I'M HOME

June 12, 2018

Alfred M. Pollard, General Counsel
Federal Housing Finance Agency, Eighth Floor
400 Seventh Street SW
Washington, DC 20219

Re: Comments/RIN 2590-AA83

Dear Mr. Pollard:

Prosperity Now (formerly CFED) is pleased to submit comments to the Federal Housing Finance Agency (FHFA) on its proposed amendments to the regulation for the Federal Home Loan Banks' Affordable Housing Program (AHP).

Prosperity Now is a national, nonpartisan nonprofit organization based in Washington, D.C. that works to expand economic opportunity for all Americans by promoting and advocating asset-building policies and programs. Prosperity Now, among other projects, established and runs the Innovations in Manufactured Homes (I'M HOME) initiative, which works to improve the asset-building potential of manufactured homes. Homeownership has long been the primary way for families to build wealth in the United States. Owning an affordable home can offer working families stability, security, and a legacy to pass on to the next generation.

Historically, the AHP has been an effective and useful source of gap funding for various types of projects across all eleven Federal Home Loan Banks. Any change to the AHP regulations, including scoring and regulatory priorities, should not unnecessarily complicate the AHP application, award and monitoring processes.

A home is only valuable if future homeowners have access to credit, money for downpayment and other resources to facilitate purchases. In finalizing the AHP rule, the FHFA needs to ensure that homeownership remains a viable wealth-building tool as it shapes any retention requirements and other means that tailor the AHP to low- and moderate-borrowers.

It also important, as much as is regulatorily feasible, that the FHFA adopt definitions of low- and moderate-income households and neighborhoods that are consistent with definitions from other programs common to AHP-funded projects. Furthermore, the FHFA should consider permitting the Banks to develop Targeted Funds that may serve income bands that exceed 80% area median income (AMI).

Before addressing some of the specific questions asked in Subparts B-G of the proposed rule, this comment letter will raise more general issues, some of which are addressed in Subparts B-G and elsewhere. These comments will generally be limited to homeownership and in some instances, manufactured housing specifically.

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1. General Comments on AHP Scoring

Manufactured housing community preservation is a significant priority for us and many of our partner organizations. Manufactured housing is an affordable option for families in every Bank district and manufactured housing preservation has been especially effectively in the Boston and Des Moines Bank regions. The FHFA has demonstrated its commitment to manufactured housing through the Duty to Serve Underserved Markets for the Enterprises regulation rules. Those rules recognize that manufactured housing is a significant source of housing for very low-, low-, and moderate-income households. Duty to Serve rules recognized that financing and down payment assistance are often not available to manufactured home buyers. However, there have been inconsistencies in the scoring that have created challenges for manufactured homebuyers, owners, and developers.

At least one I'M HOME partner organization found that the scoring criteria for the FHA makes it difficult for manufactured housing to be considered properly. They report that the AHP application does not consider the complete picture of what is needed to preserve old manufactured housing parks that are in poor condition. As new construction and rehabilitation uses are mutually exclusive in the application, neither approach is scored in a way that captures the value of the project. Organizations that acquire parks almost always need both funds for infrastructure improvements and, in some cases, to replace dilapidated, obsolete homes. This will be further explored below in response to questions 33 and 34 in Subpart E.

2. Affordable homeownership set-aside

We are supportive of the increased maximum allocation percentage of the Homeownership-Set Aside Programs, while retaining the alternate $4.5 million threshold which will increase the amount of low- or moderate-income homebuyers or homeownerships that will be able to purchase or rehabilitate their homes. We address this issue further in response to questions 7 and 25.

FHFA should also consider how to address appraisal gaps in certain housing markets. In challenged markets in both urban and rural America, homeownership and community revitalization opportunities are lost as appraisals do not match home prices and/or home price plus rehabilitation costs. In markets such as Detroit or Central Appalachia rehabilitating or replacement (with manufactured homes in some cases) of homes is key to sustainable homeownership and wealth building. The AHP should be specifically positioned to help close this gap.

