passes away. Those become opportunities for redevelopment.

And that’s how we save the preservation side of small housing. And -- remember -- this is - a majority of it is post World War II housing, right? And these small towns really flourished if they were on a railroad track or if they were on a major thoroughfare.

Well when we took them off the major thoroughfare - just take Highway 66 for example which turned into Highway 44. We drove by all those towns. We didn’t stop. And so that changed the whole - there was a big paradigm change there. And I even saw it when I started working in those towns in the ‘80s.

You take another example -- bless you. You take another example of where you see the preservation of housing when they had the (bract) closings, right? The base realignment closing by the military was consolidation, realignment. Places like Fort Leonard Wood, Missouri, that had 8, 9000 people living in those towns all of the sudden now have on post every day nearly 100,000 people, because they consolidated five bases to Fort Leonard Wood.

Well in the original portion of that we were involved in doing that financing. I was the only VA letter within a 110 miles of any direction. So we financed them in these homes that were on three acres, five acres, add wells, add septic tanks. Some didn't have septic tanks. And that got kind of ugly.

But what you - what we realized was those properties were still in really good condition and they had been maintained by folks along the way. And as they transferred from the current owner -- to maybe a Sergeant or, you know, a Lieutenant, or whatever it was -- those homes were remodeled, because the people were coming in so fast that there was a real need to remodel, because you couldn't build as fast as they were coming from these other closed bases.

So with that you have to think about where are we looking today. I think today we have to look back and say that the rural businesses, one, where we need to support the community bank. The community bank definitely needs support in these situations.

The USDA does a decent job. Mortgage bankers and brokers do a decent job. But the reality is everyone opens a checking account at the local bank and when that happens there becomes an opportunity to cross out, we all know that.

And so with that thought process I think what you have to have is somebody who's at that bank level, that community bank level sitting behind the loan origination desk that can say, "I can help you with a loan." This loan, this loan, this loan, this loan. And I can sell it, you know, because one of the - I can sell it to Fannie. I can sell it to Freddie. I can make it a USDA loan. And sell it as a 101 guaranteed, a 515, I can get you a business development loan for your wife who is wanting to open a sewing shop in this town, that's great, we'd love to have her. And - or maybe she's in the sign painting business.

So you develop that whole core by using that community bank. And most of these towns only have one community bank.

So with that thought process if they don't have the education and I think it really becomes something where you have to invest in the folks that can go out and educate these community banks with respect to what products are available.

The other side of the coin is the education process has to take another step further and it has to teach these folks how to originate them, process them, close them, fund them, and sell them. And maybe that's up-stream to an aggregator. Maybe it's to a Wells. Maybe it's to a Bank of America or U.S. Bank. Those - they need help establishing those relationships.

So when we talk about preserving housing across the spectrum it's more than just let's go out and remodel a house, or let's go out and build something, or let's, you know, bring in a bunch of people and through a bunch of money at something. It really becomes to the core of education and being able to work with those community bankers and even those mortgage brokers and mortgage bankers that may service that market.

Sometimes you don't have a cross over, a footprint. So some banks -- regulated by the FDIC or the UCC -- if they get too far outside of their footprint, because now they're in a market per se that they don't know what that market has. They're not - they don't have their finger on the pulse of that market.

It could openly end up with a situation where that bank gets into making loans that may cause problems on the balance sheet.

So with all of that said I think we have a base of programs that are available. I think we need to invest in the engineering cost and development of putting people into the marketplace on these smaller locations and deal with these community banks and bring that to the max level.

Jim Gray: Great.

Titus Dare: Thank you very much.

Jim Gray: Thank you, Titus.

All right. The next speaker in the rural market is Amy Bliss from the Wisconsin Housing Alliance.

Amy Bliss: Hi. Thank you very much for having these listing sessions. I really appreciate it.

I am the Executive Director of the Wisconsin Housing Alliance which it represents the manufactured and modular housing industry in Wisconsin.

And you may say, “Wait. Wait. No. You’re talking about the rural section of housing.”, and I do know rural Wisconsin quite well. I grew up in a little town called Wonewoc, Wisconsin, which everybody kind of laughs when you say. 796 people, one industry which was the rail-back battery factory which is now closed. So I get rural Wisconsin.

And I see on a daily basis the serious need for affordable low-cost loans for housing in rural Wisconsin and actually across the country. Wisconsin -- just as most states in the U.S. - is made up primarily of those rural areas.

