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Moderator: Welcome and thank you for joining today's Duty to Serve listening session. Before we begin, please ensure you have opened the WebEx participant and chat panels by using associated icons located at the bottom of your screen. If you require technical assistance, please send a chat to the event producer or email Duty to Serve stakeholders at fhfa.gov.

Note that all audio connections are muted at this time. If you're on the agenda to present during today's session, you'll be prompted when it is your time to speak. Please listen for your name and then press pound two (#2) on your telephone to be unmuted. Please note that this conference is being recorded.

With that, I'll turn the conference over to Toi Roberts at the Federal Housing Finance Agency. Please go ahead.

Toi Roberts: Hello and welcome to the Federal Housing Finance Agency, Duty to Serve Listening Session on Manufactured Housing. I am Toi Roberts, a member of the Duty to Serve team and I will be MC'ing today's session.

We are so happy to have you join us here today and look forward to hearing your feedback on Fannie Mae or Freddie Mac's proposed modifications to their 2022 Duty to Serve plan and proposed addition to their 2021 Duty to Serve plan.

Today, we will hear from 12 guest speakers and mid-way through we will have a ten minute break. Each speaker will have up to ten minutes to speak, and we will try our best to stay on schedule. I will chime in to give speakers a warning when one minute remains. We also ask that all speakers turn on their video web cameras during their speaking segment.

Before we hear from our guest speakers each Enterprise will give brief opening statements. And as we close, they would also give closing remarks. However, before we begin, I'd like to introduce to you the current lead of our Duty to Serve team, the Associate Director of the Office of Housing and Community Investment, Ted Wartell.

Ted Wartell: Thanks so much Toi. Good afternoon everyone. As Toi said, welcome to the first of three Duty to Serve Listening Sessions on the Enterprise proposed 2021 plans and 2020 modifications.

This session addresses the manufactured housing market. The sessions on Wednesday and Friday of next week will cover affordable housing preservation and rural housing.

I think everyone here knows this already in this group, but FHFA, Fannie Mae and Freddie Mac all place a very high value on public engagement in the Duty to Serve program. This has been the case from the beginning. And we're very interested to hear your ideas about the best way to serve these markets and looking forward to hearing your feedback today.

A little bit of background, as with all aspects of life, the pandemic led us to make a lot of adjustments to the program this year. We began the year working on developing revised evaluation guidance to emphasize impact even more and focus more even on loan purchases.

FHFA released that valuation guidance on March the 11th. FHFA began mandatory telework on March the 12th. So, under normal circumstances, the session would be focusing on the Enterprises' proposed three-year plans for '21 through '23. However, given the challenges of planning and setting targets during a time of extreme uncertainty, the agency instructed the Enterprises to prepare one year extensions of their current plans covering next year only. We very much hope to be convening listening sessions on three-year plans next year.

The changes also included some flexibility in how the Enterprises have structured their '21 objectives. They could propose all new sets of actions, or they could simply add new targets to the existing objectives. Under the circumstances, we also did not require Fannie Mae or Freddie Mac to update market context or other language in their plan, nor did we require them to update baselines, although in some cases they did do that. We did, however, emphasize still this commitment to impact even under the current circumstances and the setting loan purchase targets.

Let me just move to a little bit of housekeeping in addition to what Toi provided. First, quickly the agenda. In a minute, I will hand it off to Fannie Mae and then Freddie Mac for just some opening statements. After those comments, we will turn it over to you.

As Toi said, I think 12 people signed up today. We ask that you limit comments to ten minutes so everyone will be able to speak. And at the conclusion we have ten minutes where Fannie Mae and Freddie Mac will be able to respond a little bit to your comments.

To fit in as many speakers as possible, we also don't have time for Q&A today, although again, I emphasize or encourage people to submit their input through the Duty to Serve website. The deadline for that is next Friday. And after today, in terms of next steps, in addition to the feedback that the Enterprise receives today and through the entire time, we will be, the agency will be providing feedback. They will revise the plans and then submit them again to us for a final non-objection.

Finally, I think last thing, this session is being recorded and we will make the transcript available on our website as soon as we can. All right with that then I believe I'm turning it over first to Fannie Mae and Dana Brown to provide their brief introduction.

Dana Brown: Great, thank you very much, Ted and I'd like to welcome and thank all the attendees, and also to thank the FHFA for hosting this session and facilitating this important conversation. My name is Dana Brown and I'm Fannie Mae's Vice President for Customer Engagement and Multifamily, and I oversee that division's Duty to Serve activities. The next slide is the agenda. If we could flip to that.

We're really going to provide a quick overview of what we learned and our accomplishments in the manufactured housing market, as well as we're going to talk about continuing to build on that work despite the many challenges of the current year as Ted alluded to. The next slide, please.

So, over the past two years we've really continued to grow our affordable Manufactured Housing Real Property business, exceeding our 2019 loan purchase targets. And, consequently, we're on track to vastly exceed our goal and the plan this year. We're very excited about that. We credit this success to extensive lender outreach and our consumer marketing campaign.

We've focused on really a lot of policy modernization as a way to sustainably grow our affordable multi-housing business and move towards a future where MHRP is really treated the same way as site-built during the financing process. And we have adjusted and changed policy so that lenders can leverage construction to permanent financing with MH and allow MH to be financed as an ADU space, creating new financing opportunities for consumers and also to help expand affordable supply in all of our communities. The next slide, please.

So, in Multifamily we have made additional enhancement to our onsite lease protection program to provide borrowers with more flexibility in how they implement the protections in their communities. The operational complexity of implementing these protections has been a concern for many of our borrowers. And we're very pleased that we were able to develop a solution that eases some of the administrative burdens while providing residents much needed consumer protections, and has led to greater industry adoption of these protections.

This year we've seen a significant uptick in overall TSLP production, especially in the credit facility space. Year-to-date we have already surpassed our 2019 volume, which puts us on track to well exceed our 2020 target.

In terms of the non-traditional MHC, unfortunately we feel we're going to fall short on our loan purchase targets in this space this year. Progress has really been slow due to COVID-related shutdowns, which have limited lenders' capacity to roll out new products and conduct marketing efforts while lenders' attention was focused more on the risk side. But we've closed one transaction and we're keeping a close watch on other potential transactions. Next slide, please.

So 2021 and beyond, we're looking to increase loan purchases by building on a number of the activities from prior years and things that I just touched upon, including analyzing what was most successful about our lender interactions and using that to inform our outreach efforts next year, in 2021.

To date, we've seen really a measurable connection between specific lender outreach and increases in deliveries from those lenders. So obviously we're going to leverage and focus on the things that have been most impactful.

We'll also be more formally pursuing the opportunity to lend on MH in subdivision settings, and also introducing more policy changes or flexibilities in response to lender feedback that we have gotten and continue to receive.

In addition to building on those previous successes, we want to address the challenges posed by COVID-19 head-on by really identifying unique risks brought on by the pandemic, and taking steps to mitigate those risks.

And with that, I will conclude Fannie Mae's opening statements and turn it over to Freddie Mac.

Mike Dawson: Thank you, Dana. If we could go to the Freddie Mac's slide? There we go. Thank you. Hey, thank you all for taking the time today to be with us. It's important for us from a feedback perspective and important for you to hear it from us at both Freddie Mac and Fannie Mae about progress we've made relative to these challenging markets.

I'm Mike Dawson in Freddie Mac's Single Family Clients and Community Engagement Group, heading up the activities associated with single family components of Duty to Serve. And you'll hear in a minute from Carol Thompson, from our Multifamily Group, and also a colleague and spearheading the activities related to Duty to Serve overall.

We value all of your support from an industry standpoint. Your industry participation and your collaborations with us in helping us succeed in these markets, is only helping those communities -- also helping those communities succeed with housing efforts and other efforts associated with some of today's challenges and tomorrow's challenges related to affordable housing opportunities in these markets. If we could go to the next slide.

As we started the activities related to Duty to Serve at the start of our three-year plan, it has always been and has become even deeper actually, the components of our core business activities. It's not that we're delivering against the Duty to Serve efforts, it's delivering against Freddie Mac's mission as an organization and supporting low and moderate income borrowers and underserved markets overall. We've continued over the last three years, to increase our commitments while we're responsible for managing credit across all the activities we have pursued.

Although we've achieved a lot together, we've got a lot more to do. As you heard earlier from Ted, in the form of looking at the more impactful activities associated with loan purchases and providing deeper liquidity into these markets is going to be, and continues to be a focus of our efforts across our Duty to Serve plans.

More now so than ever as you may have seen from Freddie Mac's research associated with the shortage of housing, and particularly affordable housing, in this country is getting more acute. Our estimates are there's two and a half million units short of what the country needs in the form of additional housing units.

Manufactured housing, being the largest source of subsidized affordable housing in the United States, is a key component of providing housing solutions. So, we look forward to hearing comments and thoughts throughout this session.

So, with that, let me turn it over to Carol Thompson to touch on a couple of those activities here.

Moderator: Hi Carol, can you go ahead?

Carol Thompson: Thanks Mike. Can everybody hear me?

Moderator: We can hear you.

Carol Thompson: Hi everyone. Good afternoon. My name is Carol Thompson and I'm honored to be a representative of the Freddie Mac Duty to Serve team today. So, our slides provide -- our progress slide is colorful and dynamic and it's representative of the hard work and energy that's being placed on increasing liquidity to underserved markets.

You know for us being on the front lines of the housing market, we spend our time developing and refining offerings with a firm understanding, as Mike said, that we have a lot more work to do. And despite the uncertainty that the pandemic has introduced this year, our focus continues to be on building and expanding a sustainable business for underserved markets, while attracting private capital through our risk transfer business, as we continue to be good stewards of public trust by minimizing risk.

Through our efforts, we're making a difference today in laying the foundation for even greater impact in the future, while staying within our credit box. Since we started off the Duty to Serve program in 2018, single family and multifamily, we've increased our loan purchases and liquidity year over year. We have provided $18 billion in liquidity and have helped to provide a total of 163,084 units combined, with over 10,000 units and $980 million liquidity specific to manufactured housing.

And overall, the $18 billion supported 70% of low income homeowners and 99% low income renters. You know, for us each unit really represents potentially a life-changing opportunity for at least one person or one household. And this may not particularly have happened without the GSEs being involved.

We also achieved 31% increase in ECB, which is significant and we credit a portion of our success to you, our industry partners, for being able to really help us identify areas that we need to focus on.

This year, year three, we shifted our attention to supporting people affected by the pandemic and continue to provide countercyclical support when most needed. We have taken the foundation we established in the first two years with over 35 offering enhancements and tools. In year three and the new plan, as Ted mentioned, the 2021 plan, you'll see we're focusing more on buying loans, expanding access to credit, responsibly as it really does take time for the market to adopt and use these new products.

But today's session is really about you having the opportunity to share your thoughts and really tell the Duty to Serve teams where we need to be focusing next. We really do look forward to the next few hours together. Thank you for your attention, and now we turn it over to you.

Toi Roberts: Thank you, Carol. Without further ado, I want to introduce our first speaker. Mr. Todd Kopstein of Cascade Financial. Mr. Kopstein, please, press pound two (#2) to identify your line as a speaker.

