From: peter ferris [bumpy73@yahoo.com]
Sent: Thursday, September 17, 2009 9:43 AM
To: !REG-COMMENTS
Subject: "Duty to Serve" Comments: RIN 2590-AA27

Oregon Manufactured Homeowners United (OMHU)

17 September 2009

Alfred M. Pollard, General Counsel, Federal Housing Finance Agency (FHFA)

Email: RegComments@fhfa.gov

Dear Mr. Pollard:

RE: Comments on Proposed Rulemaking regarding Duty to Serve Underserved Markets

RIN 2590-AA27

We respectfully submit these comments to FHFA on behalf of approximately 100,000 homeowners who live in approximately 1,260 resident-owned or lease-land communities in the State of Oregon.

We are partners with the Manufactured Home Owners Association of America (MHOAA), the only national organization that represents 10,000,000 homeowners since 1994. In the past two years MHOAA has been working with CFED to improve the economic opportunities of those living in these communities, two-thirds of whom are of low or modest incomes. Our homes are often our one major asset and represent the largest stock of unsubsidized affordable housing in the country.

Historically we have been underserved by primary mortgage lenders and the Enterprises (Fannie and Freddie) because lending in leased-land communities has been considered too risky due to the titling of our homes as personal property (chattel). Lenders in nine states where manufactured homes are titled as real property refuse to treat them as such. Even when residents have purchased their communities, most lenders have been reluctant to offer individual mortgages to them at market rates.

The Housing and Economic Recovery Act of 2008 mandates a "duty to serve" for the manufactured housing, affordable housing, and rural markets. Our communities significantly represent all these. We therefore urge you to develop underwriting standards and mortgage products that will champion a more level playing field, protect us from consumer fraud, and enable us to preserve our communities and affordable housing.

A Historical Review

Sixty years ago our communities began as a true partnership between landlord and homeowner. That partnership provided landlords with an adequate rate of return on their investment while enabling many veterans and seniors a solution to the lack of housing after the war. Over the next 20 years tens of thousands of manufactured home communities were developed nationally, enabling us to invest in homes and communities at reasonable cost.

That partnership began to unravel in the 1980s when new federal policies began to promote land and housing speculation, often with little oversight. Those laissez-faire policies have created a predatory type of capitalism that has brought us to worldwide economic turmoil and destruction today. The 1990s saw many large out-of-state corporate landlords buying up our communities with the intent to sell them for another use rather than operating them long term. Many of them were ripe for development because they were centrally located in town and cities with easy access to sewer, water, and electricity. Rents were raised not based on an adequate rate of return on investment but to increase the value of the land to gain a better selling price. As part of this strategy service and repair or replacement of infrastructure in older communities was ignored.

The results have been more foreclosures, rising space rents, community closures, economic evictions, and homelessness. The tremendous social costs of these policies are being borne by some of the most economically vulnerable and the taxpayers. The replacement costs of losing one unit of affordable housing in our communities are four to five times the value of preserving them.

The beginning of the new millenium saw a spike in community closures nationwide. This encouraged mom and pop landlords to adopt the corporate strategy of making a "killing" instead or conducting a profitable business. In Oregon, for example, 67 closures occurred since 2000 with the loss of 2,703 homes. One state association there has documented that in 16 communities since 2003, 14 experienced increases more than twice to five times the Consumer Price Index (CPI). Now the trend seems to be that the mom and pop owners are following the same corporate strategy.

The Historic Lack of Good Financial Instruments

Because of the limited market for personal property loans, homeowners have historically paid three to five points above market and often found themselves in foreclosure down the road. These loan products are born to fail and are ripe for consumer abuse. This has consequently led to decreased sales of new manufactured homes in leased communities that would have renewed the housing stock and the communities themselves and increased sales for the industry itself. Purchases of new homes in our communities are now down significantly from one-third of the market 15 years ago to less than nine percent.

The result of these developments has meant that virtually no new communities are being developed. It comes, unfortunately, at a critical time when the baby boomers are retiring

and looking to downsize. What they are finding is that there is no security in such a housing choice.

Some Solutions Here and Now

We recommend Fannie and Freddie take a leadership role in developing special underwriting guidelines for resident-owned and leased-land communities so that we begin to make significant capital investments in manufactured communities while managing risk. We see the duty to serve language as promoting a fairer distribution of investment capital to champion the good public policy of preserving our affordable housing.

We suggest the following:

1. ***Make residents' purchase of our communities a top priority in funds earmarked for multi-family housing lending***.

   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 we have an existing and expanding network of technical providers in 11 states that serve homeowners in 33. 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 homeowners about how to manage them.

   This strategy should apply to communities with a significant population of low and modest income homeowners. Mortgages should be offered at below or at market rates. Preserving these communities makes good economic sense because it is four to five times more expensive to replace them with stick-built multi-family housing.

2. ***Make multi-family lending to landlords purchasing manufactured home communities contingent on underwriting guidelines that ensure the protection of the investment in our homes***.

   Some of these guidelines should include: offer 20 years-leases that restrict increases in rent, ensure the community's infrastructure is brought up to standard and maintained for the life of the lease, allow homeowners wanting to sell their homes to do so without interference or restraint of trade, mandate prompt notice to the residents and their association when the landlord has received an offer for sale or listed the community for sale, and grant the association the right of first refusal with 120 days to put a purchase offer together.

3. ***Encourage and educate first lenders to identify land-leased communities where access to mortgage credit represents a good investment risk.***

The following characteristic of such communities include: an active homeowner associations and a vibrant social life; well maintained homes, grounds, and infrastructure; not overvalued by the price of land; long-term leases that ensure affordable rents and the right of first refusal; competent, helpful managers living on site; derelict homes replaced by newer, energy efficient ones; and a landlord who works collaboratively with tenants to solve problems and disputes.

Evaluation of Performance

1. ***Loan Product Test***

The loan product test should be judged qualitatively over a period of time. We understand that the Enterprises have developed pilot projects with such products in the past. Clearly, any loan products developed that was effective in promoting the unique features of our communities and home ownership would assist the duty to serve language in all three areas—manufactured housing, affordable housing, and rural areas. The products and underwriting requirements described above should be tested yearly to determine their effectiveness.

2. ***Outreach Test***

Outreach would be effective if we saw successful products in place throughout the nation.

3. ***Purchase Test***

We think it appropriate to use a quantitative evaluation method by detailing what mortgage products were successful and why, based on percentage in good financial standing.

4. ***Grants Test***

We believe that investments and grants should be focused on the local level to encourage cities and counties to develop strategies to preserve existing affordable housing as applied to our communities. Local jurisdictions that developed ordinances and special zoning effective in preserving their affordable housing could become models nationwide.

Regards,

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