In low population areas manufactured and modular housing fills a serious need that others cannot. Often times in rural Wisconsin or anywhere it's tough to find a local builder. It's tough to find trades people like plumbers and electricians and that sort of thing, so manufactured and modular housing where it's all built in the factory by a professional really does fill a serious need in that space.

When homes are manufactured they're transported to the site and it keeps the cost very low. Unfortunately, because of the lack of financing for manufactured homes the cost for borrowers is higher and that kind of offsets the benefits of that factory building process.

In Wisconsin we have 1066 manufactured home communities encompassing 53,764 five families. So close to 54,000 families.

Roughly 70% of Wisconsinites live in rural counties and the majority of these manufactured home communities are in those rural counties. This is home to workers in the egg industries, the forestry industry, manufacturing, small business, tourism, and every other profession between, which demonstrates the importance of manufactured housing in rural Wisconsin.

These homeowners would be well served by increased purchase - participation of the GSEs in Chattel lending. This is beneficial not only for a family's first purchase of a home, but also for the resale of that home and the ability to build equity in their home. And I know a lot of people have talked to that already.

In addition, one of the underserved markets that is defined in the supportive housing for high needs population is Native American Indians. Wisconsin is home to eight Native American tribes. All of these tribes are located in rural Wisconsin and for many of those their housing of choice is manufactured and modular housing.

Affordable Chattel loans and also conventional financing for this underserved population would be a great benefit to all of those families. I've toured the tribes and worked with the Wisconsin Housing and Economic Development Authority and there is a critical, critical need in those areas for low-cost financing and for housing.

It is essential that when considering a pilot project you consider a broad cross section of lending that is represented of that rural population and the current market conditions.

I know Kevin Walker was here talking earlier representing CFED and North Country Cooperative and Wisconsin Housing Alliance has had a great relationship with them and Rock U.S.A. that finances resident-owned communities. We're fully supportive of that. And I understand there's some talk of the pilot project for manufactured homes encompassing resident-owned communities.

And I totally support that, however, I would object to it being the only pilot project that you do, because -- as I mentioned of those 54,000 manufactured home sites -- only 152 of those are in (Rez) communities and only 21 sites are in a rural population area.

So I would like to see a very broad cross section, including resident-owned communities, but also in the general population of land-leased communities. So that is a pretty critical comment that I would have.

In conclusion by providing a loan product for Chattel financing in manufactured homes you fulfil a Duty to Serve in all three categories, manufactured housing, affordable housing preservation, and also the rural housing section.

So I thank you and I look forward to working with you in the future. And if there's anything we can do in Wisconsin to provide data and whatever we can we're happy to work with you.

Jim Gray: Great. Thank you so much, Amy.

Right. Our third and final speaker for the rural market is Russell Kaney from the Wisconsin Council for Affordable and Rural Housing.

Russell Kaney: Thank you. My name is Russell D. Kaney, current President and board member of the Wisconsin Council for Affordable and Rural Housing. As a membership organization we support, educate, and advocate to rural housing and affordable housing throughout Wisconsin.

Earlier I commented on the affordable housing preservation market and the encouragement of the enterprise plans to include section 515 rural rental housing.

There is carry-over to rural market plans, however mainly in the area of needed equity investments. Wisconsin Council for Affordable and Rural Housing is fully supportive of making LIHTC equity investments in all rural areas eligible for Duty to Serve credit.

We also support greater credit for LIHTC equity investments in high needs rural areas or severe high needs rural populations. These populations would include the majority of Native American communities in Wisconsin.

The amount of equity investment through LIHTC in rural Wisconsin has continued to decline over the past number of years. Developers continue to pursue LIHTC project in urban and suburban markets in Wisconsin.

The old adage that had cost the same amount of time to develop a 90 unit development in Milwaukee as it does to develop a 24 unit project in Hayward, Wisconsin, Northern Wisconsin, has merit. However in our thinking the smaller rural project may be more important to the Hayward community than a larger project perhaps in Milwaukee.

The acquisition in a rehab of federally subsidized developments like rural rental housing 515s may even be more valuable to a smaller community that cannot support a LIHTC project due to population, wages, or the market.

Are the rural markets more difficult to invest in? Of course they are. And do developers spend as much time as - on a small rural project as a larger project with much less compensation? Sure. Is that any excuse to avoid world markets? Of course not.

