



# Manufactured Housing Association for Regulatory Reform

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August 26, 2020

VIA FEDERAL EXPRESS

Hon. Alfred M. Pollard  
General Counsel  
Federal Housing Finance Agency  
Eighth Floor  
400 Seventh Street, S.W.  
Washington, D.C. 20219

Re: Enterprise Regulatory Capital Framework – RIN 2590-AA95

Dear Mr. Pollard:

The following comments are submitted on behalf of the Manufactured Housing Association for Regulatory Reform (MHARR). MHARR is a Washington, D.C.-based national trade association representing the views and interests of producers of manufactured housing subject to federal regulation by the U.S. Department of Housing and Urban Development (HUD) pursuant to the National Manufactured Housing Construction and Safety Standards Act of 1974 (42 U.S.C. 5401, et seq.) as amended by the Manufactured Housing Improvement Act of 2000. MHARR's members are primarily smaller businesses, located in all regions of the United States.

Twelve years ago, Congress, pursuant to the remedial “Duty to Serve Underserved Markets” (DTS) mandate incorporated within the Housing and Economic Recovery Act of 2008 (HERA), directed the two Government Sponsored Enterprises (GSEs or Enterprises) – Fannie Mae and Freddie Mac – and the Federal Housing Finance Agency (FHFA), as the GSEs’ federal regulator, to specifically serve, in a market significant manner, three historically “underserved” housing markets, including the market for mainstream, affordable, federally-regulated manufactured housing.

As described by MHARR in previous comments submitted to FHFA, “the DTS mandate represents both a congressional finding that the two Government Sponsored Enterprises ... Fannie Mae and Freddie Mac (and by extension FHFA), have not – and still do not -- properly serve the manufactured housing market, despite their existing Charter obligations to support home ownership opportunities for very low, low and moderate-income Americans, as well as a remedy, designed to materially increase the participation of the Enterprises in the manufactured housing market. DTS, accordingly, is a mandatory directive to the Enterprises to, among other things: “develop loan products and flexible underwriting guidelines to facilitate a secondary market for mortgages on manufactured homes for very low, low and moderate-income families” (see, 12

U.S.C. 4565(a)). Moreover, to ensure that the term “mortgages” is not misconstrued to limit the scope of DTS to manufactured home real estate “mortgage” loans, the same section of HERA expressly provides that “in determining whether an Enterprise has complied” with DTS, FHFA -- as the Enterprises’ regulator – “may consider loans secured by both real and personal property” (i.e., manufactured home-only “chattel loans”) (see, 12 U.S.C. 4565(d) (3)) (emphasis added).<sup>1</sup>

As has been thoroughly documented by MHARR, however, DTS, more than a decade after its enactment, remains an unfulfilled promise for the overwhelming majority of the mainstream HUD Code manufactured housing market and the millions of lower and moderate-income American families who rely upon manufactured homes as the nation’s leading source of inherently affordable, non-subsidized homeownership.<sup>2</sup> Thus, today, the nearly 80 percent of the HUD Code consumer market financed through personal property (i.e., “chattel”) loans, remains completely unserved under DTS, and the manufactured housing real estate market, which comprises a much smaller (and more costly) segment of the overall HUD Code market, has fared little better.

Accordingly, based on FHFA’s own DTS statistics,<sup>3</sup> it appears that only 7 percent – or less – of the existing HUD Code consumer market is being served today under DTS after 12 years of evasion and outright defiance of the congressional DTS mandate by Fannie and Freddie, including a disingenuous effort to shift and divert DTS away from mainstream affordable manufactured housing and mainstream manufactured housing consumers, through the so-called “MH Advantage” and “Choice Home” programs for much more costly, “hybrid” factory-built homes with prices that are double and triple those of mainstream, affordable HUD Code homes.<sup>4</sup> Conversely, some 93 percent of the manufactured housing market – and manufactured housing consumers – remain unserved by the GSEs, notwithstanding Congress’ DTS directive. This blatant failure to implement DTS and establish a fully-competitive secondary market for mainstream manufactured housing consumer loans under DTS, leaves manufactured housing purchasers at the mercy of a relative handful of “portfolio” lenders affiliated with the manufactured housing industry’s largest corporate conglomerates -- including Berkshire Hathaway, Inc. subsidiary, Clayton Homes, Inc. -- which charge consumers disproportionately higher interest rates. Thus as confirmed by Freddie Mac’s own research, in the absence of GSE support for the manufactured housing consumer lending market pursuant to DTS, “more than 90% of the [manufactured home] personal property loans reported in ... 2018” were “higher-cost originations.”<sup>5</sup>

