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**From:** Soheyly Kovach <soheylakovach@gmail.com>  
**Sent:** Tuesday, July 17, 2012 1:01 PM  
**To:** !FHFA REG-COMMENTS  
**Subject:** RIN 2590-AA49.  
**Attachments:** 7.17.2012 Alfred M Pollard, cover letter with attached MHARR report TK ver tk 1.0.pdf;  
7.17.2012 MHARR.fhfa2012-14affordablehousinggoalscomments (1).pdf

Alfred M. Pollard, General Counsel  
I'd like to concur with the comments in the attached, thank you.

--  
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# Manufactured Home Marketing Sales Management

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Bob Thieman, CAE, Executive  
Director, Illinois Manufactured  
Housing Association

<http://www.linkedin.com/in/latonykovach>

Date: 7.17.2012

To: Alfred M. Pollard, General Counsel

From: L. A. 'Tony' Kovach

RE: RIN 2590-AA49.

Dear Mr. Alfred M. Pollard,

I'm writing as an individual, as a member of MHI and as the publisher of the manufactured housing industry's largest trade publication, MHProNews.com, on the topic of RIN 2590-AA49.

The GSE's were required by Congress in the Duty to Serve (DTS) Provision of HERA 2008 (please see attached references) to serve manufactured home lending, including personal property (home only/chattel) finance lending. This has been ignored to the detriment of the Industry and to the American public.

I would agree with the bulk of the attachment, which was drafted by MHARR on behalf of their members, in terms of the facts and logic. But let me add a few points that I'm personally aware of that mitigates in favor of the change in policy by FHFA. Because in the ideal, what we all want is smart government policy.

First, it is self-evident that chattel lending by Triad, US Bank, 21st Mortgage, Vanderbilt Mortgage and CU Factory Built Lending - among others - is successful and profitable. Therefore, there is no valid excuse for FHFA to ignore the law that Congress enacted specifically to make America's most affordable housing more readily available.

Furthermore, the concern for losses could easily be mitigated by a proper re-marketing program. Having been involved in successful manufactured housing re-marketing efforts with lenders in the past, I would say again that there is no valid reason for this policy to exist.

Manufactured housing cleaned up its financing act in the wake of the Conseco meltdown, while the mortgage industry kept on going down the same path that ultimately lead to the mortgage and housing meltdown. I won't get into the fact that the meltdown in the conventional housing market was fueled by questionable policies that neither political party seems to want to address these days. However, MHARR's attached paper is quite correct, the problems in housing today clearly lie in the arena of the conventional housing world.

Any rationale that denies the implementation of the DTS is entirely misguided, discriminatory or based on false understandings and premises about factory-built HUD Code manufactured homes gets

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anything other than equal treatment with conventional homes. Please keep in mind that conventional housing construction are mostly factory built parts which happen to be site assembled.

I would make one other point that I'm not sure has ever been properly stressed by any trade body in this discussion. It is this: **Supporting manufactured housing in the fashion required by the DTS would save the federal, state and local governments untold billions of dollars in subsidized housing costs.** There is simply no way that the 'alleged risks' the FHFA has pointed to are not dramatically outweighed by the benefits!

As one possible myth buster among many, you may find this [video to be of interest](#). The video dramatically proves how durable modern manufactured homes truly are. HUD Code manufactured homes should be the pride of America and her elected and appointed officials! You and your colleagues may also find this [photo gallery](#) of interest.

All discrimination is based on ignorance or fears that are not warranted. It is [ignorance, outdated myths and fear that harms manufactured homes](#), because when people dig sincerely and objectively into the facts, there is no housing value in America that comes close to the quality, durability, appeal and overall value.

Supporting the change advocated to comply with the DTS would result in lower government costs, more job creation, more affordable home ownership and a more balanced budget. In our times, each of these and the reasons attached are reasons to 'just say yes' for FHFA to follow the law and implement DTS as intended by Congress.

Respectfully,

*L. A. 'Tony' Kovach*



## **Manufactured Housing Association for Regulatory Reform**

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July 12, 2012

### **VIA FEDERAL EXPRESS**

Alfred M. Pollard, Esq.  
General Counsel  
Attn. Comments/RIN 2590-AA49  
Federal Housing Finance Agency  
Eighth Floor  
400 7<sup>th</sup> Street, S.W.  
Washington, D.C. 20024

Re: 2012-2014 Enterprise Affordable Housing Goals

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 regulated 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.