For rural communities it is a question of equity and fairness of LIHTC allocations and investments. Every citizen in Wisconsin contributes to the tax credit pool. Yet a higher percent each year of credits go to non-world projects.

In the past rural set asides of LIHTC credits even at a minimum of 10% of the state's annual allocation was resistant by our housing finance agency, WHEDA. Having worked at WHEDA during this period there was tremendous pushback on world set asides, and as Milwaukee and other urban areas in the state needed resources and they were being provided.

The set aside for rural housing was ultimately approved. Fairness issues prevailed. The LIHTC program has survived for over 30 years, because it has bipartisan political support and has been a flexible program allowing the local needs to be met.

Duty to Serve credit for LIHTC equity investments targeted to rural areas in high need world populations is an excellent incentive. Just as targeted LIHTC investments in the Indian country in the late 1990s spurred investment an inclusion of Indian tribes in mainstream funding sources -- housing funding sources -- these targeted equity investments can be a positive incentive for housing finance agencies, developers, rural lenders, and Indian tribes to make the extra effort to figure out how to make rural housing affordable in rural areas.

Thank you.

Jim Gray: Thank you. Okay. Our next speaker - I'm sorry. I forgot to bring you down, John Varones from Systima Capital Management. Could you come down. You're there.

Yes. This is - now we're starting on the comments on residential economic diversity and other markets or other areas.

Ronald Branch: Good afternoon. I'm Ron Branch. I am representing The National Association of Real Estate Brokers.

We are the largest and oldest real estate trade association, minority real estate trade association in the country. We were born in 1941. And our members are throughout the entire country. Our members are called Real Tip. We appreciate the opportunity to share our thoughts with you today.

So what I've wanted to do -- excuse me -- in our area that we're referring to in terms of diversity and credit was touch on three specific areas non-performing loan sales, credit scoring, and then down payment assistance and how they affect the diverse community that we share and cover as it relates to our realtor's community across the country.

Over the past - last five or so years HUD, Fannie Mae, and Freddie Mac have been executing a policy of the sales of non-performing loans in their portfolio to primarily Wall Street hedge funds.

The properties have been effectively taken out of the marketplace as a possible sale and returned as a Wall Street owned rental property.

This has reduced the inventory in high demand markets. This practice is prevalent in communities that were most affected by the housing crash and subsequent loss of wealth.

By not bringing these foreclosed properties back to the open markets perspective buyers are deprived of the opportunity to buy property and recreate lost wealth through home ownership in the communities of their choice.

The minority in under-served communities in America were most negatively affected by the real estate bust of 2008. More black Americans and other minorities lost more homes in equity for those that remain in their homes than anyone else in the country.

Many communities suffer severe blight including vacant boarded up buildings and homes causing many to leave the communities. These were many resident that love the communities they lived in and hoped to stay.

As foreclosures were completed and properties became (REO) -- owned by the enterprises as well as other banks and corporations -- numerous houses in urban markets they were owned by black Americans, never returned to the open market for purchase as they are now owned by investors that do not have a full ownership interest in the community.

We ask the enterprising market and sale, their (REO)s, to community residents which will in turn increase owner occupants in the communities and other positives occurred based upon that.

Credit scoring.

I’m taking (unintelligible) excuse me.

Jim Gray: Okay.

Ronald Branch: As many black homeowners and other minorities have lost homes due to foreclosure credit scores -- after the due - after foreclosures have occurred -- negatively impact many that live in the community. It has cost previous homeowners to not qualify for a home based on credit scores and have cost families to split up and create many other hardships.

Many of these previous homeowners are hard-working employed Americans who were affected negatively by the real estate bust of 2008 as well as other negative issues. These individuals have evolved into a life sentence or life penalty based upon their credit scores. Many previous homeowners have a stable non-traditional credit history, but unfortunately it has no value because of the current credit score structure.

As we know that many of those who have lost their homes have now been affected negatively with their total credit score, but the opportunities for non-traditional review of many histories or families that are suffering that want to become homeowners cannot make that plunge again because of the credit score.

So we're asking that the enterprises and the lenders that they work with take another look at a different look or a different out of--the-box look so to speak, so that for those who have been negatively affected, and the credit scores do not achieve the numbers that many lenders are looking for, does not necessarily mean that they are a high risk.