Now, following the GSEs’ long-term (and continuing) failure to implement DTS for HUD Code manufactured housing on anything even approaching a market-significant – or even market-adequate – basis, FHFA, through the rule proposed in the instant docket, is seeking to establish a new regulatory capital framework for the Enterprises. As described by FHFA, the current proposed rule is designed to “establish a post-conservatorship regulatory capital framework that ensures that

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<sup>1</sup> See, MHARR Comments to FHFA, “Enterprise Duty to Serve Underserved Markets,” RIN 2590-AA27, March 15, 2016.

<sup>2</sup> See, e.g., MHARR comments to FHFA “Proposed Modifications: 2018-2020 Duty to Serve Plans,” November 12, 2019, attached hereto as Attachment 1.

<sup>3</sup> See, FHFA DTS “Dashboard.”

<sup>4</sup> See, MHARR correspondence to FHFA Deputy Director, Sandra Thompson, “Correcting the GSEs’ Noncompliance with the Duty to Serve Mandate for Manufactured Housing,” August 18, 2020, attached hereto as Attachment 2.

<sup>5</sup> See, “Manufactured Home Loan Performance – 2009-2019,” Freddie Mac (2020) at p. 7.

each Enterprise operates in a safe and sound manner and is positioned to fulfill its statutory mission to provide stability and ongoing assistance to the secondary mortgage market across the economic cycle [and] particularl[y] during periods of financial stress.”<sup>6</sup>

While the proposed Enterprise Regulatory Capital Framework rule, in its current form as published by FHFA, does not specifically reference or take cognizance of the statutory DTS mandate, any final rule adopted through this proceeding should not – and must not – be structured or phrased in such a way as to subvert or impinge upon any aspect of either the DTS mandate or the Enterprises’ ability and obligation to fully and effectively comply with that affirmative statutory directive.<sup>7</sup> Accordingly, any final rule published in this docket by FHFA should:

- (1) Take specific cognizance of the existence of the DTS statutory mandate;
- (2) Take specific cognizance of the binding and mandatory nature of the DTS directive with respect to each and every DTS-identified market;
- (3) Affirmatively provide that the GSEs’ responsibilities and obligations pursuant to DTS are not, will not and must not be altered or affected by the Regulatory Capital Framework;
- (4) Affirmatively provide that, if necessary, full DTS compliance to provide market-significant support for each enumerated DTS market, including mainstream HUD Code manufactured housing, constitutes a statutory exception to -- or “carve-out” from -- the remainder of the Enterprise Regulatory Capital Framework as proposed; and
- (5) Insofar as it has been proven that the alleged “implementation” of the DTS manufactured housing mandate has primarily benefited the industry’s largest corporate conglomerates, any final rule in this docket should include an affirmative directive requiring Fannie Mae and Freddie Mac to fully comply with the DTS mandate in a market-significant manner with respect to all segments of the mainstream manufactured housing market, including both real estate and chattel-based manufactured home consumer loans.

Accordingly, for all of the foregoing reasons, FHFA must ensure that any final Enterprise Regulatory Capital Framework rule is structured and worded in such a way that the said rule does not subvert or impinge upon – in any way – the GSEs’ separate and severable statutory duty to

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<sup>6</sup> See, 85 Federal Register, No. 126, Proposed Rule – “Enterprise Regulatory Capital Framework,” (June 30, 2020), p. 39274 at p. 39275.

