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March 20, 2017

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

Via email: DutytoServeStakeholders@fhfa.gov

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

Dear Mr. Gray:

The Mississippi Manufactured Housing Association (MMHA) is pleased to submit comments in response to FHFA's January 2017 Request for Input (RFI) on Enterprise purchases of chattel manufactured home loans. MMHA was formed in 1960 to preserve and promote the manufactured housing industry in the State of Mississippi. We are a state wide trade association representing member firms and individuals who are engaged in factory built housing retail sales centers, manufacturing, service/supply members, community operations, installers, legislative and governmental relations, legal affairs, public and media relations, education, communications and standards of practice. MMHA encourages factory built home ownership by providing current and accurate information to the public. Our Association attends several state meetings annually to promote factory built housing as affordable and work force housing to local and state officials as well to the general public. MMHA has over two hundred members who provided over four thousand affordable manufactured homes to our citizens in 2016.

In Mississippi, over eighty five percent of our manufactured home loans are chattel loans. The lack of a defined secondary market for our chattel loans means those customers who are much more vulnerable lack the necessary options when shopping for a home loan. Any attempt to circumvent FHFA's scoring metrics without attention towards chattel loans marginalizes the role of the Enterprise's duty to serve underserved markets.

In Mississippi, over 507,000 citizens are living in manufactured homes according to the 2010 Census, however with annual sales of 4,000 homes that number continues to grow. Manufactured homes provide many families the opportunity to own their very own home with having a low to medium income. As I stated

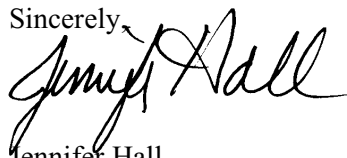
previously, approximately eighty-five of our home loans are chattel loans. In Mississippi, the average price of a single section home will be approximately \$45,600 for a 1092 sq. ft. home. Manufactured housing offers our citizens many amenities and floor plans to meet their family's needs.

On the national front, manufactured homes are a critical source of affordable housing for more than 22 million working Americans. Close to sixty 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 home buyers, 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 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.

For several years, MMHA has met with and discussed with the Enterprises the important role that they play in providing affordable housing to our citizens. We are pleased to offer the responses below to the questions posed in FHFA's request for information. 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, appearing to read "Jennifer Hall". The signature is fluid and cursive, written over a horizontal line.

Jennifer Hall

Executive Director

Mississippi Manufactured Housing Association

Responses to Questions

Sources of Chattel Loan Financing

1. Describe the current sources of financing for chattel loans in the primary market (e.g., mortgage companies, federally insured depository institutions, manufactured housing community owners, specialized finance companies) and their relative market shares. Which entities are the 20 largest originators of chattel loans for chattel manufactured homes, and what is the approximate market share for each originator? Are there geographic or regional differences in funding sources? How is financing concentrated geographically?

*** Relative to the site built market, manufactured homes do not share the same financing options, including a secondary mortgage market. 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.**

*** In current environment, financing for chattel loans typically comes from financial institutions that either retain loans or sell to other institutions for their portfolios. There are only a limited number of national lenders, some regional lenders, and small community lenders or credit unions that originate chattel loans.**

*** An increased secondary market would provide alternatives for many lenders therefore creating an increase in competition resulting in better access to loans for our citizens.**

2. Describe the current sources of financing for owner-occupied and for investor-owned chattel loans in the secondary market (e.g., hedge funds, individual private investors, real estate investment trusts) and their relative market shares. Which entities are the 20 largest holders of chattel loans secured by manufactured homes, and what is the approximate market share for each entity?

*** Most lenders hold loans in portfolio.**

*** There is not a current secondary market at this time – GSEs need to help create this market through the Duty to Serve.**

*** A consistent secondary market is critical in order for the consumer to have more options, other wise they will have limited options which translates into higher rates and increased barriers to refinancing.**

3. Do manufactured housing communities fund their community-financed chattel loans? If so, explain how such a funding process works and what secondary market or other funding sources are used.