Todd Kopstein: Hi, thank you. I don't know if you can see me? Perhaps not but I'm going to start in any case. Thank you for giving me some time to speak to you all today and inviting me to chat. My name is Todd Kopstein**,** I'm the Chief Executive Officer for Cascade Financial.

We are a lender to people to buy manufactured housing. We lend FHA, we lend VA, we are Freddie seller servicer. We lend non-agency, chattels, mortgage, and we also are a third-party servicer for manufactured housing. We retain all our servicing and we're also a third-party servicer and we are national.

Okay. I last spoke to this group on the Duty to Serve Listening tour in Southern California. I guess it was about a year ago now. And when I spoke, I pitched that chattel financing needs help, and the Enterprises ought to help there. The idea being that the Enterprises ought to do exactly what they're doing today. As you said Mike, this is part of your core business, simply doing the same lending that you do for more affluent borrowers, you should do to the borrowers needing money for chattel purchases.

And what I mean by that is, using the credit risk transfer technology to leave the credit risk behind, even with the originator and servicer and guarantee -- accept the guarantee fee and guarantee the senior part of the capital structure. That way you're not taking credit risk, you're helping to bring down the liquidity premium in the marketplace. We would pass through the lower cost of funds to borrowers, and ultimately that would increase the amount of borrowers that can afford to buy manufactured housing.

So, in other words, do exactly what you're doing now for wealthy people and people of middle income, help out the people who really need it in the chattel business.

Okay, but I'm not here to pitch that today. I'm here for two other asks. First off, as I turn to the Freddie Mae's proposal and I read through their modifications and proposal for '20 and '21, the first three things I see are one, they want to spend money and resources to foster relationships between retailers and lenders. They want to provide some education to lenders, retailers.

These seem to me unnecessary at this point. Certainly, I wouldn't want to discourage you from spending money and doing those things. But we're at a point after several years of doing that of diminishing returns. I see the third prong of research project to be far more engaging and useful in this regard. Although I would tweak that research project.

So what can really move the needle? Certainly, financing can help move the needle in manufactured homes. It will allow a lot more people to qualify to buy homes with an ability to pay. But yet larger than that are zoning issues. Today we're going to sell or have shipments of close to a hundred thousand homes in the country.

But to the extent that zoning issues at the local level were to be fixed, we could have many multiples of 100,000 homes, and we can help solve this housing crisis in our country that might be articulated before.

So, what am I suggesting you do on research? Here I'm suggesting to do something that's far different than what any research piece has done before. In research cases today, I'll dig into a couple.

In 2011, HUD put out a study that dug into four different locations. But here I'm suggesting doing a very quantitative analysis, as granular as possible, going down to the zip code or whatever we can do to look at the demographics of every location and see where there ought to be a lot of manufactured housing demand.

See where there are no shipments or very few shipments. And then rank those localities. At the top of that list, dig further and look at the zoning impediments, if there are any, to placement of manufactured housing units in those localities.

And then simply publish it all. Post it to the world. This is work that hasn't been done before. I'm not suggesting any kind of advocacy in any way shape or form. I'm simply suggesting shine the light on where there ought to be a lot of demand, but there are some structural impediments to doing so largely because of zoning.

That is something that I think the market sorely needs. And we could certainly use that information any way we please. But I think ultimately that would be helpful in shining light to make a big difference and really move the needle.

And while we're at it, if you're doing that work, I think there's a lot of people who would love to see that work, not necessarily for manufactured housing, but for also low density, two to four family homes, another potential solution for the housing crisis. You could, most of those same locations where people ought to be buying manufactured housing, they ought to be considering buying or building two to four family homes, and there are probably zoning issues to explore there as well. So, two birds, one stone. Much better return on investment than the first two prongs of fostering relationships and product education out there.

So that's the first half. The second half is really not necessarily for Duty to Serve, but I'm going to take this opportunity to speak about the Enterprise capital notice of proposed rulemaking.

So there, for some reason, the Enterprises are ascribing a risk multiplier of 1.3 times for manufactured housing versus site built homes. And I think that’s ill placed and I think it's unfair and will go against all the things that we're trying to do here. And to me, I don't doubt that 1.3 X has been informed by data that you have for Fannie Mae and Freddie Mac, originators and servicers of manufactured housing and their collateral performance. No doubt there.

But the only way you can get there is one of two ways. One, your data suggests there's a higher propensity to default in a manufactured housing because of the data that you have. Well I can tell you, and I can definitively say in the loans that we originate, certainly a lot in the FHA and VA side, we outperform site built homes, all day long.

So, if your data suggests that the propensity to default is higher for manufactured housing, you're doing something wrong with overseeing those originators and servicers.

Okay, so that may not be it. The other option is simply that you have a similar propensity to default in your collateral, but your loss given default is materially higher for manufactured housing. That's possible.

And the reason for it to be possible though, is simply because of loan size. So the smaller the loan size, every investor in mortgages knows, the smaller the loan size, likely to be the higher severity because there's fixed costs related to foreclosure and legal fees and property preservation that come out of the loan balance and that it's still higher severity.

So, it's certainly plausible that we have a higher severity in manufactured housing, but it's really only because it's a loan balance issue, It's not because it's manufactured housing. And so I think what you're going to be hurting by painting a very broad brush on manufactured housing, it's really hurting some of the initiatives that you've done such a great job of supporting, which is CrossMods. And these are higher balance loans of $200,000 and $250,000. They're going to have a very similar propensity to default to the site built homes. And they're going to have a similar loss severity to site built homes.

But by ascribing a 1.3 X multiplier to them, it's going to really hurt the incentives for you all to guarantee those loans and buy those loans.

So, my suggestion is not to do 1.3 X multiplier for MH, it's either to remedy the originator and servicer practices of your current lenders and servicers, or to simply target loan balances as a determinant for risk multiplier, not manufactured housing. We will behave just like site built homes. It's just a matter of loan size. And so if our loan sizes are the same, we'll perform the same. And those are my comments.

So once again, please revisit the chattel lending and credit risk transfer, please divert resources or spend a lot more money to do a study on zoning. Ultimately, zoning at the most granular level possible and I'm happy to help there.

And lastly, please revisit the 1.3 X multiplier for the capital notice of the proposed rulemaking. Thank you for your time. I'm happy to answer questions if we still have time.

Toi Roberts: Thank you, Mr. Kopstein. Introducing our next speaker, Mr. Doug Ryan from Prosperity Now. Mr. Ryan, if you could press pound two (#2) for the operator to unmute your line and turn on your webcam. Thank you.

Doug Ryan: All right. Good afternoon. Thank you. My name is Doug Ryan with Prosperity Now, a DC based national nonprofit. I'm sure many of you know who we are. We run the Innovations in Manufactured Homes Initiative, a program that has been improving public policy, housing finance, and resident security in manufactured housing since 2005.

I want to thank FHFA for hosting these Listening Sessions, and I look forward to hearing the perspectives of my colleagues in the sector. And more importantly, seeing how Fannie and Freddie use these sessions and the written comments to improve and implement their Duty to Serve plans, particularly for 2021 and then beyond.

Prosperity Now and the I'm Home Network, appreciate the work the Enterprises have logged to meet their Duty to Serve obligations in this sector. I will speak to each of the four components of the Duty to Serve program and how the Enterprises have performed and my view, what should be done to meet and improve on their 2021 plans.

Most importantly, I will emphasize how these changes will better serve the residents and buyers of manufactured housing across the United States. While the Duty to Serve provision in federal law is generally seen as an obligation to serve the housing finance sector, indeed the Enterprises customers after all, without clear eyes on the impacts on the people and their communities, the true value of the program may well never be known.

So, I'm going to start with real estate mortgages in manufactured housing. Both Enterprises exceeded their 2019 targets for purchasing manufactured housing mortgages, a small but important segment of the finance space for MH. According to the HMDA data, there were about 106,000 non-chattel manufactured housing loans in 2019, presumably nearly all of these were fee simple mortgages.

And that the Enterprises funded about 15% of this market is notable and to be commended. That said this ratio pales in comparison to the Enterprises' share of the overall mortgage market. Continue to increase in this space will reduce costs to homeowners, extend potential GSE related benefits, for example, the current COVID forbearance programs, and improve the acceptance of these homes in the marketplace.

The growth of the two new programs, MH Advantage and Choice Home, will be one key to expanding this market. As noted by the Enterprises, the limits to manufactured home production of varying types constrains the growth of the GSEs' footprints. Policy changes outside the control of the Enterprises and of industry, such as zoning as the previous speaker noted and we are 100% in agreement with that, as well as tariffs and immigration rules are significant constraints and must be resolved. That said, I believe the goals for the GSE purchase of manufactured housing mortgages should be more aggressive.

A note on reporting, FHFA should require that the Enterprises report Duty to Serve progress using the same format and report the same information so that stakeholders can fairly compare the results. For example, for 2019 Freddie Mac differentiated between refinance and purchase loans, Fannie Mae did not. In addition, FHFA should require single family reporting to include data on types of lenders, locations of homes funded by state or metro area and the size of the loans.

As I will discuss in a moment, better lender outreach coordinated by the Enterprises would help many likely chattel borrowers access mortgages they likely qualify for.

So, moving to chattel. Chattel loans make up the vast majority of loans for manufactured housing. Needless to say, it remains disappointing, but not surprising that the Enterprises do not, and for 2021 will not have chattel products. While community development financial institutions, and a handful of state FHFAs do great work in the chattel space, the GSEs' entry into this market is the one viable way to reduce homeowner expenses, improve consumer protections and advance asset building for this population.

The Enterprises and FHFA must continue to press industry for more and complete data to help design the product so that in the next three year plans, after 2021, the Enterprises have a clear way forward to support chattel borrowers.

The 2019 reports on chattel products for both Enterprises noted early in that calendar year that they were on track in product development. Yet events in 2020 at the tail end of their plans for 2021 suggest this is no longer the case. We ask that the Enterprises update this audience and beyond on where they are in this fundamental piece of the manufactured housing market.

One avenue, though small, that they and the FHFA should consider is GSE support for chattel loans for homes in manufactured housing communities funded through the Duty to Serve program. Indeed, now a small universe as mentioned by Fannie and Freddie at the beginning of this program, as well as the mission-driven ownership models, such as those owned by residents, non-profits, public housing authorities, regardless of how those communities were funded.

One final point on chattel financing which reflects our current moment. 2019 HMDA data revealed that 56% of Black manufactured home borrowers took out chattel loans, compared to 24% of White borrowers. This doesn't reflect land tenure, as 50% of Black homeowners and 64% of White homeowners own their land. While many chattel borrowers should be offered mortgage products, Enterprise support for the chattel market is also a racial equity issue that reflects our time.

Non-traditional manufactured housing community ownership. We strongly support the development of mission-driven ownership in manufactured housing communities as a key tool to ensure security, to build assets and tenant protections. There is no doubt, there is no doubt. there is none, that resident nonprofit and quasi-public ownership of communities offer better short and long-term benefits to residents. That is indisputable.

Research documents these models offer lower lot rents and higher sales prices for residents, and they also offer more robust lease protections. The Enterprises must ramp up their support of these community purchases through both financing and refinancing of blanket loans. I understand that this market is limited, but the GSEs and FHFA must find creative solutions to move well beyond the small targets outlined for 2021.