<sup>7</sup> For example, Table 14 of the proposed rule, addressing single-family “risk multipliers,” would continue and seek to falsely legitimate the GSEs’ longstanding discrimination against mainstream manufactured housing consumer loans by assigning even “performing” manufactured housing loans a significant 1.3 “risk multiplier,” and assigning manufactured housing “Non-modified RPLs” and “Modified RPLs” the highest risk multipliers in those categories – i.e., 1.8 and 1.6 respectively. In order to facilitate full compliance with the DTS mandate, these risk multipliers for mainstream manufactured housing should be reassessed and significantly reduced or eliminated – i.e., conformed to the “1 unit” base multiplier of 1.0 in any final rule in this docket. See, 85 Federal Register, supra at p. 39309, Table 14 – “Risk Multipliers.”

fully and properly serve the manufactured housing market under DTS in a market-significant manner. Therefore, MHARR asks that FHFA incorporate appropriate and necessary protections (and/or waivers if applicable), as summarized above, for the DTS obligations of the two Enterprises pursuant to the DTS statutory mandate.

Sincerely,

A handwritten signature in black ink, appearing to read 'Mark Weiss', with a long horizontal flourish extending to the right.

Mark Weiss  
President and CEO

cc: Hon. Mark Calabria  
Hon. Michael D. Crapo  
Hon. Maxine Waters  
Hon. Ben Carson  
Ms. Sandra Thompson



# Manufactured Housing Association for Regulatory Reform

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November 12, 2019

## VIA ELECTRONIC SUBMISSION

U.S. Federal Housing Finance Agency  
Division C – Housing Mission and Goals  
7<sup>th</sup> Floor  
400 7<sup>th</sup> Street, S.W.  
Washington, D.C. 20219

Re: Proposed Modifications: 2018-2020 Duty to Serve Plans

Dear Sir or Madam:

The following comments are submitted on behalf of the Manufactured Housing Association for Regulatory Reform (MHARR). MHARR is a Washington, D.C.-based national trade association representing the views and interests of producers of federally-regulated manufactured housing. MHARR was founded in 1985. Its members include smaller and medium-sized independent manufactured housing producers from all regions of the United States.

On October 24, 2019, the Federal Housing Finance Agency (FHFA) published, for public comment, proposed modifications to the 2018-2020 Fannie Mae and Freddie Mac Duty to Serve Underserved Markets (DTS) implementation plans previously approved by FHFA. The DTS provision of the Housing and Economic Recovery Act of 2008 (HERA) directs Fannie Mae and Freddie Mac to “develop loan products and flexible underwriting guidelines” to, among other things, “facilitate a secondary market for mortgages” and personal property, or “chattel” loans, “on manufactured homes for very low, low and moderate-income families.” As such, DTS was designed to provide a specific statutory remedy for the failure of the Government Sponsored Enterprises (GSEs) to properly serve – for decades -- the manufactured housing market and the mostly lower and moderate-income consumers who rely on inherently affordable manufactured housing. As MHARR has emphasized repeatedly, however, the DTS “implementation” plans approved by FHFA in late 2017<sup>1</sup> and subsequently modified with FHFA’s approval, were, are, and remain, with respect to manufactured housing, wholly deficient and completely inadequate to meet either the express mandate or remedial purpose of the DTS directive<sup>2</sup> and constitute, instead, a de facto administrative rejection and distortion of DTS.

<sup>1</sup> See, MHARR July 10, 2017 comments to FHFA, “Duty to Serve Underserved Markets – Implementation Plan Evaluation”

<sup>2</sup> See, MHARR November 2, 2018 comments to FHFA, “Proposed Modifications: 2018-2020 Duty to Serve Plans.”



