(Jim Gray): Okay, we're going to kick off the main event part of the program now. And we're, of course, starting with the Affordable Housing Preservation market. Our first speaker is (Nikki Beasley) from Richmond Neighborhood Housing. And, (Nikki), if you would come to the podium please. And then, (Todd Sue) I see is already here in the front row. So, (Mark), you'll be after (Todd). So when he comes up you can move to the front row. Okay, (Nikki), take it away.

(Nikki Beasley): Thank you so much. So I want to first say thank you for this forum to give us the opportunity to really share where the gaps are and that you're open to consideration. So Richmond Neighborhood Housing is a scattered site property manager supporting both Contra Costa and Alameda counties and also providing HUD classes for homeownership. So this is a very timely conversation.

A couple of things in regards to the housing preservation – I'm going to speak primarily from the consumer perspective, or what I would consider the end-user, to this conversation. To consider how loans are being reviewed, we know that the population we serve, they are somewhat dynamic in the way in which they manage their finances so often times the way in which they build credit is not necessarily through credit cards or what would be looked at on a credit report.

So we would like to, you know, look at some alternative means or trait lines that can be utilized. There's a lot of conversation in community about, you know, using utility bills, using rent payments or anything that shows some type of consistency in payment that might not be reported on the credit bureau. Also, looking at banks are having a very hard time getting people of color's loans approved and it's understood that a lot of these loans are going through the desk underwriting. So requiring banks to take a second look when loans are declined to ensure that there wasn't an input error or there wasn't some narrative to the question or concerns so that banks are required to do their due diligence to ensure the underwriting is correct.

The other thing in our community that we see is that most people who are considered low income haven't had the opportunity to save and show their three to six months of seasoned incomes or savings for the down payment. So community comes together – grandparents and others – will come to support. So having lenders look at those sources if they are legitimized and validated that the borrower should not be what we consider penalized by having their loan increase by basis points because of the source of their gift.

So those would be things in the consumer side. Being a scattered site property manager owner would definitely like Fannie and Freddie to look at closing the gap for organizations like us to be able to get the financing to acquire and secure properties so that we can make available for rental or make available to a family to purchase. Because there's really no space for us - if we're not a developer looking to develop a 250 unit property there's really no financing options outside of non-profits who have dollars for financing, but typically those interest rates are a lot higher.

Banks don't lend to non-profits because they really don't understand us and with us being in real estate we don't tend to look and feel like – we don't fit in the commercial side because we're not a business owning a commercial building, we're not residential because we're not living in those properties – so how help us and other organizations to support the Affordable Housing Preservation.

The other thing we would like you to look at is in your engagement with the housing authority and HUD and depending on where folks are coming from, there are different experiences – some work very collectively and communally, others work very isolated and in silos. This is a time from a community standpoint that all collaborative efforts have to come together. So requiring the housing authority to make a proposed engagement to community organizations and community to get the feedback of what really is necessary in the communities they serve so we can understand why or why not they're not choosing certain programs. Making it a narrative between both city and county conversations.

Because what tends to happen is these decisions are made in isolated forms and community doesn't understand or even aware that there was access to, you know, programs that could be helpful. So those would be the things that I would say to consider as you are working through your plan. I, from a priority standpoint, especially here in the state of California, although you can't do anything with value – time is now. So there's a very short window of time that we have to get our borrowers ready to be able to qualify.

So to be able to quickly make those adjustments in regards to the guidelines would be absolutely beneficial. And as you're going through that, really understanding what is now the true definition of low to moderate income earners so that we don't disengage people that would not normally be able to look at home ownership.

And then the second priority is to help find the gap. Because there are more solutions to housing than building, you know, 200 unit towers that people do deserve the right to have single-family dwellings and organizations are in position to manage, maintain and make available. So figuring out how you can support us in those efforts as well. So those are my comments. Thank you very much.

(Jim): Thank you very much, (Nikki). So if we could ask (Mark Austin) to move to the front row. And next we have (Todd Sue) from Advantage Homes.

(Todd Sue): Hello, my name is (Todd Sue) and I'm the President of Advantage Homes and to answer the first question, yes, my wife did dress me this morning. So I actually am a retailer. I'm the largest retailer in California.

I want to spend a little more time lending more of my expertise more than addressing all the questions, because maybe later many of you can come to me and talk to me because I represent a lot of different spectrums within the business. Mainly, I think about a year, we saw about a thousand used units and we saw about 400 floors of new homes. We're all over northern and southern California. We also do about 50 million in loans – brokering loans, mobile home loans – mostly chattel in park communities where there's rent involved in that. I also have been doing it for about 23 years.

I think an important factor is that we do have a need for mobile home financing, especially in a lot of the hot beds, such as the areas that I cover, Santa Clara County where prices for town houses are a million – million and a half. Where mobile homes are about 400,000 without owning the land. I believe 90% of my business is chattel. So I spend a lot of time working on that – doing a lot of low income projects, homeless projects where we've done 50 to 100 units putting into communities and we do need more lenders out there. We only have maybe a small handful and we're hoping to get additional out there to try to help us to fund more deals – get more loans out there.

I think one of the big things is, obviously in those areas, affordable housing. Being able to get a manufactured home in a community for 150-200,000 and the median income level is about 50 or 60,000. Any additional financing that we can get in any of those communities are going to help us immensely. And I think me being from northern and southern California having offices all over, I think I can share a lot of ideas on ways we can do a lot of different things to help that out. And if you wanted to know the demographics, the different areas, how those work, I'm definitely willing to share different ideas. I didn't want to take too much of your time. I just wanted to share what I do and what I can share later with all of you individually if you like and please feel welcome to come up and talk to me.

(Jim): Great. Thank you so much, (Todd). So obviously (Todd)'s wife did a good job as did (Todd), but FHFA had a little slip up there because our intention was to have all the affordable housing people in one group and then the manufacturers in another. So if anybody else notices that we have you in the wrong group, feel free to check with (Danielle) here in the back and we'll try to reorient so that we do – we are attempting to keep the markets segregated for this purpose.

All right, so is (Mark Austin) here? Okay, so (Mark) is with the National Association of Real Estate Brokers. He's up next and (Marty) it looks like is moving to the front row. So we're in good shape.

(Mark Austin): Good morning. You told me 4:00 – you're speaking at 4? It's now 4:00. Thank you for allowing us to have this opportunity to weigh in on what we think is very important for our future. I'm with the National Association of Real Estate Brokers – our national President (Ron Cooper) is there and the head – the CEO of the (Unintelligible) ID – our housing capstone component, (Red Carlyle) is here as well.

We have some concerns. Our concerns – when we look at Duty to Serve, we're an ownership organization. And our concern is that the priorities need to be toward ownership and wealth building for our particular communities.

We're seeing a lot of shelter prioritization as opposed to ownership and, you know, ownership prioritization.

So we want to make sure that the opportunity for Duty to Serve implementation lends itself to creating wealth in our community. Our communities were most impacted by the housing crisis. There's some rules in place that have created barriers for us to recreate that lost wealth. I spoke to someone earlier – you have a seven year – I spoke to (Mel Watt) actually. Your seven rule with regard to foreclosures for reentering back into the Fannie-Freddie market. We think that's prohibitive. We've got a lot of clients who lost their houses in 2012, have rebuilt credit, may have a 700 FICO score and they can't get back to conventional financing. The loan level price adjustments have created a disparity in pricing that causes our community to have to pay more for their mortgages.

So we really want to see the Duty to Serve implemented with regard to flexible mortgage products below market interest rates - lower down payment type stuff. And the thing that creates the priority toward homeownership and rebuilding the wealth of our communities. We have a new program – two million new homeowners in the – two million new black homeowners in the next five years.

The third quarter – I haven't seen the fourth quarter last year homeownership rates yet, but we're down to 41.3%. We went up slightly – I think 41.7 in the second quarter and went back down again. We're lagging over 30% behind majority race ownership. We need to rebuild that.

So I think those are our comments. We want to make sure that the focus is on homeownership, creating the opportunity to rebuild wealth in our community. And moving forward we'd like to be able to have that opportunity.

(Jim): Thank you very much. All right, if (Rachel) can move to the front row – there she goes. We next have (Marty Oaks) from Hello Housing.

(Marty Oaks): Thank you. Good morning everyone. I want to thank FHFA for convening these listening sessions so that the experience of practitioners in the field can help shape the DOC's action plans and response to the Duty to Serve rule. And I want to thank Fannie and Freddie for the important role you've played in working with us to expand your impact in these underserved markets.

I'm the Executive Director of Hello Housing. We're a non-profit based in San Francisco serving the greater Bay area. We develop our own shared equity homeownership properties, which rely on deed restrictions to preserve the affordability over time. We are hired by market rate developers subject to inclusionary zoning policies to market and sell their inclusionary units, which also have deed restrictions.

We help cities design effective shared equity programs, bringing to bear best practices from the field and our own lessons learned. We provide stewardship of portfolios of shared equity homes on behalf of seven bay area cities and counting. The unrestricted market value of this portfolio is over $400 million. So there are significant assets worth protecting.

Managing this portfolio means we're making sure homes are sold and resold to qualified income eligible buyers. Insuring that homeowners refinance into safe mortgage products and making sure there are sufficient numbers of lenders who lend in the program. So I'm here specifically to speak about affordable homeownership preservation.

A major challenge in our work is identifying lenders who can lend on these deed restricted homes, especially those which have restrictions which survive foreclosure. The feedback we get from lenders who we asked to lend on our programs is that these loans are very hard to make. They yield little financial return and there's a lack of confidence that they'll be able to sell their loans to the GSEs. Generally this means that we have to work with lenders who can originate these loans as portfolio loans. So that dramatically limits the number of lenders we can work with.

We do manage one shared equity program in which the restrictions survive foreclosure and we only have one or two lenders that can lend. One particular is personally passionate about the work. So she moves on, our homeowners and the program would be in a difficult position. This provision of first – of surviving foreclosure has allowed us to purchase homes at auction and to preserve the home as affordable.

Foreclosure rates on shared equity homes are far lower than typical sales and that is largely because of our managing these programs based on a mission. We never want homeownership to harm a household and that helps mitigate the risks for the lenders as well. We required our buyers to take a home buyer education class. We walk them through the restrictions, what they're signing up for, we send out newsletters connecting them with resources. We communicate with HOAs so we can use late payments on HOAs dues as a canary in the coal mine. And we connect, at least annually, so that they know who to engage with if they're having troubles.

I want to speak a little bit to how these lending challenges impact our program design activities. So the best practice for preserving these shared equity homes that are so difficult to get built, especially in the bay area, is to have these restrictions throughout foreclosure, but we have to make the recommendation to our cities that they adopt a weaker program in order to be sure there will be mortgage lenders able to lend on the program.

As more and more cities adopt inclusionary zoning ordinances across the country using the strongest restrictions is essential for those programs to be most successful. And as you all know, once a program is rolled out in a city, it’s very difficult to crack these policies back open. So I hope you’ll focus on these activities in the first round of your plan so we can align the design of these programs with the policies of the GSEs.

One final example on how this policy impacts our work, we just purchased 26 vacant tax defaulted lots for development of permanently affordable homeownership in Oakland. We have state and revenue taxation code that allows the county tax collector the power to sell these tax defaulted lots to a non-profit in exchange for a long-term public benefit. Affordable housing counts as a public benefit and I will say it added a lot of complexity to the negotiations with the county to have to insist that the deed restrictions during the ownership phase be subordinate to the first mortgage financing when the county’s objective is to ensure that a public benefit is met and is a long-term benefit.

I think our interests are largely aligned with the bank’s. We want our homeowners to succeed and we know that you guys do too and we look forward to working together to find solutions that strengthen our ability to preserve, to protect affordable homeownership and meet your objectives as well. So thank you.

(Jim): Thank you, (Marty). Okay, I see that (Maria) is moving up to the front row. That’s good. Our next speaker is (Rachel Silver) from the Ground Solutions Network.

(Rachel Silver): Good morning. Thank you for listening today and for giving me the opportunity to speak. I'm (Rachel Silver). I'm the COO of Grounded Solutions Network. We are a national non-profit membership organization. Our 150 members are non-profit organizations or public agencies and they are located in all parts of the United States. They're operating as or actively engaged in forming a community land trust or deed restricted housing program or limited equity cooperative, inclusionary housing program or other long-term affordable housing program in their community.

Our members steward over 33,000 cooperative housing units as well as over 20,000 home ownership units that retain lasting affordability through a community land trust or deed restricted housing model.

On behalf of all of our members I would like to express gratitude to FHFA for including shared equity homeownership in the Duty to Serve rule as part of the affordable housing preservation underserved market. And I would like to urge the enterprises to prioritize a range of activities in their underserved market plans that will increase liquidity to the whole spectrum of shared equity homeownership model.

I'd like to start by stating quite simply that there is an overarching need to preserve affordable housing by providing increased access to loans of every sort that will allow low income families to buy shared equity homes. The lack of access to home buyer financing is preventing our members from providing homes for families that need them. We know this because they keep telling us so. Over and over in member surveys, in interviews, in requests for educational materials that will persuade lenders, any requests for financial sponsorship of lender forms in their regions and help desk calls that we receive week after week. We keep hearing cries for help in identifying lenders that will work with community land trusts, deed restricted homes and limited equity co-ops, especially where there are ground leases or deed restrictions that survive foreclosure.

So in practical terms, I would like to urge the enterprises to prioritize in their plans a few critical activities. Number one, provide clear guidelines, education, training and incentives to lenders in order to increase originations of loans for community land trusts and deed restricted homes. Number two, support the development of shared appreciation loans as defined in the duty to serve role, which means loans aimed at keeping properties affordable over resales and also enable a secondary market for these shared appreciation loans.

Number three, provide share loans and blanket mortgages for cooperatives serving lower income households. And number four, support research of the shared equity and inclusionary housing fields and development of innovative financing instruments that preserve lasting affordability for low income households.

