Manufactured Housing Institute

May 22, 2009

Regulations Division
Office of General Counsel
Department of Housing and Urban Development
451 Seventh Street SW, Room 10276
Washington, DC 20410–0001

Re: 2009 Enterprise Transition Affordable Housing Goals
12 CFR Part 1282
RIN 2590-AA25

Dear Sir or Madam:

The Manufactured Housing Institute (MHI), a trade association representing all segments of the factory-built housing industry including manufacturers, lenders, community owners and retailers, appreciates the opportunity to submit our comments regarding the 2009 affordable housing goals proposed by the Federal Housing Finance Agency.

MHI believes it is vitally important that the Government Sponsored Enterprises (GSEs) continue to play a major role in ensuring affordable financing for low-to-middle income borrowers through the adherence to the affordable housing goals. MHI generally supports the FHFA's proposed 2009 affordable housing goals; however, we are concerned that rolling back the goals to the 2005 levels will severely impact the availability of financing for purchases of affordable housing, like manufactured homes. In addition, MHI strongly urges more GSE purchases of personal property manufactured home loans and commercial loans secured by manufactured home communities.

<u>Background</u>

Manufactured housing comprises an important share of this nation's affordable housing stock and supply – at an average price of roughly $65,000, the typical manufactured home is affordable by almost any definition. MHI has worked tirelessly to ensure access to financing for those who wish to purchase or refinance a new or existing manufactured home, yet conditions in this lending space have become dire as. Despite a recent track record of excellent loan performance, there exists minimal liquidity for manufactured home lenders, especially since the onset of the credit crunch.

Manufactured home loans can be grouped into two primary categories – mortgages and personal property loans. Lending conditions in each of these sub-groups have been severely weakened and would benefit greatly from increased activity from the GSEs. *Mortgages* are available to borrowers who wish to finance their manufactured home and land together, while a personal property loan is used if the borrower is financing the home only. In the latter case, the land is typically leased (e.g. manufactured housing community) or the home is sited on land (such as a family farm) that is already owned by the borrower.

Mortgages

Historically, mortgages (land and home financed together) on manufactured homes have been purchased by Fannie Mae and Freddie Mac, but under much more restrictive policies than those which are applied by the GSEs to their "site-built" mortgage purchases. Stricter underwriting standards and loan-level price adjustments for mortgages on manufactured homes have prevailed since 2003, limiting the purchases of these loans by the GSEs. In 2007, manufactured housing represented over 11 percent of all new home sales, but loans on manufactured homes represented less than one percent of all GSE loan purchases (HMDA), despite the fact that a disproportionately large share of these loans qualify for credit toward the affordable housing goals. MHI fears that the less-stringent affordable housing goals will result in even fewer purchases of manufactured home mortgages, impairing the ability not only for buyers of homes, but also current owners of manufactured homes who might be considering selling their home in the coming year.

Personal Property Loans

A manufactured home financed with a personal property loan is among the most affordable forms of homeownership as no land is involved in the loan transaction. Currently, there is almost no secondary market for personal property loans. The GSEs do not currently purchase personal property loans, although the charters of both Fannie Mae and Freddie Mac allow for these purchases. In fact, Congress reinforced the need for such a program with the "duty to serve manufactured housing" provision in the Housing and Economic Recovery Act of 2008 which specifically mentions personal property loans as eligible for credit under this provision. MHI feels strongly that the development of a GSE program to purchase these loans on an ongoing or "flow" basis will provide much needed liquidity to manufactured housing lenders, will lower borrowing costs, and will ensure the continued availability of this important form of affordable housing. While the "duty to serve manufactured housing" provision will not be in force until 2010, FHFA must encourage the GSEs to begin implementation of manufactured home personal property loan purchase programs as soon as possible – 2009 is on pace to be the worst year for manufactured housing since 1959 when statistics began to be collected.

MHI applauds the FHFA's proposal to allow GSE purchases of personal property manufactured home loans insured by FHA under the Title I program to be applied to the affordable housing goals (until Ginnie Mae lifts its long-standing moratorium on Title I issuers). Purchases of these loans by the GSEs will serve as a "liquidity bridge" until Ginnie Mae begins to approve new Title I issuers. MHI is unclear as to the logic behind the decision to offer a "half- credit" for these loans and strongly urges FHFA to offer a full credit for all GSE purchases of FHA Title I loans.

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Special Affordable Multifamily Subgoal

As mentioned, ownership of a manufactured home sited in a land-lease manufactured home community is one of the most affordable forms of home ownership. However, the recent slowdown in commercial lending has made it extremely difficult for owners of these land-lease manufactured home communities to refinance their properties. Many of these communities could soon end up in foreclosure if commercial lending conditions do not improve so that owners are again able to secure financing. When an entire manufactured home community is foreclosed upon, it is often the individual home owners that suffer the most.

Historically, it has not been clear whether commercial loans on manufactured home communities are eligible to be applied by the GSEs to the Special Multifamily Subgoal, as it is difficult to estimate the income levels of manufactured home community residents who own their home and lease their land. Section 1282.19 of the FHFA proposal specifies a procedure and thresholds for determining whether a rental unit is affordable to very-low, low, or moderate-income families, but no such guidance for use in land-lease manufactured home communities is provided. MHI urges the FHFA to offer a clarification in the final rule that includes a similar procedure for land lease community loans, as there is a wide-spread crisis on the horizon for communities if financing cannot be secured by owners.

Summary

While MHI generally supports the 2009 affordable housing goals proposed by FHFA, we do have significant concerns that rolling back the goals to the 2005 level will impact the availability of financing for low-income borrowers and encourage FHFA to further study the impact of this change. In addition, MHI requests that FHFA offer full credit for GSE purchases of FHA Title I insured manufactured home loans and encourage the GSEs to become involved in the secondary market for personal property manufactured home loans as quickly as possible. Finally, MHI requests clarification from FHFA regarding the treatment of GSE purchases of commercial loans on manufactured home communities with respect to the Special Affordable Multifamily Subgoal; there is a looming crisis in this space, and MHI feels strongly that the GSEs should receive credit toward the multifamily subgoal for purchases of these loans. Should you need clarification on any of the issues discussed in this letter, please feel free to contact me at tbeers@mfghome.org or (703) 558-0649.

Sincerely,

Thomas M. Beers
Vice President
Economics and Housing Finance
Manufactured Housing Institute