



February 17, 2017

Federal Housing Finance Agency  
Office of General Counsel  
400 7<sup>th</sup> Street SW  
Eighth Floor  
Washington, DC 20219

Re: Chattel Pilot RFI

The National Housing Resource Center (NHRC) is a policy organization for the nonprofit housing counseling industry. NHRC appreciates the opportunity to respond to the Fannie Mae and Freddie Mac Support for Chattel Financing of Manufactured Homes Request for Input (“the RFI”) from the Federal Housing Finance Agency (FHFA), particularly with respect to the question of, “[u]nder what circumstances, if any, should housing counseling be required as a condition for receiving a chattel loan to be purchased by an Enterprise, and if so, where and how should the counselors be trained?” NHRC believes that pre-purchase counseling should be a central component of any proposed pilot and will offer suggestions for how housing counseling can best be incorporated.

NHRC applauds FHFA’s decision to allow the Enterprises to include proposals for pilots that would support financing of personal property, or “chattel,” loans on manufactured homes in the Enterprises’ Duty to Serve Underserved Markets Plans. As the RFI points out, manufactured homes are generally much more affordable housing options, with an average sales price of \$68,000, as compared to \$276,284 for the average site-built home, and 80 percent of all new manufactured homes that were placed in 2015 were titled as chattel. Allowing the Enterprises to launch pilots that support financing of chattel manufactured housing loans will improve affordable housing options for underserved communities.

However, as the proposed Duty to Serve rule laid out, chattel manufactured housing loans have some negative features, including a relative lack of consumer protections and less favorable loan terms as compared to real property manufactured housing loans. For example, “chattel loans have had higher interest rates (range from 50 to 500 basis points higher) and ‘APRs on chattel loans are about 150 basis points higher on average than for mortgages on manufactured homes’ despite the lack of economically substantial differences in income, debt-to-income ratios, credit scores, and loan-to-value ratios with real estate-titled borrowers.”<sup>1</sup> Furthermore, “[c]hattel loans also lack the benefit of many federal laws and programs that assist real estate-titled borrowers, including in part or in whole, the Making Home

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<sup>1</sup> Federal Housing Finance Agency; Enterprise Duty to Serve Underserved Markets; Proposed Rule; 80 Fed. Reg. 79,188 (Dec. 18, 2015) (codified at 12 C.F.R. Pt. 1282) (internal citation omitted).

Affordable Program of 2009, the Helping Families Save Their Homes Act of 2009, the Fraud Enforcement and Recovery Act of 2009, and the Real Estate Settlement Procedures Act (RESPA).”<sup>2</sup>

Pre-purchase housing counseling can serve a pivotal role in balancing the goals of expanding access to affordable financing for chattel manufactured housing loans and ensuring that borrowers of chattel manufactured housing loans are fully educated and prepared for responsible and successful homeownership. Numerous studies have demonstrated the positive outcomes of pre-purchase counseling. A 2013 study that looked at 75,000 mortgages, for example, found that borrowers who received pre-purchase counseling and education were one-third less likely to become seriously delinquent than similar borrowers who did not receive pre-purchase counseling and education.<sup>3</sup>

In light of the disadvantages of chattel manufactured housing loans as compared to real property manufactured housing loans, there is reason to believe that educating chattel manufactured housing loan borrowers through pre-purchase counseling will produce better informed and better prepared chattel manufactured housing loan borrowers.

Training for counselors will be a critical component of requiring pre-purchase counseling for chattel manufactured housing loan pilots. Fortunately, there is a robust housing counseling training network that is capable of developing training curricula and offering trainings. All pre-purchase counseling includes an analysis of the household’s financial situation, including ways to repair credit and increase savings where needed, and an analysis of what the household can afford for housing costs. NHRC would recommend that the curricula emphasize the differences between real property and chattel manufactured housing loans, particularly with respect to consumer protections and loan terms; whether the household may be able to qualify for and receive a real property loan instead and, if so, whether a real property loan may be a better product for the household. The goal of pre-purchase chattel manufactured housing counseling should be for the borrower to make a fully informed decision when choosing to, or not to, take out a chattel manufactured housing loan.

A final point that should be considered with respect to requiring pre-purchase counseling in any chattel manufactured housing loan pilot is the question of paying for the counseling. As federal funding for housing counseling has declined in recent years, it has become increasingly necessary for the counseling community to consider how new counseling offerings will be paid for. In the case of pre-purchase chattel manufactured housing loan counseling pilots, NHRC believes the pilot should include a mechanism for the Enterprises to reimburse the counseling agencies that provide the pre-purchase counseling. Agencies may ask the consumer to pay for a portion of the housing counseling cost, but we believe agencies will be reluctant to charge a fee to the very low- and low-income consumers who are a large segment of the chattel manufactured housing space. There is also precedent for the Enterprises

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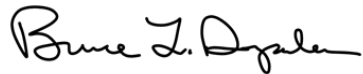
<sup>2</sup> *Id.*

<sup>3</sup> Neil S. Mayer & Kenneth Temkin, *Pre-Purchase Counseling Impacts on Mortgage Performance: Empirical Analysis of NeighborWorks America’s Experience* (March 7, 2013). See also, Marina L. Myhre, Ph.D. & Nicole Elasser Watson, *Hous. Counseling Works*, U.S. Dep’t of Housing and Urban Development (May 2016) (available online at <https://www.hudexchange.info/resources/documents/Housing-Counseling-Works.pdf>) (summarizing research into the effectiveness of housing counseling).

reimbursing counseling agencies for providing counseling services: Fannie Mae's HomeReady product, which includes a counseling requirement and reimburses counseling agencies for services provided.

The chattel manufactured housing loan market presents both opportunities and challenges for the Enterprises' duty to serve underserved markets. While chattel manufactured housing loans may make homeownership a possibility for some very low-, low-, and moderate-income households who would not otherwise be able to achieve that goal, these loans simultaneously carry some risks and disadvantages, an understanding of which the consumer may not have. Pre-purchase counseling, provided by well-trained counselors and supported financially by the Enterprises, can help to ensure that borrowers of chattel manufactured housing loans are well-qualified, educated, and prepared for successful homeownership. We urge you to consider requiring pre-purchase counseling as a prerequisite for any chattel manufactured housing loan pilots undertaken by the Enterprises.

Sincerely,

A handwritten signature in black ink that reads "Bruce J. Dorpalen". The signature is written in a cursive style with a large initial "B".

Bruce Dorpalen  
Executive Director