MHI
Manufactured Housing Institute

September 5, 2017

Alfred M. Pollard, General Counsel
Federal Housing Finance Agency
Attention: Comments/RIN 2590–AA81
400 Seventh Street, SW
Eighth Floor
Washington, DC 20024

Re: 2018-2020 Enterprise Housing Goals; Proposed Rule 12 CFR Parts 1282: Blanket Loans for Manufactured Housing Communities; Chattel & Real Property Loans

Dear Mr. Pollard:

The Manufactured Housing Institute ("MHI") appreciates the opportunity to submit comments in response to the proposed *2018-2020 Enterprise Housing Goals* published in the Federal Register on July 5, 2017 by the Federal Housing Finance Agency ("FHFA").[1] MHI strongly urges FHFA to include blanket loans on manufactured housing communities in the multifamily housing goals for those units within the communities that meet the respective income affordability threshold. It is unclear in the proposed rule whether such units would be counted, and we feel an affirmative declaration from FHFA is necessary.

MHI is also taking this opportunity to clarify that both chattel and real property manufactured home loans are eligible for single-family housing goals, and that such loans are very "goal-rich." However, the fact that the Enterprises have been able to meet single-family housing goals in previous years without purchasing any chattel loans reinforces the need for a strong Enterprise Duty to Serve performance with respect to chattel loans.

MHI is the only national trade organization representing all segments of the factory-built housing industry. MHI members include manufactured home builders, lenders, home retailers, community owners and managers, suppliers and others serving or affiliated with the industry. MHI's membership includes 50 affiliated state organizations. MHI members represent over 85 percent of manufactured homes produced each year. In 2016, the industry produced over 81,000 homes, approximately nine percent of new single-family home starts.

A robust manufactured housing market is critical to increasing the availability of affordable housing, which is, in so many parts of the country, in short supply. Outside of metropolitan areas, one out of every seven homes is a manufactured home, making this a critical housing resource in rural areas where other multifamily housing options are often limited or impractical.

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[1] 82 FR 31009 (July 5, 2017)

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More than 22 million people have chosen manufactured housing because of its affordability and value. Manufactured homes are often available at lower monthly payments than other rental options. Manufactured homes provide affordable housing to many low- and moderate-income individuals; the median household income of manufactured home residents is $30,000 per year, which is less than half of the median household income of an owner of a single-family home.

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. The affordability of manufactured homes has long made these homes the preferred housing choice for many very low, low- and moderate-income families, such as first-time homebuyers and retirees. The average cost of a new manufactured home in 2016 was $70,600.

Given that the Enterprises have "an affirmative obligation to facilitate the financing of affordable housing for low- and moderate-income families," which fits the families who utilize manufactured housing, we believe it is critical that the housing goals, both single-family and multifamily, each clearly include financing for manufactured housing. This will ensure the Enterprises support greater access to manufactured housing credit and result in potentially more affordable financing, more lenders in the market, and the ability to refinance as market conditions change.

Blanket Loans on Manufactured Housing Communities Should be Included in the Multifamily Housing Goals

It is currently not clear in the proposed rule whether blanket loans to manufactured home communities may be counted toward meeting the multifamily housing goals. MHI believes they should be counted and is seeking a clear statement in the final rule that they are counted.

There are approximately 40,000 manufactured home communities within the United States. The vast majority of manufactured home communities are professionally managed, well-run and well-maintained by responsible owners. Residents in manufactured home communities are largely satisfied with their housing choice according to U.S. Census data.

The failure to have a vibrant secondary finance market for loans to manufactured housing communities results in owners having less money to reinvest in their communities. Increased access to financing would improve owners' abilities to repair and replace aging infrastructure and improve livability for community residents. This need is paramount since there has been very little development of new communities in the last 15 years—only a handful of new communities have been built since 2000. Important reinvestments include completion of necessary capital improvements to avoid deferred maintenance costs for things such as basic road repair, on-site utility maintenance, and maintaining family activity centers.