### **I. INTRODUCTION**

On June 11, 2012, the Federal Housing Finance Agency (FHFA) published a proposed rule to establish 2012-2014 Enterprise Affordable Housing Goals for the two Government Sponsored Enterprises (GSEs) – Fannie Mae and Freddie Mac -- currently operating under FHFA conservatorship. The proposed rule would have two primary impacts relevant to the manufactured housing industry and consumers of affordable manufactured homes: (1) it would continue the exclusion of manufactured home personal property (chattel) loans from the amended regulatory definition of “mortgage” first adopted by the Final Rule establishing

Enterprise Affordable Housing Goals for 2010-2011 (see, 75 Federal Register, September 14, 2012 at p. 55892, et seq.), thereby continuing to exclude such loans from credit under any of the Enterprise Affordable Housing Goals (AHG); and (2) would significantly lower the two single-family affordable housing goals – for low-income families and very low-income families – from the already substantially reduced levels established by FHFA for 2010 and 2011.

For the reasons set forth and explained in greater detail below, MHARR opposes both of these changes and urges FHFA to adopt a final rule that restores full AHG credit for all types of manufactured home loans, authorizes the GSEs to engage in the systematic securitization and/or purchase (S/P) of manufactured housing personal property loans for AHG credit, and also maintains or increases the single-family low-income and very low-income benchmark levels previously established for 2010-2011.

## II. COMMENTS

### A. Background

#### 1. Chattel Financing is Crucial to the Manufactured Housing Industry and American Consumers of Affordable Housing

Personal property or “chattel” financing, long the only type of private-sector financing available for manufactured homes during their evolution from the pseudo-“trailers” of the Cold War era to the modern, legitimate housing of today, remains the lifeblood of the manufactured housing industry. The reason is simple -- chattel financing provides access for lower-income consumers to the industry’s most affordable homes. Manufactured homes can be financed as personal property without the homeowner purchasing -- or having an ownership interest in -- the land upon which the home is sited, reducing the cost of manufactured home ownership to a fraction of the cost of a site-built home. This includes most manufactured home communities and other situations where site space is rented, or is otherwise owned by a third-party.

With chattel financing today accounting for over three-quarters of manufactured home placements and historically two-thirds of all manufactured home placements (see, section II (B), below), it is self-evident that the availability of chattel financing – and expanding that availability -- is vital to the survival and future growth of the manufactured housing industry, as well as meeting the housing needs of those Americans at the lowest end of the income scale who would not otherwise have access to home ownership.

The GSEs, however, notwithstanding their statutory mission to provide home ownership support for lower and moderate-income Americans, have a long track record of hostility to manufactured housing in general and chattel-financed manufactured homes in particular. The GSEs, which routinely discriminate against manufactured housing real estate loans, currently provide no S/P support for manufactured home chattel loans and have aggressively resisted every effort to change their policies, including direct congressional intervention.

With full knowledge of the devastating impact of their policies on both the industry and consumers of affordable housing, the GSEs cling to an outdated perception of manufactured housing, refusing to consider or even acknowledge the fact that today's manufactured home is a much superior product to years past, due to the maturing of the industry, innovative manufacturing techniques, competition with site-built housing industry, establishment of lending transparency and best practices, and improvements to the laws that govern the production and installation of the home. And now, rather than leading the GSEs away from the policies that brought about their failure in 2008, a growing body of evidence shows that FHFA is not only endorsing, but expanding the GSEs' anti-manufactured housing and anti-chattel lending bias, which begs the question whether the GSEs and FHFA are merely misguided and dismissive of the industry and its consumers, or intentionally advancing policies designed to make the manufactured housing industry economically unsustainable.

As is detailed below, federal S/P support for manufactured home chattel lending is crucial to the continued survival of the manufactured housing industry, regardless of the ultimate disposition of the GSEs and the nature of any successor entity or arrangement. It is essential, therefore, that FHFA, as conservator of the GSEs, reject the failed policies that led to their insolvency – including their bias against manufactured housing -- and fully incorporate S/P support for manufactured housing into the fulfillment of the statutory role and mission of the GSEs.