Many times that I mentioned these are a hard-working homeowners in the past they would love to own in their community once again. So we ask that that please be taken a look at.

Down payment assistance. Currently in many of U.S. - many U.S. cities the average rent payment matches or exceeds the average mortgage payment on the same-type house. Many American renters could be homeowners today if there was access to and widely disseminated information with regard to down payment assistance programs.

And several speakers have mentioned earlier and noted down payment assistance program go a long way in assisting potential homeowners the most - assisting with the most major obstacle which is the down payment.

Many potential homeowners may have established credit, some non-traditional, some traditional. With an acceptable credit score, but the cost of living month-to-month based on their income and their current debt they have been unable to save enough funds for a down payment.

The lack of a down payment does not mean that a potential homeowner is a high risk as many parents and head of households successfully paid their rent and their other obligations that amounts exceed more than a mortgage payment. For many years they've done this and continue to be successful in paying their debt.

Increased usage and flexibility of down payment assistance programs will increase homeownership in low and low to moderate income communities and work towards creating safer, more stable, and more desirable communities.

Those are the three areas that I did want to touch on, on behalf of The National Associate of Real Estate Brokers. And we thank you for allowing us to share our opinions and we look forward to working more with you in the future. Thank you.

Jim Gray: Mr. Branch, and thank you for going out of turn. We appreciate your adjusting to the schedule.

Jim Gray: Okay. The next speaker is John Varones from Systima Capital Management.

John Varones: Thank you. Good afternoon. My name is John Varones and I'm with Systima Capital Management.

And I think we're a little bit unique from the other panel members, because were on the investment capital side and we're - our firm is an alternative investment manager that focused on what I call public purpose, public private housing and housing markets.

And in terms of my background and how we found this niche, terms of investing in these specialized housing markets first we started off in government and public policy working for the state housing finance agency here in Illinois.

So one of the other panel members asked about the state HFAs and we're sort of the many Freddie Macs, Fannie Mae version by this free state where they provide secondary mortgage capital for affordable housing.

And then worked on Wall Street in the capital markets area especially focused on affordable housing and Freddie Mac and Fannie Mae activities. And then started this firm.

And we've been very fortunate in that we've been partnering with Freddie Mac on their risk transfer activities in the multi-family housing space and especially in affordable housing.

So, you know, that just shows you what is happening in the world where a fairly small firm like mine is partnering with a (unintelligible) like Freddie Mac where it's a very undeveloped capital market and we're really a first mover in doing that.

And our business model can be applied to world housing which we're talking to (Corey) a little bit about from the activities they're looking at there, even manufactured housing. I thought the session should be retitled Manufactured Housing Public Listening Session.

But so that's basically our business model. And what we've done is to go and educate the institutional investor market on affordable housing especially. And not the part of the market that knows about affordable housing and - because that's very narrow. Those are banks and insurance companies who invest in low income housing tax credits. So investors that have a tax base.

But the affordable housing sector is neglecting the $10 trillion of capital out there that's pension funds (unintelligible) city endowments, foundations, even (unintelligible) wealth funds that don't know anything about a pretty sizable market. So this is sort of - that's the background of our firm.

Really the two simple messages that we wanted to communicate where one is to talk to and get feedback from the investment community and the market as Fannie Mae and Freddie Mac are developing these new products. I think it's very critical to talk to people like us and others. It doesn't just have to be my firm, but, you know, there are others. Because at the end of the day we're the first loss high risk capital that's coming into the securitizations and all these other secondary market programs.

And just from our relationships with Freddie Mac that dialog existed from history and I think that would be very important, because that's going to mean your financing programs are going to be successful. Freddie Mac and Fannie Mae are going to make money. The investors are going to hit their returns and capital is going to be provided to lenders and to ultimately homeowners and renters. So I think that's number 1.

And then the second is to coordinate your efforts and discussions outside of just the enterprises and FHFA. And the biggest one or two entities that I can think of which would be just tremendous in terms of kind of catapulting these Duty to Serve activities is the Federal Reserve and the OCC. And that's really related to the banks that they regulate.

And, you know, while I said our focus was on pension funds and endowments we still work with banks and insurance companies who are making community (unintelligible) investment act investments.

And our investment strategy is they love them. They're serving affordable housing, but they don't know if they'll get CRA credits with them. And so I think it really (unintelligible) everyone here to bring the OCC and the Fed who are the largest bank - regulators of the banks to the table, so we can kind of educate them on - there's a product Freddie Mac is launching. This is clearly providing more capital to very low income tenants. They should get CRA credits for it.

