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Public Comments on Duty To Serve Underserved Markets for Enterprises:========

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General Counsel
Federal Housing Finance Agency

Submitted via www.regulations.gov and E-mail to regComments@fhfa.org

RE: RIN 2590-AA27
Duty to Serve Underserved Markets for Enterprises

Dear Mr. Pollard,

I am the Secretary of the Manufactured Home Owners Association of IL (MHOAI) and also the Secretary of our local Residents Association. My colleagues, neighbors and I have been working to address the issues that limit the potential for manufactured housing to be truly affordable in our community and on a national level. To that end I am pleased to submit comments to the Federal Housing Finance Agency (FHFA) on Fannie Mae?s and Freddie Mac?s (the enterprises) duty to serve underserved markets. The establishment of the enterprises? duty to serve obligation recognizes the important role they play to establish affordable and responsible homeownership and housing opportunities for all Americans.

Manufactured homes are a vital source of affordable housing for low and moderate income and the elderly. This is the largest source of unsubsidized affordable housing in the nation. We recognize that in addition to serving underserved markets, the government-sponsored enterprises also have an obligation to operate in a safe and sound manner. We advocate responsible stewardship of funds and effective programs that benefit low income owners of manufactured homes while being responsible to homeowners, the enterprises, FHFA, the industry and taxpayers.

Underserved Markets: Manufactured Housing

While the homes themselves have improved greatly with HUD code compliance since 1976, the manufactured housing marketplace continues to exist in the model developed during the travel trailer infancy of the industry. This is the primary reason this housing segment is the underserved housing market it is today.

Manufactured Home Parks: Communities

Approximately one-third of the 17 million American who live in manufactured homes, site them in a manufactured home community (mobile home park.) Community living can offer economic, social and environmental benefits to homeowners and the broader community. Higher density and economies of scale mean that for lower costs, communities can meet the infrastructure needs and amenities of a larger number of homeowners than traditional subdivisions. Perhaps most importantly, communities offer homeowners social networks and support that many low income and elderly home owners rely on. Nationally, manufactured home communities are closing at record speed and few new communities are being developed. This loss of affordable housing is affecting communities nationwide as low income homeowners have few choices outside of subsidized housing if they lose their manufactured home.

The primary draw back of manufactured home communities, however, is their instability. If the owner of the community decides to continually raise rent, defer maintenance or convert the community to some other use, it will no longer be a source of affordable housing; dozens or hundreds of families may be displaced. These are very likely to be low or moderate income homeowners intended to be served by the duty to serve legislation. Many of the displaced families will be unable to relocate their manufactured homes, so will lose their primary asset. Even if homes are not displaced, increased rents chip away at affordability and the homeowner?s equity, and may make it impossible for the homeowner to maintain and improve their home. When these factors are combined with community infrastructure neglect, the result is the almost uniform experience of manufactured housing as a depreciating asset, as opposed to homes sited on fee simple land or in resident owned communities which tend to appreciate. Developing a manufactured home community that then closes, displacing the families that relied on the existence of the community, does not promote the duty to serve intent.

Therefore, we recommend that loans secured by 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 with full disclosure.
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 offer to purchase would be a reasonable alternative.
3. The right to sell the home in place to any person (no community owner option, applicants not reasonably denied.)
4. The right to form resident associations and conduct resident meetings
5. Proper engineering studies and Capital Improvement Plans and reserves to protect residents? equity during the term of the lease.

Personal Property Loans (Chattel Lending)

Chattel lending is contrary to the sprit of duty to serve; instead, it provides low income families with higher rates, less optimal terms and reduced consumer protections, as compared to a mortgage loan. Where chattel loans are necessary, we strongly recommend that they include fair and accurate underwriting and reasonable, not predatory, loan terms. Below are the top ten criteria for chattel loans that are to count towards 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 or adjustable rate floors 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 lease terms of five years beyond the loan term and be renewable in the absence of just cause.
7. Loans made in residential communities must have a lease that permits the formation of residents 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 associations? right to present competing purchase prior to the sale or closure of the community.
9. Home values must be supported by a competent appraisal.
10. Chattel loans in land lease communities must be made in communities with project approval by the enterprises 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.

Sizing the Market

The manufactured housing market is poorly measured and tracked. Americans who live in manufactured homes and duty to serve evaluation should measure whether the enterprises are fully serving this entire market of homeowners. Duty to serve is intended to serve low to moderate income homeowners and not the industry so a focus of evaluation should be on the impact to these homeowners and not purely on outputs such as units.

?Manufactured housing done right? is the slogan of one housing builder in Tennessee who is making a difference, showing there are those in the industry who recognize the unlimited potential of manufactured housing to be affordable housing. From residents like me and my neighbors to national organizations and affordable housing advocates we appreciate your leadership on this issue and look forward to your success as you move forward on implementation of the enterprises? duty to serve. Thank you.

Sincerely,

Anita Noel