## 2. Discrimination Against Chattel Financing Violates the Core Mission of the GSEs and Threatens the Future of the Industry

Congress created the GSEs to provide liquidity and stability for the American housing market and to support affordable housing and home ownership for low and moderate-income families. Yet, the GSEs, over the past decade, have failed to provide any meaningful support for federally-regulated manufactured housing, the nation's leading source of affordable, non-subsidized home ownership. This deviation from the GSEs' core statutory mission, together with a corresponding expansion of the GSEs' participation in the mortgage financing market for much higher-priced site-built homes, not only helped contribute to the GSEs ultimate failure in 2008, but has sharply curtailed the availability of private-sector purchase financing for manufactured homes, severely impacting both the industry – comprised primarily of small businesses -- and American consumers of affordable housing. And now FHFA -- the GSEs' conservator and federal regulator – is not only maintaining, but extending policies that discriminate against manufactured housing and manufactured home purchasers based on outdated, decades-old data without having conducting its own independent empirical analyses of the loan performance of modern, post-Manufactured Housing Improvement Act of 2000 (2000 reform law) manufactured homes.

While the GSEs have purchased manufactured housing real estate loans and personal property loans in the past, they currently provide no securitization or secondary market purchase support for manufactured home personal property loans and minimal or no support for manufactured home real estate loans (i.e., manufactured housing real estate loans, since 2003, have been subject to significantly more restrictive criteria than site-built home mortgages,

including punitive underwriting standards and discriminatory loan-level price adjustments). As a result, manufactured home loans comprise less than 1% of the total portfolios of the GSEs even though: (1) 22 million Americans currently live in manufactured homes; (2) manufactured housing, since 1989, has accounted for 21% of all new single-family homes sold; and (3) manufactured housing generally -- and chattel-financed manufactured homes in particular -- provide affordable homeownership for consumers with economic demographics that fall squarely within the core mission of the GSEs (i.e., 73% of all manufactured home households earned less than \$50,000 in 2009, with a median household income of \$29,900, while 45% of all manufactured home borrowers earned 80% or less of Area Median Income).

Manufactured homes, moreover, are inherently affordable without costly taxpayer-funded subsidization, with an average structural price of \$40,600 for a single-section manufactured home (\$36.41 per square foot) as compared with an average structural cost (i.e., excluding land) of \$207,950 (\$83.38 per square foot) for a site-built home, as shown by 2011 U.S. Census Bureau data. Indeed, a December 2004 HUD-sponsored study, “Is Manufactured Housing a Good Alternative for Low Income Families?” determined that over an eight-year sample period, the mean monthly housing cost of consumer-owned manufactured homes was consistently and substantially less than the cost of renting a home (see, Study Tables 1a, 1b and 1c at pp. 9-11).

The absence of federal S/P support for manufactured home loans and particularly the non-existence of a secondary market for manufactured home chattel loans have drastically reduced the availability of private-sector financing for manufactured homes. This effectively excludes millions of very low and lower-income Americans from the only type of home ownership they can afford, contrary to the fundamental mission of the GSEs. Together with HUD’s failure to fully and properly implement key provisions of the 2000 reform law, it has also fueled an unprecedented manufactured housing industry decline that has most severely impacted the industry’s smaller businesses, as only a few large corporate conglomerates – with finance subsidiaries or affiliates – currently have any significant access to private consumer financing capital. Thus, over the past decade-plus, manufactured home production has fallen by more than 86% (from 373,143 homes in 1998 to 51,606 in 2011). Over the same period, more than 70% of the industry’s production facilities have closed (from 430 to 120), as have more than 7,500 retail centers, with a corresponding loss of over 200,000 American jobs and a devastating impact on job creation within the industry and allied businesses including product and component suppliers, transporters, installers, community owners and developers, insurers, financing providers and many more.

Recognizing that the GSEs are failing to fulfill their mission with respect to manufactured housing, Congress, as part of the Housing and Economic Recovery Act of 2008 (HERA), established a GSE “duty to serve underserved markets” (DTS) focused primarily on manufactured housing that directs the GSEs to “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.” The DTS mandate constitutes both a finding by Congress that the GSEs have not properly served the manufactured housing market and a remedy that directs the GSEs to materially increase participation in the manufactured housing market for the ultimate benefit of very low, low and moderate-income consumers, subject to evaluation and enforcement by FHFA. In adopting this mandate, moreover, Congress went out of its way to

stress that chattel loans could be considered as part of DTS (see, 12 U.S.C. 4565(d)(3) directing FHFA to “consider loans secured by both real and personal property” for DTS credit). Yet FHFA, in a June 7, 2010 proposed rule to implement DTS (see, 75 Federal Register , No. 108 at p. 32099), concluded that chattel loans should not be considered at all and, more than two years later, has yet to issue any final DTS rule.