So I'd like to add just a little bit more detail to a couple of these points, starting with the last one first. So at Grounded Solutions we have been involved in multiple efforts over the years to recruit lending partners and develop innovative lending products that serve community land trusts and deed restricted housing units. And the first question that we're always asked is how big is the market. Unfortunately there are no good studies to answer this question. So, as I mentioned, our member's portfolios include tens of thousands of units, but this is just a small portion of the deed restricted housing units in the country. And we're right now undertaking a nation-wide survey to better understand the universe of units that are created under inclusionary housing programs, but there's an ongoing need to research the landscape and characteristics of shared equity homeownership and inclusionary housing fields.

And there's also a need to research how to preserve the long-term affordability and financial viability of multi-family affordable rental properties in ways that would reduce the costs of recapitalization while insuring that affordability lasts. So there are some innovative financial structures for this such as life cycle underwriting, but there's a lot more research that's needed.

And, additionally, there's a need to support research and development of mortgage financing funds and shared appreciation loan funds that would create new sources of funding and financing for deed restricted homes in partnership with the enterprises. So we can ensure easy access to the secondary market for properties using these (unintelligible).

Finally, I know that time is short and that others have spoken to and will speak about the need to increase originations of mortgages for community land trust and deed restricted homes, so I'd like to concentrate on the need to increase liquidity to cooperative homes that are serving lower income families.

One of our members is the urban home sitting assistance board. And they conducted a national study of cooperatives and found that 70% are unable to access share loans for incoming co-op purchasers. And the lack of access to financing is not only impacting the co-ops that currently exist, it's also impacting the development of new cooperative units.

In another study of 22 organizations working with co-ops, over half reported that they would need increased availability to share loans and blanket mortgages in order to create new co-ops in their areas. Limited equity cooperatives were created to remain affordable over resales and are a form of shared equity homeownership.

So increasing the availability of financing for co-ops that commit to remaining affordable and limited equity and for co-ops that would reinstate limited equity provisions would be a great tool for preserving this housing for the low to moderate income people for which it was built. We have lost over 100,000 units of limited equity cooperative that out lived their restriction periods. And they could have remained limited equity if more financing had been available and contingent on their commitment to remain affordable.

So we hope that the enterprises will pursue activities that promote access to share loans and blanket mortgage financing to create and preserve the affordability of cooperative homes as part of an overall priority on increasing liquidity to all forms of shared equity homeownership in their underserved market plans. Thank you very much.

(Jim): Thank you very much, (Rachel). Let's see, if (Chet) can please move to the front row. Our next speaker is (Maria Benjamin) from the San Francisco Mayor's office of housing and community development.

(Maria Benjamin): Good morning. My role at the mayor's office of housing community development is the director of homeownership and below market rate programs. And I first want to thank both Fannie and Freddie for your steps taken toward establishing a second market for our shared equity and dead restricted homes that survived foreclosure. But I've got to say, let's keep on stepping.

San Francisco is really a high cost area, as we all know. I don't know if you all know that our medium sales price is 1.1 million dollars – it is so crazy.

And we have made – we have taken really large steps to ensure that we continue with the production of homes that are priced affordable to our low and moderate income households. We – last year we brought on more than 300 permanently affordable deed restricted homeownership opportunities and then the next five years there will be – we'll have like production.

So those 300 and some odd homes, we had four lenders who were the primary – primarily providing those mortgages. And those lenders were portfolioing those loans. We really appreciate the strides that you've taken with the applying for variances and programs that are offered to some lenders and not all. But we really needed to be an open process that any lender can apply for – or any lender can provide loans using – and have an outlet to sell.

The process to get has been lengthy and burdensome. Let's be real, these loans – our median sales price is 1.1 million, but these homes are going for 200 and $300,000. So the financial gain for a lender is not going to be significant. So that, on top of a lengthy process and a dubious process to get – to sell to you guys, is very prohibitive. And I think the biggest thing that can help them is automation. And – because with little money and the time consuming, there's no incentive for a lender to work with our programs. So we're really strongly encouraging you to quickly automate our deed restricted programs that survive foreclosure.

And then establish some sort of a – our lenders don't know where to go. Like it's kind of – they need a hand to hold to go through the process to be able to train their loan officers. Loan officers change and then there's no one to help them through the process of being able to submit a qualified loan.

Our – I'm moving – San Francisco has been addressing homeownership, but we've also been addressing homelessness and economic displacement and all kinds of other issues that plague our region. So a secondary market for homeownership isn't the only thing that could – we could really help us to create those opportunities. In our multi-family 100% affordable rental programs we – providing a secondary market for those so that our non-profit organizations who are building that – those rental opportunities that are regulated and deed restricted and providing a secondary market for those construction loans – take those construction loans out – would then leverage our money so that we can continue to support those non-profits to build more.

And especially when our property – our projects, you know, if a single family home condo is going for 1.1, you can imagine what a lot for us to build 100% affordable housing is going for. So providing that extra assistance would really help us leverage that money that we have committed to providing to address the very low income housing as well.

I can't believe it, but I'm done.

(Jim): Great, thank you very much (Maria). All right, our next speaker is Robin Hughes from Abode Housing. And, (Shannon), if you could move to the front row please – (Shannon Way).

Robin Hughes: Good morning. Again, my name is Robin Hughes and I'm the President of Abode Communities. We're a non-profit social enterprise that focuses on the production and preservation of affordable housing for families, seniors, families and individuals experiencing homelessness or at risk of homelessness and individuals with special needs. Abode Community owns around 2500 affordable homes serving 8000 extremely low and low income residents in Southern California. I appreciate this opportunity to talk with you today about Fannie Mae and Freddie Mac's Duty to Serve extremely low, low and moderate income families.

I want to start by first echoing the important role that the enterprises play in the secondary market on the multi-family side and that’s primarily what we do in providing that opportunity. But I want to focus my remarks on a couple of things that I think are creative and will probably go into the extra credit side of things. But I do want to say that in California, you know, we are definitely facing a major affordable housing crisis, but not only is it a challenge for the state to keep pace with the construction of new units, but the threat of losing units is pretty significant. The California Housing Partnership is estimated that there are over 35,000 affordable homes in California that are at risk of converting to market rate due to expiring HUD subsidies or maturing mortgages over the next year.

In addition, we know in the communities that we serve just naturally affordable housing that serving people in that slot between 60 and 80% are being lost in tens and thousands, especially in those neighborhoods that are experiencing gentrification. And that’s where we have our particular focus around preservation.

You know, I have to start by saying it’s really important that the enterprises have an opportunity to reenter the low income tax credit market. We’re already experiencing some turmoil in the market right now and as we hear about tax reform coming out of Washington DC, but the enterprises can play an incredible role in both addressing major non-CRA areas. We are lucky in most of the footprint where we serve there’s a lot of CRA banks that are actively investing in their market, but there are other markets where that activity isn’t so high – that they’re not high priority CRA areas.

So investment in low income housing tax credit continue to be critically important, but there are opportunities there where preservation can happen.

Whether it's when we're looking at re-syndicating our portfolio for deals that are 15-20 years old and need to be recapitalized. That's really important.

There are folks that investors – generally partners – who want to get out of the affordable housing deals that they've done 15 years ago and the opportunity to acquire limited partner interest really helps to preserve that affordable housing stock and keeping it in the hands of mission driven developers as opposed to it being market investment is really important.

And then, of course, having the opportunity to acquire and hold on long term, those developments that have existing restrictions on them that are expiring and we want to retain those.

And then, lastly, what we call our naturally affordable housing. It's market rate housing, no restrictions and being able to preserve that affordable housing stock is really important. And that's a place where the enterprises could be either a secondary mortgage or on the tax credit side of those deals.

My two other suggestions really have to deal with where we're finding gaps as we go out to look for preservation and they're actually on the equity side. So I have two concepts that we've been working on that could be of interest. One is the opportunity for the enterprises to invest in private equity funds. We have worked with both CDFI's, but also looked at putting together our own equity fund where, you know, we can typically go out and get an acquisition mortgage to acquire an existing piece of property, but that ability to come up with that 20% on the equity side has been really challenging. So is there an opportunity for the enterprises to play that role and get a market return over time with the concept of either refinancing or redeveloping after the end of 10 – 7 or 10 years. So there's an opportunity there.

Abode Communities is a member of the Housing Partnership Network at the national level. And the Housing Partnership Network is a group of about 100 high capacity non-profit organizations that work throughout the country and through its membership we have developed and rehabbed over 374,000 homes and served more than 9 million people.

We've been working over the last year to think about how to create a social investment fund that would provide equity at the enterprise level. And so instead of being project specific, this equity would be invested in the non-profit entity.

This type of investment vehicle at the enterprise level, instead of the project level, allows strong non-profits to acquire and execute affordable housing projects swiftly in a very competitive market. This enterprise level capital, just like investing in an equity fund or in a loan fund, the underwriting would happen at the enterprise level, but there would be agreed upon criteria for which the funds would be deployed. So there's an understanding there.

This enterprise capital would also let strong non-profits leverage their balance sheets in order to secure other mortgages. Abode Communities was a lucky winner of the Capital Magnet Fund in the 2010 award and I can – what that meant for us as an organization and what that meant for our balance sheet and what that meant for us to go out and leverage their resources to produce affordable housing was pretty significant. So just having that flexibility on our balance sheet really gave us an opportunity to do more even as, you know, it's almost been, you know, eight years and even today those resources are really critical in getting us through this time of uncertainty in the tax credit market. So having that risk capital that is flexible and allows us to produce is really important.

And then, lastly, I have had the opportunity to sit on the Affordable Housing Advisory Council for the Federal Home Loan Bank of San Francisco and I was thinking, could the enterprises have an AHP program – or an AHP (unintelligible) program in which the profits are really taken to help produce multi-family affordable housing or preserve housing. And I say this at a time where in the industry we've just lost so many resources that – public subsidies that support the production and preservation of affordable housing. So a comparable AHP program through Fannie and Freddie could help field some of that subsidy, but really get to deeply affordable preservation of housing. So those are just some concepts. So thank you, again, for this opportunity.

(Jim): Thank you very much, Robin. So now we have (Shannon Way) from Homeownership SF coming to the podium. She is the last speaker scheduled in the Affordable Preservation Market. So after (Shannon) I think we're going to turn to the manufactured housing market and Michael Silverman will be the first speaker. If you could come to the front row please. Okay, thank you (Shannon).

(Shannon Way): I feel special. I get to be the headliner. So, again, my name is (Shannon Way). Homeownership SF, I'm the Executive Director of Homeownership SF. And what our organization does is – we're actually a coalition of the HUD approved housing counseling agencies here in San Francisco. Our five member agencies provide the required home buyer education and counseling in order for people to buy housing through the affordable housing programs here in San Francisco. Most notably the shared equity program units that are available through the inclusionary housing program.

And the nice thing about going last is that a lot of people have already eluded to many of the things that I'm going to talk about and (Maria) so nicely encapsulated really the affordability crisis that we are facing here in San

Francisco and you guys are probably well aware of that. It’s all over the news. You can’t quite miss it. And, you know, really these deed restricted units are one of the main mechanisms that we have for producing home ownership opportunities for the low and moderate income communities. They are absolutely instrumental for being able to capture some of the benefits of construction and new development to be able to serve, you know, underserved populations here in our community.

We have a real issue in that because of the places in this area being so unaffordable for LMR populations, the CRO – a lot of banks are actually meeting their CRO requirements through mechanisms other than mortgages because there’s just not enough opportunity for them here. And so we have almost 4000 units – home ownership units in the pipeline – or here in San Francisco existing’s, plus many more in the pipeline, but are deed restricted, shared equity and permanently affordable. And that’s a really exciting opportunity, however, we are having difficulties with lending for these units and have so few lenders who are able to participate in those programs – and not for lack of interest, but for, you know, lack of ability to be able to offer products outside of their, you know, community portfolio products.

And so we actually have had quite a fun time trying to help people access lenders. We’re using a tremendous amount of our non-profit resources, you know, being wasted trying to help people find somebody that they can meet with to get a pre-approval appointment. We have had our clients, you know, calling to talk to some of the approved lenders on the list to find out there’s a two month or three month wait in order for them to be able to sit down and, you know, have their pre-approval appointment and clearly that’s not going to work within the 45-day window that is required for them to apply for these opportunities. And so, you know, people are missing the chance to be able to stay here in San Francisco and the chance to become home owners due to the lack of financing available.

So I want to really thank you guys for the opportunity – both to the FHFA for bringing you guys – bringing us all here together today, but also because I know that Fannie and Freddie have both been working very hard with the mayor's office of housing here in San Francisco to try to enhance it – or to create a secondary market for products that serve these shared equity units – and that's fantastic. And we definitely want to continue that trajectory to be able to increase lender confidence with clear and transparent selling guidelines as well as automation. That's key because it can take a very long time, you know, and the process becomes very burdensome and that can also – you know, especially when you have so few lenders – it really aggravates the problems.

We also need your support to help educate and train lenders in these changes that have been recently made as well as, you know, overall how these – how loan products can work – conventional loan products can work for the shared equity programs. And to cultivate partnerships with the non-profits and help us have a wide range of loan products that are available and we want to encourage a more open process for lenders to be able to participate.

Also, experts – having experts available that can help hold the lender's hand and answer questions. That's really key. You know, particularly with the bigger banks where they really have the capacity to be able to not only dedicate, you know, staff and resources, for these programs, but also offer more competitive rates.

And anything else that you guys can think of to help incentivize – you know, we've been having a lot of conversations about what would those incentives look like, but I think that there's a real opportunity for us to have a robust conversation about, you know, how can we encourage lenders to support shared equity programs and how can we help them to make them accessible – the loans accessible for those programs. Thank you.

(Jim): Thank you (Shannon). Wait just one second, Michael. So we had at least one speaker who hadn't showed up earlier. Is there – okay, so next we're going to turn to Chet McGensy from Dividend Finance.

Chet McGensy: Thank you so much for the indulgence. I apologize. So I'm going to keep my remarks very brief. So good morning everyone. Can you hear me?

