Manufactured Housing Institute

October 28, 2014

Alfred M. Pollard, General Counsel
Federal Housing Finance Agency
Attention: Comments/RIN 2590–AA65
400 Seventh Street, SW
Eighth Floor
Washington, DC 20024

Re: Enterprise Housing Goals; Proposed Rule 12 CFR Parts 1282
Blanket Loans on Manufactured Housing Parks

Dear Mr. Pollard:

The Manufactured Housing Institute ("MHI") appreciates the opportunity to submit comments in response to the *2015-2017 Enterprise Housing Goals* proposed rules published in the Federal Register on September 11, 2014 by the Federal Housing Finance Agency ("FHFA").[1] Specifically, MHI strongly supports including blanket loans on manufactured housing parks[2] in the housing goals.

Our comments provide background on the manufactured housing industry including a description of the affordability and quality standards of manufactured homes. We then provide a summary of the financing challenges facing the industry and those seeking to purchase manufactured housing. Finally, we discuss our recommendations and comments in response to FHFA's request for comments.

The Manufactured Housing Industry
Manufactured housing provides quality, affordable housing for more than 22 million low- and moderate-income Americans. The median annual income of manufactured homeowners is nearly 50 percent less than that of all homeowners. According to the U.S. Census Bureau, manufactured housing represented roughly 12 percent of all new single-family housing sold in 2013. Of this, manufactured housing represented more than 80 percent of new homes sold

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[1] 79 FR 54482 (September 11, 2014)

[2] FHFA proposes to define "manufactured housing park" as "a tract of land under unified ownership developed for the purpose of providing individual rental spaces for the placement of manufactured homes within its boundaries." We agree with FHFA's proposed definition of "manufactured housing park" but respectfully request that the term be "manufactured housing community" which is commonly accepted by the industry. In fact, the term "park" is pejorative.

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under $125,000; 64 percent of new homes sold under $150,000 and 35 percent of new homes sold under $200,000.

One of the many reliable features of manufactured housing is the delivery of quality and value to consumers through technological advancements and cost savings associated with the factory-built process. Based on US Census data, the cost of manufactured homes are 10 to 35 percent less than the cost of comparable site-built homes. The affordability of manufactured homes has long made these homes the preferred housing choice for many low- and moderate-income families, such as first-time homebuyers and retirees.

Unlike site-built homes, manufactured homes are built almost entirely in a controlled manufacturing environment and transported to the home-site where they are completed in accordance with federal building codes and enforcement regulations administered by the Department of Housing and Urban Development (commonly referred to as the “HUD Code”).

The HUD Code is the only federal residential building code. It regulates home design and construction, installation requirements for strength and durability, resistance to natural hazards, fire safety, electrical systems, energy efficiency, and other aspects of the home. Homes are inspected by a HUD-approved third party during the construction process and our industry adheres to a robust quality assurance program which offers greater controls than others forms of housing in the home building industry.

Blanket Loans on Manufactured Housing Communities

It is estimated that there are 40,000-50,000 manufactured home communities within the United States. States with the largest number of communities mirror the states with the largest number of manufactured homes and include Florida, Texas and California. While most states require some degree of licensing to operate a community, in many states very small communities (less than 10 sites) on private property are regulated by local health departments.

Manufactured home communities range in size from very small (with fewer than 10 rental sites) to very large (with several hundred sites). While several large companies own and operate communities, none operate in more than twenty-five (25) states. Many owner/operators are the original developers. Many older communities have aging infrastructure and increased access to financing would improve owners’ abilities to repair and replace critical components such as sewage lines or water systems and improve livability for community residents. Over the past 15 years, there has been very little development of new communities—only a handful of new communities have been built since 2000.

Unfortunately, financing is largely unavailable for manufactured housing communities and the Enterprises are not serving this market as effectively as possible:

- o Banks and other traditional lenders will not finance manufactured housing communities, or, if they do so, it is on less favorable terms for only the highest quality communities with full occupancy;
- o There is no secondary or securitization market; and
- o Fannie Mae has made it very difficult to secure financing by adhering to overly strict underwriting guidelines:
  - Only communities of the highest quality in the most favorable locations qualify;
  - More than 50 percent of the home sites must be multi-section sites,
  - The ratio of park-owned rental homes to owner-occupied homes cannot exceed five percent;
  - The rental income from park-owned rental homes is not underwritten cash flow; and
  - Loan terms are unfavorable (e.g., the amortization period for a multi-family apartment loan is 30 years but for family manufactured housing communities it is now 25 years).
  - These guidelines are far more restrictive for manufactured housing than for apartments despite the excellent track record of manufactured housing communities.

