Manufactured Housing Institute

March 11, 2022

The Honorable Sandra Thompson
Acting Director
Federal Housing Finance Agency
Constitution Center
400 7th Street, SW
Washington, D.C. 20219

RE: FHFA Draft Strategic Plan for FY 2022 - 2026

Dear Acting Director Thompson,

The Manufactured Housing Institute (MHI) is pleased to submit these comments regarding FHFA's draft Strategic Plan for 2022 – 2026.

MHI is the only national trade association that represents every segment of the factory-built housing industry. Our members include home builders, suppliers, retail sellers, lenders, installers, community owners, community operators, and others who serve the industry, as well as 48 affiliated state organizations. In 2021, our industry produced more than 105,000 homes, accounting for approximately nine percent of new single-family home starts. These homes are produced by 33 U.S. corporations in 140 plants located across the country. MHI's members are responsible for close to 85 percent of the manufactured homes produced each year.

The draft Strategic Plan emphasizes the availability of affordable housing and the importance of housing finance markets that promote this. Manufactured housing is **the** most affordable homeownership option available to American families. According to National Association of Homebuilders data, new site-built homebuyers have an average income of $101,811. In sharp contrast, the median annual household income of a manufactured home buyer is only $34,800.

Fannie Mae and Freddie Mac have a crucial role to play in purchasing loans in this important market sector. Therefore, MHI is pleased that the draft Strategic Plan specifically cites manufactured housing in Objective 2.4 ("Facilitate greater availability of affordable housing supply"). We would like to briefly highlight important Enterprise actions that we believe are essential to help make this objective a reality.

First, we appreciate that Fannie Mae and Freddie Mac developed the MH Advantage and CHOICEHome programs for purchase of manufactured homes that are also sometimes referred to as "CrossMod" homes. Such homes are an innovative new approach to combine access to amenities that many homebuyers desire with a more affordable price point than site-built homes can offer.

Unfortunately, due to the lack of specificity of appraisal guidelines, appraisers in the real world are reluctant to accurately value CrossMod homes by using more appropriate site-built homes as comparables, with appropriate adjustments. Without accurate appraisals, it is very difficult to use Fannie Mae and Freddie Mac as a mortgage loan source, even though all other Enterprise requirements may be met on a loan. At a certain point, we are concerned that the Enterprises might even shut down the program or delist specific seller/servicers' authority to sell CrossMod loans to the Enterprises, without giving these programs a fair chance to work.

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Therefore, MHI urges FHFA, Fannie Mae and Freddie to work together to fix problems with appraisal guidelines on MH Advantage and CHOICEHome. With regard to the draft Strategic Plan, MHI suggests that item 1 of Objective 2.5, dealing with equitable valuations, be revised, to add just before the period the words: *"including requiring the use of appropriate site-built homes as comparables, with appropriate adjustments, for MH Advantage and CHOICEHome loans."*

Second, as you know, Fannie Mae and Freddie Mac have a statutory Duty to Serve (DTS) Manufactured Housing, which is included under Objective 2.1. MHI is pleased that FHFA rejected the Enterprises' proposed Duty to Serve Plans for Manufactured Housing as inadequate and is asking them to revise their plans.

From our perspective, two changes to the DTS plans are appropriate and necessary. The first deals with manufactured home personal property loans (chattel loans). Some 13 years after Congressional enactment of Duty to Serve, MHI believes it is long past time to make such loans an important tool in the Enterprises' affordable housing toolbox. However, the Enterprises should not merely "dip a toe" in the water of chattel lending by creating a pilot program (as they proposed but did not implement last round) – as this would merely disrupt the existing market and not create a long-term sustainable loan program.

Instead, the DTS Plans should be revised to include a commitment by both Fannie Mae and Freddie Mac to diligently work to create a flow program with established underwriting criteria for purchase of manufactured home personal property (chattel) loans, along with their securitization. As you know, MHI has submitted loan performance data to FHFA debunking the view that personal property loans are too "risky."

Third, both Enterprises' draft DTS plans included a reduction in the numerical purchase targets for real property manufactured home loans in the first year of these plans. This should be corrected, to levels that include a steady increase each year in the numerical targets for such loans.

In closing, since this is only a general 14-page Strategic Plan, we have tried to keep our comments brief. However, MHI and our members stand ready to work with FHFA, Fannie Mae, and Freddie Mac to help the Enterprises serve manufactured housing as a critically important component of our nation's homeownership market.

Sincerely,

Lesli Gooch

Lesli Gooch, Ph.D.
Chief Executive Officer