Chet McGensy: Okay, perfect. Good. My name is Chet McGensy. I'm the General Counsel Dividend Finance – National Finance Lender, which focuses a large part of its business on financing residential solar installations, but we also do commercial and residential energy efficiency in 26 states around the country. Prior to joining Dividend I was running policy and legal for Solar City. So I've had extensive background within the solar industry and helped create the MyPower Loan. So I have a lot of work and done a lot of great work with the GSEs, FHA, HUD, NDC and talked about a lot of these issues. So I really appreciate your partnership on a lot of these key initiatives as the solar industry has become a greater partner with the housing industry as we have developed and we've grown.

So the solar industry is really built on the concept that consumers should have a choice about how they meet their energy needs. And we believe that consumers with complete and accurate information will overwhelmingly choose to go solar. And we urge FHFA to require the GSEs to significantly increase their participation in the solar energy market, emphasizing programs around energy efficiency and development of programs that would allow

GSEs to serve as an investor and guarantor of solar finance investments. A robust solar market for very low, low and moderate income families is critical to increasing solar access to all residents and to insure that those homeowners have the ability for a cleaner and cheaper energy. And a strong Duty to Serve requirement, which includes solar, would not only strengthen homeownership opportunities, but also offer customers and the community a host of benefits that I want to talk about today.

And specifically we would like to address some comments in the current rule and what we wanted to make sure – we saw some comments in the preamble and our request today is that we simply want to have FHFA encourage enterprises to utilize solar as a part of their Duty to Serve requirements because we believe that Duty to Serve should be given for energy efficiency and energy cost reduction, as was stated in the preamble – this can be considered preservation under the Affordable Housing Preservation Market because housing costs are typically defined as rent plus utility cost, thus savings in utility consumption that reduce utility expenses may help maintain the overall affordability of rental housing for tenants and we believe that should be also considered typically for residents.

So in the multi-family as well as for individuals. Solar typically today you will see an offset of about 70% of usage and one of the great benefits that solar provides, whether it's done through a traditional loan financing product by companies that dividend provide or through TPO – or third party owned financing – through a lease or a PPA model that you'll find from companies like Sunrun and SolarCity is that what you are able to have is actually predictable energy costs for homeowners that are lower than what they're paying traditionally with their utility bills.

So a lot of the issues that you have that probably come up this morning and will continue to rise is, how do you manage energy costs for these low income consumers because a rise in their electricity bills has such a massive and drastic impact on their overall financial well-being. Well one of the benefits of solar is that you're able to predict out and have guaranteed rates for 20 years. So it's a really great tool and asset for specifically that asset class in that, one, you're able to save money. But, two, an even better piece of it is that you're able to actually guarantee what those energy rates and costs are going to be over the term.

So, again, I think what we would like to hear, again, from FHFA is how outside groups can have input directly into the enterprises' plans so that we can help in terms of crafting some of that to provide a more robust plan. And additionally we would note that FHFA has specific guidance that energy efficiency must reduce energy consumption by 15%. So we want to talk a little bit and get some clarity around that particular issue.

As I previously stated before, solar production will reduce a homeowners grid usage by approximately 70% and so what we'd ask for is some clarity around that fact that the energy production reduced from the grid for that 70% - a 15% requirement. And so we'd appreciate that. And as well as talking about and looking at some of the other additional efficiencies so when we're talking about solar, now we also have solar plus battery, so that would also impact some of the analysis that goes on in terms of the energy efficiency as well. So we'd really appreciate having some additional clarity and guidance around those rules to take into consideration the innovations that's being provided within the – by the solar industry to help manage that as well.

And, you know, I'm going to keep my comment short. One of the other topics I just wanted to briefly touch on was just improving the safety and soundness.

So generally the concept of financing lower income customers creates a greater financial risk for financial institutions with impacts to safety and soundness of those investments, however, solar financing, again, provides a very unique asset class and the growing attractiveness of solar financing among lenders is the fact that third party owned solar financing has extremely low default rates nationally and special considerations should be given to this asset class because of the low default rates for greater investment without impacting the GSE safety and soundness threshold. So, again, I welcome your continued partnership on this issue, there's a lot we can talk about and I'm happy to provide comments in writing for any additional questions that staff may have. So thank you so much for the time.

(Jim): Thank you, Chet. Thank you, Chet. So Chet's remarks give me an opportunity to remind everybody – because he asked some questions about how some of the provisions of the Duty to Serve regulation will be interpreted, that we will have – during the second half of the lunchbreak we will have a session where people can ask questions just like that. So hopefully, Chet, you'll still be here then and you can ask that very question and we can give you some non-binding staff sort of interpretation of what we're thinking – really on any question that people have about the Duty to Serve. We are about an hour ahead of schedule now and we have completed the affordable preservation market. I think I'm going to take another 10-minute break and then we'll reconvene and we will tackle the manufactured housing market. Thank you.

(Jim): Okay, so we are a little bit ahead of schedule, which is always better than being behind schedule. And we're about to proceed with the manufactured housing market. What we will do is we'll go for probably about 45 minutes until the schedule time for our lunchbreak and then we'll finish the manufactured housing market after lunch. And our first speaker in the manufactured housing market is here at the podium. Let me ask, Alicia

Sebastian from the California Coalition of Rural Housing to please come to the front row and be on deck. And so now I will turn it over to Michael Silverman from Origen Financial Services to kick off the manufactured housing market.

Michael Silverman: Thank you. Good morning. My name is Michael Silverman. I'm President of Origen Financial Services, which is based in Southfield, Michigan – where you can probably buy a community for the price of a medium home in San Francisco. I'm also a partner in Manage America Integrated Building Services. I've worked in the manufactured housing industry for nearly 30 years. That has included owning and operating manufactured housing communities and representing owners of communities as a real estate attorney. My experience relates to homes within manufactured home communities and my comments are limited to homes in such communities, not on private land.

Prior to the 2008 housing crisis Origen was one of the largest shadow lenders for homes in manufactured housing communities in the nation. During the housing crisis Origen no longer originated and funded third party loans, but instead assisted by originating such shadow loans for community owners.

Following the passage of the Safe Act and Dodd-Frank, it was no longer feasible to continue this program. It's also impractical for community owners to be able to meet the regulatory requirements of these statutory programs and hence few, if any, are directly providing financing for the purchase of homes within their communities. Origen currently provides resident screening services to manufactured housing community owners.

Manage America provides property management software and related services to manufactured home community owners. As such we are privy to what actions community owners take related to new and used inventory. Origen and Manage America clients include most of the largest community owners in the nation as well as small and medium sized owners. So we understand a cross section of community owner's needs, desires and ability to participate in the process.

Currently there are few national chattel lenders for homes within manufactured home communities. The few lender programs seem to fit into three categories – one, financing for the high-FICO score borrower, typically 660 and above. Two, origination on behalf of community owners who end up holding the paper and therefore indirectly financing the home purchase. Or, three, financing with where the community owner contractually agrees to buy back the home upon repossession at the amount of the loan plus repossession costs.

These programs offer important benefits, however, for a typical low income person the only option is to find a home in a community in which the owner has the capital resources to either self-fund the loan or buy back the home at par upon a repossession. Many community owners do not have such capital resources or such resources are limited such that the number of transactions are artificially reduced. Therefore, in order to serve this underserved group, additional resources need to come into the marketplace. It would be a tremendous service for Fannie Mae and Freddie Mac to participate in this market, however, such programs must be created in a prudent and safe fashion.

I suggest they include the following attributes – one, flexible underwriting that does not rely solely on a FICO score to disqualify a borrower. Rather there should be flexibility that allows underwriting to take into account what led to the low FICO score and focuses on the borrower's current situation, including length at job, rental payment history and whether the rental payments being made are reported to the credit agencies. If not, the FICO score may be artificially low.

Next, create affordable programs, including reasonable points fees and interest rates and look at creative terms, which would reward payments received on time.

Third, if affordable, a short amortization period so that the borrower sees equity built and the lender's risk declines.

And, four, the sales price for the home finance must be reasonable based on objective data. With these criteria in place, I believe the likelihood of default declines and the program can succeed. The Manufacturing Housing Institute – the national trade group for manufacturing housing – can assist in providing current detailed information on chattel lending and manufactured home communities. I'm sure MHI would be happy to work with FHA in developing lending programs for the GSE's participation. I would also be happy to participate in such efforts in any way deemed helpful.

Thank you for the opportunity to comment on this very important question for which I strongly encourage the GSE's participation in manufactured home chattel lending. Thank you.

(Jim): Thank you, Michael. So I'll ask E.J. Gleim and Alicia Sebastian from the California Coalition of Rural Housing will be our next speaker.

Alicia Sebastian: Hi, thanks so much for having me here today. I'm with the California Coalition for Rural Housing. We're one of the oldest non-profit affordable housing advocacy organizations in the nation. We primarily represent non-profit affordable housing developers and advocates who are engaged in rural affordable housing development, development of farm worker housing, which brings us into some more urban areas sometimes as well and in American Indian and tribal communities.

CCRH represents the largest self-help housing coalition in the United States. Many of these are serving farm workers in rural San Joaquin Valley. We also have members who are increasingly engaged in manufacturing housing community acquisition and preservation or they're using manufactured housing in new construction rental housing – both of these also often times serve farm workers in the San Joaquin Valley.

Some of our members and our partners are here today are CAC, rural risk and (unintelligible) will be speaking later and we clearly support their statements and don't want to restate them here. So I'm just going to offer a few brief notes right now on manufactured housing in rural and farm worker communities. We'll have further comments later that touch on all of the different key areas in it.

Real quick, California has one million people living in manufactured housing. This makes up 4% of all of our housing. We've lost, however, over 5,000 manufactured housing spaces in the past 10 years. We have a higher concentration of manufactured housing in rural communities. A lot of this is also American Indian and tribal communities.

And a lot of California's manufactured housing is outside of formal registered manufactured communities. They're actually on individual lots or land. And California has a disproportionate number of pre-1976 homes that are in dire need of replacement. This, of course, is overly represented in rural communities.

What CCRH and Duty Serve is an opportunity to serve rural and manufactured housing communities with the same tools or product. And doing this outside of actually the chattel. And we'd like to see this modeled on USDA's 502 program.

The USDA rural development has launched a series of 502 rural home loan pilots for manufactured housing homes on permanent foundations. USDA 502 has long been a key component of rural and self-help housing and so now it stands to be successful for use of manufactured housing in pilot states of Oregon, New Hampshire, Vermont and now here in California. So we really suggest a similar approach here and we'd be happy to talk more about those details in this space.

Also support allowing the purchase of existing homes is something that we really really suggest, especially for the California market. Again, we're happy to discuss this when I'm not on a time limit.

And we recognize – CCRH recognizes the interest in the chattel market and we cannot stress enough the need for robust consumer protection education in line with home owner counseling.

And whether operationalizing a 502-like product or with the chattel pilot, we strongly encourage coupling this work with mission driven communities such as resident owner cooperatives or in CCRH non-profit housing organizations that are here in these spaces. We would most definitely think that this will insure the sustainability and the success of these products and the initiative.

We're actively engaging with Cal FHA. We're reaching out to our membership and we invite you to join us beyond this space as well. Thank you.

(Jim): Great. Thank you very much, Alicia. All right, Cody, if you could please come to the front row. Our next speaker is E.J. Gleim from Triad Financial Services.

E.J. Gleim: I want to thank the FHA – FFHA and the enterprises for giving us this opportunity. Personally, I'm very very excited about talking about the chattel pilot program that's under consideration. Mainly because this is the first time I ever remember that my name, in fact, has anything to do with extra credit. So I'm pretty excited about that. I can't wait to tell my parents that I finally have crossed that line.

Anyway, my name is Jed Gleim. I'm the Chief Operating Officer of Triad Financial Services. Triad has been around since 1959. Last year we did about 8000 loans – about a half billion dollars in 43 states. Our portfolio is about 31,000 loans – or about a trillion and a half dollars. And primarily we're looking at probably 60% new – 40% used homes.

Some of the statistics you've seen – our's are a little bit different. You see land-home at 30%. You hear (Todd) talk about, you know, all the chattel that he's doing. We're doing about 97% chattel and we have since 1959. This is a very huge part of our business. Our largest states - California, Texas, Florida, Louisiana and Georgia in those areas.

Again, just going back a little bit on a personal basis. I've worked for some of the largest companies in the country, but the reason I got into this business 20 years ago was affordable housing. I was really really excited about it. I was completely sold on the whole idea. And, again, you know, it's something that I do want to see work.

Now you hear everything about the dearth of lenders in the discussions here well why aren't there more lenders out there? And I think one of the good reasons is unfortunately reflected through Triad.

Triad has 128 banks and credit unions that it sells its loans to on a flow basis. You know, again, around the country. Our average FICO? 740. We're looking at pretty close to an average down payment of close to 20%. Our average delinquency – 1.7%. This probably sounds great. It's not. We are not doing affordable lending and the reason we don't do that is because of the image of this product in this industry.

You know, we hurt – and there's no question about it – we hurt the GSEs a number of years ago. This is not the same product. The business isn't being run that way. We're very lucky to have (Mike Simone) and other people from Freddie attend the Manufactured Housing Show in Louisville. And I found again and again when banks and credit unions look at this product – understand this product, they have no idea that this is how good it's gotten. I mean you're talking about this point 30 to $45 a square foot to build homes – not 70 to $200 a square foot. You know, so it's there.

Our problem is because of the image of this product and people thinking of Texas Chainsaw Massacre when it comes to mobile homes and everything else, it scares the boards – it scares our banks and credit unions. We leave a lot of good potential borrowers without homes simply because we don't have the type of buyers – the type of investors that will buy this. Now it's great – we've got a great group of people out there, but again, the biggest problem is we are not serving the affordable housing group of people and the potential borrowers that are out there with what we've got. I think, you know, the lenders in here will easily say there are good 630s – there are good 640s out there that do qualify – there's also bad 750s out there as well, but if you underwrite this correctly we can open up a whole new market. And I think that's extremely important as far as qualified people that can now afford to actually live in their home that in some cases would be paying even less than rent as far as these homes goes – and it's on a nation by basis.

