

# **FANNIE MAE & FREDDIE MAC SUPPORT FOR CHATTEL FINANCING OF MANUFACTURED HOMES REQUEST FOR INPUT**

TO : FHFA, Office of General Counsel; Jim Gray, Director - Duty to Serve Program

FROM: Jacob Fox, Lending Compliance Officer, UMH Properties, Inc.

The Manufactured Housing industry deals with the very negative public stigma of being “trailer parks”. As you know from taking trips to communities and manufacturers, this industry is much more than that. The Manufactured Housing industry provides well-built homes that middle to low-income Americans can afford. The average sales price for a manufactured home is \$68,000, significantly less than the average price of a site-built home is \$276,284. This factor alone is a great reason why better serving this industry will help millions of working Americans achieve the dream of being capable of affording to own a quality home. Better serving the Manufactured Housing industry would also help both affordable housing preservation and rural housing being that the manufactured house is the most affordable form of quality housing and manufactured home communities are predominantly in rural areas of our country.

The inability to obtain financing on used home sales needs to be addressed. Currently, it is very difficult for manufactured homeowners to sell their used home. Available financing for the used home market would open up new opportunities for affordable home ownership for Americans. Finding financing for a home \$25,000 and below is near impossible. Even when it is available it's shorter terms cause an increase in monthly payment, increasing the DTI; these homeowners are stuck with finding a cash buyer. The huge issue with this is that somebody with the ability to make a cash purchase at this amount is not looking to buy a \$25,000 home. In order for lenders to want to engage in these low sale price mortgages they are going to need the ability to profit from them. You could do this by increasing points & fees thresholds or implementing a flat rate that allows these loans to be lucrative to the lender. While doing this will increase the price of the mortgage for the customer, it still is more affordable for the customer because the monthly payment will still be similar or lower than most rentals, all while they will receive the benefits of home ownership.

In January, the FHFA distributed 22 questions to answer titled ‘Fannie Mae & Freddie Mac Support for Chattel Financing of Manufactured Homes’. I feel as though both MHI and Dick Ernst in particular, among others, gave very detailed answers so I will only leave my answers to the few that I have additional input on.

*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)?* One thing I wanted to add is that I believe using appraisers rather than NADA/DataComp would be more accurate and bring the industry closer to site-built housing.

*12. Under 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?* For high DTI customers, I believe a great, cost effective way to educate the customer would be through monitored webinars for housing counseling. Similar to the webinars the NLMS uses for continuing education, the webinars would require participation from the customer to see they are actively engaging in the webinar. The counselors should be trained to educate the customer on the details of what it means for them entering the mortgage agreement and be able to answer any questions.

*13. What protections for chattel loan borrowers should be required beyond those currently provided by federal, state, and local law, and how should those protections be overseen? Along with everything mentioned by MHI, I feel improving the financing available for used homes would help improve default rates by allowing a customer to sell their home without having to exclusively look for cash buyers, which is the case a lot of the time and it is not easy to find cash buyers in this market.*

*15. What third party credit enhancements (e.g., letters of credit) might be available for chattel loans or securities backed by chattel loans? Which entities are the potential providers of these credit enhancements, and what are the appropriate terms, conditions, and pricing of the credit enhancements?* Potential providers: utility companies, banks,

credit unions, credit card companies, rental agents. Terms & conditions used could be six months to a year of on time payments.

*19. What efforts at chattel loan loss mitigation (e.g., short sale, deed-in-lieu, & modification) should be required in a chattel loan pilot, and how might these requirements affect the pricing of the loans & the interest of investors in purchasing securities backed by the loans?* Short sale- no, deed-in-lieu – yes. Will make the price of loans more expensive. Get interest from investors because a lower default rate with resale market

*20. What are the current practices for disposition of repossessed chattel-financed homes? What are the available channels for resale, & what are typical recovery rates for each channel as a percentage of the unpaid principal balance on the chattel loan?* Not many channels for resale, forced to find a cash buyer

*21. What are the servicing practices if the owner of a chattel home fails to pay ground rents for the underlying real estate but is current on the note payment for the home?* Can put the mortgage payment in as additional rent, giving the ability to lump the two together in court and file for repossession for non-payment.

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Thank you for taking public input for The Enterprises' potential chattel loan pilot. Better serving the Manufactured Housing industry would not be a great risk, and I believe that with the a good system in place you will be able to be profitable while giving middle/low-income Americans the tools to own a home at a price that is affordable.

Sincerely,

Jacob Fox  
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