



# Utah Manufactured Homeowners Action Group

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September 16, 2009

Alfred M. Pollard, General Counsel,  
Federal Housing Finance Agency  
1700 G Street, NW, 4th Floor  
Washington, D.C. 20552

RE: (RIN) 2590-AA27

Dear Mr. Pollard,

This letter is in response to the Agency's Advance Notice of Proposed Rulemaking and Request for Comment Regarding Duty to Serve Underserved Markets for Enterprises.

The Utah Manufactured Homeowners Action Group (UMHAG) represents over 70,000 manufactured home owners in the State of Utah and has been doing so for the past ten years. Most of our constituents are of either low or moderate incomes. Our homes are often the one major asset we own. It is also the largest stock of unsubsidized affordable housing in both the state and the country.

We represent homeowners who have been underserved as a result of being in one or more of three underserved markets: (1) manufactured housing, (2) preservation of affordable housing and (3) rural housing. We believe that the Duty to Serve is meant to be a duty to serve low and very low income manufactured home owners – to prevent the loss of our homes and communities that represent the largest source of previously unsubsidized affordable housing in the country. It has been estimated that there are 50 to 60 thousand manufactured home communities in the country with 10 million homeowners just

like us. We have been ignored and underserved and have suffered from predatory practices as a result.

Our homes are often referred to as “trailers” and/or “mobile homes.” Both terms are anything but true and are derogatory in their nature. While they may have been an accurate depiction sixty years ago, it is anything but true today. To move a manufactured home today it takes specialized equipment that is very expensive. That is why less than 1% of the homes are ever moved once they are placed. In Salt Lake County, the cost to move a home is approximately \$20,000, provided you can find a place to move your home.

### **Duty to Serve**

We believe the “Duty to Serve” the three underserved markets is the duty to serve homeowners and not the industries. To long have homeowners interests been kept separate and apart from the interests of the market. I was brought up to understand that the homeowners were the buyers that were supposed to be the market – not the other way around. In other words, it’s about home ownership and the security and opportunity is supposed to represent home owners in both Utah and America; not solely being about generating wealth for investors or developers. This is why we write; to call attention to developing rules for Fannie Mae & Freddie Mac to ensure that they lead the industry in ways that help homeowners and not those who would make a profit from homeowners.

The main concerns of UMHAG are bringing the true aspects of home ownership to manufactured home (MH) owners. We believe that to do this we need the following:

1. To gain stability of long-term land tenure for homes in communities.
2. To title homes as real property, regardless of the ownership of the land.
3. Access to home financing which is reasonably priced, fairly underwritten and on reasonable terms.

In 2003, Consumer’s Union published a study on asset appreciation of manufactured housing. They concluded that two things were needed to make ownership of a home in a community an asset building experience of traditional home ownership; 1) land tenure and 2) access to reasonably priced financing.

There have been long-term programs in New Hampshire that have caused real market change with resident ownership of communities and with initiatives in single family lending, that have proven this to be true. Still, lending to home owners who are creditworthy is tainted by old stereotypes of our homes as depreciable assets.

We are further discriminated against in Desktop Underwriting (DU) which attributes additional risk factors to us, not based on our individual creditworthiness or our true asset values. This carries forward assumptions

which came out of the manufactured housing financing of the past that lead to great losses. These losses resulted from predatory lenders, imbedded with the dealer distribution network and serving community owners.

Homes were sold for more than they were worth, financed at exculpatory rates and lacked quality. Most were placed onto lease lots with skyrocketing rents and no protections existed against park closures. All this contributed to losses. As a result, a manufactured home purchaser today must have extraordinary credit to qualify for lending to overcome the DU built-in risk assumptions. Home buyers should not suffer the burdens placed on them by the sick market. The illness can be cured by a paradigm shift with emphasis placed on the home buyer instead of the community owner.