And literally we can't get past the first conversation with these banks, because they're saying, you know, that the regulator needs to sign off on it. And they're not going to take any risk, so that's unfortunate, because there's a lot more capital that can be brought to the table there.

And finally - I guess two other points. Actually three.

The affordable housing market is really frozen right now. And I think you know that, because of what happened November 8th and November 9th. All of the buyers of low income housing tax credits shut down for the most part or drastically reduced their investment, because they don’t know what corporate tax rates they’re going to be paying in the future.

And so credit pricing went from $1, $1.05 to 85 cents, 90 cents. And so, you know, a lot of projects don’t pencil out now. And so there’s really a big disruption there.

You know, and that’s something that I think the GSEs could tackle. And sitting down with an investment community we have ideas on how to sort of create a thaw there. So that’s number 1.

The second thing is single family markets. My background initially was in first-time home buyers and moderate income home buyers. And that’s really the purview of the state housing finance agencies. They have a lot of tools that are valuable there. So that’s something that we’d love Fannie Mae and Freddie Mac to take up, because I think that’s an underserved market as well.

And the other interesting thing is that’s where you can really catalyze a home builder product for first-time buyers where their entry level homes, very affordable, but the financing doesn’t exist. And it’s something that - it’s all right - the Fannie Mae and Freddie Mac were very active in pre-crisis with buying first-time home buyer mortgages.

Then the last thing I’d say is in its more kind of a - to recognize folks that we work with at Freddie Mac and Fannie Mae, because they’re trying to do new product development and be really pioneers in these big organizations.

I think FHFA knows this and ultimately they report to you. I mean these are some of the best people that I’ve ever worked with personally, you know, in my career, extremely strong professional and, I mean, after Fannie Mae and

Freddie Mac I don't know who's more sort of gets a lot of criticism, you know, in the newspaper and it's really unwarranted. But a lot of these people are doing very innovative things that need to be recognized.

Jim Gray: Great. Thank you very much.

So we have three more speakers. One - only one is on the list. And then we've added two per what we had talked about at the lunch break.

So the next speaker is Courtney Jones from The National Association of Real Estate Brokers.

And then the speaker after that will be Jermont Montgomery from the Anti-eviction Campaign. If you could also please come down to the front table.

Courtney Jones: I'm here to represent in The National Association of Real Estate Brokers.

And there's three things - well let me first say thank you for giving the homeowners a voice and taking them into consideration.

The three topics I'm going to touch on is, one, inclusion. The housing counseling peaks of affordable housing.

So I just want to kind of start with -- and realtor's numbers will be (unintelligible) across the country -- and that's a facing with homeowners on a daily basis.

You know, we work with counseling guys that put a homeownership possible. So when the affordable housing peaked there are so many homes in the community that really just feels like homeownership is just so abused and (unintelligible).

So as we dig into this piece inclusion, the action or state of including or being within a group structure.

So we start with the housing council (unintelligible). And working with them, going over budgeting, it’s amazing to see how many renters are paying an amount of money that they could and deserve to get a home loan. And I know that’s nothing new as all of you already know.

But what’s amazing is with the capital restriction, because of some of credit criteria, a lot of these folks are struggling with having an opportunity (unintelligible) and the largest wealth building piece of gathering of (unintelligible) wealth of this country.

So now I just want to kind of highlight (unintelligible) housing council (unintelligible). We go through the budgeting. We go through a financial plan. We go through savings.

There are so many great (unintelligible) especially right here in Chicago like Housing Authority (unintelligible) city with the (unintelligible) building and the (unintelligible) building initiative. So there are tons of (unintelligible) buildings, ones (unintelligible) doing it that these homeowners, right, after coming out of Housing Council would be great candidates to take advantage of, of - there is a missing piece which is the finance piece.

So - and coming before you with (unintelligible) to take this under consideration that would address so - and local and state and federal government and now you're going to have less (unintelligible) building, more property (unintelligible) tax revenue, and more families building wealth.

Now I want to jump to the loan level pricing adjustments and risk - that heavily impacts the affordable housing (unintelligible).

Beginning in April 2008 the GSEs changed this pricing structure and began pricing mortgages based on things like FICO score and loan to value.

