ASSET DEVELOPMENT GROUP INC. HOME SOURCE ONE

Date: August 31, 2009

To: Alfred M. Pollard, General Counsel

Re: Comments regarding RIN 2590-AA27 – Duty to Serve ANPR

From: David Watton, CFO - Asset Development Group, Inc.

Asset Development Group, Inc. owns and manages 59 manufactured housing communities containing over 6,000 home sites primarily located in the Upper Midwest. Our company provides affordable housing and financing to our residents, many of which cannot obtain the financing to purchase housing through banks or other lending institutions. The majority of our communities are located in small towns and rural areas. The average income levels of approximately 40% of our residents fall below the county averages where the communities are located, and consequently fit the definition of “low income families”.

In order for our company and others like us to continue to serve the low and moderate income families, there needs to be significant changes in the current business and lending environment. The following issues are of immediate concern:

- The credit market for financing a manufactured home purchase is currently almost non-existent. This severely limits an affordable home ownership option for the low and moderate income families that this legislation aims to serve. Governmental programs that are currently in effect to assist with financing are not achieving their intended result. Although a workable FHA loan program is in place, we are aware of only two lending institutions that are currently originating manufactured home loans. Unless additional options become available, true competition will not exist in the marketplace and the low and moderate income families will have to pay an even higher percentage of their modest incomes for shelter, possibly excluding them from home ownership altogether.
- The credit market to facilitate purchases of new housing units between the housing retailers and manufacturers (floor-planning) is also extremely limited. The Small Business Association (SBA) has developed a pilot program to facilitate these transactions, but it does not appear to be working. Lenders seem reluctant to participate due to the tremendous administrative burden put on them by this plan.
- Commercial mortgage-backed securities (CMBS) issued throughout the last decade are beginning to mature in 2009. Without a mechanism in place to refinance these obligations, the domino effect could be catastrophic to low and moderate income families as these maturing loans enter the marketplace and further depress an already tenuous marketplace. The ANPR states that “Fannie Mae and Freddie Mac currently purchase loans secured by manufactured home parks.” Based on the vacancy rate and minimum site stipulations contained in these programs, many communities are disqualified from participation.

The FHFA has requested comments and suggestions to assist with the creation of guidelines and rulemaking for the Duty to Serve Underserved Markets for Enterprises (DTS) initiative. We would offer the following comments:

- Manufactured Housing Community Underwriting Guidelines – We would suggest the following tests to qualify loans under DTS:

    - An occupancy rate of 60% or greater within the manufactured home community.
    - Based on a sampling of the home community, some percentage of the resident base should have average income less than the county average where the community is located. County averages could be based on the latest US census figures.
    - The mortgage should be collateralized with an 80% loan to value in relationship with the property value.
    - A test on net operating income in which the debt service coverage of the loans is at least 1.15% for the collective properties within a portfolio.

- Personal Property Loans – We strongly believe that loan programs should be based on the family applying for financing, not the product that they are purchasing. Credit terms should be fully disclosed and within the family's ability to repay. The FHFA should consider underwriting standards that are similar to the FHA Title I program that is currently in effect. In that context, if the criteria were to be more restrictive and consequently, qualify less buyers, we would suggest the following to qualify for manufactured housing loans under DTS:

    - A minimum credit score of 530 with 10% down payment. The minimum score would increase to 580 with a 5% down payment. These minimums allow many of the low and moderate income families to own homes that would otherwise be unattainable.
    - Require a minimum of six months employment at the current employer.
    - No chapter 7 bankruptcy in the last three years.
    - Debt to income ratio of less than 45%.
    - Housing to income ratio of less than 36%.
    - For credit scores below 700, consider some form of combined guaranty program so that Fannie and Freddie are not at total risk for losses.

    From the standpoint of consumer protection for these loans, we believe that consumer education and protection are important for all customers. The FHFA should ensure that existing State protection laws are adequate to protect all who do business within the State.

In conclusion, it is vital that either through the creation of a new vehicle or changing the existing infrastructure that a method of financing new loans and refinancing the existing, maturing CMBS is available. Without this financing, the choices and options for the low and moderate income families are extremely limited and this group of people will continue to be underserved. Our company would be happy to participate in an advisory committee or would be available for further consultation on any matters related to DTS.

Exhibit A - Home Purchase Pricing Model

Manufacturer	Liberty	Model #	UB286060		
Base Price	$47,436				
Liberty allowance	-$2,000				
Flip floor plan	$1,000				
Total Options	$4,190				
Inspection	$400				
Imp Fund / HUD	$175				
Surcharge	$325				
Freight	$3,250				
A/C	$1,650	Taxable	65%	$65,650	
Setup	$1,000	State tax	5.60%	$3,676	
Foundation	$4,400				
Gas	$1,000				
Electric	$1,000				
Water/Sewer	$1,000				
Garage	$14,000				
Concrete	$6,000				
Gutters Spout	$1,000				
Landscape	$1,500				
Drywall	$1,050				
Carpet Seam	$350				
Subtotal	$88,726				
Mark up	$12,274				
Total with profit	$101,000	Tax	$3,676	Total	$104,676
Closing fees	190				
Downpayment	$3,000	Total Financed			$101,866
		25 Yr Amortization @ 9.70%			$904
		Site Rent			$395
			Total Monthly Payment		**$1,299**

EXHIBIT B

To illustrate the current state of the credit markets, below are details of a current transaction that we are unable to obtain reasonable financing for, negatively impacting a family in which the DTS seeks to assist:

A mother and daughter have extended an offer to purchase a manufactured home within a community. They seek financing of $86,000 and will make a down payment of 20%. The daughter has income of $29,000 per year and mom receives social security of $16,000 per year. The daughter's credit score is 810 and mom's score is 766. They are seeking a 25 year loan and are willing to accept an interest rate of 7.5% (which is 2% above market rate for a traditional home loan). Using this data, the housing to income ratio is 27.9%. They do not have any other material debt obligations that would impact this transaction.

By most underwriting standards, this should be a reasonable risk to be accepted by a lending institution. But because the purchase is a manufactured home, there is no interest in the marketplace.