

From: [Michael Boers](#)
To: [Duty To Serve Stakeholders](#)
Subject: Request for Input: Support for Chattel Financing of Manufactured Homes
Date: Tuesday, March 21, 2017 12:34:26 PM
Attachments: [Datacomp FHFA RFI Response.pdf](#)

Dear Mr. Gray,

Datacomp Appraisal Services is pleased to submit comments in response to FHFA's January 2017 Request for Input (RFI) on Enterprise purchases of chattel manufactured home loans. Datacomp is the nation's largest provider of manufactured and mobile home value reports, price information, appraisal reports, and inspections. Since 1987 we've appraised over 200,000 manufactured homes nationwide. All of our appraisers have completed training that exceeds HUD standards and we have no financial interest in the properties we inspect and appraise.

Our responses to questions #7, 8, 9, 10, 17, and 20 are included in the attached pdf. If a different format is preferred please let us know.

Sincerely,

Michael Boers
Chief Operating Officer
Datacomp Appraisal Services



March 20, 2017

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

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

Dear Mr. Gray,

Datacomp Appraisal Services is pleased to submit comments in response to FHFA's January 2017 Request for Input (RFI) on Enterprise purchases of chattel manufactured home loans. Datacomp is the nation's largest provider of manufactured and mobile home value reports, price information, appraisal reports, and inspections. Since 1987 we've appraised over 200,000 manufactured homes nationwide. All of our appraisers have completed training that exceeds HUD standards and we have no financial interest in the properties we inspect and appraise.

In addition to our valuation products and services, Datacomp is also the leading provider of market data for the manufactured housing industry. Along with aggregating transaction data from lenders engaged in the financing of manufactured housing, we currently track detailed rent and occupancy data for over 100 major manufactured housing markets nationwide, as well as maintain a database of community attributes and home sales activity encompassing more than 37,000 communities.

Datacomp also operates MHVillage.com, the industry's largest consumer website for manufactured housing with more than 20 million visitors annually. Homes listed for sale on MHVillage have resulted in sales transactions in excess of \$2.5 billion annually.

Manufactured homes are a critical source of affordable housing for more than 22 million working Americans. Close to 60 percent of new manufactured homes sell for less than \$70,000. Manufactured housing can offer this value to consumers because of technological advancements and cost savings associated with the factory-built process. The affordability of manufactured homes has long made these homes the preferred choice for many families, including first-time homebuyers, retirees and families in rural areas. However, compared to site-built homes, consumers do not share the same financing options. These limitations put consumers at a disadvantage in a number of 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.

Manufactured housing is one of three "underserved markets" identified in the 2008 HERA provision that 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.

As a market data provider for the manufactured housing industry, Datacomp has maintained business relationships with Freddie Mac since 2014, and Fannie May since 2015. During this time, we have provided a wide variety of background data on the manufactured housing industry as well as detailed rent and occupancy reports for major manufactured housing markets.

We are pleased to offer the responses below to the questions posed in FHFA's Request for Information that are related to our areas of expertise. Thank you for the opportunity to offer this important feedback to you. We look forward to our continued engagement with the Enterprises and FHFA on this important initiative.

Sincerely,

A handwritten signature in black ink that reads "Michael Boers". The signature is fluid and cursive, with the first letters of "Michael" and "Boers" being capitalized and prominent.

Michael Boers
Chief Operating Officer
Datacomp Appraisal Services



Response to Questions #7, 8, 9, 10, 17 and 20

Origination of Chattel Loans

7. *Should the Enterprises value chattel-financed homes using an appraisal, the manufacturer's invoice plus cost of appurtenances (e.g., garage, patio, and set-up), the National Appraisal System facilitated by the National Automobile Dealers Association guide data, or other methods? What items should be included in the valuation (e.g., transportation of the home to the site, set-up costs, utility connections)?*

In the past, financial institutions that chattel-finance new manufactured homes have struggled to find the best way to determine collateral value. Formal appraisals are expensive and slow while the more commonly used advance formula does not take the local market or other unique factors of the sale into consideration.

However, in June of 2015, the largest financial institutions began using a new method called the Market Suggested Retail Value (MSRV) to satisfy the Consumer Finance Protection Bureau's (CFPB) statement of value requirement for new home loans. MSRVs are independent, low cost, quick, and use local market information to determine value.

A MSRV begins with an Automatic Valuation Model (AVM) based on the manufacturer's invoice and a large database of recent new home sales. An appraiser that specializes in manufactured homes then reviews and can adjust the initial AVM value before a final value is established.