And now, Fannie Mae, in its most recent proposed DTS Plan modifications for plan years 2019 and 2020, as published by FHFA, would further weaken and further delay its already long-delayed and virtually non-existent commitment to mainstream manufactured housing subject to federal regulation by the U.S. Department of Housing and Urban Development (HUD). These proposed changes, which have been deemed “substantial” by FHFA,<sup>3</sup> will devastate an already greatly-diminished manufactured housing market<sup>4</sup> currently dominated by a small number of portfolio lenders affiliated with the industry’s largest producers. By failing to support the manufactured housing consumer financing market in any meaningful, market-significant manner, and thereby needlessly subjecting manufactured homebuyers to higher-cost interest rates charged by those market-dominant lenders, fueled in significant part by the absence of full free-market competition, the GSEs’ DTS “implementation” plans -- as already modified and as proposed to be modified now -- will effectively exclude, altogether, millions of otherwise credit-worthy lower and moderate-income Americans from the benefits of homeownership.<sup>5</sup> This, again, is directly contrary to – and in direct and blatant violation – of the DTS mandate and the clear purposes and objectives of Congress in enacting DTS.

Specifically, while nearly 80 percent of the mainstream affordable manufactured housing market is financed through personal property (i.e., chattel) consumer loans,<sup>6</sup> this largest single segment of the manufactured housing consumer financing market remains totally unserved by the GSEs more than a decade after Congress’ adoption of DTS. By leaving at least 80% of the manufactured housing finance market totally unserved, there is absolutely no valid or legitimate basis for concluding that the GSEs (or FHFA as their regulator) are in compliance with DTS, despite their baseless claims to the contrary. Indeed, even the minimal and insufficient manufactured housing chattel loan “pilot programs” promised by the GSEs since at least 2017 have failed to materialize, with FHFA claiming that programs are under review, while refusing, in response to an inquiry by MHARR, to disclose the terms or parameters of such alleged programs, claiming that they are “pre-decisional.” In the meantime, however, both American consumers of affordable housing and the industry as a whole continue to suffer, with year-over-year

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<sup>3</sup> See, FHFA “Request for Input on Fannie Mae and Freddie Mac Proposed Modifications to their 2018-2020 Duty to Serve Plans” at p. 3: “The DTS regulation provides that proposed modifications will be subject to public input ‘if FHFA determines that public input would assist its consideration of the proposed modifications.’ FHFA has determined that public input would be helpful in considering proposed modifications that would make a substantial change to the content of a Plan, or could affect the concept score of an objective. FHFA has discretion to determine which proposed modifications will be subject to public input on a case-by-case basis.” (Emphasis added, footnotes omitted).

<sup>4</sup> Manufactured housing production in 2018 was 96,555 homes, a reduction of more than 74% from the 373,143 manufactured homes produced by HUD-regulated manufactured homebuilders in 1998.

<sup>5</sup> The direct linkage between the failure of the GSEs and FHFA to fully implement DTS with respect to mainstream manufactured housing in a market-significant manner, and higher-cost interest rates for manufactured housing consumers is specifically addressed by manufactured housing producer Cavco Industries, Inc. (“Cavco”), in its Form 10-Q filing with the United States Securities and Exchange Commission, for the quarter ending September 28, 2019. That document states, in relevant part: “The lack of an efficient secondary market for manufactured home loans and the limited number of institutions lending to manufactured home buyers result in higher interest rates for loans secured by manufactured homes compared to those for site-built homes.” See Cavco September 28, 2019 Form 10Q at p. 37. (Emphasis added).

<sup>6</sup> See, U.S. Census Bureau, “Cost and Size Comparisons: New Manufactured Homes and New Single-Family Site-Built Homes,” attached hereto as Exhibit 1, showing that 77% of new manufactured homes in 2018 were “titled as personal property.”

manufactured home production levels having declined substantially over ten of the last twelve months.<sup>7</sup>

Meanwhile, since the GSEs' initial DTS Plans were approved, Fannie Mae, Freddie Mac and FHFA regulators have made much of their alleged DTS support for the comparatively tiny portion of the total manufactured housing market represented by real estate loans. Now, though, even that flimsy "commitment" to manufactured home loan purchases would be undermined and delayed by the proposed modifications to Fannie Mae's 2018-2020 DTS Plan.