Consequently, notwithstanding direct congressional intervention and an express legislative mandate to develop a secondary market and flexible underwriting guidelines for both manufactured home real estate and personal property loans, there has been no improvement whatsoever in the GSEs participation in the manufactured housing market since the enactment of HERA in 2008. And while the will of Congress is being actively thwarted, the housing needs of lower and moderate-income American families – during the worst economy and housing market since the Great Depression -- are being disserved by an institutional GSE culture that refuses to acknowledge the evolution of manufactured homes from the “trailers” of yesteryear to modern legitimate “housing” and misguided FHFA policy decisions that have not only undermined DTS, but promote ongoing discrimination against manufactured housing and manufactured homebuyers by excluding manufactured home chattel loans from AHG credit altogether and by shrinking the goals applicable to the minimal number of manufactured home real estate mortgages eligible for AHG credit under the proposed rule.

FHFA, therefore, should reconsider these policies and issue an amended final rule recognizing manufactured home chattel loans for AHG credit and authorizing a program of systematic S/P support for such loans that would be consistent with: (1) the DTS mandate; (2) the goals and mission of the GSEs; and (3) the goals of FHFA and the FHFA conservatorship as expressed in FHFA’s Strategic Plan.

#### B. FHFA Has Established No Legitimate Basis to Exclude Manufactured Home Chattel Loans from AHG Credit

Chattel lending constitutes the dominant means of financing within the manufactured housing market. U.S. Census Bureau data shows that 76% of all new manufactured homes placed for residential use in 2011 were titled as personal property, up from 62% in 2008. And although chattel financing is typically utilized by lower-income purchasers to access the industry’s most affordable products, with an average (single-section) structural price some 80.5% lower than the structural cost of the average site-built home, manufactured home chattel loans are totally excluded from AHG credit by the proposed rule, consistent with a regulatory modification adopted as part of the FHFA 2010-2011 Enterprise Affordable Housing Goals final rule that deleted manufactured home chattel loans from the definition of “mortgage” contained in 12 C.F.R. 1282.1 (see, 75 Federal Register, No. 177 at p. 55892). At that time, FHFA explained this deviation from established practice as follows:

“Mortgage. Consistent with the proposed rule, the final rule removes personal property (chattel) loans on manufactured housing from the definition of “mortgage,” with the result that such purchases would not qualify for credit under the housing goals.



\* \* \*

The final rule does not revise the proposed definition of “mortgage” to include personal property loans on manufactured housing. The Enterprises have minimal experience with chattel financing, and the high level of defaults related to such financing creates significant credit and operational risks. The depreciation in the value of the manufactured home could result in greater loss to the Enterprise in the event of default on the loan. The role of the Enterprises in the market for personal property loans on manufactured housing is the subject of FHFA final rulemaking on the duty to serve requirements of HERA. FHFA may revise the definition of “mortgage” in future rulemaking to ensure conformance with the final regulation on duty to serve. Until that time, purchases of personal property loans on manufactured housing will not be counted as mortgage purchases for purposes of the housing goals.”

See, 75 Federal Register, supra at p. 55894-55895. A continuation of this anti-chattel policy, however, for both the AHG goals and DTS, combined with ongoing HUD resistance to the full and proper implementation of key provisions of the 2000 reform law, would inevitably stagnate the industry at its current historically low production levels and eventually lead to its attrition to an economically unsustainable position.

Significantly, though, FHFA’s rationale for this policy is not supported by the facts. First, the GSEs do have past purchase experience with manufactured home loans generally and manufactured chattel loans specifically. Accordingly, S/P support by the GSEs for manufactured home chattel loans would not be a “new activity” or “new product” within the meaning of the Prior Approval for Enterprise Products rule published by FHFA on July 2, 2009 (see, 74 Federal Register, No. 126 at p. 31602) (Prior Approval Rule), or the subsequent “new product” policy enunciated February 2, 2010 by the Acting Director. The Prior Approval Rule defines a “new activity” as “any business line [or] business practice ... which was -- (a) not initially engaged in prior to July 30, 2008.” Both GSEs, however, have participated in the manufactured home mortgage market prior to July 30, 2008 (indeed, the GSEs purchased 15% of all manufactured home loans as recently as 2004) and, as acknowledged by FHFA in the preamble to its proposed DTS rule, also “bulk purchased” manufactured home chattel loans prior to July 30, 2008 (see, 75 Federal Register, No. 108 at p. 32103). And since S/P support for manufactured home chattel loans would not constitute a “new” business activity for the GSEs, a priori, their alleged lack of experience with such lending is not a valid basis for excluding such loans from AHG credit.