So, again, what we're asking for is a commitment from the GSEs that will include a substantial purchase – or substantial portion of chattel homes in these deals. We think, again, that will open up this whole affordable housing. This will provide good homes for people and I think it's something that will help to meet some of the objectives of providing affordable housing for this nation in general. Thank you.

(Jim): Thank you, EJ. If I could ask, Peter, it looks like you're already in the front row. All right, so our next speaker is Cody Pearce from Cascade Financial Services.

Cody Pearce: At first I thought maybe after you heard Jed you wouldn't even want to hear from anyone else. It's tough to follow.

So I'm the President and co-founder of Cascade Financial. I founded the company in 1999. We specialize specifically in the origination of manufactured homes – all land home – all real estate. I've been a huge fan of manufactured housing since I was a child. I grew up in a very rural Idaho community. I grew up a mile away from Champion Manufactured Housing plant. My family members worked there. My friends – it was the largest employer in our little town and it was a great opportunity as a child to realize the impact – the economic impact that his product had on rural housing – on rural towns. Friends and family lived in manufactured homes. I truthfully wish I had. They were much nicer than the home I grew up in, but – so I'm not just a lender of manufactured housing, I'm a fan – well, except for when I graduated high school I did apply for a job at Champion Homes to build the homes and they didn't hire me. So I let them know every time I see them and this ship has sailed.

But, you know, it's important to understand that as a Ginnie issuer - we are seller servicer with Freddie Mac – that the current government loan products for land-home work. FHA, Title 2, VA – they work. We don't see a whole lot of 740s or 750s in the FHA realm, but we lend on that and with very little down. We service those loans and it's important to understand that those loans can work if they are originated and serviced correctly. That is the key. It's very simple. They have to be originated correctly and they have to be serviced correctly. It's a high touch service.

The issue right now is that, as you are well aware, that 70 to 80% of all new homes sold are financed through chattel avenues – through personal property. And there is no secondary market for that and therefore the only companies able to do that are ones like Triad that are able to work with banks, but they're getting a very very nice tranche of credit scores, I would say – to build on Jed's point, that's not affordable housing. That's no underserved borrowers. Those are folks that have great credit, they have great money down and they are choosing to purchase manufactured homes.

So what it leaves – it leaves strong companies who have strong balance sheets. And when you have strong companies with strong balance sheets that are lending in this space, it really narrows down the options that a consumer has. And when there is not competition and when there are not options, I don't know if any market where a consumer benefits. And that's not an indictment of the lenders who are doing it, it's just a matter of economics. You have to have competition to improve the ability for consumers to get good financing.

So I applaud FHFA's stance. I applaud the GSE's desire and motivation to get into this. And I'm also convinced that it can be done very correctly. Right now, as you probably are aware, of all detached homes in the United States, some of you will be surprised, 10.3% are manufactured homes. So there is a demand. There's a lot of homes out there that do need good financing. They need the ability to refinance. They need the ability to sell their home – to have a lender be able to finance and purchase that. And so I believe that with Duty to Serve that can absolutely be achieved, but it does have to cater – and where I think that the good lenders who specialize in this space can help the GSEs and help FHFA is it does need to cater to a very diverse, you know, cross section of consumers. If we only cater to a top credit section then are we really fulfilling Duty to Serve?

I would argue that probably those grades that you mentioned earlier might come in a little bit low. And so I think that we have to be able to cater to a diverse group – a group that is in need of this financing. So you have to balance that need with, of course, mitigating risk. And the GSEs have been through this. They're very familiar with risk. They're very familiar with what happens when risk is not mitigated and therefore I think that there must be a way of coming into this market – I believe that there are options to come into this market, come into this underserved consumer class and mitigate that risk. And as you get into the lower credit scores – as you get into the lower down payments, as you get into the lower loan balances – I mean we can't dictate what the American dream is.

So a lot of our clients, to them, the American dream is a $15,000 manufactured home in a community – and that's their American dream.

Well we have to be able to cater to that. We have to be able to lend to that. We have to do it in a fashion that makes sense. We have to lend to appendix Q. We have to absolutely 100% hold up ability to repay. Ability to repay is one of the great regulatory dictates that has come out. I'm a huge fan of ability to repay. Any good lender would look at that and say, you know, finally this makes sense. We have to have something that, you know, holds our feet to the fire. And so we welcome the strong underwriting, but understanding that low down payment, low balances, low credit scores, can perform, but I do believe that there is a way to do it that the risk to the GSEs is completely mitigated on that.

The key, I believe, is – especially in the pilot program – is work with companies that understand the niche. Understand how to originate it. How to service it. It's high touch. It's very very very high touch and it must continue to be so in order for it to perform. You know, are the lenders – do they – you know, have they had good audits? Are they clean? Are they showing that, you know, the (Unintelligible) complaints that they have are low to non-existent. These are very important because these are – what we want to avoid at all costs is that lenders see an underserved class, they see an opportunity to jump in and make money off of an underserved class.

In 18 years of being dedicated to manufactured housing, I can tell you that I've seen it time and time and time and time again. The Safe Act was great. When the Safe Act came out I was so happy because it meant that people quit their job when rates went down and come in and take advantage of underserved classes. And so I believe the products can be created. I believe that Duty to Serve can absolutely hit the mark, but it's going to take collaboration with the Manufactured Housing Institute, certainly with the

Mortgage Bankers Association, certainly with, you know, the GSEs and the lenders that are out there that are participating in it.

And I recommend that, you know, obviously the people in this room who are dedicated to this and have an incentive and desire to be part of it are vetted and are able to work with the GSEs on that. Otherwise I think it would open up a door that would be somewhat problematic, but certainly appreciate it and at the end of the day it really does boil down to the consumer and there's an underserved class right now of consumer and manufactured housing that is in desperate need and, quite frankly, deserving of better finance and additional financing options. So (unintelligible).

(Jim): Thank you very much, Cody. All right, so Brad Waite will be our speaker on deck for the front row. And our next speaker will be Peter Hainley from Casa of Oregon.

Peter Hainley: Good morning, my name is Peter Hainley. I'm Executive Director of Casa of Oregon – also known as Community and Shelter Assistance Corporation. We work throughout the state serving farm workers and other rural populations through construction of multi-family housing and preservation of 515 housing and other housing. We're also a community development financial institution. We focus on rural populations. We're a ROC USA certified technical assistance provider. So we help residence purchase their manufactured housing communities – facilitating the finance and providing on going technical assistance to make sure they're run as a business.

We also offer individual development accounts, which are matched savings accounts. And we use those IDAs as well on a placement-replacement strategy within the resident owned communities that we have formed. I would say that congress must have been thinking about us when they wrote Duty to Serve since we pretty much touch each and every one of those.

We're a member of CFED's I'M HOME program. We're the lead for the state of Oregon and I'm here just in the capacity – or as Executive Director of Casa of Oregon, but we are also – Casa is also – sits on the board of a number of other CDFI's that work in the manufactured housing area, as well as I'm on the board of a banking consortium and a couple national organizations that focus on farm worker housing and reinvestment.

And in a previous – many years ago right when this rural – when the law was first passed, I was the chair for Federal Home Loan Bank's advisory council for the Seattle bank and so had an opportunity to speak with FHA way back when the first round went on this.

So as far as manufactured housing goes – and the rules, I think the key is focusing on safe and sustainable home ownership. And I think one of the keys we want to make sure happens is that there's consumer protections – particularly within communities where there's going to be given credit that there are long-term leases for the residents in those communities. That there's no unreasonable restrictions on the rights to resell the houses and that evictions are only for good cause. We would like to see that special consideration be given to homes located in mission owned communities – whether those are co-ops, community land trusts, public housing authority ownership or non-profit owned communities. We believe that those loans represent a much better risk due to the long-term security of the tenure that's delivered by these mission related organizations.

We also think that the GSE should help drive the commercial investment in resident non-profit ownership models. Particularly when those investors are providing long-term leases. We believe the GSE should not demand over engineered foundations systems would undercut the value of the manufactured home. We think that reasonable and practical standards for appraisals and insurance coverage are very important considerations as well. In the event where we're – GSEs would be purchasing existing portfolios of MH loans, we think that those existing portfolios should be eligible provided that the portfolios are performing and are supported, once again, by long-term leases and other basic consumer and lender protections. As was previously stated, we would like to see that the GSEs consider investments in CDFIs and bank consortia and forgiving credits for those.

You know, as far as the chattel financing goes, we're working on developing a loan product that would be coupled with either another mission driven organization or with some other organization so that we could provide placement or replacement opportunities in communities that are resident owned or are owned by another non-profit or public housing authority. We're currently piloting a replacement and we're trying to take advantage of existing state programs. And so we would hope that the GSEs would look to the financing agencies within the states and right now look at the states that are offering the 502 pilots to see if there's opportunity to learn something new.

I think in my time at FHLB I also saw – and it was mentioned earlier – the affordable housing program. And while that's a grant program and that is not something that can currently be offered while in conservatorship, I think that the Affordable Housing Program perhaps has some other ideas to offer as far as the operation of those programs and how you might be able to adopt some of those guidelines or whatever. Because I think in many instances that program has been very effective in helping provide affordable homeownership out there. And when I have looked at the different FHLB banks and how they work in this manufacturing housing area, there's – I don't want to say there's lack of consistency because that's good because there is a little bit of innovation going on out there, but I guess I would encourage you to just talk with FHLB as well about some of the work that they're doing. So thank you.

(Jim): Thank you very much, Peter. Let's see – so our on deck person now is (Stanley Keithling). If you'd come to the front row. And our next speaker is Brad Waite from Land Home Financial Services.

Brad Waite: Yes, thank you. And thank you for FHFA for hosting and the GSEs for being here to listen to my comments and experience on the manufactured home industry. Again, my name is Brad Waite and I'm the CEO and founder of Land Home Financial. We're, I guess, a mid-size independent mortgage bank that's headquartered right across the bay in Concord. We're about 300 of our 700 employees are working every day achieving the American home dream (unintelligible) people in America.

I started Land Home 29 years ago with the newly emerging high (unintelligible) market with manufactured homes going onto permanent foundations on private placement. You know, prior to starting Land Home I was with Green Tree Acceptance as a regional manager in the travel industry. So I do have some exposure back in the day of that industry.

My vision was to basically create a parody in financing of manufactured homes on foundations with that of site built. I spent a lot of time initially talking to the (MI) companies and trying to bring secondary market participants to the marketplace. You know, back then – if you – us old timers, the guidance that we had in the seller servicer handbook was, I think, five bold items. I think the wheels and axels had to be removed and they had to meet local zoning and it had to comply to the HUD code and it had to be on a permanent foundation. I don't – I mean they're never all five of them, but that was basically our guidance moving forward.

And we've had a lot of success. We started here locally and now we're happy to say that we're in all 50 states lending. While today most of our originations are site built, I do still feel our core competency and the passion of our organization is manufactured housing. We're an approved seller for the GSEs for quite some time and we decided to start our servicing in 2009 and our current servicing portfolio writes – our 5.7 billion, which 300 million is manufactured on permanent foundation and we're servicing for both Fannie Mae and Freddie Mac as well as Ginnie Mae.

We're an active member of the trade associations – both state and federal. MHI did ask me to speak here today and I'm on the board of governors and a past chairman of financial services – division of MHI. However, today I speak on my own behalf on my own experience because I don't believe all my views may be consistent with the current leadership of MHI. That I had to share. It's just shy of 200 – or 2000 MHA loans that we have retained compared to, in the same time period, about 31,000 site built homes.

Our data shows that manufactured homes on permanent foundations where a borrower owns the land has similar performance of comparable site built homes that we service. Our experience and data indicate that with proper safe guards and proper underwriting, manufactured homes (unintelligible) do perform to the standards of homes built on site. Having a home built in a factory or having it built on site has not affected whatsoever the habits of our borrowers.

What's interesting of our data is that our FICO scores, our income to debt ratios, are identical. I pulled the report for curiosity. Our loan to debt value was higher on manufactured homes because of the need for more affordable down payments. And the income was 61% of the comparable site built, which proves that this industry is affordable and is necessary.

Having a home built in a factory or having it built on site does not, again, effect the payment habits. My history with the GSE is, again, I mentioned that when I started we had no guidance. I felt the emerging industry. I believed in the product and I'm passionate about the product. I don't – I've been to factors, I see how it's built. There's nothing wrong with the product, but because – when I started there was very aggressive lending practices in the traditional manufactured home industry and a very active ADS marketplace. There was no really low volume levels to the GSEs and not a lot of active participants that go through that process.

The GSEs have very little experience and very little product knowledge. They had no way to really track the business that was coming in because there was no ADS asset class or delivery mechanisms. So when the travel lending – the ADS market closed based on they see some bad habits and some bad practices of being done. There was a whole flood of business coming to a new source versus the GSE. Primarily what I saw was the mortgage brokers going got the aggregators. And I don't think the GSEs realized that they were lying at the time until it really hit bad and they saw what was going on. When they actually looked at the loses that they were sustaining.

At that point in time – they basically came out in June of 2003 with some very stringent guidelines – prudent guidelines I should say actually and also tightened up the score cards with the (unintelligible) system. And I agree with those from what we were doing. No it had absolutely not, but do I understand why you did it? Absolutely. You need to slow down and evaluate and to figure it out so it could be something that could be done for all the seller services out there to give the proper guidance.

So I kind of look at back then – what you knew about the manufactured home industry is very similar with chattel. I'm very happy that this is going on – that you guys are having this earning process because I truly believe that to have a duty to serve the manufactured home industry, you have to participate in the chattel business.

So with that being said – and, actually, today - one other thing I want to mention. Today what I see it is – you have to have a fantastic job. Both the GSEs have as far as addressing it. There's still some small tweaks – not owner occupied, (unintelligible) units, I've talked about the view. I know it's work in progress and something that you definitely need to fix. It sends a bad image to the industry of why you won't do those. And I can talk further about that in our meetings when we have our MBA conferences. But it's something that I really want to talk about today is the chattel – to my insight.

Now I have no agenda. I don't lend on chattel and I don't know if I intend to lend on chattel. But I do want to like put together a prospective of what I see. You know, because they do represent primary the most of transactions – let me get to my notes here.