Pursuant to the proposed modifications, Fannie Mae's 2020 "loan purchase target" for mainstream manufactured homes titled as real estate under its Plan "Objective 2," would drop from an already miniscule 450 loans to a mere "100" loans (i.e., 0.1% of the entire manufactured housing market, based on 2018 production). Further, under its separate alleged DTS undertaking to "develop an enhanced manufactured housing loan product for quality manufactured homes and purchase loans" (emphasis added) (i.e., its highly-touted "MH Advantage" program for higher-cost manufactured homes), Fannie Mae proposes to totally remove any commitment to purchase such loans in 2019 and 2020, and is reducing its loan purchase "goal" from 500-750 such loans to a mere 25, (see, Fannie Mae proposed DTS modifications, p. 3 of 5), asserting that 25 loans "is a meaningful loan purchase target" in that it "represents a significant increase in purchase volumes as compared to 2018 and 2019." Thus, as has been the case throughout the DTS process, Fannie Mae effectively claims that its total failure to serve any component of the manufactured housing market in the past somehow constitutes a legitimate justification for its continuing and ongoing failure to do so now.<sup>8</sup>

By failing to implement any aspect of DTS for mainstream manufactured homes in a market-significant manner – or at all – for major sections of the HUD Code market, the GSEs and FHFA are seriously harming lower and moderate-income American homebuyers by helping to sustain needlessly high-cost interest rates, particularly for personal property loans. This inures to the specific benefit of the industry's largest manufacturers and their captive lenders, while it discriminates against – and unduly harms – smaller, independent producers while undermining competition within the industry as a whole.

If there were any doubt, however, that the GSEs and FHFA are continuing to cater to the special interests of the industry's largest producers and their captive finance companies, the

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<sup>7</sup> The negative impact of the failure of the GSEs and FHFA to implement DTS in a market-significant manner on the manufactured housing industry is also addressed by Cavco Industries, Inc. in its September 28, 2019 Form 10Q filing: "Expansion of the secondary market for lending through the GSEs could support further demand for [manufactured] housing, as lending options would likely become more affordable to home buyers. Although some progress has been made in this area, meaningful positive impact in the form of increased home orders has yet to be realized. See, Cavco September 28, 2019 Form 10Q at p. 37. (Emphasis added).

<sup>8</sup> Incredibly, Fannie Mae seeks to justify gutting the loan purchase goal for its own program by alleging "a lack of meaningful support from industry trade groups." While MHARR has, in fact, strongly opposed the diversion of DTS support from mainstream, affordable, manufactured housing to more costly site-built-like homes under MH Advantage, it attempted to warn Fannie Mae in particular, that the MH Advantage program – being similar to and apparently based on Fannie Mae's failed 2009 "MH Select" program -- would also fail. See, Exhibit 2 hereto, June 5, 2018 MHARR letter to Jonathan Lawless, Fannie Mae Vice President, pointing out that MH Select failed to produce even one origination.

following statement from the Fannie Mae proposal regarding the MH Advantage program is telling: “first loans were purchased through homes in a subdivision development and all of the top 3 manufacturers are making this a priority in 2020 and beyond.” (Emphasis added) (Id.). This shows – as MHARR has consistently maintained -- that MH Advantage was established to help the industry’s largest producers sell more costly manufactured homes outside of the mainstream manufactured housing market; that it disregards the market-segment served by smaller and medium-sized independent producers; that it therefore fails to serve the vast bulk of the manufactured housing market and the vast bulk of the manufactured housing real estate sub-market; and that it is a diversion from and avoidance of the legitimate purposes of DTS, which allows the GSEs to claim that they are implementing DTS when, in fact, they are not and are simultaneously leaving the mainstream manufactured housing market and lower and moderate-income American homebuyers nearly entirely unserved.

As MHARR has noted previously, the alleged “implementation” of DTS by Fannie Mae and Freddie Mac is a misleading charade and shell-game by entities with no interest in actually serving the mainstream HUD Code manufactured housing market and the lower and moderate-income American homebuyers that Congress specifically sought to help. As such: (1) all of Fannie Mae’s proposed DTS Plan revisions should be rejected by FHFA; (2) all elements and all aspects of the sham DTS “implementation” process should be investigated by the U.S. Congress; and (3) both Houses of Congress should conduct full-scale hearings to hold to account all those responsible for the virtual gutting of DTS for 11 years. In light of this unacceptable failure by the GSEs, MHARR will pursue this matter further with both Congress and the Trump Administration.

