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Office of the Director
Federal Housing Finance Agency
400 7th St. SW
10th Floor
Washington, DC 20219

RE: Comments/ Climate and Natural Disaster Risk Management Request for Input

On behalf of Next Step, I am pleased to provide comments on the Federal Housing Finance Agency's (FHFA) request for comments on "Climate and Natural Disaster Risk Management." Next Step applauds FHFA for creating a space to recognize the risks and impact that climate change and natural disasters pose to housing stability for millions of American households.

Next Step[®] Network, Inc., is a national, nonprofit housing intermediary that works to promote expanded use of factory-built housing as a viable solution to address housing affordability. Our organization mobilizes a national network of mission-driven nonprofits, leaders in the manufactured housing industry and lending institutions serving home buyers and homeowners in their communities. Next Step's system—Manufactured Housing Done Right[®]—connects responsible financing, comprehensive homebuyer education and delivery of high-quality, ENERGY STAR[®] manufactured homes at scale, creating a model that brings more value to homeowners and communities.

Next Step believes that there are proactive measures that FHFA can take to mitigate the impact of climate change effects, severe weather events and natural disasters on housing. Specifically, the following enhancements to FHFA's supervisory and regulatory framework, with specific regards to manufactured housing, can support the needs of low- and moderate-income American families better protect their homes and financial assets:

How might the regulated entities support their housing finance missions while minimizing the impact of climate and natural disaster risk?



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Residential energy use accounts for roughly 20 percent of greenhouse gas emissions in the United States.¹ As we examine our impact on climate change, there is an urgent need to reassess the processes that govern single-family home construction and energy-efficiency standards for all new homes. Manufactured homes present an opportunity to mitigate both excess waste created by new home construction and lower greenhouse gas emissions generated by individual households.

Compared to site-built, single-family home development, building homes in a factory environment greatly reduces the amount of waste and excess material generated by construction. Clayton Homes, the largest homebuilder in the manufactured housing market, has garnered ISO 14001 certification (greener building guidelines for companies to follow to reduce energy use and waste) at 40 of their home building facilities and 11 of their supply facilities across the country.²

Individual manufactured homes can be constructed to meet stringent energy-efficiency standards. Manufactured homes can be built to meet ENERGY STAR® certifications standards, reducing the amount of home emissions, while also saving households up to 30 percent on their home energy costs. Innovations in home energy standards are also applicable to manufactured home construction. In testing the efficacy of building and placing manufactured homes that qualify for Zero Energy Ready Home certification, the Levy Partnership determined that homes built to this standard can have significant energy, cost, and emissions impacts with average reductions of 50 percent in conditioning energy, 53 percent in whole home CO₂ emissions, and 28 percent in utility bills.³

As stipulated in the Duty to Serve regulations, both Fannie Mae and Freddie Mac (the GSEs) must facilitate a secondary market for mortgages on housing for very low-, low-, and moderate-income families in three underserved markets: manufactured housing, affordable housing preservation, and rural housing. Both GSEs have made strides with their mortgage loan products for manufactured homes (MH Advantage and CHOICEHome) and these products do require a higher energy-efficiency home standard. However, the current loan purchase volume

¹ Goldstein, B., Gounaridis, D., and Newell, J. (2020, July 20). The carbon footprint of household energy use in the United States. Retrieved April 13, 2021, from <https://www.pnas.org/content/117/32/19122>

² Clayton Homes (2020, March 30). What is ISO 14001? Retrieved April 13, 2021, from <https://www.claytonhomes.com/studio/what-is-iso-14001/>

³ The Levy Partnership, Inc. (2020, October 1). Zero Energy Ready Certified Manufactured Homes. Retrieved April 13, 2021, from https://static1.squarespace.com/static/5a5518914c0dbf4226cd5a8e/t/60072ceeb3a2649ecf61e2c/1611082991296/Final+Report_ZERMH_TLP_10.22.20+-+comp.pdf



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requirements as outlaid in their latest Duty to Serve plans are too small to affect a real shift in the market. Additionally, the GSEs and FHFA should consider activities that incentivize the construction and placement of homes meeting a higher standard of energy-efficiency (e.g., Zero Energy Ready).

Policies to manage climate and natural disaster risk could increase the cost of housing, making it more difficult for lower income households in some areas to obtain affordable housing. Are there policies the regulated entities could pursue to mitigate such adverse effects for lower income households in vulnerable areas without undermining efforts to manage climate and natural disaster risk?

The efficiency of factory construction makes manufactured homes an inherently more affordable option than site-built construction. New, site-built home construction is not meeting the escalating demand for affordable housing. Home developers face escalating costs due to tariffs on building materials, a skilled labor shortage, regulatory burdens, and spiraling land costs. Thus, builders have primarily abandoned the affordable single-family market, focusing instead on upmarket development's profit potential.

While enhanced energy-efficiency upgrades (i.e., ENERGY STAR® certification) do increase the initial upfront cost of homeownership for manufactured homes, the long-term savings afforded by lower monthly utility bills will negate that cost over the life of the home. Additionally, manufactured homes with enhanced energy-efficiency standards are still a more cost-effective option for lower-income households in vulnerable areas.

In order to help grow the market for highly energy-efficient manufactured homes, the GSEs should seek to increase their current loan purchase volume requirements as outlaid in their latest Duty to Serve plans. FHFA and the GSEs can also serve as thought leaders and funding partners in facilitating programs that incentivize prospective borrowers to purchase more energy-efficient homes. Several rebate programs like this have been operated by regional utility providers (e.g., the Tennessee Valley Authority) but have ceased operation due to lack of funding. Rebates provided as a part of any program like this should be remitted to those customers who choose an ENERGY STAR® certified manufactured home – as opposed to a home manufacturer or manufactured housing retailer.

What specific issues or topics should FHFA consider for future research on climate and natural disaster risk to the regulated entities and the national housing finance markets?



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To better understand the impact of energy-efficiency upgrades for manufactured homes, FHFA and/or the GSEs should seek opportunities to serve as thought leaders or funding partners for collaboratives that examine home energy-efficiency. Specially, two factors should be examined:

1. What are the energy, cost, and emissions savings on an ENERGY STAR® manufactured home as compared to less efficient manufactured home? For a Zero Energy Ready Home manufactured home.
2. How do highly efficient manufactured homes compare to new site-built homes in terms of energy, cost, and emissions savings?

The Levy Partnerships and the Systems Building Research Alliance would be natural allies for coalition building and expertise.

Manufactured homes should also be part of the long-term solution for sustainable housing in a post-disaster environment, and not merely viewed as expendable, temporary housing. Using smart, energy-efficient manufactured homes in this way is not unprecedented. Immediately following Superstorm Sandy, the Robin Hood Foundation partnered with the nonprofit organization Affordable Housing Alliance in Monmouth County, New Jersey, and Next Step to quickly and affordably place 22 new, ENERGY STAR®-qualified homes in the Pine Tree Community of Eatontown, New Jersey. This work was completed before a single, new site-built home was constructed in the wake of the storm's damage.

Are there existing or potential government agencies or programs that FHFA could partner with to enhance the Agency's supervision and regulation of climate and natural disaster risk to the regulated entities?

To help support and foster research on the impact of energy-efficiency for manufactured homes, FHFA should seek to partner with the Levy Partnerships and the Systems Building Research Alliance.

Next Step applauds FHFA's proactive approach to addressing and mitigating the risks and impact that climate change and natural disasters pose to housing stability, and would welcome any opportunity to support actions taken in this space.

Sincerely,

Stacey Epperson, President & Founder
Next Step Network