You know, 30 years ago I said basically there's two industries. There's chattel industry and the site built. So I am motivated to make sure this is done right because I do not want to see a bad performance and a bad history in the chattel that carries over into your site built lending. So I do have an agenda to make sure that it's done right.

One of the, I think, most important thing that we have to come to is we have to come up with a program that mirrors the current GSE's program where you have sustainable home ownership. And my observation is that – what I see, which is probably the biggest problem in this industry, is the depreciation. These homes don't depreciate. We track it. We see what they sell for and so forth and there's no evidence – I see in your literature and I just want to shed some light at this.

And I'm sure everybody would agree in this room, as a lender, if a home is built on site and had to be dismantled and moved to another site, there is significant deterioration of the collateral that you hold. Today's homes are not the dates that the (unintelligible) chattel was created. These homes are beautiful homes. There's – they're grander. If you've been to the factories you've seen them.

There's a lot of significant on site and placement costs associated with them. They're not built to be moved, but to be a permanent fixture to where they sit – owned or leased. You know, sealing together the sheet rock, putting the grout in the tile – all of those things. Laying the carpet, putting the home in place and so forth – those – so if the chattel is basically our title to the home, then really we're talking about a manufacturer's invoice. However, the sales price of a home is far greater than the manufacturer invoice for those reasons. And the bridge, if you want to have proper collateral, to bridge that gap between the sales price and the invoice it wouldn't be affordable for most of the buyers for the down payment requirements.

So also besides the fact that we don't have, you know, determine what the advance should be, how we should assess it and what we should be lending on and so forth, we also have the issue of not having a fixed land cost associated with that. And, from my experience, and I think it's just common sense that plays it, the land cost rises, the value of the collateral will depreciate. It's not the actual asset itself – I'm running out of time. It's not the actual – (unintelligible).

Yes, okay, let me see if I can jump ahead. So – I apologize for that. So I just feel that one of the things that industry needs to look at and comments to Peter's comment is, protecting the interest in the consumer with the lease hold this has. It's a huge challenge they have because I don't know how we can, you know, come up with a safe guard to a consumer to secure the interest in the land, but still preserving the rights of the community owners and their interests. A lot of conversation with (unintelligible) like that. I'm sure if we looked at data where the land is regulated through rent controls or through community land trust and or even (unintelligible) co-op situation in New Hampshire. I'm sure those loans are probably more in parallel with those.

So I think that's probably one of the biggest challenges as we move forward in working with the community owners. Something that will work. That the homes are placed and remained in there and if that is the case I do not see these homes depreciating whatsoever. Thank you for your comments.

(Jim): Thank you very much. Our on deck speaker is Solana Rice. If you could come to the front row. And our next speaker is Stanley Keasling from the Rural Community Assistance Corporation.

Stanley Keasling: Good morning. Thank you for the opportunity to speak. The Rural Community Assistance Corporation is a private non-profit that provides training and technical assistance to folks who are doing development work, whether it's an infrastructure or housing or other community facilities in rural areas across the Western United States. We also operate a community (unintelligible) financial institution and make loans to various folks who are trying to do development projects and most of the lending that we do is actually for construction purposes with some minor amounts that are available for longer term financing.

I am here today to talk about a couple of things regarding mobile homes and actually then I'm looking forward to coming back a little bit later and chatting about other issues, but relative to mobile homes, certainly I would second the comments that Peter made – Peter Hainley made about creating a market for an ability for non-profit owners and public agency owners to be able to finance at much better rates and terms than they currently are able to do – the mobile home parks that they're working on and also for residential owners to be able to access that money. And I think that some of the challenges that will be there are around thinking about long term affordability, which is a major concern, frankly, for most of those public interest owners. And making sure that there's a connection and agreement around the ability – the ongoing ability to both subordinate those requirements as well as to keep them in place and have them apply to subsequent owners in the parks.

You know, one of the conversations that I had in preparing for this testimony was with the state of California around their mobile home park regulation and California. And they expressed some real concerns about how this – how the rule might impede entry into financing of mobile home parks generally, especially privately owned mobile home parks and I must admit that I've learned a lot in that conversation because I realized some of the interesting essentially park protections is a result of rent control - local jurisdictions imposing rent control on parks. And I think that as the rule progresses and Fannie Mae and Freddie Mac come forward with regulations that it would be helpful for them to converse with a number of states about what their requirements and constraints are that they're living in so that we can think about ways of mitigating the impact of state law and still creating a marketplace that can help to make parks generally more affordable.

Certainly chattel loans are extremely important. And we look forward to the GSEs participating in the purchase of chattel loans and especially chattel loans that have tenant protections – resident protections – or owner protections and also that include housing counseling. We think that counseling is an important aspect of all homeownership and certainly it should be considered when you're talking about chattel loans.

Finally, I want to say that mobile homes represent a very substantial piece of the housing stock on Indian reservations in the western United States. And, frankly, most big – a big percentage of that stock is substandard. And figuring out ways to replace that stock and figuring out ways that the GSEs can help in that process in terms of whether it's developing relationships with HUD 184 program or working with the BIA to consider how those – the two entities could work together to resolve issues about lending in Indian country and buying loans in Indian country and making sure that there's adequate security in Indian country, I think, is extremely important. But something that frankly is very necessary and something that would go a long ways towards addressing that critical need that we see in the western United States.

I would say that it's – that certainly the concentration of mobile homes and on reservations around the west is significant. It's also significant and not so significant in rural areas, especially in the (unintelligible) along the border and would have – could have significant impact and benefit in those cases. Although in most of those cases you don't have people living in parks. You have people living on private property.

So the issues are not – certainly are not as big a challenge in terms of the security and the financing process, but the challenges around addressing a housing stock, which is severely in need of upgrade and affordable financing – access to financing is certainly important So thank you very much for the opportunity.

(Jim): Thank you very much, Stanley – I turned off my mic. All right, thank you Stan. So we're at the point for our lunch break. So we're going to have our lunch break now. And we'll finish the manufactured housing market after lunch. So what we'll plan to do is for the first half hour the lunch break will be entirely unstructured, but beginning – why don't we say about five minute after noon, we will reconvene for people who want to take advantage of our lunch session. Which will be an opportunity for people to ask questions of the FHFA staff about the Duty to Serve program, including the request for input on a potential chattel pilot, the evaluation guidance or the final rule.

So what we'll ask is that certainly between now and five after noon if you want to bring your lunch in here and sit at the table, that would be fine, but beginning at that time we're going to have – we're going to sort of call the room back into order and people who would rather not participate in that are invited to continue networking outside or in the room around to the left. Okay? Thank you.

(Jim): I don't know if there are very many people outside, but we'll – maybe you could just go and check, (Danielle), and we can roll right into finishing up the – let's see – I think we're still on the manufactured housing market. And is Solana Rice in the room? Okay, great. She's going to be the next speaker representing CFED and, (Greg), if you could be on the deck person please.

Solana Rice: Great. Hi, I'm Solana Rice. I am Director for State and Local Policy with CFED. I'm representing our manufactured housing team. They live and breathe this work. I do not – so I'm going to have notes with me that I will read from. Thank you for hosting this listening session. Obviously Duty to Serve is a critical forward step in making homeownership a sustainable reality for communities, creating safe pathways to homeownership is a really important way to actually close our ever growing racial wealth divide. So we can't afford to not take this action. CFED is a national non-partisan non-profit organization.

We work to expand opportunity for all Americans by promoting and advocating asset building policies and programs. We've been advocating on the behalf of low income homeowners, especially those in manufactured homes for over a decade. We convene a national network of service providers and lenders and intermediaries and advocates and we're all working together to improve access to mortgage financing for manufactured homes. And I'll keep these comments brief because Peter and Alicia and others have said so many things that are also just so important. So I'll underscore a few of those.

You know, California has hundreds of thousands of families that are living in thousands of manufactured housing communities. So this is extremely important. Our first recommendation is saying yes to a 502 pilot. We recognize that the enterprises have reservations about funding chattel loans because of past performance, but we believe that high quality home-only financing must be available in the market and can be done successfully by the enterprises. I'll underscore what Peter mentioned earlier, that to test the value of such loans the enterprises should consider initially pursuing these pilots in mission driven communities.

These mission driven communities are developed and or purchased for the long term and the explicit interest of homeowners are kept in mind by actively supporting state based shifts to real property titling and mortgages while simultaneously pursuing a well-designed chattel pilot the enterprises will make significant progress toward satisfying their obligations. And the GSEs should be encouraged to work with the state HFAs and USCs recently released 502 pilot in manufactured housing communities in five states – Oregon, Minnesota, California, New Hampshire and Vermont.

Secondly, when we look at reconsidering selling guidelines so that they include manufactured housing communities, we recommend including these simple homes, especially for states. There are several states that currently provide such titling as real estate like New Hampshire and Oregon. It also would negate any value that could be gained if states adopt a universal – a uniform manufactured housing act as envisioned in the rule.

Secondly, due diligence should be required, but not a reciprocal review. We believe that manufactured housing communities with mission driven ownership where the blanket loan is funded by Freddie Mac – the due diligence required for those transactions is a sufficient review process.

Secondly – or thirdly, I guess I should say, with Freddie Mac, including manufactured housing outside of residential zoning for Duty to Serve credit restricting mortgages in premises zoned only as residential can really exclude many homes. For Fannie Mae we recommend including single-section homes outside of Fannie Mae approved development. This would allow to include rural communities and efforts to develop replacement programs for inefficient homes on private land and excluding single section homes fell mostly heavily on the very low and low moderate income families and that rule is – that the rule is intended to help.

Furthermore, some state housing finance agencies such as in Colorado have changed their program rules to fund the purchase of such homes. And the enterprises should support such efforts.

Lastly, excluding lease hold updates, eliminates all resident owned or other mission driven communities which play a key role in preserving sustainable manufactured housing communities and also tend to be safer investments.

Just a little bit about giving credit to CDFI doing preservation and rural housing. GSEs should be rewarding investment in CDFI and that are undertaking (unintelligible) reform in the manufactured housing sector through resident and non-profit ownership.

I will just underscore some of the other points that previous commenters have made about expanding credit eligibility for borrowers. And this goes a little bit back to the affordable ownership sector. To open more pathways for more people. And with that I will end my comments. Thank you for your time and we look forward to continuing to support this very important step and financial opportunity.

(Jim): Great, thank you Solana. So (Philip Shulty) will be the next on deck person and our next speaker is (Greg Sparks) from Local Initiative Support Corporation Rural. (Greg)?

(Greg Sparks): Good afternoon. Thank you for providing me the opportunity to come today. I am here representing local initiative support corporation. We believe that these are very important discussions about Freddie and Fannie can offer new products and services to these three underserved markets. Let me open by saying we need your help. We're in San Francisco today. We're all familiar with earthquakes. I think to use that as a metaphor, we're on very shifting landscape and the resources for all three of these underserved markets are in question. And you need to be challenged to come up with components of your plan that can address these because, quite frankly, a year from now we're not sure that the resources that we relied upon in the past can even begin to address these.

Of the – specifically to the issue of manufactured housing. Of the three regulatory activities cited in the final rule, I'd like to really just address two of them. They have to do with chattel lending and also park acquisition.

Chattel loans – we encouraged enterprises to incorporate chattel lending into their plans. This field has been populated by the full spectrum of lender players. Those represented by credit unions on the bright side and then predatory lenders on the dark side. We've heard about the horror stories of the past and certainly don't want to repeat.

As I was sitting here today listening to some of the earlier comments of my colleagues, I think that one of the things that stands out for me is it may not be about the – what you're loaning for, but who you're loaning to. If you think about homeownership and what has made home ownership successful most recently – and you're requiring it on all of your underwriting – it's the preparation of those buyers to become homeowners. We have a great homeownership program for (unintelligible) simple. You need to require or develop that for chattel loans as well. We're particularly interested in transparency in the chattel market. We're particularly interested in protections for the borrowers. The same tools that you have developed for fee simple can be used in the chattel business as well.

The issues that I think that many chattel borrowers don’t have today are the protections around warranties. Many of the states have 10 years statute of repose around construction defects. That doesn’t exist for chattel lending. (RESPA) is required of fee simple lending and it’s not required of chattel loans. Look at those same practices and try and replicate them.

And, again, my emphasis really is around educate the borrower so they can prepare themselves to take that leap into home ownership. Whether it’s chattel lending or whether it’s fee simple.

(Unintelligible) works America lists through its financial opportunity centers all have models that are out there that, quite frankly, lenders have learned to rely upon for preparation of those qualified buyers and find that their performance is improved by their participation in that and I would encourage you to take that into consideration as you develop your plans.

As it relates to park acquisition we endorse the concept of either city or non-profit or resident controlled ownership. From first-hand experience for non-profits to engage in a due diligence necessary to evaluate whether or not they make that step and become an owner of a park, it requires free development capital. And while there’s some lending sources that are out there, probably a theme you’re going to hear over and over again today that capital markets in the CDFI world is certainly underfunded. Recognizing that the enterprises are under receivership and can’t provide grants as they have in the past. We would encourage that you invest in CDFIs to do this type of work. That is a market gap that exists. Just to say that you’ll finance the takeout financing of a mobile home community is one thing. We’ve got to also prepare the buyers.

I’ve got more testimony in a couple other things, but I think I’ll wait for that. Thank you very much for your time.

(Jim): Thank you very much, (Greg). (Lisa Felix) will be our on deck speaker. If you could move to the front row. Our next speaker is (Philip Shulty) from the Department of Housing and Urban Development.

(Philip Shulty): Good afternoon everyone. If I could just clarify one thing. Even though I'm listed here as being for the Department of Housing and Urban Development, I am a former official – not a current official. So I do not represent the department. I represent myself in giving this testimony.

So formally I was a Senior Manufactured Housing Loan Specialist and Liaison to Ginnie Mae and also director of the construction and safety standards division. So I was involved in both the financing and the construction of manufactured housing. So I've had an opportunity to have a very wide perspective of the industry and its practices.

