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September 17, 2009

Federal Housing Finance A (FHFA)
1625 Eye Street, NW
Washington, D.C. 20006

Dear Federal Housing Finance A (FHFA):

Thank you for the thoughtful request for comments regarding duty to serve requirements for the GSEs. We concur with CFED's comment letter urging GSEs invest in manufactured homes with security of tenure and opportunity for appreciation.

We recommend that loans in manufactured housing communities should be considered under the duty to serve for Fannie Mae and Freddie with underwriting that includes a requirement that community owners give long-term leasehold interest to homeowners that exceed the length of the enterprise's loan term and include the following provisions:

1. Rent formulas with flow-through expenses.
2. Rights as an intended third party beneficiary of a purchase option and/or right of first refusal granted the residents as a collective to purchase the property as part of an affordable housing/housing preservation project. A reasonable approach would be to require all lot leases entered into during the term of the insured loan to include a right of first refusal for any sale of the community made during the loan term. Including an option to purchase would be a reasonable alternative.
3. The right to sell home in place to persons (no community owner option, applicants not unreasonably denied).
4. The right to form resident associations and conduct resident meetings.
5. Proper engineering studies and Capital Improvement Plans and reserves to protect the residents' equity during the term of the lease.

Loans secured by resident-owned communities should receive additional credit toward meeting duty to serve criteria, over investor-owned communities. Resident ownership is the surest way to help low-income owners of manufactured homes attain stability and promote asset-building. Resident ownership strengthens duty to serve goals and safe and sound lending practices.

Chattel lending is contrary to the spirit of duty to serve. Unlike real property loans, personal property loans provide low-income families with higher rates, less optimal terms and reduced consumer protections. We understand that the law provides that FHFA may consider loans secured by personal property when evaluating enterprise performance in meeting their duty to serve. In fact, in certain states where titling of manufactured homes as real estate is not yet possible, we understand that chattel lending may be the only option. We therefore strongly recommend that in order for chattel loans to count toward duty to serve, they not be used in situations where a real estate loan is viable—for example homes titled as real estate.

Where chattel loans are necessary, we strongly recommend that that they include fair and accurate underwriting and

reasonable, not predatory, loan terms. Below are top ten criteria for chattel loans that should exist to count toward the duty to serve; these criteria are the most effective way to protect low-income homeowners, their lenders, the enterprises and tax payers.

1. APR must be no more than 3.5 points above the prime rate.
2. Loans may not have prepayment penalties.
3. No loans with yield spread premiums allowed.
4. Chattel loans must comply with all RESPA requirements.
5. Chattel loans on a home currently titled as real property and eligible for mortgage financing should not qualify.
6. Homes must have a lease term of five years beyond the loan term and lease should be renewable in the absence of just cause.
7. Loans made in residential communities must have a lease that permits the formation of resident associations and a right to associate and organize.
8. Eligible loans must include a lease with language which preserves the right of residents to form a homeowners association and the association's right to present competing purchase offer prior to the sale or closure of the community.
9. Homes must be priced under \$300,000.
10. Chattel loans in land lease communities must be made in communities with project approval by the enterprise in accordance with standards adopted which are consistent with, and adapted from, current condominium and cooperative approval standards, including zoning, infrastructure and capital reserves review.

Finally, we agree with CFED's recommendation that the industry develop a set of criteria for manufactured homes on fee-simple land and if such criteria are met, then the mortgage would be underwritten just like any mortgage on a site-built home. Such underwriting should support long-term land security and titling homes as real estate.

The duty to serve requirement can play a major role in promoting the use of good quality manufactured housing as one of many mechanisms to cost-effectively increase the supply of affordable housing and promote asset building. Thank you for your responsiveness and quick action on this issue.

Sincerely,

Sarah Irvine
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