Prior to this change (unintelligible) borrower met the minimum threshold or approval than all interest rates and costs were the same as everyone else.

Now your credit is on the lower end of the approved threshold. Your cost is prohibitively higher than a buyer (unintelligible) the same cost. Huge.

So when we think of the Duty to Serve that definitely is not a lie. They do have less in capital as a down payment. You have to pay additional fees. This tends to affect more black and other minorities (unintelligible).

Based on racial inequality and (unintelligible) income as well. This policy is unfair, reduces affordability, and restricts access to homeownership.

So - and really kind of taking a look at it, if you look at $150,000 (unintelligible) and you're on the lower scale on the credit, and (unintelligible) -- already heard from Ronald Branch and (unintelligible) just speaking with you about it -- we have folks who are making rental payments of $1100, $1200 a month. And they're renting from investors who purchase the same (unintelligible) buildings, redeveloped it, and now they're living in the same property that they could be owning.

So the credit criteria -- as important as it is and no one is saying it's not -- but in terms of the affordability (unintelligible) it cannot and should not be accounted in determining your cost, because now you have a person, a family, that could and should. If I'm making the same mortgage payment for a developer there should be some rhyme or reason to figure out how to get me to be that homeowner.

(Unintelligible) I'm trying to touch on here is that mortgage insurance premium. You know, terminally FHHR there's 1.75% (unintelligible) loan amount. That's (unintelligible) charge. And .85% in total loan amount on a monthly basis.

(Unintelligible) limitation of the monthly FHA insurance being collected for the life of the loan - excuse me - a current liability of the FHA (unintelligible) requirement of 2%. We believe that (unintelligible) reduced the cost of FHA financing to a traditional level. And they (unintelligible) a traditional (unintelligible).

The traditional mortgage insurance premium with 1.25% (unintelligible) .5 basis points and the (MMI) was .50. This would restore affordability to thousands of potential homeowners.

So again just taking that same $150,000 mortgage we'd be talking about going from the mortgage insurance premium of $2625 of charge to $1875. And some would say, "Okay. Well that's a difference of roughly about 750." But when you calculate it out that also is on the cut of allowances (unintelligible) to meet that affordability (unintelligible) to first that wouldn't have been allowed to.

Also in terms of the life of the mortgage 1275 versus 750 -- and coming from mortgage background myself -- these are the tools that will allow folks in this (unintelligible) state to actually acquire a property.

So now in closing I want to talk to lastly the correct message here. And this is a lot of what we deal with and how (unintelligible).

In our community there is a fear resulting from the widespread and unfortunate loss of homes. There has been a subliminal message that renting is better than buying. This needs to change.

According to the 2015's study by the few research -- quote -- "Even after the recession studies show the homeownership remained the source of the most families acquired them as well in the United States particularly from low income people." -- end quote.

We need the messaging to change from the top down. It is important that HUD, Fannie and Freddie Mac (unintelligible) advertising that the most to benefit of sustainable homeownership -- and that's something on the lower level as well -- we'll be able to work with you to (unintelligible) that message.

Thank you and thank you for allowing us to have a voice.

Jim Gray: Thank you.

Okay. Dory, you'll be the last speaker. You're on deck. And our next to last speaker is Jermont Montgomery from the Anti-eviction Campaign.

Jermont Montgomery: Yes. Just a slight correction (unintelligible) with the (unintelligible).

Jim Gray: Oh I'm sorry. Thank you.

Jermont Montgomery: So yes. (Unintelligible) my name is Jermont Montgomery. I'm from (unintelligible) was born in the (unintelligible) Chicago (unintelligible).

I want to thank the federal (unintelligible) finance (unintelligible) in this (unintelligible) program (unintelligible).

I want to talk about what we've done in (unintelligible) or the (unintelligible) so (unintelligible) we're going out of community residents (unintelligible) is concerned where needs were affordable in low income housing (unintelligible) located in Chicago South side.

Surprisingly with as much (unintelligible) and vacant housing (unintelligible) told them to find resources (unintelligible) to acquire donated and discounted properties (unintelligible) who are (unintelligible) in repairing (unintelligible).

We are here today to encourage the FHFA and enterprises to go inward, to (unintelligible) when the word goes out to resources, not just (unintelligible) resources (unintelligible).