One of the things I liked in your evaluation criteria was that you used the mnemonic, which was smart – strategic, whatever it is. So I've decided to – and this is primarily directed at the enterprises who I like to call partners in my former life rather than just enterprises – is to bring up my own mnemonic to develop a secondary market for manufactured housing and for chattel. And I think there's a number of essential elements to do that and I guess that's regulatory activity number two on your list to do it. And the mnemonic is going to be the word rapid. Even though secondary markets are not rapidly formed.

But the R in rapid is going to be risk management. The A is going to be affordability. The P is going to be the purposes in honoring the purposes of the HERA law – the housing and recover act, the I is going to be integration and alignment of the interests between the various parts of this transaction and the D is recognizing the differences between mortgage and consumer lending. By the way, I have copies of this so I would be glad to give anyone copies of my presentation afterwards.

So let's start first with risk management. The secondary market has really five major features that make it really an incredibly valuable source to the American people and our secondary markets are second to none in the world. And they provide value to the American tax payer as it's not appreciated, but they do. They boost lender liquidity, they open up investment capital, they allow the spreading of risk, they offer more efficient pricing of loan instruments and, finally, they standardize loan origination and servicing standards. That sort of thing would be a tremendous benefit to the manufactured housing chattel finance industry.

Okay, historically the amount of information about manufactured housing performance – loan performance on a cohort basis of the overall production – and I'm going to use some secondary market terminology here – has been lacking, but I've been – I personally have been involved in one situation where there was a sector collapse of manufactured housing lending in the mid-80s and had to work with Ginnie Mae to try and recover from that. And the fact that there were substantial losses, which were passed on to the secondary market for which they were unprepared.

They had to hire new servicers, they had to do a number of things that really hadn't been priced in their models. So it's important, I think, to develop that information and develop a better idea about what will be the ultimate casualty rate on a cohort or loans that you originate. You need to know that.

The information – there is some anecdotal information as to what that is – what the percentages are, but you need more definite things to determine guaranteed pricing.

Okay, the second thing is it a large cohort of repossessions does more than just effect on a loan by loan basis. It also effects the overall market itself. It can reduce collateral values, make it difficult to handle and the systems just aren't in place. And we saw something similar to that in the housing collapse of 2008 where it really challenged just the system to be able to handle the large number of foreclosures and repossessions. So you have to have plans for that because you might end up with not just poor loan performance and low recoveries, but you may end up having trouble just getting a servicer that can actually handle this situation if you have large numbers of participants leave. Okay, I'm going to speed up a little bit because I'm spending a lot of time.

The second is affordability – the second A. And that is manufactured housing is home to 22 million people. It is a major sub-market of the housing market. It needs to be appreciated for that and it needs to be remembered that this is home for an awful lot of Americans. And setting up a secondary market for this will have a tremendous benefit to low to moderate income people and that's what this is all supposed to be about is helping them actually get that.

78% of the homes are titled as chattel. So this is not just a sub-market, it is the market for manufactured housing – new homes. So when you talk about affordability you're going to have to look at guarantee fees and other types of things which have risen over time. I think they're now 59 basis points. Guarantee fees that are too high and conditions that are too high push the affordability. So you're going to have a tension there. I'm going to talk a little bit more at the end about how you try to reconcile conflicting objectives, which is part of manufactured housing.

Okay, the third is the purpose of the legislation. The P – and that's that there's three things that have to be considered increasing opportunities, protecting consumers and adapting to the changing needs of housing. Increasing opportunities, I think, will be just the secondary market itself and what loan targets you and other types of things you establish to do that, but you also have to deal with this issue of ostensible consumer protection. It's in the background, but there are ways to solve that problem to develop sensible consumer protection that does not impede the transactions, but nevertheless protects borrowers – many first time home borrowers who may not be as sophisticated.

Also, you know, the changing public needs of housing – this particular thing that you're doing here and what you learn from this process can be applied more broadly. I'm the chair of a coalition of neighborhood associations and one of the things we're dealing with is what we call the missing middle in housing and neighborhoods, which is, you know, not just your single-family home, but your duplexes, your accessory units – all of these types of things. So we're seeing new housing renaissance really of products that are now coming online and people's housing needs are changing. Manufactured housing is definitely a property that is appealing to people who may want to get rid of their existing homes and move on to something else.

Okay, the fourth of these things – the I. Instituting practices that align the interest of the parties. This, I think, is critical. Businesses now operate with supplier networks, the business themselves and joint ventures. And these – the alignment of all of these things is what makes for a successful enterprise. We need something like that in manufactured housing and I think you've heard from some of the speakers here the willingness on the part of the lending industry to be part of a partnership and not to look at this as just a product maximization or for themselves. They're looking at this as successful secondary market benefits everybody and will make a huge difference in this goal of helping to help low to moderate income people have housing.

The fifth and the last – this is D, which is the differences in owner origination and servicing. One of the sayings I heard when I first got into manufactured housing was, consumer bankers can learn mortgage financing, but mortgage professionals have a lot of trouble with consumer financing. It is different. It is different. The objectives are the same. You want to get a solvent borrower - it's a reasonable credit risk, but how you get there has been systematized and developed over many years in the mortgage business.

In the consumer finance business it has not. It is non-standard. A retailer – you know, one retailer might originate a loan differently than another retailer. And so that will be – okay.

(Philip Shulty): I have a minute – okay. I'm going to wrap up. The last thing to talk about is the fact that the real estate industry is highly segmented. I mean that multi-family is not the same as single family, is not the same as manufactured housing. If you want to have a successful vibrant secondary market you're going to need to have some manufactured housing people who can really guide you in how to set that up. It will pay you off in rich dividends in terms of it because there are differences.

And, you know, last is conflicting objectives. I'll come to very briefly. When I used to administer the HUD code, we had to consider quality, durability, safety and affordability. Sometimes those are in conflict. What – making something very quality and making it extremely safe through all kinds of natural hazards may make it unaffordable. And so you have to live with that kind of complexity, but if you try a reasonable approach and talk to enough people, you can usually come up with consensuses to various things and come up with a successful product, which is what I would love to see. I'm an advocate of manufactured housing – even if I worked in it and I think it can be very successful. Thank you.

(Jim); Thank you. All right, our on deck speaker is (Tom Hinnemon) and our next speaker is Lisa Felix from Brandenburg, Staedler & Moore.

Lisa Felix: Yes, I'm actually here – I work for Brandenburg, Staedler & Moore, but I'm actually here representing the industry in general and I just, again, want to extend my thanks. I'm very happy that, you know, Fannie Mae and Freddie Mac are here to hear what we have to say. This is very important. I wasn't scheduled to speak today although many of you in the room already know, (Sheila Day). (Sheila Day) is the Executive Director of the WMA – the Western Manufacturer Association. I work with (Sheila). I'm on the political action committee for this state. In addition, I also handle the (unintelligible) bay area. There' something call the (MHET) – it's the manufactured housing educational trust – that's what the acronym is for. So I'm on that boars as well. So I'm really here representing the industry.

(Sheila) was kind enough – I reached out to her this morning – she's quite ill and she's actually serving on jury duty as well. So she apologizes, but I asked her if there's anything that I could read on her behalf and she said, yes. So I'm just going to read this verbatim as she has forward it to me.

So it starts off, good morning, my name is (Sheila Day) and I am the Executive Director of the Western Manufactured Housing Communities Association – WMA. WMA is the largest trade association in the country, representing manufactured home communities. Thera are 4656 manufactured home communities in California. Representing 300 – pardon me -393,000 spaces in total.

WMA represents 1800 mobile home park owners, 189,000 spaces. California's population of 38 million represent 12% of the country's population by 22% of the country's homeless population. Approximately 700,000 to 800,000 people live in our communities.

FHFA's Duty to Serve is a very important issue to our industry and we hope to persuade you that it is very important for the GSEs to serve the needs of the residents in our communities so they have access to quality financing for their manufactured homes. Prices for the sale of new homes and used homes can vary dramatically in California due to location.

A 1970 trailer in Paradise Cove mobile home park in Malibu just recently sold for $4 million – a trailer. Mobile homes and parks in Silicon Valley are selling – and this is where I reside in Silicon Valley – are residing for $200,000 – are selling for $200,000 to $500,000. That's a lot of money.

Central Valley homes can range from $10,000 to $150,000 depending on the park and the location. So, again, we're kind of talking more about the Central Valley needs.

Financing for the higher end homes is not a problem. The financing – we've heard that over and over again. The financing for the homes between 10,000 to 150,000 is the problem. The combination of the Dodd-Frank and the Safe Act drove seller finance dollars out of the market, which is been inadequately replaced by the housing lender sector.

A secondary market for chattel loans would go a long way in providing the stability and liquidity this market needs. It would also bring interest rates for our loans into parody with the loans for the site built housing.

We welcome your participation in the unserved sector of housing and we are happy to be a resource for your agency as you work on this pilot program for chattel lending and manufactured homes.

Anyway, so she's sorry she can't be here. But that was from (Sheila Day).

(Jim): Okay, I think we're down to our last speaker for the manufactured housing market. If there's anybody else who was supposed to speak in this market, please let us know now. Because after this we'll plan on taking another short break. So our final speaker is (Tom Hinnemon) from the Manufactured Housing Institute.

(Tom Hinnemon): Hi there, (Tom Hinnemon) Manufactured Housing Institute. I think we've heard a lot, you know, I could summarize for everyone, but – some of my associates probably made the case better than I could. So I'll just sort of provide a quick overview of some statistics, make some key points and hopefully be done with hit.

So MHI's membership has about – MHI includes manufacturers, retailers, lenders and a couple of whom you've heard from today. 87 – we represent 87% of the industry's manufactured homes. We heard about those – about 22 million Americans living in manufactured homes and there are about – I think there's an existing inventory of about 8.6 million homes in the market today. As we go through our RFI, I think we'll try and sort of break down by age cohort what those are and I think it's important to note that there are a couple of break points in the ages of the homes. You have the pre-76 homes, which are technically the mobile homes are trailers. And everything past that – or younger than that are HUD code homes and then there’s a second break point in 2000, which is the Manufactured Housing Improvement Act that provided further improvements to the HUD code, created a consensus committee and so forth. So those are important benchmarks when you look at the age of the homes.

Nationwide the average price of a home is $68,000. Median income for manufactured home owners across the 8.5 million is about $26,000. I think when we look at what a chattel program could do and what it means to the market – you’ve heard Cody and Chet talk about the need to expand the number of lenders in the market to sort of serve the broader market itself. Looking at – that gets down to, you know, a broader range of credit scores, a broader range of economic diversity - geographic diversity in the like. We look at strengthening the resale market. If you really think about it, the resale piece is the toughest due to a number of appraisal challenges and lack of liquidity. And it’s not a stretch to say that if you have a set of financing challenges for resale, you have an impact on home values.

You know, a number of folks would say that the key difference between site built and manufactured homes is sort of the evaluation of the land and financing. So I think the – if you just look at chattel – if you can take care of the financing and get some of the benefits that (unintelligible) to the site built to the chattel side in terms of expanding the number of players in the market, bringing greater resale options to existing home owners and plus the ability to refinance. I think those are the three main goals.

And I want to applaud FHFA for including the extra credit language in the final rule because I think that’s an important point. Since I know the GSEs have done a lot of work in trying to understand the market and, believe me, we don't under estimate the hurdles in terms of putting the components together, gathering the data and putting a meaningful program together. And so I applaud FHFA for doing that and the work that the GSEs have done so far in analyzing and understanding the market.

But I should say that at the end of the day we believe that a chattel program within the manufactured housing program is critical for the GSEs to have a significant performance rating. A couple of other points – the loans – you can't just look at sort of the prime cut of the market. You have to look at it at a vertical slice. You need to look at, you know, at – it's where the geographical dispersion, dispersion among FICO scores, you have to sort of really capture it in order for the program to be scalable. I think if you focus on sort of the high credit high down payment payer you'll sort of create a disruption in the market. So it has to be scalable, it has to be representative of the market.

And I think to start you probably just have to go on a little bit of faith because the data is going to be hard to come by. A lot of – as you heard, there's a few lenders. A lot of the loans are held on portfolio. There's no secondary market and I think the thing to do is just go in with the scalable pilot looking at, you know, a modest amount of loans, which is probably more meaningful for the manufactured housing industry than it is for the GSEs at large. Right? So even if you think of, let's say, 5000 loans, which if you think we do 80,000 new homes a year and maybe there's about 80 some odd thousand in resale, there's a significant amount for our market, but miniscule - .005% of the book of business that you have in the GSEs. And so even if you assume high loss (unintelligible) of 20% or so, you're looking at such a miniscule amount that it's barely a blip in the balance sheets.

So with that, you know, there are other things that we want to (unintelligible) in the right direction. I think we've laid them out in our comment letters. A number of the underwriting criteria – you know, looking at the loan to value and the full documentation things are important. We are behind that. Along with a number of what we think are common tenant protections for communities, which also have been enumerated in the proposed rule – or in the final rule and that is sort of the right to sell – sort of the delay in collection of rent while property is for sale and the number of other critical things. So I think those are the steps in the right direction. I think that, you know, we at MHI are happy to continue to dialogue with FHFA and the GSE. So hopefully we'll get something going. Thank you.

(Jim): Great, thank you (Tom). All right, so that concludes the part of the listening session that pertains to manufactured housing market. We'll take a 10-minute break and then we'll proceed to the rural market. So I ask the first two rural market speakers to be ready to start out and (Peter) you'll be the lead off speaker. Thanks.

(Jim): (Unintelligible) so that people can go about their business. Okay, so we are now ready to start the public listening session portion on the rural housing markets. And our on deck speaker is going to be Stan Keasling and Peter Hainley is going to lead off for us.

Peter Hainley: Hello and thank you again. Many of my prior comments incorporated some of the issues around rural, but I think what I'll try and do is take it more down to kind of a level of where Casa fits into this rural ecosystem.

When we initially started, about 30 years ago, we focused primarily on farm worker housing and specifically with the USDA 514-516 program, which is specifically for farm labor housing. And so with that kind of as our base we then expanded into doing other rural activities. That initial base of doing the farm labor housing kind of got us into the communities and, you know, we got access to the elected officials, to the city managers and what not.