3. Proposed rule change encouraging affordable housing in high-opportunity areas

We support the proposed rule change that encourages financing affordable housing in high-opportunity areas. In our work, we have seen the value of manufactured housing in high cost regions across the United States. In the Portland metropolitan area, 61% of manufactured housing is affordable compared to only 22% of all other housing types. Nearly 74% of Portland metro manufactured home residents own their homes compared to the 57% in other types of housing; yet the median household income for manufactured homebuyers is about $39,000 compared to nearly $80,000 for other homeowners[1]. Manufactured housing is one of the few affordable options for low to moderate families to live in this higher opportunity region. Portland is expected to gain approximately 132,000 new households by 2035 according to the city of Portland.[2] Manufactured housing offers the chance for significant cost savings that could further the development of affordable housing in urban areas where developers are challenged with higher land costs. These developments would be additionally supported by the proposed rule change regarding scoring methodology to outcome-based evaluation to meet housing needs in regions of the country that area reckoning with high land costs and the need for smaller footprint homes.

The proposed rule shift to scoring methodology regarding outcome-based evaluation to meet the housing needs would additionally afford regions of the country impacted by natural disaster to recover more quickly. In California, 47% of manufactured housing is affordable compared to 18% of all housing.[3] Due to the affordability and timeframe needed to build, manufactured homes could enable the communities of California affected by the wildfires to attain an affordable home. Similarly, Texas could utilize manufactured housing to meet the housing needs after the hurricanes in 2017. The proposed change would afford flexibility to more greatly consider the needs of the district particularly after adverse weather affects regions of the country. In Texas, Hudspeth and Zapata Counties over 30% of housing units are manufactured housing homes.[4] These counties also are Duty to Serve High-Needs Counties and would additionally be served by flexibility provided by the change in scoring methodology regarding outcome-based evaluation, particularly regarding USDA Rural Rental Housing Loans (Section 515).

Prosperity Now supports the expansion of the list of special needs populations to include the formerly incarcerated persons. Incarceration increases the risk of housing instability and insecurity immediately upon their release from prison or jail.[5] Formerly incarcerated individuals often do not have the means to rent in the private market and many public housing providers ban tenants with conviction histories. The expansion of the list of special needs including the formerly incarcerated person will afford an opportunity to attain housing for a population that often struggles with housing and the adverse effects of the lack of housing leading to increased recidivism.[6]

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[1] Prosperity Now. "Portland, OR: Affordable Housing Need & The Role of Manufactured Housing."
[2] Ibid
[3] Prosperity Now. "California: Affordable Housing Need & The Role of Manufactured Housing."
[4] Prosperity Now. "Texas: Affordable Housing Need & The Role of Manufactured Housing."
[5] Geller and Curtis 2011.
[6] Le, Hana. "Expanding Housing Access for Formerly Incarcerated People."

4. Proposed 1291.24 Eligible Uses

We support the eligible uses of the AHP subsidy for the purchase, construction or rehabilitation of owner-occupied or rental housing. However, we urge the FHFA to explicitly include the installation of manufactured homes and the decommissioning of obsolete manufactured homes as permissible uses. Without these explicit inclusions, the funds may not be available to manufactured housing and leaving out an underserved population.

Specific Requests for Comments:

1. Targeted Funds are an opportunity for individual Banks to meet the housing needs in their districts. The proposed rule appears to include provisions to help ensure that such funds do not detract from the statutory purpose of the AHP.

2. As currently constructed, the 40% allocation for Targeted Funds seems reasonable to encourage innovation tailored to a Bank's housing needs. There is risk, however, that such a ration may inhibit a Bank's ability to meet the AHP statutory requirements of the AHP through the General Fund.

6. We encourage the FHFA to reconsider the proposed removal of the requirement for retention agreements on owner-occupied units. Without this requirement, Banks may inadvertently subsidize efforts for individuals to flip homes and discourage long term homeownership.[7]

If the FHFA chooses to eliminate the retention requirement, we urge the FHFA to consider an opt-out requirement for a five-year retention agreement. If a Bank chooses to opt-out of the requirement, the Bank should be required to document and detail why they chose to not require a retention requirement.

7. We do not believe this, in of itself, justifies removing the retention requirement. However, the FHFA should consider that if the subsidy is below a certain threshold, such as $5,000, the requirement is waived. It is unlikely that such a small subsidy would trigger flipping and that the transaction costs would wipe out the value of the subsidy.

8. No. This appears to be administratively burdensome.

9. Yes, the recipient should repay the subsidy, assuming it exceeds the threshold suggested in answer 7, in the home is sold or refinanced within five years.

10. FHFA should proceed carefully in finalizing this section of the rule. Making repayment too burdensome, may discourage use of the subsidy for homeownership.

