Manufactured Housing Institute

October 25, 2024

Honorable Sandra L. Thompson
Director
Federal Housing Finance Agency
400 7th Street SW, 9th Floor
Washington, D.C. 20219

RE: 2025–2027 Enterprise Housing Goals (RIN 2590–AB34)

Dear Director Thompson,

The Manufactured Housing Institute (MHI) is pleased to submit comments in response to the proposed rule establishing housing goals for Fannie Mae and Freddie Mac (the Enterprises) in the years 2025 to 2027.

<u>MHI and Manufactured Housing</u>

MHI is the only national trade association that represents every segment of the factory-built housing industry. Our members include builders, suppliers, retail sellers, lenders, installers, community owners, community managers, and others who serve our industry, as well as 48 affiliated state organizations. Our industry is on track to build more than 100,000 homes this year, accounting for approximately 9 percent of new single-family home starts. These homes are produced by 36 U.S. corporations in 148 homebuilding facilities located across the country. Today, MHI members represent over 90 percent of all manufactured homes constructed.

Manufactured housing is the largest form of unsubsidized affordable housing in the U.S. and the only type of housing built to a federal construction and safety standard. It is also the only type of housing that Congress recognizes as having a vital role in meeting America's housing needs as a significant source of affordable homeownership accessible to all Americans. In 2022, 17 million Americans lived in manufactured housing.

<u>Housing Goals</u>

MHI supports the percentage Enterprise goal levels being proposed for the next few years. Robust housing goals have historically been a critically important regulatory tool to ensure the Enterprises fully meet their statutory responsibility to purchase mortgage loans for low-income, underserved, and minority borrowers. The goals are very important to manufactured homebuyers, because Enterprise manufactured home loans are particularly goal rich. Manufactured housing is <u>the</u> most affordable homeownership option for American families. Last year, the price for an average manufactured home was $124,300, while the average site-built home was around $409,000 (excluding land). The average income for a manufactured home buyer was about $61,000 while the average income for a site-built home buyer was over $136,000.

The proposed goals strike the right balance between continuing to push Fannie Mae and Freddie Mac to fulfil their mission to serve low- and moderate-income homebuyers and homeowners, while doing so in a financially responsible and achievable manner.

Additionally, MHI appreciates the flexibility provided in these proposed goals through new Enforcement Factors that provide goal adjustments as needed to address unexpected market uncertainties. Setting goals prospectively – particularly three years out – is never easy, and flexibility is necessary to account for changes in the market.

Duty to Serve

Congress enacted Duty to Serve in 2008, because it had concluded that the Enterprises could not meet their housing goals without giving adequate attention to developing innovative loan programs and purchasing adequate levels of manufactured homes. Therefore, no discussion of housing goals, with respect to manufactured housing, would be complete without a discussion of steps the Enterprises should take to more vigorously support affordable manufactured loans.

Cross Mod Homes. MHI is appreciative that Fannie and Freddie have created a program for CrossMod homes – manufactured homes with the amenities of site-built homes at a more affordable price point. MHI is also appreciative of the Enterprises' more recent action to provide guidance and fix appraisal problems with CrossMod homes. Unfortunately, the CrossMod program is currently only designed for multi-section homes. Fannie and Freddie should expand the program to include single section homes. We think this omission was basically an oversight – and so we believe there is no reason not to make this change.

Personal Property Manufactured Home Loans. Sixteen years after the Duty to Serve statute required Fannie Mae and Freddie Mac to "consider" purchasing personal property (chattel) loans, neither Enterprise has purchased a single personal property manufactured home loan. Six years ago, both Fannie and Freddie promised as part of their Duty to Serve plans to start purchasing these loans. However, they failed to actually do so. Personal property loans can safely be made and are the essence of the type of thing Duty to Serve was intended to address. So MHI renews our call for Fannie Mae and Freddie Mac to roll up their sleeves and work to develop a flow program to purchase and securitize personal property manufactured homes.

Put simply, all the affirmative actions outlined in the Enterprises' Equitable Housing Plan for single family loans do absolutely nothing for the 70% of manufactured home homebuyers that have their loans structured as personal property loans – if Fannie Mae and Freddie Mac won't purchase those loans.

LLPAs on Real Property Manufactured Home Loans. Fannie Mae and Freddie Mac both charge a 50-basis point LLPA for real property manufactured home loans. We appreciate that Enterprise capital standards effectively require them to charge higher premiums on riskier loans. However, we do not have the data to analyze whether this fee add-on is justified. Therefore, MHI calls on both Enterprises and FHFA to conduct a detailed examination of recent performance data for such loans. If the 50-basis point LLPA is not justified by such data – or is too high relative to risk – we would ask Fannie, Freddie and FHFA to revise this fee as appropriate.

Loan program for manufactured homes with rental flexibilities. Finally, we would like to call attention to the fact that an increasing trend is for manufactured home community owners to use homes in their communities as affordable rental housing. This is an exciting new source of rental housing, at a time when rents have skyrocketed nationwide. We commend Fannie Mae for developing its "loan program for manufactured homes with rental flexibilities" – and for purchasing several such loans in 2022. This program gives fair value in loan amount to the rental units themselves. This is critical to the development of affordable rental housing in manufactured home communities, since it is extremely difficult to utilize rental housing without financing levels that reflect the cost and collateral of the rental housing units themselves.

Unfortunately, Fannie Mae seems to have shut this loan product down. Therefore, MHI is asking Fannie to revive the program – and asking Freddie Mac to take a look at offering the same types of loans.

In closing, we appreciate the efforts of FHFA and Fannie Mae and Freddie Mac to serve the homeownership needs of American families and look forward to working with you as these housing goals become finalized.

Sincerely,

Lesli Gooch, Ph.D.
Chief Executive Officer