For example, the Enterprises should explore further partnerships with state programs, such as the recently retooled mobile home park rehabilitation and resident ownership program in California, as well as long running successful programs operated by state HFAs in places in Oregon, Washington and elsewhere.

Lease pad protections and manufactured housing communities, the fourth component. A key component of the Duty to Serve work must be to serve for-profit manufactured housing communities, which account for about 98% of the parks in the US.

We are encouraged that both Enterprises exceeded their 2019 goals with community loan purchases and expect that they can do the same with expanded goals in 2021. That said, these eight lease protections can be made more consumer-friendly by expanding them. These eight provisions are important, but they are a floor not a ceiling. Indeed, the FHFA should adopt in these loan programs, rent increase justification requirements if increases exceed that target range, perhaps based on consumer price index.

And finally, added to the menu of lease pad protections. There should be an opportunity to purchase requirement when a GSE backed community is put up for sale or is set to be closed. Not only is this a proven tool, as residents and nonprofits and preserved parks across the United States, but it may offer the Enterprises an avenue to meet their non-traditional manufactured housing community goals as well. Housing stability is as important as ever. The Duty to Serve program should be sharpened to support it.

No doubt the industry will complain, but the exploitive transactions that have filled the news in 2019 and 2020 justified that our national housing finance system not aid the exploitation of the most vulnerable among us. Indeed, Freddie Mac reported in 2018 that a key basis for industry opposition to some tenant protections was that certain community buyers plan to cash out in a few years. Real estate speculation is not a business plan that the GSEs should support.

Research by Prosperity Now and then done later by Freddie Mac revealed that no state includes all the current protections in the current rule. That should be an argument to scale up, not scale back. And this is no accident. The states with none or few of the eight provisions have the most anti-tenant, anti-consumer laws in the United States. And when consumers petition their states for improvements, industry often misrepresents the potential of these protections.

Despite a setback in Iowa recently, for example, consumers and advocates advanced their rights across the United States from Virginia to Colorado in the last year. Fannie and Freddie can help lead the way by showing that tenant security is actually good for business.

Reporting of this component must also be improved. Reporting should include the number of communities, not just transactions, typical community size and location by state or metro area. Such data will help stakeholders better understand the breadth of the programs progress.

And more broadly, FHFA and the Enterprises must determine the local impact of their MH programs, including outside of Duty to Serve. Everyone listening to this session is familiar with the reports of REITs, sovereign investment funds and loan funds purchasing communities, raising lot rents at extraordinary rates, and in some cases degrading amenities and infrastructure. Yes, in some cases rent increases are justified absolutely, but they sometimes also lead to displacement and community disruption.

The Enterprises and FHFA should measure the impact of their roles in the market in and outside of Duty to Serve. Stakeholders and policymakers need to see the impact of the GSE programs on residential stability.

Thank you for the time this afternoon. I understand that I brought up some difficult points. Housing is as important as it's ever been in our recent history. We can always do better. Thank you.

Toi Roberts: Thank you, Mr. Ryan. Now introducing the next speaker, Mr. Mark Weiss from Manufactured Housing Association for Regulatory Reform. Mr. Weiss, can you turn on your webcam and press pound two (#2) so the operator can unmute your line?

Mark Weiss: Hopefully you can all hear me. My name is Mark Weiss, I'm President and CEO of the Manufactured Housing Association for Regulatory Reform. MHARR represents small and medium-sized independent producers of manufactured housing. MHARR's member companies are located in and produce homes that are sold in all regions of the US.

My appearance here today, unfortunately marks about the fourth time by my account that I've had to address one of these Duty to Serve Listening Sessions. I say unfortunate because we should not have to appear every year, year in year out, to first stress the importance of DTS for the mainstream HUD code manufactured housing market. And second, the point yet again how the vast majority of that market and the vast majority of mainstream manufactured housing consumers remain completely unserved by Fannie Mae and Freddie Mac, now going into the 13th year after Congress' enactment of DTS, but that's the sad reality.

As we all know, DTS instructs Fannie and Freddie and FHFA as their federal regulator to securitize and facilitate loans for, excuse me, loans and mortgages for manufactured homes for very low, low and moderate income families.

Twelve years though, currently following the enactment of DTS, it's abundantly clear that the implementation of the Fannie Mae and Freddie Mac -- by Fannie Mae and Freddie Mac and FHFA has been, and without immediate and significant correction will unfortunately continue to be a failure, both for American consumers of affordable housing and for the manufactured housing industry including most specifically the industry's smaller businesses, which have been disproportionately harmed by the unavailability of ready Enterprise supported priced competitive consumer financing for mainstream federally regulated manufactured homes.

So, using statistics presented in FHFA's own DTS dashboard together with information highlighted and related in Fannie Mae and Freddie Mac DTS reports, four key facts emerge which illustrates FHFA's failure to faithfully implement DTS in relation to the mainstream HUD code market. I'll cover these four points.

First, Fannie Mae and Freddie Mac with FHFA's approval currently have, again 12 years after DTS' implementation, currently have no loan purchase programs whatsoever for manufactured housing personal property loans, which according to the US Census Bureau, currently constitute 76% of all new manufactured home placements. And as recently as 2015 constituted a full 80% of all such placements. Nor are Fannie Mae or Freddie Mac proposing any chattel loan purchasing program through the 2021 DTS implementation plan extension period.

To the contrary rather, the minimal personal property pilot program previously proposed by Freddie Mac for 2019 and 2020 is eliminated under the proposed 2020 plan modifications and is absent from Freddie Mac's 2021 DTS implementation plan extension proposal.

So, Fannie and Freddie essentially proposed to leave the largest single segment of the manufactured housing consumer loan market representing the industry's most affordable homes, completely unserved under DTS to the entirety of the 2020 through 2021 DTS plan period.

Meanwhile, FHFA has and continues to report and certify to Congress that the Enterprises are complying with all aspects of the DTS mandate, when in the case of manufactured housing they clearly are not.

Second, while Fannie and Freddie have purchased loans for manufactured homes titled as real estate for DTS credit, the real estate segment of the overall manufactured housing market in and of itself is quite small, constituting at most 19% of the market. Again, according to the Census Bureau data.

The relatively small market portion of those real estate loans, moreover, is further extenuated by the fact that of the loans, the real estate loans purchased by Fannie or Freddie for DTS credit since 2017, only 30% to 34% according to the dashboard again, have been for new home purchases. Thus, purchases of manufactured housing real estate loans by both Fannie and Freddie constituted just 5% of the new HUD code market in 2017, 5.7 of the new HUD code market in 2018 and just 6.46% of the new HUD code market in 2019.

Conversely, that left 93% of the new HUD code market completely unserved in 2019 and more than 94% of the new HUD code market completely unserved in both 2018 and 2017.

Yet that sorry figure more than a decade again, after enactment of DTS is somehow deemed to be fully compliant by FHFA and reports and certifications to Congress, which unfortunately is just nonsense.

Third, the DTS compliance report submitted that the FHFA by Fannie and Freddie show the purchases of new MH Advantage and Choice Home loans, were either minimal or non-existent through the entire 2017 to 2020 reporting period, with no newer additional purchases proposed or planned during the 2021 implementation plan extension period.

Freddie Mac purchased zero Choice Home manufactured home loans during 2017 to 2020, during that reporting period, while Fannie Mae in 2019 purchase just six MH Advantage loans of which two were eligible for DTS credit, according to their own reporting.

As a result, MH Advantage, MH choice activity, or Choice Home loan activity in 2019, represented 0.002% of the total new HUD code market. Moreover, Fannie Mae in its proposed 2020 implementation plan modifications seeks permission to replace loan purchases under that program under the MH Advantage program with expanded outreach in education activity.

Consequently, it appears that there'll be no MH Advantage or Choice Home purchases through at least 2020. This failure was not only completely predictable, but exposes a conscious effort apparently by FHFA to sanction and count an ongoing attempt to distort and misdirect and fundamentally undermine the legitimate purposes of the Duty to Serve.

At the most basic level, the failure of MH Advantage and Choice Home programs to produce any significant results precisely mirrors Fannie Mae's failed pre Duty to Serve MH Select program. That program with requirements and supposed benefits are very similar to MH Advantage produced exactly zero originations over its lifespan.

As a result, it was entirely predictable that of a substantially similar program offering support for homes costing two to three times or more that of a typical manufactured home would likewise fail, as has been the case thus far with MH Advantage and Choice Home.

It also, unfortunately demonstrates in our view that the Enterprises simply reject mainstream manufactured housing and have no interest in taking any market significant action to advance the availability of cost competitive consumer financing for those homes and those consumers.

Fourth, again according to the data reported by Freddie Mac itself, in the absence of meaningful markets significant Duty to Serve support for mainstream affordable manufacturing homes, “more than 90%” of the manufactured housing personal property loans reported in the 2018 HMDA data were, “higher cost originations.”

Fannie, Freddie and FHFA, therefore, are effectively accomplices in maintaining a less than fully competitive manufactured housing consumer financing market, maintaining needlessly higher interest rates within that market, and effectively discriminating in favor of the industry’s largest corporate conglomerates and their financing affiliates. At the same time that they’ve discriminated against smaller industries businesses and consumers. All while subjecting consumers to higher costs or completely excluding others from the housing market altogether.

The upshot of all this is that the approach of DTS taken by Fannie and Freddie and approved and supported by FHFA as their federal regulator has failed, as shown by the relevant facts and statistics. Just a fraction of one small segment of the industry being served while leaving the industry's most affordable homes completely unserved, can't legitimately be understood as representing compliance or even partial or good faith compliance with DTS, and should not be represented to Congress as such.

Given this failure by FHFA to fit properly and faithfully implement DTS within the mainstream manufactured housing market for more than a decade, it's no surprise whatsoever that the sales of new manufactured homes due in part to the unavailability of price competitive consumer financing, particularly within the chattel market is and has been, excuse me, for more than a decade far below historical norms.

Worse yet, industry production and sales actually declined in 2019 and are poised to decline again in 2020 if current market trends remain in place. This is not --

Toi Roberts: You have one minute remaining.

Mark Weiss: This is not withstanding significant sales growth in other segments of the housing market and a continuing affordable housing crisis as was alluded to previously.

Again, FHFA is responsible for fully and faithfully enforcing the Duty to Serve law as written. It's not a function of FHFA to look the other way when Fannie and Freddie either ignore the DTS mandate or affirmatively discriminate against the industry's smaller businesses and mainstream manufactured housing consumers.

FHFA, therefore should pause this matter and immediately begin an internal investigation to determine how DTS implementation within the manufactured housing market has been allowed to remain stagnant for more than 12 years.

It should simultaneously structure and implement within a short and finite timeframe, a new legitimate and effective DTS implementation program for the entire mainstream manufactured housing market, excuse me, for the benefit of all the industry and consumers, while rejecting any approach which effectively seeks to choose winners and losers in a manner that's inconsistent with the free market.

We at MHARR are committed to ensuring full and faithful implementation to the Duty to Serve within the mainstream manufactured housing market. And we reserve our right to seek all appropriate remedies from the Administration or Congress if necessary in the event that does not occur. Thank you.

Toi Roberts: Thank you, Mr. Weiss. Introducing the next speaker, Mr. Bruce Thelen from Sun Communities. Mr. Thelen.

Bruce Thelen: Hello everyone.

Moderator: Go ahead.