MSRVs have many advantages over previous methods used to determine the collateral value of new manufactured homes:

1. MSRVs automatically include all of the items that contribute to the collateral value of the subject home through the selection of recent home sales that are the similar to the subject home. For example, because all manufactured homes require transportation, setup, and utility connections, the cost of those items is reflected in the sale prices of the recent home sales selected. Even in circumstances where these items are not enumerated in a sales agreement, the value of those items will be included in the final value of the subject home.
2. MSRVs also take factors unique to the local market into consideration. Transportation, for example, is a somewhat variable cost and is a function of distance from the factory or retail location. When using recent sales from the same local market, the cost structure for transportation will be similar across all of the sales selected and consequently can be more accurately reflected when determining the collateral value of the subject home.



3. An independent appraiser that specializes in manufactured homes reviews all MSRVs. The review process is critical. While AVMs provide a great starting point for values, every home sale is unique and an appraiser must verify that the AVM results are valid and adjust the parameters of the model when necessary. Also, the use of an independent entity is an important requirement for a valuation methodology.
4. MSRVs can be done quickly and inexpensively. By effectively using technological advancements combined with a human element, MSRVs can be completed within 24 hours at a reasonable cost.

A MSRv from an independent appraiser that specializes in manufactured homes, with its low cost, its ability to take the factors unique to manufactured homes into consideration and its ability to take the local manufactured home market into account, is an effective tool for determining collateral value of chattel-finance homes.

Fannie Mae and Freddie Mac Support for Chattel Financing of Manufactured Homes

8. *Is there an industry standard used to value a used chattel-financed home, and should resales of chattel-financed homes be excluded from a chattel loans pilot?*

Historically, the manufactured housing industry has relied on two competing standards for determining the collateral value of used chattel-financed homes. The Comparable Appraisal method used by Datacomp Appraisal Services and the Cost Approach method used by the National Automotive Dealers Association.

A comparable appraisal from an independent appraiser that specializes in manufactured homes is the most accurate and reliable estimate of collateral value for a pre-owned manufactured home at the time of resale. A comparable appraisal is best suited to take into consideration all of the factors that contribute to a home's collateral value. Since resale homes can be in a variety of conditions depending on age and maintenance, a physical inspection of the home by a trained professional is a key component in establishing an accurate collateral value.

A strong resale market is critical to the manufactured housing industry. The strength of a portfolio of new manufactured home loans is tied very closely to the strength of the resale market. Access to financing at reasonable interest rates insures that the new manufactured home owners will be able to sell their homes for market prices, which reduces both the frequency and severity of portfolio losses. Without access to financing in the resale market, demand for resale homes drops which damages the market for resale



homes. Access to financing at lower interest rates keeps the resale market healthy and provides ready access to affordable housing.

9. *Should a chattel loans pilot allow for the refinancing of existing chattel-financed homes and, if so, how should the Enterprises value these chattel-financed homes?*

The ability to refinance a loan is an important tool in any family's financial life. Refinancing allows for homeowners to take advantage of lower interest rates as well as changing personal priorities. There is no difference in the need to be able to refinance a chattel loan compared to a real estate loan. In both circumstances, a large portion of a family's financial life is affected.

Once again, a comparable based appraisal from an independent appraiser that specializes in manufactured homes is the most accurate and reliable estimate of value for a new or pre-owned manufactured home both at the time of sale or at the point of refinancing. A comparable based appraisal can take into consideration all of the factors that affect a home's collateral value at a given point of time which provides loan underwriters the best possible information to make prudent lending decisions.

10. *Describe current chattel loan and collateral documentation and variations, and discuss challenges to standardizing loan and collateral documentation.*

Currently, there is not a standardized method of documentation for chattel loans or collateral among the institutions engaged in the financing of manufactured homes. While individual methods may vary by financial institution, the essential components are already present. It is our position that a standardized process could be implemented without significant challenges by modeling the residential mortgage market. We believe the industry would be receptive to standardization and could help develop this process.

Credit Enhancements, Standardization, and Risk Sharing

17. *What changes in data collection and reporting and what other efforts at standardization are needed across the manufactured housing industry to increase the marketability of manufactured home chattel loans and to enhance consumer capacity to resell used manufactured homes?*

As an existing data aggregator, Datacomp already has established data relationships with many of the larger financial institutions which finance both new and used manufactured homes as chattel. In addition, through the operation of MHVillage.com, Datacomp has access to significant data regarding manufactured homes currently for sale as well as manufactured homes that have recently sold. Datacomp would welcome the opportunity to work with the Enterprises in this area.



Chattel Loan Servicing

20. What are the current practices for disposition of repossessed chattel-financed homes? What are the available channels for resale, and what are typical recovery rates for each channel as a percentage of the unpaid principal balance on the chattel loan?

In 2003, Datacomp launched MHVillage.com as channel for the resale of manufactured homes including homes repossessed by financial institutions. For the past 14 years, many organizations (including the largest community operators, retail locations, and financial institutions) have taken advantage of this platform to promote manufactured homes. In this capacity, however, MHVillage is not able to track the recovery rates for homes sold through this channel.