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[7] In May 2003, the U.S. Department of Housing and Urban Development issued a federal regulation intended to protect potential homebuyers from potentially predatory lending practices associated with "flipping" home mortgages insured by the Federal Housing Administration. The rule defined property flipping as "the predatory lending practice whereby a property recently acquired is resold for a considerable profit with an artificially inflated value, often abetted by a lender's collusion with the appraiser."

11. Proxies could include participation in income-restricted programs, such as downpayment assistance and first-time homebuyer programs, Family Self-Sufficiency (FSS) programs and similar programs.

12. We encourage the FHFA use person-based proxies rather than place-based ones, which could facilitate gentrification. Self-certification or third-party certification (by the loan originator, for example) should be adequate as well.

13. Yes, this seems reasonable.

14. Yes.

25-26. We support the increase to the maximum AHP subsidy and tying it to the housing price index.

27. AHP has a unique role in making homeownership possible for LMI families. Since there are very few such sources of funds for these potential borrowers, the 10% requirement should be a minimum.

33. These three priorities are appropriate and offer the Banks flexibility to meet their needs.

34. It is encouraging that the proposed rule specifically calls out, in § 1291.48, homeownership preservation as a regulatory priority and includes owner-occupied rehabilitation, shared equity and water and energy improvements as special needs. The preservation of manufactured housing as limited-equity cooperatives generally includes these elements. However, we believe that the final rule should specifically identify that the permanent preservation of manufactured housing communities, through cooperatives, land trusts, government instrumentalities and nonprofits, is included as a regulatory priority. These ownership models offer homeowners long-term security often unavailable in typical land-lease communities and in the general rental housing market.

Similarly, we urge the FHFA to explicitly define homeownership to include manufactured housing in land-lease communities with long-term leases to encourage the valuable and affordable option for individuals seeking to purchase or rehabilitate a manufactured home. The FHFA could adopt the lease-term provisions for the USDA RD 504 home repair program.

The criteria for sustainability and energy efficiency could be adapted to reflect the energy efficiency of newer manufactured housing. Energy Star manufactured homes compared to a typical HUD code manufactured homes save an average of 30% of total energy use. We urge the FHFA to consider Energy Star certification for manufactured homes as a specific measure for manufactured home. Manufactured homes are produced in one-fifth the time and at half the cost of site-built homes. Manufactured homes assembled in controlled, factory environments use fewer materials and generate 35-40% less waste than comparable site-built units.[8] Currently,

[8] Grosskopf, K.R. Ph.D., CEM, and David Cutlip, MSBC. Safety, Sustainability and Public Perception of Manufactured Housing in Hot, Humid Climates. 2006; Loren Berlin, *From*

the application scores higher if you recycle building waste; however, we suggest there is just as much value in the way that manufactured homes reduce waste in comparable ways that site-built homes recycle waste.

We reiterate that the AHP should offer greater consideration to the preservation of manufactured housing communities. In addition, we support the proposed rules concerning the affordable homeownership preservation regulatory priority that are included in the shared-equity homeownership programs. Shared-equity homeownership programs can enable manufactured home communities to maintain and preserve their housing.

Finally, we suggest that new homes not be excluded as a special need. Specifically, we urge the FHFA to include new manufactured homes as a special need. This could facilitate the replacement of older, obsolete and inefficient homes in key markets, such as Appalachia.

We appreciate the opportunity to comment on the FHFA's proposed amendments to its regulation on the Federal Home Loan Banks' Affordable Housing Program. We are grateful for the opportunity to provide the FHFA with recommendations on how the AHP can be improved to encourage activities that we believe are necessary to adequately serve the homeownership market. We look forward to seeing the final version of the Amendments after FHFA consideration of public feedback.

Sincerely,

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Prosperity Now

Adriana Acosta, Canal Alliance
Donna Blaze, Affordable Housing Alliance
Victoria Clark, Northcountry Cooperative Foundation
Jerry Durham, Federation of Manufactured Home Owners, Florida
Mary Duvall, THISTLE
Andre Dyce, Prosperity Now
Claas Ehlers, Family Promise
Diane Gasaway, Northwest Cooperative Development Center

Stigma to Housing Fix: The Evolution of Manufactured Homes. Lincoln Institute of Land Policy, 2015.

Connie Hill, Utah Manufactured Homeowners Association
Jennifer Hopkins, New Hampshire Community Loan Fund
Lynne Keller, Opportunity Alliance Nevada
Shelia Rice, Montana Housing Coalition
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