Furthermore, even assuming, arguendo, that the GSEs did not have such experience, or did not have sufficient experience based on a reasonable and objective benchmark, the statutory DTS directive, as noted by MHARR in its July 1, 2010 DTS comments, is not discretionary and assumes that the GSEs, if necessary, will develop and acquire the necessary skills, models, practices and procedures needed to implement its mandate to serve manufactured housing and the other designated underserved markets. Obviously, if the GSEs had been providing appropriate S/P support for the manufactured housing market in the first place, the DTS directive would not have been needed. Congress, however, knew that the GSEs were shortchanging the manufactured housing market and so ordered them – and FHFA -- to change that through whatever new mechanisms were needed. For the GSEs -- and now FHFA – to claim now that an

alleged lack of familiarity with the manufactured housing market, which led to the DTS directive, is a valid basis for the exclusion of chattel financing from both DTS and the AHG goals is disingenuous and represents a failure of leadership on the part of FHFA in moving the GSEs away from the risky, high-dollar transactions that led to their failure and back toward their original goal and mission.

Second, although FHFA cites a “high level of defaults” related to manufactured home chattel loans, FHFA officials, in a May 24, 2012 meeting with MHARR, acknowledged that FHFA has not conducted a single independent study of this issue and, like the GSEs and Federal Housing Administration (FHA), lacks specific current -- or even recent -- data concerning the performance of manufactured home chattel loans, particularly data compiled since the implementation of new programs under the Manufactured Housing Improvement Act of 2000 which ensure the proper installation of all manufactured homes and consumer protection mechanisms in all 50 states. Consequently, there is no current factually-supported basis for FHFA’s assertion that such loans experience a high level of defaults that would necessarily create significant credit and operational risks for the GSEs.

Third, the totality of any credit or operational risk presented by S/P support and/or AHG credit for the manufactured home chattel lending market would be miniscule and pale in comparison to ongoing losses in the site-built housing market. The performance of all manufactured housing loans – at less than one percent of the GSEs’ total portfolios – was not responsible for the GSEs failure in 2008 and, because of the relatively small size of the manufactured housing market as compared with other segments of the housing industry and the much lower cost of manufactured homes, would not impair the successful rehabilitation of the GSEs or the successful transfer of their functions to a successor entity or entities, even if the GSEs provided S/P support and/or AHG credit for every manufactured home chattel loan for the indefinite future. By contrast, a de facto position on the part of FHFA, that GSE support for manufactured home chattel lending is not a valid, legitimate or permissible government activity, could establish an extremely damaging precedent that could negatively impact future legislation to resolve the status of the GSEs and should, consequently, be avoided.

Fourth, FHFA claims that “depreciation in the value of the manufactured home could result in greater loss” to the GSEs in the event of default. Industry experience shows, however, that modern, post-2000 reform law manufactured homes, when properly located, maintained and installed, retain their value and that chattel loans on such homes perform just as well as land-home mortgages. Furthermore, given that FHFA has conducted no independent studies of manufactured home values and has no current data regarding either those value trends or the performance of manufactured home chattel loans, there is no valid factual basis for such a sweeping assertion.

Even if this claim were true, however, it would still not be a legitimate basis for excluding manufactured home chattel loans from either the AHG goals or DTS. If depreciating value was a proper basis for denying S/P support or AHG credit for a particular type of home loan, then virtually all home loans entered since 2006 should be excluded, because values for all types of homes in the United States have consistently and substantially declined since that time. According to the Standard & Poor’s Case-Shiller Home Price Indices released on May 29, 2012

for the first quarter of 2012, all three major home value indices (*i.e.*, the National Composite and the 10- and 20-City Composites) fell to their lowest levels since mid-2006, with the National Composite down 35.1% from the second quarter of 2006 (*see*, Attachment 1). Consequently, depreciation is a fact of life for virtually all homes, all homeowners and all home loans in the current market climate. To single out the comparatively much smaller and much lower-cost manufactured home chattel loan market for discrimination in this manner is not only arbitrary and capricious, but smacks of the type of prejudice that has long hampered the manufactured housing industry and American consumers of affordable housing.

