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

Attn: FHFA Duty to Serve Listening Sessions on Plan Cycle 2025-2027

On behalf of Next Step, I am pleased to provide comments on the Federal Housing Finance Agency's (FHFA) 2023 Duty to Serve Public Listening Sessions.

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.

We also thank the Enterprises for their past, and current, work to support the housing needs of all Americans under Duty to Serve. 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 highly energy-efficient manufactured homes.

Next Step is also a participating member of the Underserved Mortgage Markets Coalition, a coalition of leading housing advocates seeking to work collaboratively with the Enterprises to bring housing finance opportunities to families not traditionally served by the private market.

As a part of Duty to Serve, Next Step and our partners have had the opportunity to work with both Enterprises – in furtherance of their responsibility to serve the manufactured housing market. Our organization and allies remain firmly rooted in the belief that manufactured housing is a primary solution to address both the supply and affordability gaps.

The work that the Enterprises have done to create a comparable mortgage market to site-built housing for manufactured homes is nothing short of transformational. And Next Step commends the Enterprises' existing efforts to conduct outreach to key housing stakeholders that traditionally have not participated in this space, such as housing developers, realtors, and appraisers. Stakeholders such as these serve as gatekeepers to America's housing market and are key influencers to help change the perception of manufactured homes.

We also recognize that the volume of new manufactured homes meeting the CHOICEHome, and MH Advantage standards is of concern to the Enterprises. However, housing and community development projects take time, even those leveraging the efficiencies of off-site construction. The



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development of manufactured homes, either as part of new, fee-simple subdivisions or as infill housing in existing neighborhoods, is an emerging market.

New markets do not mature and grow overnight.

Manufactured homes remain one of the few viable options for attainable homeownership in this country, with the cost of a new site-built home topping \$416,000. Traditional home builders have abandoned the construction of entry-level, or “starter homes,” that historically allow more first-time buyers to enter the market and begin to create equity. Manufactured homes are a critical part of the answer to our “missing middle” housing problem, and research from the Enterprises show that tens of millions of prospective homebuyers are “mortgage ready” but unable to purchase a home due in part to prohibitive and ever-increasing sale prices.

As FHFA and the Enterprises begin the process of planning for the next Duty to Serve cycle, it is essential for both Enterprises to continue and expand their active participation in the manufactured housing market. The Enterprises are mandated by Congress to help grow this market. To allow the Enterprises to reduce or lessen their market participation in their next Duty to Serve plan cycle will undo years of dedicated work and collaboration by housing advocates, industry, housing developers, lenders, municipalities, and other stakeholders.

Working collaboratively with these stakeholders, the Enterprises can help bring scalable solutions to better address the housing affordability needs of all prospective homebuyers.

To that end, Next Step has specific recommendations for FHFA and the Enterprises as they begin developing their 2025-2027 plans:

1. In their current plans, the Enterprises have set target goals on real property purchases and have committed to activities that expand the market for manufactured homes titled as real property. These targets are inadequate to affect a shift in this market, despite recommendations from the Underserved Mortgage Markets Coalition. The Enterprises should significantly increase their target loan volumes in their 2025-2027 plans to affect a meaningful shift toward home purchases titled mortgages.
2. Additionally, the Enterprises should seek to underwrite mortgage loans on single section manufactured homes that meet the requirements for the MH Advantage and CHOICEHome mortgage loan programs. Adding a single section home design to the Enterprises’ mortgage finance programs for manufactured homes will allow for an estimated pricing of \$190,000 to \$220,000, without sacrificing the quality and energy efficiency features that account for more sustainable homeownership. Single section designs will also allow for greater density in urban areas, where density requirements might prohibit multi section manufactured homes.



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3. Finally, we greatly appreciate Freddie Mac’s willingness to conduct a systematic and incremental risk management assessment to develop a product before entering the home-only market as a part of their current plan cycle. The timing for this activity is ripe, as the Federal Housing Administration recently published a request for comments on ways to improve its Title I program, which insures home-only loans. An analysis of 2020 HMDA data from the CFPB shows that around 42 percent of manufactured housing loans are home-only loans. As Freddie Mac conducts their risk assessment and, hopefully, pilots an initial purchase of 1,500 to 2,500 loans in 2024, we would ask that they consider opportunities for home-only loan purchases in their 2025-2027 plans to include consumer protections for borrowers, and to explore 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. 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 borrowers as they work through the home shopping and finance processes, better ensuring that loan applications result in a financed loan. The development of pilot programs, by both Enterprises, in these spaces can help determine the effectiveness in creating more sustainable homeownership by leveraging counseling and educational resources.

We look forward to continuing our work with FHFA and the Enterprises to grow the manufactured housing market and elevating the opportunities to foster more attainable homeownership opportunities in communities across the country.

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

Sincerely,

Stacey Epperson
President & Founder