In the Duty to Serve Rule (DTS), MHI commented that community loans are an important activity, but that they are not enough of an Underserved Market to merit DTS credit. However, because many 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, MHI argued that the appropriate forum for encouraging blanket loans in the housing goals. Consistent with those comments, MHI is now requesting language in the rule that would make clear that blanket loans are eligible for multifamily housing goal credit, as long as the units meet the appropriate income threshold. It is important to note that FHFA has elected to permit Duty to Serve credit for blanket loans. Having done so, it would be inconsistent to encourage such loans in the DTS context but discourage them by excluding them from multifamily housing goals.

Moreover, the multifamily category is the appropriate category for such loans. In its 2017 Scorecard, FHFA included blanket loans in the category of multifamily, and specifically noted that such loans were among seven types of loans that were excluded from the multifamily volume cap in order to encourage the Enterprises to purchase such loans. It would be inconsistent with that action to discourage their purchase by not counting them in the multifamily goals.

Counting blanket loans on manufactured housing communities toward multifamily 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. As stated by Freddie Mac in its May 6, 2017 *Duty to Serve Plan:* "In rural areas, manufactured housing communities (MHC) are the prevalent form of affordable and easily accessible housing for many very low- and low-income households."

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

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

Both Chattel and Real Property Manufactured Home Loans are Eligible for Single-Family Housing Goals

Loans for owner occupied real property and chattel manufactured homes have always been counted toward single-family housing goals, provided they meet the appropriate income threshold for the goal. This is important, because manufactured housing is generally the most affordable homeownership option for Americans. The result is that manufactured home loans are "goal-rich," as they are affordable for low- and moderate-income families.

MHI would like to take this opportunity to reiterate its strong support for Fannie and Freddie to approve and implement a Duty to Serve Plan for chattel manufactured home loans. While it is true that housing goals give credit to chattel loans, historically the Enterprises have been permitted to meet their single-family housing goals without purchasing any chattel loans. This is why Congress additionally approved Duty to Serve for chattel loans, and why MHI believes it is critical for the Enterprises to have a strong Duty to Serve performance with respect to chattel loans.

In its Duty to Serve Rule[2], FHFA acknowledged that homes titled as personal property constitute more than 80 percent (80%) of new manufactured home purchases in recent years and are financed with chattel loans. As FHFA and the respective Enterprise Duty to Serve Plans document, interest rates are substantially higher for such loans, lenders are less plentiful, and except for a very small amount of Ginnie Mae FHA Title 1 loan purchases, there is no secondary market for chattel loans. These factors adversely affect very-low and low-income Americans.

The manufactured housing market today is characterized by sound lending practices and high quality homes built to a robust federal standard. But the lack of financing options put very-low and low income Americans at a disadvantage in a number of areas including the ability to:

- purchase new and existing homes,
- reduce interest rates through refinancing, and
- sell homes to the broad range of interested buyers.

MHI is mindful of the concerns of FHFA, Fannie Mae and Freddie Mac about the challenges and risks of purchasing chattel loans. However, all acknowledge that purchasing chattel loans will promote availability of financing for affordable housing for very-low and low-income Americans. Both Duty to Serve and Housing Goals cover the period from 2018 to 2020. Enterprise chattel loan purchases can be achieved safely and profitably within the three-year period. Allowing the Enterprises to earn Duty to Serve and Housing Goals credit for chattel loans will result in greater availability of quality affordable housing for very-low and low-income Americans.

MHI looks forward to its continued engagement with the FHFA and the Enterprises because manufactured housing is critical to increasing the availability of affordable housing. A stronger involvement by the Enterprises in this market will not only strengthen homeownership opportunities but also offer an alternative to consumers who are hurt by unaffordable rents or the

[2] 81 F.R. 96242 (December 29, 2016).

shortage of adequate housing. MHI welcomes the opportunity to address any questions or concerns you might have, and stands ready to help the Enterprises substantially increase their support for manufactured housing.

Sincerely,

Lesli Gooch

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Senior Vice President for Government Affairs & Chief Lobbyist