Fifth, it is disingenuous to continue the exclusion of manufactured home chattel loans from AHG credit in 2012 pending “FHFA final rulemaking on the duty to serve requirements of HERA” when FHFA – more than two years after the publication of the proposed DTS rule -- has failed to publish a final rule and has given no indication that publication of a final DTS rule is imminent or even expected (*see*, FHFA January 20, 2012 Semiannual Regulatory Agenda).

More importantly, a profitable long-term model for manufactured home chattel lending is already well-established within the industry (*see*, MHARR’s July 1, 2010 comments concerning the June 7, 2010 FHFA proposed rule on the “Enterprise Duty to Serve Underserved Markets” and particularly the attached analysis entitled “Application of the Duty to Serve Underserved Markets,” Attachment 2, which is hereby incorporated in the present comments by reference). This confirms, contrary to FHFA’s unsupported assertions, that GSE S/P support (as well as AHG credit) for such lending – with proper pricing and underwriting – could easily become a productive business for the GSEs, consistent with FHFA’s goals of conserving the GSEs’ assets and protecting the interests of taxpayers, as is further demonstrated by the fact that, according to data compiled by the American Bankers Association Consumer Loan Delinquency Report, loan delinquencies for manufactured homes dropped to 3.76% from 4.08% during the fourth quarter of 2011, while the national mortgage delinquency rate rose to 6.01% at the end of the fourth quarter of 2011.

Furthermore, with an average price ratio of 7:1, the GSEs could help put seven American families into manufactured homes for each site-built home, with a lower loss severity risk per home. Given the size of the manufactured housing market in relation to other types of housing at present, such a program and corresponding AHG credit would have a minimal impact on the assets of the GSEs or their reliance on general revenues, while significantly enhancing the GSEs’ compliance with the AHG goals as well as their core statutory mission of providing support for home ownership by lower and moderate-income Americans. Moreover, without a significant new investment, such a program would have an enormous impact on the availability of affordable home ownership for millions of Americans, exactly as envisioned by Congress in creating the GSEs and establishing their core mission.

At a time when, according to statistics cited by FHFA itself in its proposed rule, the overall U.S. homeownership rate has fallen to 65.5% from a high of 69.1% in 2004 and the homeownership rate for families with incomes below the AMF income has fallen from 53% in 2005 to 50.4% in 2012, AHG credit for manufactured home chattel loans would help pair very low, low and moderate-income homebuyers with modern (*i.e.*, post-2000 reform law) manufactured homes that they can afford, thereby increasing the number of AHG-eligible loans

and increasing the GSEs' compliance with the AHG goals, without resorting to the type of high-risk loans and underwriting gimmicks that landed the GSEs in conservatorship in the first place. Put differently, after years of helping put consumers into homes they could not afford -- leading to their own collapse -- the GSEs should now be authorized by FHFA to reinstate and expand their support for manufactured home chattel loans that are affordable for Americans at all economic levels. Such a program would not only help provide home-ownership for significant numbers of lower-income Americans, but would also save the federal government billions of dollars that would otherwise be spent on housing subsidies.

Consequently, MHARR urges FHFA to rescind the exclusion of manufactured home chattel loans contained in the final rule establishing the 2010-2011 AHG goals; authorize full AHG credit for such loans; and authorize a program of GSE S/P support for such loans because: (1) GSE S/P chattel financing support is consistent with and helps carry out the GSE's statutory mission and charter mandate of providing liquidity to housing markets; (2) GSE S/P chattel financing support is consistent with and helps carry out the Duty to Serve provision of HERA; (3) GSE S/P chattel financing support would not be a "new Activity;" (4) GSE S/P chattel financing support is consistent with FHFA's mission (and the objective stated in its Strategic Plan) of conserving GSE assets, as this line of business can be carried out profitably and such activity would constitute a very small percentage of overall GSE business; and (5) GSE S/P chattel financing support is consistent with the principle enunciated in the FHFA Strategic Plan that an important consideration in whether GSEs should purchase a particular type of loan is whether the private sector can adequately carry out this function - since it is obvious that the private sector is not currently adequately doing so.

c. AHG Credit for Manufactured Housing Chattel Loans Would Allow the Affordable Housing Goals to be Maintained or Increased

