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February 17, 2017

Federal Housing Finance Agency
Office of the General Counsel
400 Seventh Street, SW
Eighth Floor
Washington, DC 20219

Dear Office of the General Counsel:

I am responding to the Federal Housing Finance Agency (FHFA) request for public input on considerations that Fannie Mae and Freddie Mac (the Enterprises) include in their determinations the manufactured homes chattel loans pilot in their Duty to Serve Underserved Markets Plans.

As you may know, many of the purchasers of manufactured homes are people who buy manufactured homes in land lease communities because their monthly housing costs are lower than comparable equivalent housing. In Ohio, this caters to many low-income and working class families that would otherwise be in an apartment if it were not for the availability of manufactured homes. Many low-income and working class families prefer the opportunity to have their own manufactured home as opposed to sharing walls in an apartment complex. Given that the month to month costs are often equivalent between an apartment and manufactured home this is a better choice for a lot of people who cannot afford a traditional home.

Manufactured housing provides quality, affordable housing for more than 22 million Americans. According to the U.S. Census Bureau, manufactured housing represented roughly 12 percent of all new single-family housing. Furthermore, manufactured housing represented more than 80 percent of new homes sold under $125,000 and 64 percent of new homes sold under $150,000. Manufactured housing is more prevalent in rural areas with about two-thirds of all occupied manufactured homes in the U.S. located outside of metropolitan statistical areas.

In 1999, manufactured home loans were securitized by Wall Street. In 2001, there was a serious recession and many manufactured home loans went bad. Most of the major lenders stopped financing manufactured home purchases at that point. Manufactured home companies recognized that as community owners they could do a better job financing manufactured home loans than any outside lender. Because manufactured home companies owned communities and had an onsite office at each community they could originate manufactured home loans and handle any repossession issues better than any national company using out of state offices.

In the past, a community owner was often the best lender on chattel manufactured home paper. This was because the community owner has control of the quality of the community and the rent in the community. If the community guarantees the chattel loan then the community cannot increase the rent beyond the market rent otherwise the loan goes bad. Conversely, if a community owner fails to raise the rent to pay for community improvements then the value of the homes also decreases. Strong community management ensured the value of the collateral and the value of the loan is secure.

Currently, there are very few financing options available for chattel loans in the primary market. The vast majority of banks and other lending institutions in Ohio are unwilling to serve this market leaving many manufactured home purchasers with little to no choice in financing options.

Unfortunately, community owners had a number of roadblocks erected in their way so that they were unable to continue to easily provide financing options for manufactured home purchasers. Dodd Frank regulations have made it very difficult for manufactured home purchasers to obtain financing because banks are restricted in their ability to approve loans. As a result, chattel financing of manufactured homes for low-income and working class families is more important than ever.

Duty-to-Serve requires the Enterprises to facilitate a secondary market for low and moderate income families in the three identified underserved markets, including manufactured housing. An exclusion of chattel loans from Duty to Serve requirements excludes the vast majority of manufactured home buyers who are not purchasing land or converting their homes to real property. Therefore, we urge FHFA to strengthen the proposed Duty to Serve rule, by including in their determinations the manufactured homes chattel loans pilot to increase their purchases of chattel loans. This action alone will potentially reduce the pricing differential with site built homes, increase affordability and open up homeownership opportunities to many more working class families.

A secondary market for chattel loans will help many more low-income and working class families embrace the opportunities of homeownership, and help build wealth in critically underserved communities across the country. Thank you for your consideration of our comments, we look forward to your prompt response.

Sincerely,

JP Carney

John P. Carney

cc: Senator Sherrod Brown