Manufactured Housing Institute

June 1, 2018

Mr. Alfred M. Pollard
General Counsel
Federal Housing Finance Agency
Constitution Center, (OGC) Eighth Floor
400 Seventh Street SW
Washington, DC 20219

RE: Regulatory Review [No. 2018–N–03]

Dear Mr. Pollard:

The Manufactured Housing Institute (MHI) is pleased to provide comments to the Federal Housing Finance Agency (FHFA) as it assesses its current regulations and determines how they can be made more effective and less burdensome. Specifically, MHI's recommendations will focus on two areas: Part 1282 – Enterprise Housing Goals and Mission and section Subpart C – Duty to Serve Underserved Markets. The following comments, drawn in part from previous MHI comment letters on the subject, highlight what the Enterprises can do to expand its effectiveness in meeting mortgage credit needs for manufactured housing, and how their Duty to Serve (DTS) Plans could be strengthened.

MHI is the only national trade organization that represents all segments of the factory-built housing industry. Our members include manufactured home builders, retailers, lenders, community owners and managers, suppliers, and others who serve the industry, as well as 50 affiliated state organizations. At present, more than 85 percent of all manufactured homes produced each year come from MHI member companies.

Manufactured homes are the most affordable homeownership option in the market today and the largest form of unsubsidized affordable housing in the United States. New manufactured homes make up approximately nine percent of new single-family housing starts, and in 2017 the manufactured housing industry produced nearly 93,000 homes. These homes are constructed by 34 U.S. corporations in 124 manufacturing facilities across the country. Our industry's manufacturing sector alone contributes almost $3 billion each year to the Gross National Product and provides approximately 40,000 jobs to American workers.[1]

Manufactured housing offers consumers unmatched quality and affordability because of the technological advancements, efficiencies, and cost savings associated with the factory-built process. This gives everyone – first-time homebuyers, growing families, and retirees – the opportunity to purchase housing that is cheaper than a site-built home. The average price of a new manufactured home is $70,600 and the median household income of manufactured homeowners is $30,000 per year, which is far below the national average. Further, a manufactured home is usually a more cost-effective solution when compared with renting an older home or apartment unit.

[1] 2016 Study by Dr. Stephen Cooke, Alward Institute for Collaborative Science, Huntersville, NC.

Meeting the Underserved Market Needs of Manufactured Housing

Congress enacted the Duty to Serve ("DTS") in 2008 and identified manufactured housing as an underserved market, citing Fannie Mae and Freddie Mac's exit from the chattel loan purchase market and declining purchase volume of real property manufactured home loan purchases.

Earlier this year, both Fannie Mae and Freddie Mac published its Duty to Serve Underserved Markets Plans (the "Plans"). Both Plans included common themes such as extensive market outreach, concerns about safety and soundness, and modest increases in liquidity. MHI appreciated the extensive work done by Fannie Mae and Freddie Mac to develop their DTS Plans, including a commendable degree of specificity regarding real property loan purchase volume goals and developing more flexible underwriting guidelines. However, both Plans included several "soft" Activities (such as research, conferences, roundtables, and provision of educational materials), and both Plans included Objectives to promote loans to manufactured home communities, which do not increase the availability of manufactured home loans to very low, low- and moderate-income borrowers. Additionally, while the DTS Plans included pilot initiatives for chattel loans on manufactured housing, they were not at levels that would have a meaningful impact on the market.

Following are MHI's recommendations for how FHFA and the Enterprises can strengthen its DTS program:

Subpart C – Duty to Serve Underserved Markets. In its DTS rule, FHFA acknowledged that homes titled as personal property constitute more than 80 percent of new manufactured home purchases in recent years. Moreover, while more can be done to purchase real property manufactured home loans, the greatest underserved market need is chattel loans. As FHFA and the respective DTS 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 I loan purchases, there is no secondary market for chattel loans.

MHI is pleased that both Fannie Mae and Freddie Mac have included chattel pilot programs in their DTS plans and strongly encourages the Enterprises to quickly implement these pilot programs at meaningful levels. MHI is confident chattel loans can be purchased safely and profitably, with proper underwriting standards and appropriate compensating fees and risk sharing. As evidence to support this conclusion, MHI points to lenders that continue to be active chattel lenders, and who have been originating such loans safely and profitably for years. MHI and its members have been working with Fannie Mae, Freddie Mac, and FHFA to help the Enterprises address questions regarding chattel loan risks and operational challenges and MHI has offered extensive comments and suggestions in the DTS rulemaking process about how the Enterprises could safely purchase such loans. A mix of appropriate downpayment requirements, compliance with existing Truth in Lending Act ability to repay requirements (including prudent debt-to-income ratio requirements), consumer loan origination and servicing protections, land tenure and pad lease protections, and partnering with experienced, well-capitalized seller-servicers will yield positive results.

Further, MHI continues to urge the Enterprises to purchase manufactured home loans on a flow basis (i.e., through the establishment of underwriting guidelines that allow seller-servicers to sell all loans that meet such guidelines). MHI is also still concerned that the Plans do not adequately address collaboration with private mortgage insurers to develop chattel loan private mortgage insurance or exploration of risk sharing structures (including lender recourse), which could mitigate Enterprise chattel loan risk and thereby allow for a more robust expansion of chattel loan purchases.

Additionally, as discussed in MHI's comment letter on the proposed DTS Rule, MHI believes that purchasing commercial loans for manufactured housing communities does not address an "underserved market" need, and therefore the Enterprises should not receive Duty to Serve credit for such loans. However, MHI does believe that the purchase of such loans, particularly for resident-owned and smaller, non-profit communities, is a laudable activity and therefore MHI generally supports the steps outlined in the Plans to pursue these Objectives.

Part 1282 – Enterprise Housing Goals and Mission. In the final rule announcing the Enterprises' 2018-2020 Housing Goals, FHFA did not make any changes to the housing goals treatment of chattel loans on manufactured housing but did acknowledge that both Fannie Mae and Freddie Mac have adopted DTS plans which allow them to pursue pilot initiatives for chattel loans on manufactured housing. However, because those plans are in the early stages, FHFA announced there is limited data available on the market for such loans or their performance and would be unable to set benchmark levels for this market segment or assess the impact of any Enterprise purchases on their housing goals performance.

MHI is mindful of the concerns of FHFA, Fannie Mae and Freddie Mac have 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, low and moderate-income Americans. As stated earlier in this letter, MHI and its members are working with Fannie Mae, Freddie Mac, and FHFA to help the Enterprises address questions regarding chattel loan risks and operational challenges. MHI and it members have provided substantive information about chattel financing, how Fannie Mae and Freddie Mac can safely and profitably purchase chattel loans, and how an efficient secondary market for chattel loans can be created, throughout the DTS rulemaking process. MHI strongly encourages FHFA to work with the Enterprises to ensure their chattel pilot activities are successful and monitor the progress so that future rulemaking may be proposed to enable this activity to be eligible for single-family housing goals.

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 shortage of adequate housing. As stated above, and in previous letters, manufactured housing is critical to increasing the availability of affordable housing in America and MHI looks forward to its continued engagement with FHFA and the Enterprises on this issue.

Sincerely,

Lesli Gooch

Lesli Gooch, Ph.D.
Executive Vice President for Government Affairs & Chief Lobbyist