



MANUFACTURED & MODULAR HOME ASSOCIATION OF MINNESOTA

Opening doors to better living.

March 21, 2017

Mr. Jim Gray
Director, Duty to Serve Program
Federal Housing Finance Agency
400 7th St. SW
Washington, DC 20024

RE: Request for Input (RFI): Support for Chattel Financing of Manufactured Homes

Dear Mr. Gray:

I am writing on behalf of the 300 members of the Manufactured & Modular Home Association of Minnesota, to submit comments in response to FHFA's January 2017 Request for Input (RFI) on Enterprise purchases of chattel manufactured home loans.

The manufactured housing market today, both for real property and for chattel loans, is characterized by sound lending practices and high quality homes built to a robust federal standard. Yet, relative to the site built market, consumers do not share the same financing options. These limitations put consumers at a disadvantage in several areas including the ability to purchase new and existing homes, reduce interest rates through refinancing, and sell homes to the broad range of interested buyers. These attributes are the essence of an underserved market.

Manufactured homes are Minnesota's largest source of non-subsidized affordable housing, accounting for nearly 25 percent of all owner-occupied units considered affordable to those Minnesota families earning less than half the area median income of approximately \$34,000 in the state.

Manufactured homes are a critical source of affordable housing for more than 22 million working families. Close to 60 percent of new manufactured homes sell for less than \$70,000. Manufactured homes can offer this value because of technological advancements and cost savings associated with the factory-building process. The affordability of manufactured homes has helped them to be the preferred choice for many families, including first-time homebuyers, retirees, and families in rural areas. The median income for manufactured homeowners is about \$26,000 per year nationally, which is almost half of all homeowners in the nation.

Manufactured housing is one of three "underserved markets" identified in the 2008 HERA provision, which creates a Duty to Serve (DTS) for Fannie Mae and Freddie Mac (the "Enterprises").

We believe that the Enterprises cannot meet this obligation without supporting chattel financing, and we are pleased that the final Duty to Serve rule authorizes chattel manufactured home loans as a "regulatory activity." Importantly, the final Rule also provides that FHFA may, at its discretion, designate one "statutory activity" or "regulatory activity" in each underserved market that FHFA will significantly consider in determining whether to provide a Non-Objection to that underserved market in a proposed Plan. For the first Plan cycle, FHFA has not made such a designation in this Guidance.

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The MMHA strongly recommends that the FHFA significantly consider the chattel loans pilot as the Enterprises develop their Underserved Markets Plans.

Specifically, we believe that FHFA and the Enterprises should consider the following as the Plans are developed and evaluated:

- In the initial phase of DTS manufactured housing implementation, an Enterprise should not be able to receive a minimally passing performance rating unless it carries out a pilot program to purchase a substantive amount of chattel loans by each Enterprise, and;
- The pilot program should be designed to incorporate a representative sample of the market by including a cross section of loans varied by new home purchases, refinances, pre-owned home resales, seasoned loans held on portfolio, and loans varied by geography and socio-economic diversity, and;
- While the program will be evaluated over time, the goal is to structure the chattel pilot program so the Enterprises have a strong comfort level that the proper protections are in place and the program is sustainable. In later phases, once performance of the loans in the pilot phase demonstrates that chattel loans can be safe and profitable, such purchases should be expanded significantly.

The central questions raised by the RFI are about the appropriate role that chattel loan purchases should have in the Enterprises' Underserved Markets Plans and to help quantify the risks to the safety and soundness of the Enterprises, in keeping with the directive provided by HERA to serve the manufactured housing market. The MMHA is pleased to offer responses to this request, and we hope our submission helps to provide greater detail regarding the critical importance of including a chattel pilot program in the Underserved Markets Plans and helps FHFA and the Enterprises better understand, and more fully participate in the manufactured home market.

The MMHA encourages the Enterprises to meet with industry members to gather information about the purchase and financing process, the management of land lease communities, and the quality of construction. These discussions will help the Enterprises understand the health and strength of the manufactured housing market. Such outreach should continue as the Enterprises develop their Underserved Markets Plans. This dialogue, combined with further research and the actual commencement of a program to purchase chattel loans, will contribute to continued progress in standardizing loan origination and fostering securitization.

We look forward to our continued engagement with the Enterprises and FHFA on this important initiative.

Sincerely,



Mark Brunner
President