Fannie Mae & Freddie Mac can lead market changes by addressing three key elements: 1) encouragement of long-term tenure and stability in its multi-family manufactured home lending, 2) support the titling of manufactured homes in communities as real estate, and 3) develop manufactured home single family financing products for homes in communities with underwriting controls against the lender/consumer risks and remove the prejudicial assumptions from DU so that low income people with good credit can qualify on their own merits.

We understand that Fannie Mae & Freddie Mac are major lenders to investors who buy and sell our communities, raise our rents at will, refuse to give lease protections and close communities for more profitable developments, resulting in asset loss. We do not blame Fannie Mae & Freddie Mac for the ills of the industry, but we think they could do a lot to change it. Investors will do what is in their best financial interest. Can incentives be given to assure that our homeowners are treated like homeowners as a condition of getting the money, or at least the money spent in furtherance of the Duty to Serve? We believe the answer is yes!

Fannie Mae & Freddie Mac should take steps to discourage the closure of the communities and encourage the move into resident-owned communities as they are sold. There must be some incentives that Fannie Mae & Freddie Mac can develop in their lending that would entice more good faith and fair dealing in land leased communities, where typically home owners do not have a lease at all. If the investor owners would give homeowners the protections of long-term leases and the option to purchase the community before it could be sold to someone who might develop it or before the current owner could close it, it seems it would protect home owners and Fannie Mae & Freddie Mac as well.

To include the multi-family products in its Duty to Serve goals, the loans should be made directly to the homeowner associations for the purchase of the community and operate it as a resident-owned community in such a way as to preserve the community long-term. New products for resident purchases are needed. We need higher loan-to-value ratios or willingness for Fannie Mae &

Freddie Mac to partner with other non-profit lenders or public agencies that are trying to help us secure and preserve our homes. If local governments and state housing authorities and charitable groups are involved in the organizing and financing of residents, Fannie Mae & Freddie Mac participation should qualify for Duty to Serve.

Over the past few years, underwriting expertise has developed at the state and national level tailored to the purchase of our communities. This expertise was developed in the past 25 years in New Hampshire, where homeowners have successfully purchased 93 communities without any foreclosures. Now there is a national organization known as ROC USA™ with an existing and expanding network of technical providers in 11 states that serve homeowners in 33. In Utah we have one of those technical providers. They provide assistance in making assessments of the value of the communities, the cost of necessary capital infrastructure improvements and the steps needed to educate the home owners regarding the management of the community.

Ownership of our own communities is the ultimate long-term solution to the instability of the communities and the lack of investment in infrastructure. Resident ownership preserves the manufactured home community as affordable because home owners are not out for a profit; just the preservation, maintenance and improvement.

As an association, we have been concerned that some forms of resident ownership create divided communities; divided between the low and very low-income homeowners and more middle class home owners who can afford to buy shares. The result is a modified investor owner model where your neighbor now can act like the investor did previously. Resident ownership needs to be financed in a way that allows most homeowners to be participants. A loan product that requires homeowners to raise 20% of the purchase price through buying shares will not be productive. Non-profit lenders and public sources must be partnered with in order for Fannie Mae & Freddie Mac to reach these new markets. This is where leadership truly needs to be provided.

Manufactured homeowners would like to see the leadership of Fannie Mae & Freddie Mac as lenders that would treat our homes as “homes” and not vehicles. Until this happens, we will not fully be protected the way other homeowners are when buying and financing homes. There are states that allow Manufactured homes to be real estate even when they are in communities. If Fannie Mae & Freddie Mac would insist on this, it would happen.

The Uniform Laws Commission is currently reviewing a proposal to create Uniform Titling of Manufactured Housing Laws. A stakeholder’s meeting is scheduled for September 21, 2009 in Washington, D.C. Fannie Mae & Freddie Mac could support these efforts. We know that the National Consumer Law Center has researched this for the Corporation for Enterprise Development

(CFED). You can view the results at [http://www.cfed.org/imageManager/documents/mh\\_realproperty.pdf](http://www.cfed.org/imageManager/documents/mh_realproperty.pdf).