Bruce Thelen: Can you hear me okay, Toi?

Toi Roberts: Yes.

Bruce Thelen: Okay, great. First of all, thanks a lot for having me. My name is Bruce Thelen. I'm the Executive Vice President with Sun Communities. We are the largest owner/operator of manufactured home communities in the country. And we are publicly traded.

In any conversation, I always feel like it's important to show a few pictures of the home products that represent our industry, because oftentimes people have misconceptions of what we're talking about.

This is a HUD code product that we currently have for sale in Granby, Colorado. This was an entire development built of similar products to this. All HUD code and manufactured housing. If you could please flip to the next page.

And this is a quick sampling of some additional designs that we have under construction right now. The top two are renderings that we're preparing for new developments. Anywhere that we're able to do new developments. The bottom left is an interior shot, and the bottom right is again another street scape from that Colorado development that I mentioned earlier.

Again, as you can see these homes are built to current architectural standards, they look very similar to site built and I think all of us would be proud to call one of these home. Please advance to the next slide.

My ask today is pretty simple, and in fact a few of the prior speakers have touched on this. But my ask is to help us remove barriers for new supply, specifically restrictions on zoning for manufactured housing. And I want to share some data with the group today that support this.

There is a clear high demand for our affordable product and the supply is not rising to meet that demand in aggregate across the country. And I think as Todd mentioned earlier, research to support this that can be used across the country is something that could go a long way towards bringing more supply to market.

On the demand side, on the left-hand side of the page that I'm displaying, I want to just walk through a few statistics from our portfolio. Applications were 13 times the number of available sites that we have in our portfolio.

So, the demand for people to come into a manufactured housing community and live in a safe quality home, in a safe neighborhood placed in a safe, professionally managed place to live, is higher than we're able to even build new sites for. The average tenant stays for

15 years in our manufactured housing communities and we have less than 1% move outs per year, showing the stability of the portfolio and the stability of our residents that live in our communities.

Manufactured homes average cost is two years median income versus seven years median income in site built single family. And I think this is a big reason for the demand that we're seeing. And on the rental side it's 25% more space at 50% less cost per square feet versus other multifamily options.

And last a very important point, is over the last three years, we've seen a 9% average increase in broker and home prices. This is really, really important because these are sales where the resident is independently setting their own price in the free market for what they want to sell their home for. And those transactions that are actually showing home prices increasing of manufactured housing, at least in our communities.

The supply challenges are immense. There's a long, difficult process for zoning land, for manufactured housing. Typically includes multiple public meetings to explain why there's a need for manufactured housing. And it's often met with people that come out and oppose manufactured housing due to the affordable nature and for other reasons.

At Sun we delivered 1,230 expansion sites in 2019, but we'd like to do from more than that. And that's apparent in the demand that we're seeing across the portfolio. And I know that's representative not just of us, but I'm sure other operators in the industry. Certainly, a lack of the secondary market for manufactured housing lending restricts this growth. Again, as was mentioned earlier, without that secondary market it makes it prohibitive for others to be able to enter the space and thus further restricting supply.

And this has been noticed by independent research companies and banks that have written about it in their research. And I just pulled one smaller excerpt from Berenberg Capital Markets recently where they wrote, “supply continues to be considerably less than what the demand requires”.

So again, my ask is simple and focused, and it's just simply to help support the industry and removing barriers to supply, and helping us with any form of research in that space, I think would be a big win for affordable -- for people that need affordable housing in the country as well as anyone in this space. So that concludes my comments. So, thank you for having me again.

Toi Roberts: Thank you so much, Mr. Thelen. Introducing our next speaker, Mr. Paul Barretto from Manufactured Housing Initiative. Mr. Barretto, please press pound two (#2) and turn on your webcam. Mr. Barretto?

Moderator: Mr. Barretto, please press pound two (#2) on your telephone. There we go. Please go ahead. Can you make sure your phone is unmuted?

Paul Barretto: Is that better? Can everyone hear me now?

Moderator: I can hear you now.

Toi Roberts: Yes.

Paul Barretto: Great, thank you. And thank you to FHFA, to Fannie Mae and Freddie Mac, and everyone who's joined in to listen into these public Listening Sessions. I think it's important to recognize the fact that the Duty to Serve has introduced a lot more attention and validated the manufactured housing industry in a way that's significantly different than it was prior to the implementation of Duty to Serve.

You could see it's in terms of the interaction, the cooperation, the collaboration within the industry, and it's something I think we should all recognize as we look towards the accomplishments that we're looking to do in 2021. I'll make my comments brief because I think there are specific areas that are in need of significant attention.

As you'll hear probably not only from the previous speakers, but the speakers who will come after me, is the issue with respect to the demand and the supply of housing and the mismatch. Both GSEs are very specific in talking about the affordable housing gap at different conferences, and the need for manufactured housing to be part of that solution.

As Bruce and Todd and others have mentioned there are areas in need of focus to be able to close that gap. An even more overarching challenge is going to be, are there enough manufacturers in that manufacturing capacity to meet that demand? Addressing issues with financing is very important, creating that liquidity, but just as important is addressing the other topic that came up, which is the zoning and building code challenges that are very local in nature.

And so, I would urge both GSEs to focus on creating resources and tools and make them available at the state association level. So, the state associations are empowered to work with their members to address at a local level the obstacles that they see with respect to zoning and exclusion -- exclusionary practices.

With respect to real property, it looks like the focus for both GSEs is to blow out the capabilities of doing more real property loans. Given the mandate and the focus and the challenges with personal property financing that makes a lot of sense.

I know for a fact that the creation of MH Advantage and Choice Home wasn't to do more of the existing business, it was to go after the population of the home buying public that was currently focused on purchase of traditional new site built homes. So being able to open up using real property financing products to create more real property demand will help address, at some point, the housing gap that exists.

Now, again, that doesn't address the chattel challenges, but it does make a bit of a dent in terms of expanding home ownership using manufactured housing as part of that solution to close the affordable housing gap.

Now, some tactical areas I think there should be greater focus on by the GSEs is to start changing the perspective and changing the narrative on manufactured housing. It gives the manufactured housing practices. So, for example, if single-wide manufactured homes are common to an area and they can establish credible value, then don't restrict them to project approvals. Especially if you're trying to help municipalities address affordable housing using infill and manufactured homes is the solution.

It's time to start thinking about single-wide manufactured housing, similar to double and multi-section as just housing. Another opportunity particularly, but comes out mainly from California and other areas where affordability is quite challenging, is to remove the restrictions that exist for manufactured homes that are trying to take advantage of resale restrictions through deed limitations or deed resale restrictions. By doing so, you're going to open up a lot of the opportunities that they see in the metro areas of California where manufactured homes are being used as infill solutions.

Right now, current policy says there's a project approval that's required, which doesn't make sense if the solution is urban infill. So, I'd ask you to revisit that policy, if you're not currently doing that.

Another area is supporting more focus on home buyer education to increase the awareness and the mainstreaming of manufactured housing. Organizations like Next Step have been leading the way, but I think there's encouragement that's needed by other organizations that can do the same.

Now with respect to chattel, given the restriction or the prevention of allowing the implementation of any chattel pilot, what I would urge is for FHFA to encourage the sharing of the plans, not for the implementation by both GSEs, but to spur innovation and challenge the industry itself to figure out how to take that strategy and the initiatives that were built into the pilot plans and build them out on their own. Let the market help determine what that platform should be. Todd was very specific in showing how there's an opportunity to leverage credit risk transfers.

The tools and the pieces are there, and if a pilot is not possible, then I would ask that the GSEs work with the industry to create their own solution. That way any risk that would have been encumbered by the GSEs directly would not be apparent for what's being transferred is the knowledge and experience that has made the GSEs the engine that powers the secondary market in housing in America.

So, to end this, I'd like to thank everyone for the time for me to cover these critical points. I look forward to seeing what happens in 2021, and hopefully the momentum will continue beyond that. So, thank you very much.

Toi Roberts: Thank you, Mr. Barretto. Introducing the next speaker, Stacey Epperson from Next Step Network. Ms. Epperson, please turn on your webcam and press pound two (#2).

Stacey Epperson: Hi, good afternoon. My name is Stacey Epperson, and I am the President and Founder of Next Step Network. We're a national non-profit organization focused on putting sustainable homeownership within reach of everyone, while transforming the manufactured housing industry through consumer education, affordability, and energy efficiency.

We also represent the Smart MH Network for smart manufactured housing. And that network is focused on educating, preparing and supporting consumers to buy manufactured homes with good loans. We have new partners across the nation that work with us. We have retailers, lenders, nonprofit developers and HUD counselors. This program, to date, has educated more than 2,000 manufactured home buyers.

What's important about it is that once a home buyer goes to buy a home and they're not quite ready, retailers refer them to our head counselors to prepare and support them. And we're seeing results that once people are educated they come back to buy a home. We believe that the GSEs should support these types of programs to those markets.

So, today I want to thank the FHFA for allowing us the opportunity to publicly comment on the GSEs' 2020 and 2021 Duty to Serve plan modifications and extension. We applaud the progress that Freddie Mac and Fannie Mae have made in the manufactured housing space. And we are proud to have been, I think an important part of some of the initiatives detailed in their respective Duty to Serve plans.

However, although the GSEs are meeting the performance factors specified in their Duty to Serve plans, we recognize that much more needs to be done in order to ensure that hardworking individuals and families are able to successfully purchase, finance and own an affordable energy efficient manufactured home.

While both Freddie Mac and Fannie may propose increasing targeted purchase loan volumes in their 2021 extensions, these targets are still woefully inadequate to effect significant market change.

According to the CFPB data, in 2012 about 68% of all manufactured housing purchase loans, including both home only and land home purchases, were considered higher priced mortgage loans. Compared with only 3% of site-built homes. We can do better than that.

Additionally, two thirds of manufactured homeowners eligible for mortgages instead financed with more expensive personal property loans. Next Step agrees with the proposed approach to expand and deepen relationships with non-traditional manufactured housing lenders in order to expand access to Choice Home and MH Advantage loan products.

The current target loan purchase volume will fail to create a true shift in the home lending market. And I want to underscore what I've heard today. Zoning is critical. We are shut out of so many markets where we have a huge gap in the marketplace. But this product will bring a great solution.

Next Step has demonstrated that in many cities across the country. But it takes years to get local officials on board with us to show that. A home that meets the highest quality standards that is indistinguishable from a site-built home, just because it's manufactured it gets trapped in the zoning pit, if you will. So we need all to work hard on that to make that change.

The continuing impact of the COVID-19 pandemic has further highlighted the need for more prospective home buyers to have access to mortgage financing for their manufactured home purchase. New analysis from the Urban Institute points to the fact that renters and owners of manufactured homes tend to have lower incomes and work in industries that have proven vulnerable to the pandemic. Yet these households mostly fall outside of protections offered by the CARES Act.

Thirty five percent of owners of manufactured homes work in the five industries that have lost the most jobs during the crisis: food and accommodation, retail, construction, entertainment, and other services, compared with 24% of owners of single family homes. Manufactured homeowners are the most vulnerable to the shock of a COVID economy. These homeowners who finance their manufactured home purchase with a home only loan do not qualify for CARES Act forbearance relief.