In 2013 Fannie Mae's multi-family loan volume through its Delegated Underwriting and Servicing (DUS) program was $28.5 billion, of which roughly $1 billion was loans to manufactured housing communities. Manufactured housing community loans represented just 3.5 percent of Fannie Mae's 2013 DUS program (and less than one percent of its total multi-family portfolio). The Enterprises underserve the roughly 6.5 million people residing in affordable land-lease communities. While the Enterprises continue to aggressively finance multi-family apartments, they have made it very difficult to finance manufactured housing communities, especially those serving "very low-, low and moderate-income families."

Without a lending market, existing community owners have few refinance options and sales are equally difficult. As with single-family homes, multi-family apartments and other real estate asset classes, this void will result in falling property values and greater financial stress on owners.

Lack of a vibrant secondary finance market for manufactured housing communities will cause the residents to suffer most. Owners will have less money to reinvest in their communities. Completion of necessary capital improvements will diminish, resulting in the increase of deferred maintenance. Items such as basic road repair, on-site utility maintenance, and maintaining family activity centers are at risk. Cash shortfalls will be made up with rent increases and expense reductions. As the stress on these communities mounts, many communities will be forced to close and others will be converted to alternative uses, further reducing this nation's supply of affordable housing.

There is no basis for treating loans secured by manufactured housing communities differently than multi-family apartment loans. Given the nature of their occupancy, where residents build equity in their homes, turnover is less frequent than at apartments and the income stream is more stable. On a comparative basis; loans on manufactured housing communities have performed well. An analysis of CMBS statistics indicates that the foreclosure rate and delinquency rate for multi-family apartments is three times greater than for manufactured housing communities.

Blanket loans on manufactured housing communities are currently excluded from the housing goals. This treatment is different from the treatment of blanket loans on apartment buildings, cooperative buildings and condominium projects, purchases of which are counted toward multi-family housing goals.

FHFA should not defer consideration of the appropriate treatment of blanket loans on manufactured housing communities under the housing goals and instead address it as part of the separate, upcoming proposed rulemaking on *Duty to Serve Underserved Markets* under section 1335 of the Safety and Soundness Act.[3] Including blanket loans on manufactured home communities in multi-family housing goals will incent the Enterprises to make these loans beyond the compulsion of a Duty to Serve directive.

Counting blanket loans on manufactured housing communities toward multi-family housing goals also would encourage additional support for a form of housing that is particularly important for low-income and very low-income families. In addition, many communities are in rural areas where real estate loans are difficult to obtain or have unfavorable interest rates and terms. Additional Enterprise purchases of blanket loans on manufactured housing communities should increase access to fixed rate, long term financing at a relatively low interest rate.

Goals eligibility for manufactured housing communities should not be considered only for communities that are cooperatively owned by their residents; goals eligibility should also include investor-owned rental communities. Resident-owned communities account for less than five percent of manufactured home communities nationwide. Including investor-owned communities will greatly increase the number of manufactured home owners that would benefit the program. For example, increased Enterprise activity in this area could result in more favorable loan terms for park owners, which would preserve and enhance the affordability for community residents.

FHFA also should not limit housing goals credit to occupied units located in the community, rather than the total number of rental spaces available. Income generated by rental of homes owned by communities should be included in cash flow when underwriting loans to

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[3] 4612 U.S.C. 4565

communities. The current practice of excluding this income is inconsistent with policy for other multi-family properties. Minimum size requirements (minimum number of lots) makes many small communities (primarily in rural areas) ineligible to receive GSE financing assistance.

MHI urges the FHFA to reconsider these restrictions and treat loans to communities on a level playing field with loans secured by apartment buildings, and coop and condo projects.

Finally, the volume of blanket loans on manufactured housing communities should be large enough that counting these would increase Enterprise multi-family housing goal performance. Including blanket loans on manufactured housing communities in multi-family housing goals will incent the Enterprises to make these loans. The proposed levels of the multi-family housing goals therefore should be increased to reflect the expanded scope of the housing goals.

Historically, manufactured housing community loans have performed well and land-lease communities offer one of the most affordable forms of homeownership for moderate-, low-, and very low-income households. Enterprise activity in this area is vital to maintaining the health of this sector and to ensuring the availability of this important supply of affordable housing.

Thank you for your consideration.

Sincerely,

Jason Boehlert
Senior Vice President, Government Affairs

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