The new law states that Fannie Mae & Freddie Mac can meet their Duty to Serve by buying up chattel loans. Fannie Mae & Freddie Mac need only look at the Statement on Subprime Mortgage Lending and the Interagency Guidance on Non-traditional Mortgage Products (particularly in the Consumer Protections Issues and Consumer Protection Issues sections) to see how chattel lending raises concerns. There may be rate shock under the chattel loan itself, but what about rent shock, or the worst shock of all, park closure? In 7 of the 9 senior manufactured home communities in Salt Lake County, from 2004 through 2008 park rents increased from 19% to 78% while the CPI increased only 11.5%. Apartment rents increased 15% during that same time period. At the same time, there were 4 park closures that impacted over 300 families and seniors.

Traditional chattel lending has not addressed these concerns. No RESPA protections exist, no disclosures of risk or explanations to consumers are required, not just of the loan, but of the homeownership risks in an investor community, with a short or non-existent lease. Disclosures and borrower counseling, recommended to protect both consumer and lender, do not exist and the chattel underwriting does not demand them. If the loans were real estate loans, RESPA would apply; appraisals, long-terms leases, insurance, title insurance, etc. would be demanded.

Addressing the same concerns as the Statements and Guidelines, in the context of chattel lending in investor owned communities (unlike resident-owned communities) Fannie Mae & Freddie Mac must address the leasing process and land tenure with the same disclosure and counseling requirements and by implementing underwriting guidelines to address lender risk caused by rent increases, lease termination and park closure or the life of the loan.

Preservation of the homes of manufactured home owners is in and of itself, affordable housing preservation, the second underserved market. It doesn't have to be subsidized housing to be affordable housing. If it is owned by people who fit the income guidelines, they have found it affordable to buy; they just need it to be affordable to keep and not lose it. Most communities, although there are high-end exceptions, tend to be at least 60 to 70% low income. Some communities are 50% or more very low income.

The untold story in this country is how much homelessness has come from the closure and re-development of manufactured home communities. FHFA can determine guidelines for the classification of a low income home owner in order for the lending to count toward the preservation of affordable housing goal, as long as the housing gets preserved through resident ownership, non-profit ownership or long-term leases with an option for the home owners to purchase before it can be sold or re-developed.

We are concerned that the crisis in the commercial finance markets (way beyond the control of low income home owners) is causing a crisis for community owners. More and more communities will go into foreclosure and even though home owners are paying their rent, they will lose their homes.

Many REIT's are seeing the maturity of their financing; many communities have vacancies that exceed traditional guidelines for lending. The new wave of community instability is going to begin. Our concern is that no one looks at this as a housing crisis because manufactured home communities are commercial. Flexibility is needed in traditional financing to allow home owners to buy these communities, as long as they have cash-flow. Flexibility is also needed for home financing once they are resident-owned in order to place and sell new homes.

Our view of the tests set forth in the Notice is that all should be used as part of a rating system that would cause Fannie Mae & Freddie Mac to develop products, bring home owners in as new participants, give grants for the technical assistance that home owners need and help support the kinds of non-profit delivery systems needed to reach home owners.

We want to support the Duty to Serve. We do not have the resources that the manufactured housing industry (MHI) has, so we ask that FHFA remember it is the duty to serve home owners not the MHI. For example, there should be a test that says, if Fannie Mae & Freddie Mac's products and activities might help MHI sell more new homes, upgrade and gentrify MH communities but the result would be the displacement of low income and very low income home owners in the process, it does not meet the Duty to Serve the home owners and preserve their affordable housing. We support the implementation of Duty to Serve goals and hope to be active partners with the FHFA and Fannie Mae & Freddie Mac as you implement these goals.

Please feel free to contact us with your comments.

Very truly yours,

Steve Anderson  
President  
Utah Manufactured Homeowners Action Group