Very truly yours,



Mark Weiss  
President and CEO

cc: Hon. Mick Mulvaney  
Hon. Ben Carson  
Hon. Mark Calabria  
Hon. Michael D. Crapo  
Hon. Maxine Waters





# Manufactured Housing Association for Regulatory Reform

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August 18, 2020

VIA FEDERAL EXPRESS

Ms. Sandra Thompson  
Deputy Director  
Federal Housing Finance Agency  
Constitution Center  
400 7<sup>th</sup> Street, S.W.  
Washington, D.C. 20219

Re: Correcting the GSEs' Noncompliance with the  
Duty to Serve Mandate for Manufactured Housing

Dear Ms. Thompson:

On behalf of MHARR, we wish to thank you again for the opportunity to provide you with our concerns and input regarding the continuing failure of Fannie Mae and Freddie Mac to serve the mainstream HUD Code manufactured housing market in accordance with the Duty to Serve Underserved Markets (DTS) statutory mandate.

The DTS mandate with regard to HUD Code manufactured housing is particularly important for lower and moderate-income American families because mainstream manufactured homes – as specifically recognized and memorialized in federal law – are the nation's premier source of truly affordable, quality, non-subsidized homeownership.

According to U.S. Census Bureau statistics, the average sales price of a mainstream, HUD Code manufactured home in 2017 was \$71,900, with an average cost, per square foot, of \$50.42. By comparison, the average structural sales price (i.e., price excluding land) of a site-built home, also in 2017, was \$293,727, or \$111.05 per square foot. The same Census Bureau analysis shows a derived average sales price for land for a site-built home to be \$91,173. Thus, based solely on structural price, the average sales price of a site-built home is more than four times the average price of a mainstream manufactured home, and the per-square foot cost of a site-built home is more than double that of a mainstream manufactured home. Therefore, regardless of size differences, mainstream modern manufactured homes offer consumers the most affordable non-subsidized homeownership available in the housing market today.

Notwithstanding this undisputed value, however, the production of manufactured homes over the past decade-plus, has fallen significantly below the industry's historical 20-year and 30-

year production benchmarks, each of which easily exceeds 100,000 homes per year. And while this shortfall, which impacts and harms lower and moderate-income American families across the nation's heartland the most, is attributable to the combined effect of a number of factors, one of the primary factors – if not the primary factor – is the lack of affordable, price-competitive consumer financing for HUD Code homes, due to the discriminatory absence of securitization and secondary market support for mainstream manufactured home consumer loans by Fannie Mae and Freddie Mac. Indeed, Freddie Mac's own research shows that in the absence of such support within the HUD Code personal property financing market – which constitutes the overwhelming majority of total manufactured housing placements according to U.S. Census Bureau data -- “more than 90% of the [manufactured home] personal property loans reported in ... 2018” were “higher-cost originations.” (See, “Manufactured Home Loan Performance” – 2009-2019, Freddie Mac, 2020 at p. 7).

Thus, the discriminatory denial of DTS support for mainstream manufactured homes by Fannie Mae and Freddie Mac needlessly subjects manufactured housing consumers to higher-cost, higher-than-market, arguably “predatory” interest rates. Such higher-rates effectively exclude millions of lower-income consumers from the housing market altogether, while forcing those that remain to overpay, based on the higher-cost rates charged by the “portfolio” lending subsidiaries of the industry's largest corporate conglomerates (including, most particularly, Berkshire Hathaway, Inc. subsidiary Clayton Homes, Inc.). The absence of DTS support thus substantially harms both consumers and the industry, and particularly smaller industry businesses.