We are working on a (TLT), because we realize that (unintelligible) is a (unintelligible) and with housing you can (unintelligible) and it's (unintelligible) to (unintelligible) on -- like I said -- on Chicago South side (unintelligible) a (unintelligible) and a youth unemployment rate of 54%. And 75% (unintelligible) of labor (unintelligible) those two do not (unintelligible) any of the reported.

For (unintelligible) ages 15 - between the ages of 15 to 22. As a (unintelligible) in this particular (unintelligible) hit first (unintelligible) in vacant housing. And this affects property value (unintelligible) funds (unintelligible).

That - with all of that said it's just the up-side that (unintelligible) better (unintelligible) dedicated - we are dedicating our efforts such as the need to go out and (unintelligible) fair (unintelligible) home buying (unintelligible) family homes such as alternative capital systems (unintelligible) the business model, work of cooperative will still help address the youthful employment in (unintelligible) unemployment (unintelligible) issue (unintelligible).

So we are (unintelligible) that we FHFA (unintelligible) program that we buy resources and opportunities that support our (unintelligible) program.

So with that said thank you and I look forward to being (unintelligible).

Jim Gray: Thank you very much.

Okay. Our final speaker is Dory Rand of the Woodstock Institute.

Dory Rand: Good afternoon. Thank you.

Woodstock is a 43-year-old non-profit research and policy organization. We're focused on equitable lending and investments, wealth creation and preservation, and access to affordable and safe financial products, primarily focused on low- and moderate-income people in communities of color.

Thank you for the opportunity to speak briefly today on the Duty to Serve rule and the evaluation guide.

I noticed on pages 11 to 14 of the guide you addressed activities that are not required, but are recommended to the enterprises to pursue including on page 13 under the affordable housing preservation market. There's a bullet on research on how to meet the housing and service needs of older adults, in different age groups, through developing loan products that preserve affordable properties that are both physically acceptable and provide sufficient services to meet residents' needs.

I was very happy to see that. This issue is extremely important. And I want to share a little background on why I think so. And I'm glad to see Eric Belsky here, because I'm going to cite a report that he worked on at the Harvard Joint Center on Housing Studies before he went to the FED. I'm sure you were part of this.

So in September 2014 Harvard issued the report entitled, "Housing America's Older Adults Meeting the Needs of an Aging Population". And it found that the current housing inventory does not offer accessibility features that are needed by the aging population such as no threshold entries, widened doorways, lever handles, entry level bathrooms and baths, and other kinds of universal design features to accommodate the growing demand for these features by both older adults and people with disabilities.

And the report notes that the 65 plus population is going to surge by 65% by year 2030 and many of those seniors will be living alone. And as others have mentioned many will need to live in multi-generational housing.

About a year later the Harvard Joint Center for Housing Studies issued another piece in June of 2015. It noted the Midwest is one of two areas that has the greatest demand for remodels or retrofits through 2025.

Forty-four percent of people age 65 plus are going to need modifications or accessible features. And the construction of homes - of new homes with accessible features will fall 300,000 units below required levels in the Midwest. So there’s a great need for this.

And most older adults want to age in place and stay near their families and their community. And I speak from personal experience too having parents in their 90s and friends and loved-ones who needed accessible housing and modification well before the age of 60.

So I would like to strongly encourage the enterprises to make this activity a priority. And I urge you to connect with Woodstock Institute and other non-profit research and advocates and program providers to conduct research, develop loan products, and work collaboratively to address this need of older adults and people with disabilities for affordable new and retrofitted accessible housing for both owners and renters in herbal (sic) - urban and rural areas.

I noticed an earlier speaker, Rick Rand (no relation, although I have a brother Rick) talked about the need for housing that allowed families to take care of parents and grandparents. And I’m interested in receiving the business cards of any of the manufactured housing representatives here who do incorporate universal design and accessible features in their homes. I’m not familiar with whether they do that or not.

And lastly I just wanted to quickly echo Ron Branch’s comments on the recommendation that you consider out-of-the-box credit scoring models. Woodstock Institute has spoken repeatedly with FHFA about the possibility of including other scoring models like VantageScore Solutions 3.0, in addition to the current FICO model. Credible research shows that the VantageScore model would make millions more credit where the low and moderate income people and people of color eligible for homeownership.

Thank you.

Jim Gray: Thank you very much.

So it may seem like we're getting to the end of this very long day. We appreciate everyone coming. It's actually not the end. It's just the end of the beginning, because the Duty to Serve planning process is really just kicking off today.

END