In order to ensure that manufactured homeowners are insulated from future public health and economic crises, and able to build wealth and equity in their home and more fully access the myriad benefits of home ownership in America, the GSEs must prioritize expanding access to manufactured home mortgage products, to both lending institutions and prospective home buyers.

Thank you for this opportunity and Next Step looks forward to supporting Freddie Mac and Fannie Mae's efforts in the manufactured housing space that's part of their Duty to Serve requirements. We just all need to do more. Thank you.

Toi Roberts: Thank you, Ms. Epperson. We will now move into our ten minute break. We will break now and resume back at 2:20 p.m. Thank you. Okay. Thank you.

[1:10:15 - 1:19:49 BREAK]

Toi Roberts: Hello and welcome back to the Duty to Serve Listening Session for Manufactured Housing. We're going into the next round of guest speakers. And the first speaker will be Ms. Lesli Gooch from Manufactured Housing Institute. Ms. Gooch, can you turn on your webcam and press pound two (#2), please?

Lesli Gooch: Can everyone see me?

Toi Roberts: Yes.

Lesli Gooch: Okay, excellent. So, thank you to the team from FHFA, Fannie Mae and Freddie Mac and everyone joining today. I appreciate the opportunity to share MHI's views during this important Listening Session. I am Lesli Gooch, the CEO of the Manufactured Housing Institute.

MHI broadly represents all the major sectors of the manufactured housing industry, including lenders, community owners, manufacturers, retailers, installers, and suppliers.

We are now nearing the end of the first year, the first three-year period of the GSEs' Duty to Serve plans, and we feel like this is the perfect time to take stock of their performance to date. So, thank you for convening this listening session today.

In light of the impact of COVID-19 on the economy, MHI believes the importance of the Enterprise in carrying out their charter access to credit and statutory Duty to Serve manufactured housing responsibilities should be a priority. In the longer term, as Fannie Mae and Freddie Mac move towards eventual exit from conservatorship, adherence to Duty to Serve responsibility is becoming increasingly critical to ensure these underserved areas are not ignored.

In assessing progress in meeting their statutory Duty to Serve responsibility so far, let's first look at the GSEs' performance on manufactured homes backed by real estate. Both Fannie and Freddie's plans promise to develop more flexible, innovative loan products for real property loans. And we believe they have done so. MHI commends both Fannie and Freddie for several policy changes and variances to its MH products to increase volume, and we encourage continued strategies to support real property loans and further increase volume going forward.

MHI is also pleased that both GSEs have introduced new programs that provide conventional financing for manufactured homes with site-built features. Qualifying home features for the MH Advantage and Choice Home programs align closely with the industry's new CrossMod Homes with higher roof pitches, permanent and lower profile foundations, garages or carports and porches.

As Director Calabria and his team witnessed on the National Mall during HUD's innovative housing showcase last year, CrossMod Homes are indistinguishable from site-built housing at a fraction of the cost due to the efficiencies of offsite home construction. CrossMod Homes are a point of entry for home buyers who are currently priced out of home ownership because traditional site-built housing is not produced at below $200,000. CrossMod Homes will serve this gap in the market.

These homes have the potential to reach areas of the country where manufactured housing has in the past been zoned out by discriminatory land use regulations at the state and local level. The Enterprises' support for CrossMod Homes could not come at a more perfect time, this is an important time.

Particularly as the nation responds to the impact of the pandemic, there has emerged a large group of aspiring homeowners who are priced out of traditional site built housing. These are the very consumers that CrossMod Homes will serve. MHI commends the GSEs for these actions, and we hope that they will become a model for similar action for the FHA Title II loan programs to serve CrossMod.

Looking forward, MHI urges the GSEs to provide further support on certain challenges the industry has seen in developing this new product, specifically with respect to zoning, appraisal, and engagement issues.

A secondary market for chattel manufactured home loans, also called personal property loans, is an area that continues to elude the manufactured housing industry. Chattel loans are mortgage loans which are only backed by the manufactured home, not by the underlying land. Both Fannie Mae and Freddie Mac had included the acquisition of existing chattel loans as a pilot project within their three-year plan. Fannie Mae's plan included the purchase of 2,000 chattel home loans through the end of this year, and Freddie Mac's plan included the purchase of 800 to 2,000 chattel home loans through the end of this year.

At the time, MHI expressed concern that such an approach of purchasing only a few existing chattel loans would not lead to the accomplishment of creating a secondary market for chattel. MHI appreciates that this has been a difficult period for mortgage markets and mortgage loans with the emergence since March of the COVID-19 crisis.

With the surge in unemployment, GSE loan defaults have increased. We assume that this has been a factor in Fannie and Freddie not making visible progress to develop a secondary market for chattel financing in the first three years of their plan.

The manufactured housing industry needs the GSEs to focus efforts on developing a secondary market for manufactured housing chattel loans, based upon sound underwriting principles and inclusive of features consistent with current industry practices. We would also appreciate candor about how long this delay and re-entering the chattel loan market will continue, and more specifically what Fannie Mae and Freddie Mac hope to accomplish in the next year.

I would point out that the purchase of several hundred or a few thousand chattel loans is not the real goal. The real goal needs to be the creation of a flow program in which Fannie and Freddie purchase all loans that meet specified underwriting criteria and securitize those loans into an evolving secondary market for chattel loans.

Fannie and Freddie appear to share this goal, at least based on their Duty to Serve plans. Specifically, Fannie Mae's objective number two, in our manufactured homes Duty to Serve plan was, “Explore securitization structures that attract private capital and provide sustainable liquidity to the chattel market.” Freddie’s plan indicated that the ultimate purpose of buying existing chattel loans was, “To help inform future product designs, to build out capabilities for flow path.”

I would like to reiterate that it was not MHI’s idea to begin this process by the GSEs buying existing more seasoned chattel loans. However, the GSEs chose to pursue this path because they said it would allow them to regain familiarity with the loan product and have a chance to observe their loan performance as an asset.

Now that the GSEs have apparently reconsidered the benefit of buying existing chattel loans, it is important for them to refocus the effort on progress in developing a flow program for purchase and securitization of chattel loans.

Therefore, MHI would like to get a fully transparent and detailed explanation of the specific steps Fannie Mae and Freddie Mac have taken over the last few years to advance the ball on developing underwriting criteria and to develop a secondary market, to create a flow program for the purchase and securitization of chattel manufactured home loans.

There has also been much discussion about the GSEs' support for the purchase of Land Lease Communities, both within and outside of the Duty to Serve. Land Lease Communities offer more than affordable housing. Communities offer a sense of neighborhood and often feature a range of amenities. MHI recently conducted a national survey of people living in manufactured housing, which showed that 87% of residents in all age communities are satisfied with their homes.

MHI understands that some parties have raised concerns about bad faith actors raising rents excessively and otherwise acting in bad faith. Raising rents and evicting tenants is counter to the prevailing business model of every professional Land Lease Community owner operator who relies upon stable rents and high occupancy.

Going back many years, MHI worked with consumer groups on proposed standards for consumer lease protections through the Duty to Serve process. Our intent was for such protections to accompany secondary market support for the financing of homes within Land Lease Community, i.e., chattel financing, as opposed to the commercial financing of the communities themselves. Which is how the protections were ultimately adopted within Duty to Serve.

Going forward, MHI remains committed to responsible, professional ownership of manufactured housing communities and to the homeowners in those communities. We commend the GSEs for their work to support Land Lease manufactured housing communities and we encourage them to focus on creating a secondary market for chattel financing so that residents and Land Lease Communities can benefit from GSE support.

In closing, MHI appreciates FHFA and the GSEs for setting up these Listening Sessions. We feel for Duty to Serve to truly succeed the emphasis must be on performance, accountability and transparency, and not just on plans and discussion. Thank you again.

Toi Roberts: Thank you, Ms. Gooch. Introducing the next speaker, Mr. Paul Bradley from ROC USA. Mr. Bradley if you could just turn on your webcam and press pound two (#2), thank you.

Moderator: Mr. Bradley, please press pound two (#2) on your telephone. I'm not seeing Mr. Bradley on the line.

Toi Roberts: All right. I think we'll go ahead and move to the next speaker, but we'll watch for Mr. Bradley. The next speaker is Mr. Garth Rieman, from the National Council of State Housing Agencies. Mr. Rieman, can you please turn your webcam on and press pound two (#2). Thank you.

Garth Rieman: Thank you very much. Thank you for seeking public comment on Fannie Mae's and Freddie Mac's underserved markets plans and holding this Listening Session to obtain feedback on them. The National Council of State Housing Agencies is pleased to have this opportunity to deliver these remarks to FHFA and the GSEs on behalf of the state HFAs it represents. It's good to see you and talk to you.

States created HFAs to provide affordable mortgage financing for home buyers and affordable multifamily project sponsors. HFAs generally serve borrowers most Fannie Mae and Freddie Mac seller servicers do not. HFA home buyers are typically lower income than first time home buyers and all home buyers taken together. Of particular relevance for the discussion today, HFAs are also leaders in lending for manufactured housing, rural areas, and affordable housing preservation.

State HFAs recognize that manufactured housing can and should play an increasing role in addressing our nation's affordable housing crisis. Manufactured housing is naturally occurring affordable housing that offers lower income families, affordable long-term housing with no or minimal subsidy.

Manufactured housing provides an affordable alternative to many families with lower average incomes than other buyers and who purchased homes priced below what is available in the stick-built market.

Some lenders and guarantors prefer newer homes that look and feel more like stick-built. But these homes are likely to be more expensive and less within reach of lower income home buyers than manufactured housing.

Twenty eight state HFAs reported in NCSHA's annual survey that they directly originate or purchase manufactured housing loans. A recent report from Prosperity Now found that at least 11 HFAs have significantly expanded their manufactured housing activities in recent years.

For example, HFAs in New Hampshire, Ohio, Vermont, California, Kentucky and other states offer home buyers affordable manufactured housing financing options, often through special partnerships with the GSEs, driven by their Duty to Serve market plans. The West Virginia and Virginia HFAs directly originate loans for manufactured housing titled as real estate.

HFAs are natural partners for Fannie Mae and Freddie Mac as they work on their Duty to Serve plans. Both Fannie Mae and Freddie Mac are currently working with many HFAs to meet their Duty to Serve obligations in trying to increase the number of and activity in these partnerships.

We encourage the GSEs to keep seeking out opportunities to collaborate with HFAs and to continue their regular communication with the NCSHA and its members. We appreciate these efforts.

The Enterprises' programs and activities have provided significant benefits to state HFAs by enabling them to increase their affordable home ownership lending. In turn, this lending helps the Enterprises fulfill their underserved markets plans and affordable housing goals.

GSE lending products dramatically lower the interest rates manufactured home buyers typically pay. Sometimes reducing rates by almost two thirds from what they would otherwise pay.

At the end of 2019, state HFA portfolios held more than $26 billion of the Enterprise mortgage products, some of these manufactured housing loans. The HFAs' impact supported by the Enterprises has grown substantially over the last ten years.

Based on our review of the GSEs' new Duty to Serve plans, Fannie Mae proposes to change its 2020 plan by holding off on the development of an enhanced product for manufactured housing titled as real estate until 2021. We're disappointed that Fannie Mae is delaying the development of this product and hope it will develop it as soon as possible.