*** Many communities have affiliates that purchase loans from third party lenders.**

*** These third party lenders provide financing for consumers to purchase homes from affiliated retailers to be placed in the communities.**

*** Mississippi is not a “community” based state, however we do have several**

communities which offer affordable housing to many of our citizens. Many of these communities have associated lenders who hold the portfolios in house.

4. What types of financing providers do not participate in the chattel market, and what is the appropriate role that the Enterprises could play in broadening that market? What risks should be considered in expanding into this market?

** For the most part, regional and national depository institutions do not participate in the chattel market due to a lack of a secondary market.*

** There are several risks new providers might cite for not entering the chattel market: lack of familiarity with the community operator and chattel lender relationship; titling and lien perfection laws; and default servicing laws that differ from mortgage lending laws.*

** MMHA has had numerous conversations with local banks that would consider entering into the manufactured housing market, but with a lack of a secondary market they elect not to participate.*

5. What role do manufactured home dealers and manufacturers currently have in financing purchases of manufactured homes? What disclosures are provided? How do interest rates and other terms and conditions compare to non-dealer financing?

** Currently manufactured home dealers/retailers do not have a role in financing purchases of manufactured homes.*

** A retailer employee must be licensed as a mortgage loan originator and the retailer's entity must be licensed or registered under the SAFE Act to participate in the financing process.*

** MMHA has been working with our Banking Commissioner since the passage of the Dodd Frank Act to make sure members act accordingly. We offer continued education on an annual basis to review the rules and regulations that HUD issued regarding the activities allowed by a retailer/dealer.*

Origination of Chattel Loans

6. Describe currently available home purchase and refinance chattel loan products, including their terms and features, e.g., amortization, credit score requirements, down payment requirements, fixed or variable rate interest. Describe the underwriting criteria for home purchase and refinance chattel loan products. Include the performance history of these products, noting any differences based on whether the home is located in a manufactured housing community or on privately-owned land.

** Most chattel loans are fixed rate, closed-end, level payment, fully amortizing, with terms ranging from eight to thirty years.*

** Loan pricing often is built on a confluence of factors including LTV, credit score, term to maturity, age of the home and whether it is single or multi-section, and if discount points are charged.*

** We encourage the Enterprises to reach out to chattel lenders to discuss the performance characteristics of their portfolio.*

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)?

***Some lenders determine the maximum amount for a purchase money chattel loan as a percentage of the manufacturer's invoice and include the costs associated with the sale of the home such as transportation, set-up, optional equipment like A/C, skirting, decks, etc.; others use appraisal services such as DataCom**

***Parameters for financing appurtenances (e.g. garages, patios) and other dealer-added options and on-site installed design elements vary from lender to lender.**

***NADA provides cost based appraisals for new and used manufactured homes.**

DataComp provides appraisals and valuations based on comparable sales of new and pre-owned homes and includes a NADA cost based value. I am not aware of any other market participants.

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?

*** A secondary market that supported lower interest rates for resales would benefit both the seller and the purchaser.**

*** Historically, used homes were valued at 90% of the NADA value; DataComp provides the NADA values in its appraisals as the cost approach value, but uses market comparables as well.**

*** The industry believes that the resale market is larger than the purchase market.**

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?

Absolutely, the chattel loans pilot should allow for refinancing of existing chattel-financed homes. Manufactured homeowners have the same need for refinancing as site-built homeowners.

I did not answer question 10

11. Are there typical warranties or other add-ons (e.g., insurance) provided by dealers that increase the purchase price of chattel-financed homes? If so, please describe the terms, conditions, and benefits of these add-ons and the typical costs to borrowers.

*** New homes typically come with a one year manufacturer's warranty and are backed by dispute resolution mechanisms established by HUD. Our MS State Fire Marshal's office requires that each retailer has a dispute resolution to present to the customer at the time of the sale of a manufactured home.**

*** Additionally, consumers can purchase "service contracts" from several**

companies that would protect the structure of the home, the systems originally supplied by the manufacturer (e.g. plumbing, electrical system, etc.), and appliances included in the home at the time of delivery, after the one year manufacturer's warranty has expired.

