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Federal Housing Finance Agency
Eighth Floor, 400 Seventh Street, S.W.
Washington, D.C. 20219

Attn: 2022 Duty to Serve Manufactured Housing

On behalf of Next Step, I am pleased to provide comments on the Federal Housing Finance Agency's (FHFA) request for input on Fannie Mae and Freddie Mac's revised 2022-2024 Duty to Serve Plans as they relate to manufactured housing.

Next Step Network 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 works with partners across the country to provide a pathway to sustainable homeownership for low- and moderate-income families through housing counseling services, financial and homebuyer education, and leveraging new ENERGY STAR® manufactured homes.

For generations, the blueprint for wealth creation and equity building in this country have been predicated on the financial gains afforded by owning a home. Yet millions of households – particularly those individuals living in lower-income communities of color, on tribal lands, and in immigrant communities – have been barred from this quintessentially American path to prosperity by a lack of affordable housing choice.

Our organization remains firmly rooted in the belief that manufactured housing is a primary solution to address both the supply and affordability gaps.

Continued and expanded participation by both Enterprises in the manufactured housing space can help bring scalable solutions to better address the supply and affordability needs of American homebuyers. To that end, FHFA can help ensure greater participation in the market with two key changes.

First, we recognize that by far the highest leverage change that FHFA could make would be to finally adopt the plain language interpretation of the statute and permit the Enterprises to make targeted equity investments that support both the Duty to Serve and Equitable Housing Finance Plans. Targeted equity investments could make a tremendous difference in all three Duty to Serve markets. Funding equity in CDFIs to specifically finance resident purchases of manufactured housing communities as limited-equity cooperatives would help preserve affordable housing in these communities. The goal would be to provide homeowners with the same publicly supported commercial mortgage financing as is currently available to investor purchasers through the

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Enterprises. Targeted equity investments in community development projects that leverage new manufactured homes that meet the Enterprises' specifications, and led by mission-driven developers, would help address both the housing supply and affordability gap for many first-time homebuyers, particularly in BIPOC communities.

Second, FHFA must enhance their Duty to Serve disclosure, release scores and their narrative assessment of Enterprise progress at the objective level. Only by releasing information at the objective level will external stakeholders be able to assess what's working and what's not, empowering stakeholders to engage in meaningful dialogue with the Enterprises on where they are making progress and where they need a new approach.

We are pleased to see that the Enterprises, in their revised Duty to Serve plans, have committed to enhanced and additional activities to support the manufactured housing market. Next Step applauds both Enterprises for their willingness to *incrementally* increase their loan purchase goals for manufactured homes. While our view is that the Enterprises need to be more aggressive in their loan purchase volumes to help move this market toward higher quality, more energy efficient homes, we do recognize the impact of current vulnerabilities in the homebuilding market.

Additionally, we greatly appreciate Freddie Mac's willingness to conduct a systematic and incremental risk management assessment to develop a product before entering the personal property (or chattel) market. This market is essential for individuals and families seeking to purchase homes in manufactured housing communities. An analysis of 2020 HMDA data from the CFPB shows that around 42 percent of manufactured housing loans are chattel loans. In addressing this loan market, Freddie Mac's work will hopefully yield opportunities for increased consumer protections for prospective borrowers – particularly for those seeking to purchase a home in manufactured housing community.

We would ask that as Freddie Mac works to determine the feasibility entering this market that they consider the impact of pairing loan product development with certified housing counseling and homebuyer education services. Prospective home buyers who receive education and counseling services are empowered to make the best finance and purchase decisions for themselves and their families – creating a path to greater prosperity through homeownership.

We also recognize that purchase volumes are not the only way to move this market. Both Enterprises should consider the needs of individuals seeking to purchase a manufactured home – particularly first-time homebuyers – by creating opportunities for expanded access to housing counseling services and homebuyer education. CFPB analysis of 2020 HMDA data shows that only 27 percent of manufactured home loan applications resulted in the loan being financed, compared to 74 percent of applications for site-built homes. Housing counselors support prospective

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borrowers as they work through the home shopping and finance processes, better ensuring that loan applications result in a financed loan.

The Enterprises should also explore the impact of down payment assistance for manufactured home purchases to better facilitate the homeownership needs for families. A down payment remains the primary obstacle for 77 percent of first-time home buyers. However, our partners at DownPaymentResource.com report that only 29.9 percent of down payment assistance programs in their nationwide database allow for manufactured housing. The development of pilot programs in these spaces can help determine the effectiveness in creating more sustainable homeownership by leveraging counseling services and down payment assistance resources – particularly in communities.

In recognition of the racial and ethnic disparities in homeownership rates, we appreciate FHFA directing the Enterprises to develop Equitable Housing Finance Plans, and the Enterprises' timely delivery of those plans. The inherent affordability of manufactured homes can help close the homeownership gaps in these communities, fostering improved racial equity in the housing market. 2020 HMDA data shows that Hispanic, Black, and African American, American Indian, and Alaska Native, and elderly borrowers are more likely than other consumers to take out chattel loans for manufactured homes, even after controlling for land ownership. Enhanced education will help individuals and families make the most informed finance decisions that will allow for equity building and wealth creation.

We would ask that FHFA to encourage both Enterprises to explore how manufactured housing can help support the activities proposed in their Equitable Housing Finance Plans.

Thank you again for both FHFA and the Enterprises' continued work in this space.

Sincerely,

Stacey Epperson

Stacey Epperson
President & Founder