We support Fannie Mae's proposal to increase liquidity for manufactured housing titled as real property in 2021, through increased industry outreach and by adopting this new product variance or policy change to enhance its ability to serve the market.

We're also pleased that Fannie Mae proposes to increase its purchase goals for conventional manufactured housing loans in 2020 and 2021. We hope these are stretch goals and encourage Fannie Mae to increase its lending in this area as much as possible.

Fannie Mae proposes to maintain in 2021, its 2020 plan to purchase loans for manufactured housing communities owned by government agencies, nonprofits or residents. We hope that as Fannie Mae increases its activity in this area it would be able to do more in 2021, rather than just preserve the same level of activity as in 2020.

Freddie Mac proposes to increase its manufactured housing titled as real property loan purchase target in 2021. We support this and also hope that Freddie Mac will increase this target or at least press to exceed it in practice.

Freddie Mac's plan says it seeks to purchase enough loans for resident owned manufactured housing communities to support 35 individual housing units. We hope Freddie Mac increases the number of units it will try to reach and accomplishes more than this goal.

Another way the GSEs could better support single family lending for manufactured housing would be to restore pricing advantages for HFA preferred products for manufactured home buyers. The GSEs should also continue working with HFAs to expand credit for resident owned manufactured housing communities, which helps manufactured housing community residents keep their homes, buy new homes, or at least keep them up affordable.

Much manufactured housing is located in resident-owned and privately-owned parks and communities. The GSEs can and should prudently lend more to buyers and owners in these parks and communities. This lending is safe and sound and many HFAs have experienced better loan performance in the manufactured housing area than in other areas.

In general, manufactured housing is an area where the GSEs could use their unique capabilities and market making influence to make a significant difference. Several HFAs have suggested the GSEs increase promotion of their manufactured housing products to borrowers, lenders, and realtors, perhaps even offering financial incentives to lenders and buyers to expand interest in these programs.

We also recommend that HFA and the GSEs inspect their lending guidelines to identify credit, income, asset, and home design criteria changes that could encourage more manufactured housing lending.

We encourage FHFA to reinstate the GSEs' authorization to provide grants to manufactured housing market leaders. These grants enable experts to build awareness, get more parks and communities approved, and build the capacity of manufactured housing advisors and consumer oriented organization. We also ask --

Toi Roberts: Less than one minute remaining.

Garth Rieman: We also ask FHFA to consider allowing the GSEs to receive Duty to Serve credit for housing credit investments that support development or acquisition of manufactured housing communities for affordable housing purposes.

We also hope that FHFA will look for ways they could amend the Duty to Serve requirements to improve the ability of HFAs to access housing bonds resources for manufactured housing activities. Manufactured housing offers a great resource for people who need affordable housing and it is good business for the GSEs, but it's woefully short of its potential.

We hope the GSEs, HFAs, FHFA and others can close that gap and realize more of that potential in the coming months and years. Thank you for the opportunity to talk to you today.

Toi Roberts: Thank you Mr. Rieman. Introducing our next speaker, Mr. Keith Wiley from the Housing Assistance Council. Mr. Wiley, can you please turn on your webcam and press pound two (#2) on your telephone to unmute your mic?

Keith Wiley: Okay everybody, let me see if I can get my camera up, hopefully it'll work. I don't know if it's working or not, but just as well as if not, my hair's getting a little long right now, but I appreciate the—

Toi Roberts: It's okay.

Keith Wiley: Okay, thank you. I appreciate the opportunity to talk to you today. My name is Keith Wiley and I'm with the Housing Assistance Council. We are a small nonprofit here in the city and we deal with rural housing and affordable housing. And as such, we do a considerable amount of work around manufactured housing, because it's such a big part of rural communities.

And we recognize the importance of Duty to Serve and the work that's being done right now by the GSEs. And we think it's really important and we know it's really, you know, difficult circumstance, currently. But you know, we think that the, you know, the work that's being done with the Duty to Serve and the upcoming plans will have a big impact, hopefully.

The slides I have are just a few slides it's really contextual thing about, and then about some general things about the plans, our position. But if I can just go to the first slide, there just a few slides that basically put everything in context, and I'm a data person primarily.

So, my first slide is just to put it into context. This is a county map and a lot of this everybody will know, but it just shows where the manufactured housing loans, or the manufactured housing units are relative to the overall housing stock in each county.

You can see, as I'm sure most of you know, most of the units are in that rural areas more in the southeast, about half of them are in rural areas. You see central Appalachia on there, you see the rural Southeast and over and around the Delta and the Southwest, and some in Native American lands. And, basically, the two darker shades of red or brighter shades of red are more than 20%. So that's more than, you know, one on every five units. And so, it's a really important part of the housing stock there.

It makes a big difference, and that's the reason why the Duty to Serve, we think is so important. It's a good affordable housing option for a lot of people and a lot of communities that we work with. And also, a lot of communities that are also in the Duty to Serve high-need regions like the Colonias, lower Mississippi Delta, central Appalachia, or middle Appalachia I think it's called, and also persistent poverty. If you go to the next slide.

This is an issue that was brought up a little bit. I'll touch on some here and the context. But I think a lot of times people think of many of these areas and the ones that we serve as monolithic. They think of it as just White, non-Hispanic families living in manufactured homes. While the majority are in rural areas it's not actually true for areas a lot more diverse.

And, I just put this slide together with some ACS data to show you the share of like rural, Black or African-American households, American Indian, Alaska Native households, or Hispanic households that live in a manufactured home. And you can see like its 20%

essentially for Black or African-American and Hispanic rural households use manufactured housing.

So, there are a large, actually relatively speaking a larger share of their households for those communities are manufactured housing. So, it's an important part of the housing stock and it also impacts them a lot. So, I think anytime I think of the context of this, I think all the households that are going to be affected by it and these are some -- many of the households. And, also in various communities like the border Colonias, lower Mississippi Delta and Native American land, where there's also, you know, very high poverty rate. And you've read about a lot of these communities, unfortunately, lately in the news around COVID, like the Navajo nation and stuff.

So that’s just, I think an important contextual thing. It's much more diverse and there's many different parts to the population. If you go to the next slide.

I just real quickly, I pulled the data, and this is just to show it kind of conforms. I just pulled the HMDA data for 2017, 2018 and 2019. Again, just to put it into context where the loans make up the largest share of the home purchase loans in each area.

And you can see, again, many of these high-needs regions like central Appalachia, the lower Mississippi Delta, down near Texas, and the border Colonias region and Native American lands in the Plains and like New Mexico, that's where 25% or more of the loans were actually involved manufactured homes.

Again, it's a huge part of the market so anything that's done here and the objectives this is going to directly affect the communities. And I think what is interesting is that it really does dovetail quite well with the communities with say high need communities. So, you know, when -- these policies will directly affect that issue as well.

A lot of these are persistently poor as has been brought up. Very low incomes. And I think many of the economies in these areas who I do know have been struggling for years. And this is one component of it. And housing financing means a great deal. So, if you could go to the next slide.

And this is just an issue that we talked about and you see it in the plan and everybody knows here’s the chattel loans, essentially. And so all that I did was we plotted that ones by state where the most chattel loans were. And the reason why, you can see there's a few like New Jersey and Massachusetts that's just because there was a small level of loans, really. And this is -- but Texas, Louisiana, Mississippi, Alabama, these are areas where a lot of the loans were essentially chattel loans, which have like a 97% rate of being high costs. It's the most costly loan.

These also again would be in that region would be the lower Mississippi Delta and like the border Colonias region. And these are where the, I think directly where the Duty to Serve is trying to make an impact obviously with objectives, just to show that this is in fact very much where it’s important, and that these objectives do make an impact. If you can go to the next slide.

And this is one more, but this is really just the last meaningful one I just took. And this has got the title wrong. It's securitized by the home, essentially chattel loans. So, what I did was I took the high need regions, central Appalachia, which is also middle Appalachia in the Duty to Serve. I just through habit, call it central Appalachia, the lower Mississippi Delta, border Colonias, and Native American lands. And I defined them according to where they had a Colonia in the census tract, or rather of had Native American tribal trust lands there.

But the reason why I did this as the blue shows for everybody the percentage of loans involving in manufactured homes that were chattel essentially. And the orange shows the ones from minorities. So, you can see it's a much higher rate for minorities. I think it was brought up, in some ways you can think of it as a social justice issue. So, when any of these objectives are very much likely, hopefully will improve things for those markets and for the populations and will also maybe address some social justice issues.

I think in the lower Mississippi Delta, this is rural and I think the number of like it's 95% or 96% of the home purchase loans of all your manufactured home to an African-American borrower are high cost. So, it’s extreme. And so, these put extra burdens on places and communities and households that really quite frankly it's difficult for them to meet that burden. If you'd go to the last slide.

And this is just a few closing remarks. But like, I think we think it's important that the Duty to Serve obligations like has been talked about to purchase loans in the market. And I think it's really important that hopefully the focus can be on, as was mentioned also earlier, shifting some of the people that are getting personal property loans into a standard mortgage product that will lower their costs.

I think it's really important, particularly in some of the communities like in the Delta and the border Colonias if the projects that can make a difference and change things, it would for these communities, it would be really big.

We understand that these are extraordinary times and that it's very difficult. I know that plans have been -- are going to be renewed for, they're going to do this year 2020 and then 2021. But hopefully as time goes by, as a plan they can ramp up and the GSEs can increase their share of the loans, the standard real estate loans. And that'll make a difference.

And again, I think in many cases hopefully this could serve as a catalyst in helping many of the communities who are already kind of and you know the economic conditions have lagged there for many, many years and hopefully this is --

Toi Roberts: You have less than one minute.

Keith Wiley: Thank you, and thanks for the opportunity.

Toi Roberts: Thank you, Mr. Wiley. All right. Introducing our next speaker, Mr. George Allen from EducateMHC. Mr. Allen, please turn on your webcam and press pound two (#2) on your phone. Are you there Mr. Allen?

George Allen: I'm sorry, what?

Moderator: We can hear you, George.

George Allen: Okay, should I go ahead, then?

Toi Roberts: Yes. Thank you.

George Allen: Okay well and thank you for the opportunity to make a short presentation this afternoon. This is my third Listening Session over the last five years. I have learned a great deal from the previous speaker, Keith. I've been busy making notes while he was talking, so that was even made it more worthwhile for me to be here.

However, I want to take a little bit different track than most everyone else today. I want to give you my perspective as a businessman, someone who actually has owned land lease communities and worked in factories, manufactured housing factories over my 40 plus year career.

I want to give you my perspective of manufactured housing, land lease communities, and the interaction with FHFA and the GSEs during the past ten plus years. I want to just point out three events that have been significant in my experience with these government agencies and my friends in the manufactured housing and community business.

2010, I was present when the FHFA and representatives from the two GSEs came to Elkhart, Indiana where we had a public meeting of businessmen and women from throughout the Midwest. Didn't really know how to -- kind of feared what was going to happen. And we didn't really know until the folks from FHFA and the two GSEs basically delivered a message to us that said, “Hey guys, because of your missteps and so forth at the turn of the century, and your plummeting production, you're now on your own as far as financing is concerned”. And that was a real blow to the industry, and not one that wasn't really deserved either as a matter of fact.