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?*

** We believe that housing counseling should be readily available, but not required.*

Borrower and Tenant Protections

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?*

** The current protections for chattel loan borrowers already cover a wide range of issues.*

** As alluded to in the final rule, the enterprises could require compliance with selected provisions of Regulation X's consumer protections for chattel loans to be eligible for Duty to Serve credit and require a "Notice of Default" and "Right to Cure" both before and after repossession.*

I did not answer question 14.

Credit Enhancements, Standardization, and Risk Sharing

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?*

**Currently there are no third party credit enhancements available for chattel loan or securities backed by chattel loans*

16. *In designing chattel loans pilots, how might the Enterprises incorporate lender recourse or sharing credit risk with private investors?*

** Lender recourse could entail liability for a percentage of the loss when a repossessed home is resold.*

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?*

- * *Currently, HMDA data does not separate Land-Home Loans from Chattel Loans. Separate HMDA data for each product will be helpful in studying the demographics of the market and characteristics of each type of loan.*
- * *Promoting existing data aggregators which have extensive sale and resale data, both compiled and granular, would promote standardization and enhance consumer capacity to resell used manufactured homes.*

Chattel Loan Servicing

18. *Describe the current practices for chattel loan loss mitigation, including any roles played by manufactured housing communities and any regional variations in mitigation practices.*

- * *Chattel loan loss mitigation typically begins when a payment is not received on or before its due date, resulting in letters, email and phone calls to the homeowner. If a loan remains delinquent after the late charge grace period expires, most lenders will send a notice of default and right to cure. Cure periods are typically thirty days.*
- * *Prudent lenders will obtain consumer consent to the exchange of information between the landlord and the lender about the status of site lease and loan payments.*

19. *What efforts at chattel loan loss mitigation (e.g., short sale, deed-in-lieu, and modification) should be required in a chattel loans pilot, and how might these requirements affect the pricing of the loans and the interest of investors in purchasing securities backed by the loans?*

- * *Like the real estate market, short sale, deed-in-lieu, and modification are all useful loss mitigation tools.*

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 Mississippi, the homes repossessed in communities are typically sold in place and remain in the community; homes repossessed from private land are typically taken to the lot of a retailer for resale.*

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?*

- * *Practices vary from lender to lender.*
- * *Absent consumer consent to the exchange of information between the landlord and the lender, the lender may not know until the borrower is evicted and the home is subject to a landlord's lien.*

Data Sources

22. Please specify any sources of data for the following:
- a. Differentiating the land ownership for manufactured homes on privately-owned land as between land owned by the borrower, a relative of a borrower, or a third party;
*** We encourage the Enterprises to work with our national organization, MHI and its retailer members who facilitate the placement of homes during the sales transactions.**
 - b. Describing chattel loan borrower credit and income characteristics (beyond Home Mortgage Disclosure Act data), including trended borrower data;
***We encourage the enterprises to work with the chattel lenders on borrower characteristics.**
 - c. Tracking the borrower's experience with chattel financing and servicing;
*** We encourage the Enterprises to work directly with the chattel lenders to obtain this information.**
 - d. Comparing energy efficiency of chattel-financed homes with site-built housing;
*** Manufactured homes, because they are built in a factory using performance standards, take into consideration the entire building envelope, can be as energy efficient as site-built homes which rely on prescriptive standards that may not be cost effective for the consumer.**
*** Manufactured homes are built to meet Energy Star standards and the industry is working with energy providers to retrofit older homes – provide examples of providers if available.**
 - e. Describing the decommissioning or breakdown of outdated manufactured homes;
***There are 8.5 million manufactured homes currently in the market. Generally speaking, there is no real difference in the demolition of manufactured homes compared to site-built homes.**

For answers to questions f and g, we encourage the Enterprises to work directly with the chattel lenders to obtain this information.