So we, you know, had to go in kicking and screaming in our first 15 years because people don't like farm workers because they speak a different language often. They look different than us, they shuffle their feet and stir up the dust. I mean I've heard it all. So it's still a very difficult population to house and so we used to go in and kind of force it upon them. And, you know, after about 20 years it got to the point where the (unintelligible) kind of settled down because I think people knew that they needed this housing in these rural areas where agriculture was so important. And so we were able to go into and approach this from the employer standpoint and get the employers on board and get the farm workers actually acting on their own behalf. So I just want to throw that out there as a little bit of background from where we come from.

Times have changed and it's harder and harder to develop those USDA 514-516, partially because USDA does not provide much operating support to the non-profit public housing authorities or the farmers' co-ops that own these. And so they have changed their method of providing asset management and so it used to be $7500 per project and now it's $7500 for the entire portfolio of farm worker projects.

So I had a sponsor that we've worked for for 30 years developing their housing because we don't own anything. We develop it on their behalf and they came to us and said, you know, we went from earning $26,000 a year, which wasn't a lot, but now we're down to $7500 a year. We want somebody to take these over and if we can't find somebody to take them over, you know, we're considering going to the federal government and saying here take these over.

Anyways, the point being we, Casa, need to advocate for USDA to change the way they do this. Now I bring this up because there are other ways that farm worker housing gets developed out in the community We develop low income housing tax credit projects. We've got a couple in the pipeline right now. I'm kind of happy they didn't get funded in November because the tax credit market tanked and those – all of those projects now have big funding gaps that those folks who did get award don't know what they're going to do. What it has done is it's pretty much put on hold any of our development over the next 18 months because the state is probably going to use all their money to back fill all those projects.

So with that kind of as a base, you know, the question of rural and how you can make investments in rural and specifically tie them to a farm worker population, I think, it's a real tough question. In the west – especially in Oregon – we have multiple programs at the state level that are specifically for farm workers. Most of these programs are used for multi-family housing, but we have used a number of them for single-family housing. Because I know talking to some of the folks at lunch there's that question of, you know, how can you identify this as a farm worker and, you know, the only way you could probably do it is if it had some of these other funding sources.

And so I guess my point being is that at least in the state of Oregon and for other states where there are specifically identified funding pots of money for farm workers to go ahead and talk to those states and find out where they're at and see if there's some opportunity to partner on those.

I mentioned tax credits – tax credit investments in the farm worker projects are really important. We have typically tried to develop rural development projects and tax credit projects. One a year each, if we could, didn't always happen. And part of it was that the eligibility for those requirements for those two types are different. The tax credit projects do not require proof of residency and the USDA does. That's a big issue when farm workers are typically 40, 50, 60% undocumented and given immigration over the last week you can imagine that it's probably going to get a lot uglier before it gets any better.

So what else should I mention about rural? You know, I think your definition – it's tough. I know everybody wants as geography, but probably half of the projects that we've developed for farm workers have been developed in MSAs. So we've got, you know, lots of farm workers living in the Portland Metro MSA, which includes Hillsboro – a big farming community – all the way out to Gresham, which is a big farming community on the east side. So surrounded east and west by labor intensive crops. Mostly nursery products on one end, berries, nut crops on the other end.

So that poses a little bit of a problem for, you know, trying to use some real definition as an overlay to how you would identify farm workers. So I am hoping that I can assist in ways to help both of the GSEs, you know, figure out some way to serve farm workers. I'm also on the – president of the national farm worker's housing association and so to the extent I can get my members in to help I would be more than glad to assist in that endeavor.

Let's see – the only other thing I would add is – and I mentioned it earlier – is that, you know, the federal home loan banks and their AHP program with their criteria for how they do their allocations, at least in the west, has always given extra points for farm workers. And, you know, whether or not there is something there within that scoring criteria that is used at, you know, one bank or the other bank, I think California – San Francisco Bank may have used – given extra points for farm workers as well, but I'm not sure. But I think there might be something there anyway. So, anyway, I will end my comments there.

(Jim): Good. Thank you, Peter. (Greg), all right, you're going to be the on deck speaker and our next speaker is Stanley Keasling, Rural Community Assistance Corporation.

Stanley Keasling: Thank you again. I appreciate the opportunity to speak about broader rural housing issues.

I mentioned in my earlier remarks that Rural Community Assistance Corporation is a CDFI and that, you know, we do a tremendous amount of – well, frankly, we only do our lending in rural areas and we think that there is a role for CDFIs in helping the GSEs be able to access rural markets in ways that would be beneficial. You know, we're adapt at making 200,000 loans, which don't think many of you guys do much of that and so it's definitely a way, I think, that you can expand your footprint or the GSEs can expand their footprint into rural. And, you know, I want to be clear, we do get grants from various sources but we also borrow money on a regular basis from banks and other social purposes. People are willing to invest their money to a social purpose.

And that's what we would be looking for. We're not expecting to be able to get grants from the GSEs. We recognize that you have constraints on that. And we have been quite fortunate, frankly, as an organization to be able to attract investments – fairly substantial investments and also to have developed a substantial amount of equity in our loan fund over time.

We also – one of the things that we try to do is to partner with smaller rural CDFIs that don't have the access to the kind of capital that we have. And especially, frankly, in Indian country. There is a significant lack of access to capital. And, you know, a well-capitalized native CDFI will have three or four million dollars in lending capital total. That's – it's not a lot of money. You know, to have – to be able to have folks consider them to be a place that people would be willing to invest is something that they are always out there in the market place looking for and, frankly, we've been developing relationships with a number of smaller groups to provide them with kind of a secondary place where they can sell their loans so that they could actually keep making loans as they go forward.

But having – you know, having an ability for native lending institutions to begin to develop that culture of working in the mainstream of the way the American economy works is really an important thing and a way that we're going to be able to address the persistent poverty issues that exist on reservations and throughout the west.

We, like Peter, work in farm worker housing as well. And I share the concern – I mean the only federal program is the USDA farm worker housing financing multi-family program that identifies farm workers and basically requires farm workers. California has a program that is design for farm workers and I think that there are other states that developed similar kinds of programs that you could partner with and that would help to provide a clear definition. I do think that there is – that there are areas of the country that are predominately agricultural.

That, you know, you could go to the Monterey Valley or to the San Joaquin Valley and, you know, even folks that are not working in the fields as agricultural workers, they're working in ag related businesses and so housing that is developed in those locations is going to be predominately beneficial to farm workers. Whether it is specifically restricted to farm workers or not. It just seems to me that there's some argument to be made about doing that kind of work as well and thinking about where those geographies are that you could make that argument.

We – you know, we do a fair amount of work with groups around the west that are involved in a program called self-help housing. The organized groups of low-income families to build their own homes and predominately they work in the USDA section 523 program, which is the self-help housing program and use section 502 mortgages. However, many of them have more capacity than they have resources from USDA. And so they're looking at other ways to develop homeownership opportunities for families using the self-help model. They're skilled at doing self-help, they're skilled at helping low-income families generate sweat equity in their homes, but thinking about – there are challenges around financing those homes, which relate to – which really relate to getting forward commitments of take-out mortgages and being able to have time to build the house – for the families to build the house and also some predictability about the financing that's going to be available at the end of that period of time.

The California Housing Finance Agency did in fact work with the GSEs previously in trying to do this. They have not been doing it since 2007 and certainly we would be interested – we've been pushing on the state finance agency to consider doing this again. Actually in Utah they had a program as well using the Olene Walker Fund in Utah working with self-help groups. And so there are a couple of instances there where there are places that folks have done this.

And then as I mentioned in my remarks on mobile homes, again, the need for financing in Indian country is significant. And, you know, figuring – you know, working the relationships around 184 and the relationships around the

Title 6 program are both ones that translate not just from mobile homes, but also translates to broader rural housing needs and could – would be extremely beneficial. You know, there's one last thing, which is relative to the size of section 515 properties – and there's a major issue around the preservation of 515 – of the 515 portfolio USDA's rental housing portfolio in rural areas – and if you look at how – the nature of the projects, especially as you go east and especially on the eastern portion of the United States.

Many of the projects that were funded were extremely small. And so you have 8 and 10 unit properties and thinking about how you would be involved in helping to preserve those is probably mindboggling. Right? But I think that CDFIs could play a role in that – that they could help in terms of both originating loans that could – that maybe could find then a secondary market that they could be able to be sold to after maybe being seasoned or having accumulated enough size that they might interest you. But anyway, I think that that's – that it's an extremely important thing.

(Jim): Okay, thank you Stan. Our next speaker – well our on deck speaker is (Ronald Muldinato) and our next speaker is (Greg Sparks) from The Local Initiative Support Corporation.

(Greg Sparks): Good afternoon again. God, it's been what? 15 minutes? So there's one thing to be said for collaboration. You don't want your collaborators to steal your lines and Stan stole most of mine, but I'd like to go back and really point to the need around preservation. Some interesting statistics are that approximately 3600 properties representing 102,000 homes where rural residents are at risk between now and 2033. We need to figure out how to preserve that housing stock. How to preserve that rural housing stock, Jim. I know I'm under rural section now so I won't talk about preservation anymore.

61% of the households are elderly or disabled. The average household income is around $13,000. 72% of those households are headed by women and 67% benefit from rural rental assistance, but I really want to underscore that. If you remember my earlier remarks about a shifting landscape around resources and funding, that really is the question around how to preserve that portfolio. If we have the ability to have rental assistance funded then in fact that's an easier solution then in fact congress doesn't appropriate the resources for that.

So I, again, back to how those transactions occur – the non-profit sponsor who goes to the current owner of that property is going to have to go through a due diligence process. CDFIs have been there historically. They help those non-profit sponsors to go through that process. Capital is necessary to make that happen to the degree that the CDFI have resources that's great. To the degree that you can participate in program related investments, that's another.

So the forward commitment issue around mutual self-help housing – again, I want to underscore what Stan raised. Historically USDA has funded the section 523 mutual self-help technical assistance program. That has been shrinking over the course of time. We don't expect for that to get any better. The idea around a forward commitment of non-USDA resources. The risk that happens for a non-profit mutual self-help sponsor is at the beginning of construction they want a pre-qualify everybody who wants – we don't want to build speck houses. We want to have pre-solds.

And so for those families to have an interest rate lock at the beginning of that construction process – so 12 to 18 months later – we can be assured that in fact they're going to be eligible for their mortgage financing. We've been in a period of relative constant interest rates. We don't know what that future is going to be. Cal FHA had a model and it was funded out of the eraser dust from all of their transactions. It didn't represent but a small fraction and they were able to fund that program in California. We're kind of asking the same of you. It's really a return on your investment. Its serving a very distressed area. My history is in places like the San Joaquin Valley or the Salinas Valley or the Coachella Valley where farm workers are there and we want to make sure that we've got the tools and resources necessary to offer future home ownership through that program. Thanks.

(Jim): Thank you. Okay, our last speaker in the rural market is on deck – that's Alicia Sebastian. And the next speaker is (Ronald Muldinato) from the Native Partnership for Housing.

(Ronald Muldinato): Good afternoon everyone. My name is (Ronald Muldinato) and I live on the Navajo Indian Reservation. The Navajo Indian Reservation is the largest reservation in the United States. It is 16 million acres. It is located in the four-corner region of Arizona, New Mexico and Utah. We reside – we have land in three states.

We're larger than the state of Rhode Island and I'm going to tell you a little bit about the organization that I represent. I am the Vice President on the Board of Directors of the Native Partnership for Housing. As I mentioned, I live on the reservation in Fort Defiance, Arizona. It's a small community of about 5000 people scattered within what they call the chapter. The chapter is kind of a geographical area – a political geographical area on the reservation that covers about 150,000 square miles with 5000 people in it.

I am not in the financial business. I am actually an archeologist and have been an archeologist for 40 years. But my association with then called the Partnership for Navajo Housing began in 1996. We changed our name last year, but the Native Partnership for Housing was created and incorporated on the Navajo nation in 1996 as a 501c3 to train and empower Navajo families with the financial knowledge, understanding and skills required to purchase and renovate their own homes.

NPH is a native community development financial institution – CDFI. It is a HUD approved housing counseling agency. Born out of an immense need and an extensive partnership, NPH fords the new model for Indian country. They consisted of partners from tribal and state governments, financial institutions, private businesses and local residence of the Navajo nation. The partnership had a goal of increasing home ownership opportunities through access to financing and mortgage credit, which was not available to the Navajo nation prior to the creation of NPH.

Over the past 20 years of operating in the trenches NPH has provide over $60 million in loans and down payment assistance, provided home buyer education to over 3326 families and assisted in the close – in the close – assist 600 families in purchasing their own homes. NPH has done this one family at a time working with families to develop their financial skills and improve their credit ratings essential to purchasing a home or rehabbing their existing home.

We continue to evolve as the only native CDFI that is involved in mortgage lending and as the only native lender affiliate for the national labor works America network. NPH was a pioneer in the area of mortgage lending on the Navajo nation. When NPH began there was no mortgage lenders providing loans on the nation, thus eliminating the opportunity for someone buying a home to finance it. Due to the sovereign status of the nation, banks were unwilling to originate loans and the secondary lenders such as Fannie Mae and Freddie Mac did not buy loans originated on native land. But that was not always true. Now that I've told you about NPH, I'm going to tell you my story.

In 1996 I approached NPH in hopes of getting a mortgage to build a home for my family and myself - please forgive me. At this time a new loan product was being introduced in Indian country – the 184 loan. Unfortunately the Navajo nation government and HUD could not come to terms for the language of the lease. Over the next 2 ½ years I became what I jokingly refer to myself as the poster child for housing in Indian country.

I attended the HUD summit in South Dakota and heard President Clinton's speech on creating economic zones in Indian country. I traveled to Washington DC and spoke on the need of affordable housing and access to mortgage lending in Indian country. I spoke of the American dream to be a homeowner.

In the summer of 1999 our dream came true. Please bear with me.