As MHARR manufacturers stressed during our July 21, 2020 conference call, the manufactured housing market – like any other – is consumer-driven. And the primary motivating factor for lower and moderate-income mainstream manufactured housing consumers, as demonstrated by years of industry sales data, is affordability. Thus, the industry's most affordable homes, sold as personal property without land, as noted above, account for as much as 80% of the entire manufactured housing market, whereas manufactured homes sold as more costly real estate placements, or as hybrid land-home packages, account for less than 20% of the total market (with the difference comprised largely of homes placed on land already owned by the homeowner or homeowner's family). And even within this extremely narrow segment of the market, Fannie and Freddie's involvement under DTS has been minimal and not market-significant (see below).

Given this reality, DTS, in order to effectively and properly serve the manufactured housing market, as mandated by Congress (which recognized the Enterprises' failure to serve that market for decades), must be market-driven as well, and thus provide support for the more affordable manufactured homes that are most often purchased and financed as personal property. But such support is not being provided – and has not been provided at all -- some twelve years after DTS' enactment.

Nor is the much smaller and more costly portion of the mainstream HUD Code manufactured housing market, which consists of HUD Code homes titles as real estate, being adequately or properly served by Fannie and Freddie under the DTS mandate. While such real estate-titled homes typically include the cost of the underlying land in their consumer financing package, and are, therefore, more costly to the purchaser than a chattel-financed, mainstream manufactured home, they nonetheless are substantially more affordable than site-built homes. Yet,

of the real estate placements supported by Fannie and Freddie under DTS – as reported on the FHFA DTS “dashboard,” only 36% were first-time purchasers. At most, then, since the beginning of their so-called DTS “implementation,” Fannie and Freddie have served 36% of less than 20% of the total mainstream HUD Code manufactured housing market, or approximately 7% of the total existing market to date.

Instead, Fannie Mae and Freddie Mac, rather than providing DTS support for mainstream manufactured homes based on the market as it actually exists – and the manufactured homes which that market and its consumers demand -- are instead trying, through their DTS “implementation” thus far, to change the product itself and to serve consumers who are not lower and moderate-income consumers of “affordable” housing. And it is precisely because of this fundamental “disconnect” between the market as it exists, and the market that Fannie and Freddie *want* – and seek to *force* into existence through sheer economic power -- that DTS, more than 12 years after its enactment, has failed to produce any significant remedial results within the manufactured housing market.

Instead of providing consumer financing support for mainstream HUD Code manufactured homes costing \$54,000 to \$64,000, that are affordable for wide segments of Americans, Fannie Mae and Freddie Mac are instead, through their MH Advantage and Choice Home programs, providing support for “hybrid” manufactured homes that are much more costly than even mainstream manufactured homes titled as real estate, and not affordable for the American families that have historically comprised the HUD Code manufactured housing market. To the contrary, the features mandated by Fannie Mae and Freddie Mac to make such “Advantage” and “Choice” homes “more like” site-built homes, increase their cost to levels that approach the Census Bureau average structural cost for a site-built home.

Thus, based on calculations by MHARR manufacturers, the following are the costs associated with various features over and above the HUD Code standards that are required for Fannie Mae “MH Advantage” homes (requirements and costs for Freddie Mac “ChoiceHome” manufactured homes are similar, but not exactly the same). These additional costs are based on a home size of 28x60 feet as delivered to a retailer:

1. Base price of a typical HUD Code home of this size (FOB factory): \$54,000 to \$64,000;
2. Cost of additional features requires to make home “MH Advantage” eligible: \$67,000 to \$73,000.

Additional costs to make the home MH Advantage-eligible, include (but are not limited to):

- A. Required 5/12 roof pitch/hinged roof: \$5,850.00 to \$9,400.00;
- B. Required upgraded cabinets: \$2,300.00 to \$2,500.00;
- C. Required additional insulation: \$825.00;
- D. Required drywall throughout home: \$5,080.00;

- E. Required dormers: \$550.00;
- F. Required upgraded energy measures: \$1,825.00
  
- G. Required upgraded siding: \$1,500.00;
  
- H. Required garage: \$25,000.00;
  
- I. Required porch: \$8,400.00 to \$10,000.00
  
- J. Required crawl space/foundation: \$13,800;
  
- K. Vapor Barrier under foundation: \$2,250.00;
  
- L. Required driveway (blacktop, pavers, bricks, concrete, or cement):  
Provided/determined by retailer;
  
- M. Required sidewalks (blacktop, pavers, bricks, concrete, or cement):  
Provided/determined by retailer;
  
- N. Required landscaping: Provided/determined by retailer.