And so, many of us think of 2010 as being a line in the sand. And the good news is though, we rallied, we straightened out a lot of the predatory lending offenses that we were guilty of. And by 2014, when I planned and hosted the International Networking Roundtable in Peach Tree Village in Georgia, with a freeze that the FHFA and Fannie Mae and Freddie Mac were all represented for the first time at a manufactured housing conference since, well actually before 2010.

And so, we recognized that as being the moment when the FHFA and the GSEs came back into the industry and were interested in us, DTS notwithstanding. And here's the problem. This is now 2020, and in my opinion little has changed. And so, what I’m trying to figure -- meaning that we've had lots of promises, we've had lots of listening sessions, but the needle hasn't moved very much.

And so in an effort to come up with a succinct statement of where I think things stand today, I'm not telling you I'm right or wrong, but ongoing recalcitrance pursuant to Congressional, relative to the DTS on the part of FHFA and the GSEs, Freddie Mae, Fannie Mac, to secure realistic, appropriate and ongoing access to chattel capital for manufactured home loans, in my opinion, demonstrates profound designed neglect. That being by definition an attitude or policy of ignoring an often delicate and undesirable situation one is held to be responsible for dealing with.

And, you know, if we were together in a room to argue about it, we would argue about it for different views on that subject. But that's the one that's been honed in my mind over the last 20 years, and I have trouble parting from it.

I recommend three quick remedies for this pattern, this culture of profound benign neglect. Once and for all get over the chattel capital debacle of 1998 to 2003. It's history. More than two decades old.

Begin a new chapter, the GSEs tangible support of manufactured housing and land lease community lending. Stop pretending that we want to help, but we're not going to take bold steps forward.

Two, we've lost 12 years of minimal activity relative to GSEs' Duty to Serve plans and programs, to date, appearing to be more languishing and ineffective than necessary.

And finally during year 2021, commit to buy many seasoned chattel manufactured housing mortgages to stimulate the much needed secondary market for selling these specialty loans, so that capital could be freed up to buy more manufactured homes, to sell on site and all these communities and elsewhere.

Oh yes there's more that could be said specifically, but why waste time with measures likely to be once again ignored. And I really hate to say that. So I'm going to end at that point and say thank you for the opportunity to speak out as a businessman who has owned manufactured home communities and worked in factories, and been close to this action for the last, well over 40 years. Thank you.

Toi Roberts: Thank you Mr. Allen. Introducing the next speaker, Mr. Thomas Heinemann from Heinemann Consulting. Mr. Heinemann, I'm sorry, can you please turn your webcam on and press pound two (#2) on your telephone.

Moderator: Please go ahead.

Thomas Heinemann: Hi guys, can you hear me? I can't seem to get the video going, but that's all right. Can you guys hear me?

Toi Roberts: Yes.

Thomas Heinemann: Okay, so I will -- I appreciate the opportunity to speak. It's been a while since we've engaged with this group. So, from my perspective, I have been over the past two or three years, seriously working on a number of developments that utilize manufactured housing in both the single-family and the multi-family space. And so, I wanted to share some perspectives from sort of the boots on the ground perspective of what I'm seeing and sort of the challenges that we face and moving forward.

So, we've been working in about three or four markets. Each of them are slightly different. But I have to say to a tee, that thanks to Fannie and Freddie and -- when you present the Choice Homes or the MH Advantage homes in a public setting, whether it be through zoning commission meetings or, you know, city council, local city council meetings, the homes are always very well received. And we've been through, and people are astounded by some of the interior photos, the exteriors, etc.

When it comes to zoning, and I think this is a recommendation number one, a lot of times the zoning for manufactured housing and the zoning regulations are presented as mobile home. And within that mobile home definition is a home that is built on a permanent chassis, that is not removed and is placed on a pad that is not necessarily owned by the owner. And it is designed to be moved and moved at some point.

Granted this is an antiquated notion. And it dawned on me that perhaps much of the challenges that we face around manufactured housing is that the regs themselves are extremely outdated. And it lends itself to further misinformation when you talk about manufactured housing when the regs themselves refer to mobile homes.

And, I'm sure George Allen would appreciate that because this has been an ongoing battle for more than 40 years or so since the passage of the HUD code. But the language is there, it's as plain as day and it presents real challenges.

However, with that being said, the key advantages to working with MH Advantage and Choice Homes is that the requirement that the homes be put on a permanent foundation, pursuant to HUD's permanent foundation's guide as referenced in FHA Title II guidelines, and as referred to back in both Fannie and Freddie's seller servicer guidelines.

This is an important piece because that language in and of itself gives lots of zoning officials and local officials comfort that when you do an MH Advantage or a Choice development, that what you're doing is essentially a real estate transaction.

And some of the pieces that we've done, we've also gone as far as to say that we will be placing homes on separately deeded individual lots that, you know, in the future can be purchased by the homeowner. And this is also an important point. All of a sudden what has been traditionally viewed as a manufactured home now becomes your standard real property home.

And in at least three or four cases in which we've presented this, we've gotten the clearance to go ahead and develop as a site-built standard real estate development. So that's an important piece and why I think much of the groundwork that Fannie and Freddie have done on the Choice and MH Advantage homes is critical because it's a critical tool.

That being said, there's a lot more work to do to go ahead on that front. If you're doing for example a LIHTC deal, and if you're working with state HFAs on bond issuance and whatnot, many of them don't have the resources or capacity to understand manufactured housing. And this is a huge -- becomes a huge impediment because with any LIHTC deal you've got a long lead time in moving projects forward.

Even when you are able to demonstrate that manufactured homes are able to meet or exceed the state HFAs minimal multifamily, standard multi-family construction requirements, you still encounter resistance. This is not true of all of them. For example, Virginia is leaning forward on it, South Carolina is leaning forward on it, there are other states that do not, and this becomes a huge impediment.

And where I think this can be helpful is both Fannie and Freddie should use their web presence, their convening presence to really highlight the MH Advantage and Choice Homes in and of themselves and how they are, and can be, and should be treated as real estate by virtue of the way that they are set, and the way they are constructed. So, I think that's an important point.

In terms of the single family side, so and I do think both Fannie and Freddie, to the extent that they are involved in LIHTC development on the multifamily side that utilize manufactured housing, they should be able to receive a credit. That's a new angle to them, but I think expanding the way we look at manufactured housing in the multifamily space it’s critical to innovating in this space and moving forward.

On single family homes, sometimes when we try to do development and construction financing for development that we know we would have eligible Choice or MH Advantage mortgages, many of the lending institutions consistently refer back to the fact that this is a manufactured home product and immediately put it back into the space where they reserve for their manufactured home community work. Which is not exactly the way we see it.

It is -- we have to move, and this is where the GSEs can help as they educate their large lenders, to educate them that in fact it's more important to look at manufactured housing as more akin to off-site construction, modular, CrossMod, whatever you want to call it, than as a specific asset class. Because when I hear the term asset class of manufactured housing, my initial thought is that is immediately wrapped in with the other sorts of MHC financing and multi-family financing that is commonly found.

But if you're trying to thread the needle and this just shows how difficult it is, you're saying to a manufactured housing subdivision, the key here is to convince folks that the construction matters less than, because you are essentially doing a real estate development, and it should be on par with anything that uses modular or site-built homes. And I know that's a bit of a deep dive, but these are some of the challenges that we faced over the past for years.

And I would also want to make clear to you all is that you've got to remember that these things take time. You know, results don't come within six months or a year, they may take two or three years. And so, you know, there's got to be some stick-to-itiveness about this, and recognizing that the work on this area is definitely one for the long haul. You can't look at something 18 months out and say well it's a failure, when you recognize that doing anything in the development front takes two to three years. So that concludes my comments and thank you for the opportunity.

Moderator: Toi, your phone might be on mute.

Toi Roberts: I'm sorry. Thank you so much, Mr. Heinemann. We're now going to circle back to our guest speaker Mr. Paul Bradley from ROC USA. Mr. Bradley, can you please turn on your webcam and press pound two (#2) on your phone?

Paul Bradley: Good afternoon. Yes, I think I'm live here. Good afternoon, everyone. Thank you very much for your time. As stated, I'm Paul Bradley, I'm the President of ROC USA. ROC USA is a national nonprofit social sector. We help homeowners in manufactured home communities acquire their communities as co-ops and have been doing so for the last 36 years in New Hampshire, and the last 12 years nationally, with a network of nonprofit organizations and a national community development financial institution.

Our network today represents 263 resident-owned communities in 18 states and almost 18,000 member owners. During this 36-year period, not one of those 263 communities or others -- any others that we've been involved in has ever resold their community, ever faced foreclosure, or filed for bankruptcy, in any way lost their community. These are secure, resident-owned communities that are continuing to perform even through a pandemic.

The impact of resident ownership is real. Co-ops have been raising their site fees less than 1% per year compared to stated industry average of 3.9%. That adds up to real savings and ultimately adds up into better housing values for the low-income people that own homes in these communities.

I want to start my comments by first appreciating the staff level interest and efforts at both Fannie Mae and Freddie Mac. The staff we have -- continue to find are motivated and interested in finding solutions in this space. And we particularly appreciate their interest in supporting resident ownership.

That said, there are some significant barriers to resident-owned communities accessing the affordable financing that the GSEs has available, or otherwise has available.

First, co-ops mobile home parks do not have access to GSE financing for acquisition of the communities. And this then creates an unlevel playing field when they're competing with investor buyers of communities. Further, co-ops have not been successful in assuming existing agency financing on property. Again, putting low-income homeowners who form a co-op to buy the land under their homes at a significant disadvantage.

We've been around and around and worked with folks at all levels of the GSE to try to stick these basic problems. And it's not for a lack of will. There are some structural issues involved in the GSEs' ability to meet the needs of co-op acquisitions.

I think there's one fundamental decision that could get made that could change this dynamic and help all of us create ownership opportunities for the low-income homeowners in these communities.

And that would be for the FHFA to permit higher capital on the balance sheet of the GSEs, that would allow the GSEs to be more creative in both grant-making and CDFI investment in order to support particularly targeted low income initiatives in the manufactured housing sector.

I just don't think we're going to get there any other way, and we need to get back to capitalized GSEs that have the capacity to invest in innovation and in community development at a deep, deep level.

Two, my second issue and a fairly simple point that I would like to return to having spoken about this before and having heard George Allen speak on the need for chattel financing. I will at times, as I think about problems, put myself in the seat of the person who would has the control over home only financing, just to play out how this could work.

And I don't know all of the inherent challenges and structural challenges that the GSEs face in approaching home only financing, but here's what I would do. I would put the multifamily folks in the same room as the single family folks. And I would say, don't come out of the room until there is a way in which the two of you are working together.

Because it does not make sense to me that on the one hand the GSEs will be financing the underlying land -- Hello? It does not make sense to me that on the one hand, the GSEs will be financing the underlying land for investors. But then in those very same communities will not fancy the homes for the low income home buyers looking to move into those communities.

If -- we've got a square of this and what better place to start than in the very communities that the GSEs are currently financing. What has to be adapted so that the single family people feel that lending on the homes is as safe and secure as lending on the underlying land. And why would lending on the land be done without an expectation that GSE financing, home only financing, wouldn't be available on the house side?

I suspect, if I've experienced this sufficiently over the last 30 years in the affordable housing space, what I suspect has happened is that the multifamily folks and the single family folks don't get together with a single objective. And I think we need to look at communities as whole communities and not just land investments versus home investments. Rather, how do the GSEs create affordable communities that are secure enough for the low-income home buyers and provide access to the best possible financing for those low income home buyers?

