June, 7, 2024

Honorable Sandra L. Thompson
Director
Federal Housing Finance Agency
400 7th Street SW, 9th Floor
Washington, D.C. 20219

RE: MHI Comments – FHFA Request For Input: Fannie Mae and Freddie Mac Equitable Housing Finance Plans

Dear Director Thompson,

The Manufactured Housing Institute (MHI) is pleased to submit these comments in response to FHFA's Request for Input regarding the Equitable Housing Finance Plans of Fannie Mae and Freddie Mac.

MHI is the only national trade association that represents every segment of the factory-built housing industry. Our members include builders, suppliers, retail sellers, lenders, installers, community owners, community managers, and others who serve our industry, as well as 48 affiliated state organizations. Our industry is on track to build more than 100,000 homes this year, accounting for approximately 9 percent of new single-family home starts. These homes are produced by 36 U.S. corporations in 148 homebuilding facilities located across the country. Today, MHI members represent over 90 percent of all manufactured homes constructed and we are pleased to submit the following comments on behalf of this important industry.

MHI is supportive of the Plans' general policy objectives (which are intended to increase accessible, affordable, and sustainable housing opportunities) and of the specific action items included in both Plans. However, MHI is disappointed that there are not specific references to affordable manufactured housing in either the general objectives or these specific action items.

This is disappointing for two reasons. First, any equitable housing plan should expressly reflect the reality that manufactured housing is **the** most affordable homeownership option for American families. Last year, the average cost of a new manufactured home was about $122,500, while the average site-built home was over $412,000 (excluding land). The average income for a manufactured home buyer was under $51,000 while the average income for a site-built home buyer was over $128,000. Second, the action items in the Enterprises Equitable Housing Plans seem focused on enhancing the Enterprises' role in purchasing generic single-family loans and in purchasing generic multi-family loans.

The 2008 Congressional statutory creation of Duty to Serve – with manufactured housing being one of the three core responsibilities – reflects the fact that generic activities are not sufficient to fully serve the critical role manufactured housing has in affordable housing. Because of the many distinct characteristics of manufactured housing, Congress mandated that the Enterprises develop innovative loan products and engage in outreach with lenders to ensure that Enterprise loan purchases are fully responsive both to the great affordability promise of manufactured housing and to its distinctive lending attributes.

Therefore, MHI would like to identify certain actions items that we believe should be pursued by the Enterprises and which should also be included as action items in future Equitable Housing Plans. MHI has provided extensive comments on these issues previously, so this letter will be limited to brief references to each item.

First, MHI is appreciative that Fannie Mae and Freddie Mac have created programs for CrossMod homes – MH Advantage and CHOICE Home. MHI is also appreciative of the Enterprises' more recent action to provide guidance to appraisers about CrossMod homes for these programs. Unfortunately, both of the Enterprises' financing programs for CrossMod homes are currently only designed for multi-section homes. The Enterprises should expand the program to include single-section homes in order to serve housing needs in higher density areas.

Second, 16 years after the Duty to Serve statute required Fannie Mae and Freddie Mac to "consider" purchasing personal property (chattel) loans, neither Enterprise has purchased a single personal property manufactured home loan. Six years ago, both Fannie and Freddie promised as part of their Duty to Serve plans to start purchasing these loans. However, they failed to actually do so. Personal property loans can safely be made and are the essence of what Duty to Serve was intended to address. MHI renews our call for Fannie Mae and Freddie Mac to roll up their sleeves and work to develop a flow program to purchase and securitize personal property manufactured homes. Put simply, all the affirmative actions outlined in the Enterprises' Equitable Housing Plan for single family loans do absolutely nothing for the 70 percent of manufactured home homebuyers that have their loans structured as personal property loans – if Fannie Mae and Freddie Mac will not purchase those loans.

A third issue we want to raise is Enterprise loan level price adjustments (LLPAs) for real property manufactured home loans. Fannie Mae and Freddie Mac both charge a 50-basis point LLPA for these loans. While MHI does not have access to the Enterprises' data to analyze whether this fee add-on is justified, we call on both GSEs to look at their performance data. If the 50-basis point LLPA is not justified by such data – or is too high relative to risk – we would ask Fannie, Freddie and FHFA to revise this fee as appropriate.

Finally, we would like to call attention to the fact that an increasing trend is for manufactured home community owners to use homes in their communities as affordable rental housing. This is an exciting new source of rental housing, at a time when rents have skyrocketed nationwide. We commend Fannie Mae for developing its 'loan program for manufactured homes with rental flexibilities' and for purchasing several such loans in 2022. This program gives fair value in loan amount to the rental units themselves. This is critical to the development of affordable rental housing in manufactured home communities, since it is extremely difficult to utilize rental housing without financing levels that reflect the cost and collateral of the rental housing units themselves. Unfortunately, Fannie Mae seems to have ended this program. Again, all the affirmative actions outlined in the Enterprises' Equitable Housing Plan for multi-family loans have a limited benefit for affordable rentals in manufactured home communities if the loan amounts do not reflect the collateral of the rental units themselves. MHI therefore urges Fannie Mae to revive the program and asks Freddie Mac to also offer the same type of loans.

In closing, MHI and our members appreciate everything Fannie Mae, Freddie Mac, and FHFA do to support affordable manufactured housing – and look forward to working with them and other industry players going forward.

Sincerely,

Lesli Gooch, Ph.D.
Chief Executive Officer