As is evident from these additional costs, the retail consumer price of an “Advantage” or “Choice” home is *substantially (i.e., two to three times) greater* than that of a mainstream HUD Code manufactured home (even a HUD Code home titled as real estate). Such homes, accordingly, are not “affordable” in the same sense as mainstream HUD Code manufactured homes and are beyond the means of many of the lower and moderate-income American families who rely on manufactured housing for affordable homeownership. As such, these “hybrid” homes are not part of – and do not serve -- the mainstream manufactured housing market that Congress, under DTS, directed Fannie Mae and Freddie Mac to serve.

From all of this, it is evident that Fannie and Freddie – and FHFA as their federal regulator – after twelve wasted years, need to immediately change course on DTS for manufactured housing and develop a workable and functional DTS approach for the market-significant support of today’s modern, mainstream manufactured housing, as it leaves factory with the features that actual consumers – and not Fannie or Freddie -- want. In this regard, we respectfully disagree with Jim Gray’s statement, during one of our conference calls, that FHFA “cannot tell” Fannie and Freddie what to do, because FHFA, as the GSEs’ federal regulator (and the guardian of the DTS law), has a duty and obligation to correct the GSEs’ failure to comply with the DTS law and mandate as enacted by congress.

Put differently, DTS as “implemented” by Fannie Mae and Freddie Mac within the manufactured housing market has simply not worked and *is not* working for either the industry or the lower and moderate-income Americans that the industry serves and that DTS was *mandated* to serve by Congress. Indeed, instead of serving the HUD Code market as it exists and has existed since its inception, Fannie and Freddie are attempting to misuse DTS as leverage to change a product that they do not want to support (*i.e., mainstream, modern manufactured homes*), and

consumers (i.e., lower and moderate-income Americans) who they do not wish to help, in order to create a higher priced *pseudo-manufactured housing* market that does not exist and has never existed. Meanwhile, the overwhelming majority of the affordable manufactured housing market that *does* exist is – and has been – left completely unserved. This must change. Instead of trying to alter the market, Fannie and Freddie, under DTS, must serve the manufactured housing market as it exists *in reality*. That means providing support for the overwhelming majority of present day, affordable manufactured homes, including market-significant numbers of mainstream manufactured homes financed as personal property. After more than a decade of excuses and inaction, the time for concrete action to fully and effectively implement DTS for the HUD Code manufactured housing market is now and the GSEs' failure to comply with DTS as enacted, must be corrected and remedied by FHFA immediately.

FHFA, pursuant to the DTS legislation enacted by Congress, effectively defines what DTS is, and what it affirmatively requires of (and from) Fannie Mae and Freddie Mac. After a decade-plus of de facto inaction with respect to the mainstream manufactured housing market under DTS, it is incumbent on FHFA to finally – and as soon as possible -- give full force and effect to the law and to the specific mandate established by Congress with respect to manufactured homes and manufactured housing consumers.

In sum, Ms. Thompson, FHFA asked us to demonstrate the continuing failure of Fannie and Freddie to implement DTS with respect to mainstream manufactured housing with factual, market-based numbers, which we now have done. After you and your FHFA colleagues, have had an opportunity to review this packet and the information conveyed during our two recent conference calls, we will contact you for a meeting or conference call regarding what FHFA intends to do to correct this continuing failure, which is severely harming both consumers and the industry.

Once again, we appreciate your involvement in this matter and look forward to making genuine progress to benefit Americans in need of truly affordable housing and homeownership.

Sincerely,

A handwritten signature in black ink, appearing to be 'Mark Weiss', with a long horizontal flourish extending to the right.

Mark Weiss  
President and CEO

cc: Hon. Mark Calabria