(Jim): Would you like me to read that?

(Ronald Muldinato): No, I can do it. Thank you. I appreciate it. We had our home built in 1999 in Fort Defiance, Arizona in an area that's identified as Goat Springs. It is the area my wife's family through the efforts of NPH, the Navajo Nation HUD, Fannie Mae and Freddie Mac and their works, we signed the documents for the first conventional mortgage on trust land. We could not have done this without many partners. I was able to refinance my home in 2002 with a Fannie Mae and Freddie Mac guarantee and take out an equity loan to pay down some outstanding debt and since then I welcomed my two grandsons, but that partnership that we had with Fannie Mae and Freddie Mac went away and I'm not sure why.

We no longer can sell our loans on the secondary market. We have established partnerships and that's (unintelligible) the support of capital provided by (unintelligible) works, (Home Wise) the US treasury community development, financial institutions, the CDFI fund and through the partnership of banks such as One Tribal Lending and Bank 2. It is – but as I look across Indian country I see a need for Fannie Mae and Freddie Mac to come back. Come back to the table and talk to us about housing. Why have you gone away?

On the Navajo reservation as you drive across you will see families living in storage sheds that are designed to look like small homes. So if you watch Tiny Nations on TV or Tiny House Living on TV, imagine the storage shed about that same size housing a family of five or six with the coal burning stove to keep warm in the winter. These are (unintelligible) they're uninsulated, but they're cropping up all over the reservation because that is the only affordable housing that they can find.

The issue is that there are families who can afford a loan, who could afford a mortgage, that can afford to pay it back. We've trained and talked to over 3000 families in the last 20 years. We've only been able to provide housing to 600. 600 families in an area bigger than Rhode Island.

I'm not here to criticize Fannie Mae and Freddie Mac. I'm here to ask for your help. I am here to offer you my help. How do I, the Native Partnership for Housing – how do we bring you back to the table, back to the Navajo nation to meet with the tribal government, to meet with others in Indian country to provide safe affordable housing? Thank you.

(Jim): Thank you so much. All right, that was our last speaker for the rural market. And we're going to transition directly into the comments on residential economic diversity and other markets. We only have three speakers - the first one is (Mark Austin) from the National Association of Real Estate Brokers.

(Mark Austin): Again, thank you. I'm (Mark Austin) again. Thank you. Thank you – I appreciated that. And it reminded me of why I am here. I've heard a lot. I've heard a lot about rural housing. I've learned a lot. I've learned about manufacturing housing. We don't have that in LA – no in my neighborhood.

It reminded me of – you guys were like the police coming in. When we couldn't get a loan, when we could get fair treatment, Fannie and Freddie came in and we got some fair treatment. And Duty to Serve reminds me of fair treatment. It reminds me of fair treatment. Affordable housing goals – it says that somebody has got to serve me, but you guys don't make loans. You buy loans. So we need you to get back to what you used to do. To represent what you used to represent – the creation of which you were to provide liquidity to the mortgage market for average Americans. We need that back.

We have NPL sales. You know, we have this proposed IPO and the smiling toward, as we were talking earlier, toward rental housing. We got pricing issues. We have – we need the messaging to change again. I did a pilot program – I'm a third party originator. I did a pilot program in partnership with the My Community mortgage to increase home ownership in our communities and the highest level of black homeownership was in 2004. Not the highest level of all homeownership was in 2004, but in our community the highest we got was 49% - 49.6. Right now white homeownerships are 71.9, I believe. We're at 41.3 – the bottom of the barrel. We've gone down. You know, we need to narrow that gap.

So what we really need is a change in the messaging. We need you guys to advertise again. We need you to talk about the benefits of homeownership.

We need you back on the TV, back on the radio with regard to all of these areas. Everybody wants a house to live in. Everybody – I get up in an apartment. I know what the difference is – everybody in my family grew up in apartments, except one family. One family had a house. And that was our successful family. That's the family that sent their kids to college. That's the family where we went to for all the events. That was our successful family.

I could not wait to get old enough – my company is called Skyway Real Estate because the neighborhood around me in my apartments was Skyway. And that's where they had split-level houses with a mother and a father. You know, a backyard to play in and their own bed to sleep in. And that's what Duty to Serve, Fannie and Freddie, FHFA and its conservative position – that's what we are looking for. That's what our organization is fighting for is homeownership and homeownership opportunity. I understand the need to be conservative and to mitigate risk, but how about somebody taking a chance again on America and Americans? How about, you know, that's what I thought the deal was? I want to be able to give that opportunity for my children to have an opportunity to do better than I did or at least to own their own spot. To have some pride and home ownership for their family as we go along. So thank you.

(Jim): Thank you, (Mark). So, (Ronald) it's your turn now. Do you – are you ready? Okay.

(Ronald Muldinato): Thank you all again for bearing with me. I just have a few real – comments to talk about. You know, the area that I live in, it is economically depressed, although there are several industries in the area – mainly coal mining and gas an oil expiration. The tribal government is actually the largest employer out there. I listened really closely this morning about manufactured housing and in the beginning – back in the early 2000s we were able to put a couple of families in to manufactured housing with the help of Fannie Mae and Freddie Mac. That has changed.

The impact that Fannie Mae and Freddie Mac would have on a family is that it would actually lower the price of housing that they could get. In the area that I live in in Fort Defiance I'm 30 miles away from the city of Gallup, New Mexico, which is off the reservation. And there is a Home Depot there. It's been there for about 10 years.

When I had my house built, the closest hardware store that could provide the materials for home construction was in Farmington, New Mexico, which is about 90 miles away. The contractor drove from Farmington, New Mexico every day with materials and drove back every day at the end of the day. He did this for about two months until the house was built. This added, obviously, to the cost of the home. So manufactured housing would be the essential way to do this and I am lucky – like I said, I live 30 miles from a Home Depot. The reservation, as I mentioned earlier, is huge.

And so whenever homes are built and, you know, the few homes that we've been able to build the cost of building them has gone up because sometimes materials are brought in from 200 miles away. And, you know, bringing in a contractor that travels 150 miles to 200 miles to the job site on a daily basis really can get expensive.

So we're excited about the opportunity to work with Fannie Mae and Freddie Mac to bring back manufactured housing to the reservation. We see that as kind of being a great incentive to get people into their homes. I mentioned earlier that people are living in storage sheds. These storage sheds are quite deceiving. They're designed to look like a small house. They have a porch, they have front windows, they have a door way, but they're storage sheds.

And you have families living in them with coal burning stoves, with wood burning stoves, uninsulated – that's their home. And, you know, they're rent to own so they're paying predatory loan prices on it, but there are families that want to be homeowners. They have good jobs. They have a good income, but they have no place to put it.

When I – you know, we look at the market around us and one of the largest truck dealerships in the United States is in Gallup, New Mexico. And 80% of their customers are Navajo Indians. The Navajos have – buy a new vehicle every two years. They trade in their vehicle every two years because they have no place to put their money. We want to change that. We've been trying to change that for 20 years. And so we need your help – we really truly do. You know, I'm serious. Anything I can do to facilitate this, I will do it. And, again, I appreciate all of you and I appreciate the folks that came up to me after I spoke. I get emotional when I talk about housing. Thank you.

(Jim): Thank you very much, (Ronald). All right, our final presenter is (Steven Lessler) from Newport Pacific.

(Steven Lessler): I'd like to thank you guys for looking at our industry. I work for a company called Newport Pacific. We have a family company that builds manufactured home communities, RV resorts. We own and operate and we also – I'm the Vice President of Modular Lifestyles, which is the home builder for HUD code homes.

We've recently built a new community for 62 and older families – or seniors – in Ventura, California and Ojai, California and what we learned from that process – we built a green community of solar powered homes. There's not too many HUD factories that do this. We are the first to try it out. We built the whole community and we had 92% of them paid cash. And the reason why they're paying cash is because chattel financing for manufactured homes is very difficult. There are – most of them were single women over 62 – most of them were 68. It's a good case study for to learn how in the future we're going to build our communities. We believe this community will morph into a millennial community by 2022 – by 2032.So we would be ready then to sell it off to millennials because we know they're going to take that amount of time to get a loan – hopefully a Fannie or Freddie loan.

We also built an RV resort just two years ago in Vista, California. And that was another learning experience. We projected only five years for 100% occupancy – it took only one year because we found people are living in RVs, fifth wheels and motorhomes. We were all talking – we've heard a lot of things about rural. We have several communities in the Central Valley. We have empty lots. What we're doing – because of the difficulty of the income and the space rent – space rent is not a deductible on your federal tax return or state, so that's a piece pf the PITI on your mortgage. So that's – it makes it much more difficult to qualify for loans. And I have handouts to show you an example of $56,000, which is California average income per the franchise tax board.

We have found that there's only a few handful and I want to try to paint a picture of what I deal with in our 120 communities – about 18,000 home sites. Our 55 and older communities the average age is 79. We are so threatened to lose all of them in 10 years because the average person only lives to 90. So now we have to make these communities like the Oak Haven so we're bringing in more HUD code solar powered homes that are energy efficient. They're going to be electric car ready and all the things that we see – and iPhone ready and everything you can possibly do to get the kids – our kids ready for the next generation.

We think the Baby Boomers are pretty much tapped out. They're already going to stay age in place and they're nog going to come to the downsizing trailer park or trailer courts. Why do I say that? Well 60% - I did a study of all our communities. 60% of our 55 and older communities, homes are 40 years or more. So we have to replace them. So we're going to replace them with the houses that I'm bringing – and we have waiting lists.

But we don't sell them because they don't qualify. We rent them. And then we're having local banks join us in this endeavor. As a park owner we want to offer the opportunity for the millennials to live in our community, but rent. Because they're going to have a jobs – so we're taking that – the West coast – we're actually taking the coast of California. San Francisco we have them – or at Sunnyvillle, Ventura, Santa Barbara – all of the high end communities where homes are very expensive. We're taking our transitioning trailer parks and putting in these homes and trying to create a niche market. Not for today really, but for 10 years from now when we know that there are going to be more and more kids being able to buy homes when they're in their 30s making family formation.

In addition to that, I told you we – most of our customers pay cash. The reason why the Baby Boomers are paying cash is they sell their big house and they don't want to have that expensive, plus the space. And the reality is, a gentlemen said it earlier, they're single women predominately now in our communities. They're running – space rent has come to the point in California where it's very close – about 80% of a typical social security check of 1200. So if they don't have the funds in the bank they're not going to buy – getting loans and we're going to have to transition anyway. So we see this as a landscape and help you paint a picture of what we're dealing with.

In addition to that, we pay cash – we don't do any financing for our homes because we're a big corporation. We have a lot of investor groups that work with us. And so if you understand the 56,000 is the income in California – typically 50% below, 50% above. You take space rent and it comes in about 15%. That only leaves a little less than 23% for the PITI on your mortgage. Because it's not deductible and that's a very big concern of ours. So instead of getting below income people we're getting upper middle income people. And I don't think anybody in this room lives in a manufactured home. I live in a modular, so titling is another issue on land. A single-family residence is strictly titled as an SFR. A manufactured home can either be personal property or on a permanent foundation on a 433-B. So my – if you're going to call it a home, call it a dwelling, but give it an SFR. Because it's the only affordable house – and the reason why, I'll prove it.

I live in a net zero modular home built two years ago. And California is going green, as you probably know, in their building code. In 2020 all new construction in California will be net zero and must be guaranteed by the builder or the architect. And number three, the other reason it has to be net zero is we're closing down the nuclear power plans in California. However, it's been mandated that we have to do solar on the roof. Well we do it at the factor, not at the site.

So we eliminate that element of extra cost. We use a roof shingle as opposed to a solar panel and what we're trying to do is if we know that utilities are going to go up to time of use billing, which is in 2020. That means you're going to pay by the hour. Places like Palm Springs, Mohave – all the inland empire outside of the coast are going to see their utility bills go and the electrical grid – you're going to see them skyrocket to where they're not going to be affordable to live in those types of climates. So California is going to build to the climate code, HUD doesn't build to the climate code. They build to their code. California builds to the climate code and each zip code has got a climate zone rating and the builder has to build to that or otherwise they can't build because the permit won't be allowed.

Manufactured homes are already net zero. My houses are operating at net zero for 2020 compliance, but we do off grid now. Batteries are coming. So we've already invented the house and so now we're going to bring the batteries into it. So we – I project that Fannie and Freddie could be jumping on this for homeless shelters, affordable housing communities – because the cities and counties are coming to me and saying, can you build us a mobile home park? Can you build me an RV resort? Can you build both of them with (unintelligible) housing? I said, sure, but we're going to have to change your zoning and you're going to have to allow us to do this. And then what that will do is that will get the people out of the cars that are living in the cars.

Get them into a tiny house that's totally free of operating costs, which they don't have the income anyway, but the operators are going to be your cities and counties who then can have an opportunity to have affordable housing. And you take it one step further, then give them a two bedroom, two bath single-wide or a double-wide and then that can be off – either off the grid or on the grid 10 years from now. We don't know, but that will make it easy enough for us to sell loans to those types of folks because they're not going to have those expenses that the existing homeowners already are going to have or are going to be penalized in the future.

And basically to sum all of this up, we're taking those old trailers out and putting these homes in because it's in our best interest to keep the business model going. And we had to come up with a solution and we learned this from these two communities by coming up to it. So cities and counties are calling us and I have the – an RFP in Santa Clara to do 20 acre site of mixed use housing and I have a (Unintelligible) said he just called. He wants to sit down and see if we can do one acre parcels to help him resolve his homeless issue. So I thank you guys and ladies that you're at least giving us a consideration. Thank you.

(Jim): Okay, thank you. So this is actually not the end. This is just the end of the beginning. We're at the conclusion of our San Francisco listening session. There are a couple of closing – very important closing items that we need to keep in mind. One is, I think certainly we've heard a lot of passionate and poignant remarks today that should be helpful to us. And I'd say some pretty good testaments to the importance of the federal government to backstopping the mortgage business and the power that Fannie and Freddie have in the marketplace and the difference that it can make in people's lives.

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