I think that's the challenge, and I think that's what we ought to be expecting in the redo, if you will, of the chattel finance question. And I think it's a worthy pursuit, because I think there's an enormous opportunity to benefit low-income homeowners, which is at the end of the day at the heart of why the GSEs were set up to begin with.

So those are my two contributions. Again, our appreciation to you and to the staff at our GSEs, and really hopeful that we can see some advancement on CDFI investments in grant-making and some real ingenuity about combining the multifamily and single family efforts to lift up this housing stock and build more affordable communities. Thank you very much.

Toi Roberts: Thank you, Mr. Bradley. I want to thank all about guest speakers. Right now, we're going to go into having both Fannie Mae or Freddie Mac give closing remarks. So, I would like to just turn it over right now to Fannie Mae.

Ben Navarro: Hi everyone. This is Ben Navarro from Fannie Mae. Can you hear me?

Toi Roberts: Yes.

Ben Navarro: Great. I will turn on my camera as well. Excuse me for one second. Oh, I don't actually see the ability to do that, so I'll just go ahead and speak. So just in response to some of the themes that I heard arise throughout multiple comments. I'll begin with the idea of Fannie Mae's support for newly constructed home purchases. So Mr. Weiss noted that a small proportion of the homes that the GSEs finance are secured by newly constructed homes.

And similarly, Mr. Ryan, you mentioned that the GSE market share of the MH real property market, according to HMDA should be larger than what it is.

Just a brief technical note there, the numerator for that calculation should include both Duty to Serve eligible loans as well as non-Duty to Serve eligible loans. And I believe your calculation excluded the latter. So, in that case, that would almost double our loan count. Even given that we agree that we can continue to grow in this space, which is why I want to be clear about the current state.

Our analysis shows that new home financing is in fact an area of great opportunity. That's in fact the reason why we've introduced several policy changes and variances such as construction to permanent lending and allowable age of credit documents.

In response to Mr. Kopstein’s comments, that's also the reason why we've pursued more and deeper engagement with retailers to get a greater foothold in this space. And it's the reason why we propose an aggressive campaign to promote MH with subdivision developers. And you can see that reflected both in our 2020 modifications as well as in our 2021 proposed plan.

On the topic of zoning, which practically everybody who had comments on single family mentioned today, we acknowledge the limitations that MH faces with zoning. As I think everybody's probably aware, lobbying local governments that write and enforce these regulations is firmly outside of our role in the market. But we have shared information about our MH products, including MH Advantage, with anyone interested in learning more, and that includes several local governments and zoning boards. In some markets, those decision makers have used this information to make decisions on MH placements.

But beyond that, we do face a practical challenge in that we don't routinely collect or categorize information on local zoning. We have gone out of our way to fund survey research in the recent past that looked into zoning at the local level and we might look to do more with that information.

And in fact, if you look at our 2021 plan, it mentions zoning. It states that we would analyze MH zoning constraints and municipalities across the country, and that we would publish and promote analysis for public consumption to illustrate the implications of zoning constraints. So, this is an area that we're thinking about, but again, we just want to state that we'll pursue this to the extent that it's both practicable and permissible.

On the topic of MH Advantage, some folks refer to it CrossMod, we've heard some feedback that the goal of MH Advantage is inconsistent with the affordable mission of Duty to Serve. And while Fannie Mae looks at MH Advantage as a means of expanding the MH market to potential borrowers who wouldn't otherwise consider this product, we want to call out that there are several benefits that our work on MH Advantage has bestowed directly upon our standard MH business.

So, for example, you can think of some policy changes that developed during the course of MH Advantage, like our construction of permanent financing product or our allowance of MH as an accessory dwelling unit. But both of those things benefit standardize just as much as it benefits MH Advantage eligible loans.

Beyond that, I'd also say that the actions we've taken towards laying the groundwork for success in MH Advantage has have direct implications for the groundwork for building our standard MH business.

So, as I mentioned, we socialized MH with subdivision developers. Those conversations include MH and MH Advantage. We've reiterated the value of conventional financing to retailers. Again, something that is not limited to just MH Advantage. We've promoted research to lenders on titling. I'll say it again, it benefits standard MH just as much as it benefits MH Advantage.

We've done an appraiser outreach, which I won't get into great detail here but we've got a great deal of education for appraisers, which benefits standard MH. And we've removed several policy barriers that applies to all MH, not just MH Advantage.

In sum, I would say that MH Advantage is not some distraction or some substitute for standard MH, rather it's a complimentary niche product that benefits the market as a whole.

In line with the criticism of MH Advantage, there's also been the question of what Fannie Mae is doing to attract the affordable market. I'll just say that we're working on several potential policy enhancements and we think that those will address some of the needs of the most affordable segment of the MH market, and we look forward to bringing those to market soon.

And then just finally on chattel, we hear and acknowledge and internalize your feedback, and we will take that into account as we discuss future plans, both internally and with our regulator. So with that, I'll pass it to my colleague Jose to discuss his responses to multi-family.

Jose Villarreal: Hi, everyone, can you hear me?

Toi Roberts: Yes.

Moderator: Yes, nice and clear.

Jose Villarreal: Thanks. I'm trying to turn my video to see if I'm on video, but my name is Jose Villarreal, I lead the multi-families Duty to Serve initiatives for manufactured housing.

First, I just want to say thank you for your comments and your feedback on these really important issues that impact manufactured housing communities. Many of you, here on this call have played key roles really over the past several years in advancing our Duty to Serve mission, especially in the first three-year plan.

A lot of you here have partnered with us and collaborated with us toward the development of our product enhancements, especially for tenants like lease protections and non-traditional MHC's and some of you even been early adopters of the new products. So, we thank you for leading the market with that, not just by talking, but by leading by example.

So overall, we're pleased with our progress that we've made in the first round of Duty to Serve. But we definitely know that there is a lot more work to do. A lot of good takeaways on this call today, specifically from Doug Ryan and Paul, great takeaways that we're going to definitely talk about.

For things lease protections, one of the things we want to do is continue to create greater awareness of the product. I think there's a lot more that we can do and we were hampered with that this year, you know, being limited as far as doing our outreach, because of the COVID restrictions.

And we want to that to create greater standardization of the product. The product is really gaining momentum across the industry as more borrowers realize the importance of having these protections in place for their residents. It's really a win-win for the resident and for the community owner as happier residents lead to less vacancies for the community owner to deal with. So, we're really focused on that.

We also remain extremely focused on developing solutions to increase liquidity to non-traditionally owned manufactured housing communities such as nonprofits and residents and government-owned. So, we understand the importance of these communities towards the preservation of affordability that they offer to the residents. So, we're definitely going to remain focused on that as well.

And so, we're looking forward to continuing to build those efforts in 2021. And we will definitely welcome further discussions with you as we proceed. So again, thank you. I'll stop there.

Toi Roberts: Thank you. Anyone else from Fannie Mae? Okay. We will now turn it over to Freddie Mac.

Carol Thompson: Thanks Toi. Can everyone hear me?

Toi Roberts: Yes.

Carol Thompson: Wonderful. I just want to say again, thank you for the thoughtful feedback from all of the entities here today. The timing of the listening sessions are ideal as we're working on finalizing the 2021 plan along with the forward-looking three-year plan.

So, we understand by listening to everyone that spoke today that we need to see you to focus more on ways to increase supply, education, zoning issues, state level, FHFA partnerships and just innovation across the board.

As a multi-family representative, I just want to say that we are committed to continuing to expand liquidity and close gaps where we can in the manufactured market based on there are certain constraints.

The resident owned communities are critical as they support the non-subsidized affordable housing supply, and it's only helped residents control their own destiny. And we understand it takes a lot to convert a property into a Rock. So, we're always looking for ways -- looking for refi opportunities as they become available in ways to support any conversion.

Even though there are few refi opportunities, we are working to expand our lending relationships through our optical lender network, and we're always available to take calls and we continue to take calls. And so please reach out if there are -- so that way we can continue to collaborate.

In terms of tenant protection products, we were able to provide over 1,300 homeowner leases in 2019 with the full eight tenant protections, which didn't exist before, and we expect similar adoption in 2020 and moving forward.

We've learned certainly the tenant protections; the offering is scalable and that community owners are receptive to the suite of the protection. So again, I just want to say thank you for the opportunity to listen, and I'm going to go ahead and turn it over to my colleague Simone Beaty.

Simone Beaty: Thank you, Carol, can you hear me?

Toi Roberts: Yes, we hear you.

Simone Beaty: That’s great. I think I've turned on my video, but I'm not sure if it's on or not. First off, thank you all for joining today's Listening

Session. We truly appreciate your feedback because it is actually critical for success in this market to understand real time where the opportunities are for us. You know, we have made great strides at Freddie Mac in terms of moving the ball forward on increasing support and liquidity in the market. But we recognize, and we're very keenly aware that there is still a lot of work to do.

Over the past two years we've done a lot of product enhancement. We have done a lot of outreach to market stakeholders, including lenders and appraisers. We have tried to bring our manufactured housing financing to be on par with our regular fixed rate and on product offerings.

And we have seen definitely the benefits of all of those activities, including the outreach, where we've seen by and large over a 4% increase year over year in terms of the volume that is coming through the door. But we hear the remarks on this call and agree that it's still only a very small subset of the overall opportunity. And we will definitely have an eye on focused on how we can increase that opportunity.

In hearing some of the challenges, definitely the demand and supply issue continues to be pervasive for the development of affordable housing units. And we know that, especially in the time of COVID too, that is exacerbated even further and we know that manufactured housing continues to be a viable solution to that. And so, we will look to see how we can increase our support and provide direct liquidity for financing.

We know, and are constantly facing, because we hear it on the ground, the issues with zoning and building code challenges. So that continues to present a significant barrier and is a structural impediment to growing volumes. So, we hear you on the continued request to make resources available at the local level, to help mitigate some of the exclusion practices that we see. Because definitely it impacts our ability to penetrate on financing with our lender network in those areas.

As well as, we've heard the call for research that can provide more transparency to the market. It can highlight the opportunity for the increased footprint of manufactured housing. So those were some themes that we heard throughout today's session. As well as the support for closing the affordable housing gap for home, personal property, that is something that we will have to take back internally and also with our regulator.

Because we did hear some suggestions on that in terms of potentially, not only leveraging models that we've already developed, but also putting back to the market and to industry participants, how we were looking at it in terms of financing support so that others in the industry can create their own solutions as well.

In terms of overall support, your feedback is going to continue to be critical in this space, and so we definitely appreciate your comments and we appreciate the time you took today to provide it to us. So, we will definitely continue that dialogue beyond this listening session to make sure that we have a partnership as we go forward. Thank you.

Toi Roberts: Were there any other speakers from Freddie Mac?

Simone Beaty: I don't believe so.

Toi Roberts: Okay. Well we would like to thank you all again for joining us today. We appreciate your feedback and we encourage you all to visit our Duty to Serve website at www.fhfa.gov/dts to submit written comments. The public comment period closes on October 23rd. That concludes today's session. Thank you.

Moderator: Thank you for using AT&T Event Conferencing Enhanced, you may now disconnect.