As published, the proposed rule -- excluding manufactured home chattel loans from AHG credit -- would substantially decrease the two single-family affordable housing goals from their 2010-2011 levels. Specifically, the proposed rule would decrease the single-family low-income AHG from 27% in 2010-2011 to 20% for 2012-2014 and would reduce the single-family very low-income AHG from 8% in 2010-2011 to 7% for 2012-2014, based on an assessment of various market factors that, among other things, "have contributed to a decrease in the overall share of single-family loans likely to qualify for Enterprise housing goals credit," as well as the goals of the FHFA conservatorship, *i.e.*, (1) limiting the GSEs' risk exposure "by avoiding new lines of business;" (2) "ensuring profitability in the new book of business without deterring market participation or hindering market recovery;" and (3) minimizing losses on the mortgages already on the GSEs' books. Restoring AHG credit for manufactured home chattel loans, however, would facilitate GSE compliance with the AHG goals and provide a much larger pool of AHG-eligible loans, which would allow the AHG goals to be maintained or even increased consistent with the goals of the FHFA conservatorship -- rather than reduced -- thereby promoting affordable housing for even more Americans.

A reduction of the single-family AHG goals, as proposed by FHFA, would further restrict the availability of affordable housing for Americans at a time of significant economic difficulty,

when the demand for affordable housing is increasing. This, in turn, would increase the numbers of very low and lower-income Americans effectively excluded from the market for home ownership, with a disproportionately harsh impact on minority groups that already have a significantly lower homeownership rate, as shown by FHFA's own statistics (e.g., see, 75 Federal Register No. 77 at p. 34264: "The homeownership rate for non-Hispanic whites declined from a peak of 76 percent in 2004 to 73.5 percent in the first quarter of 2012. For black households, the decline was more pronounced, going from a peak of 49.1 percent in 2004 to 43.1 percent in ... 2012. The homeownership rate for Hispanic households also had a noticeable decline, going from a peak of 49.7 percent in 2006 to 46.3 percent in ... 2012"). It would also increase the number of Americans relying on government grants, subsidies or other taxpayer-funded programs currently fueling record-level federal deficits, while further suppressing the residential construction industry and related job creation which are crucial to a more robust economic recovery. Such reductions, therefore, consistent with the goals of the FHFA conservatorship and the statutory mission of the GSEs, which remains unchanged, should be avoided if possible.

Consistent with these factors, providing S/P support for manufactured home chattel loans would allow the GSEs to serve substantially more Americans without violating the goals of the FHFA conservatorship. First, as noted above, manufactured housing loans would not be a "new business," "new product" or "new activity" for the GSEs, which have purchased both manufactured housing real estate and chattel loans in the past. Second, successful long-term models within the manufactured housing industry show that S/P support for chattel loans, with properly managed underwriting and competitive risk-based rates, could and would be a profitable line of business for the GSEs. Consequently, instead of sharply limiting S/P support for manufactured housing real estate loans and excluding manufactured housing chattel loans from both S/P support and the AHG goals, FHFA should conduct its own intensive study of the loan performance of modern, post-2000 law manufactured homes and establish a fact-based program of expanded GSE participation in both (i.e. manufactured home real estate and chattel) markets.

With very little effort and minimal or no risk as compared with support for mortgages on much-higher cost site-built homes, FHFA could – and should -- be part of the solution in overcoming the GSEs' biases against affordable housing in general and affordable manufactured housing in particular. Now more than ever, FHFA should be establishing goals and policies to ensure that the GSEs' alleviate the liquidity crisis in the affordable housing market, with inherently affordable manufactured housing playing a central role.

### III. CONCLUSION

As conservator of the GSEs, with responsibility not only for their fiscal stability but the accomplishment of their mission as well, FHFA needs to lead, not blindly follow and even exacerbate policies that led to the GSEs' insolvency. A huge volume of risky, high-dollar transactions led to the failure of the GSEs, not loans on affordably-priced manufactured housing. As a result, there is, quite simply, no legitimate basis for FHFA to continue or expand the GSEs' discrimination against manufactured homes and manufactured homebuyers.

A change in FHFA's approach to these issues is essential and will be a prime focus of forthcoming MHARR engagement with the 113<sup>th</sup> Congress and the Administration in the wake of the November 2012 national elections.

Sincerely,

Danny D. Ghorbani  
President

Enclosures

cc: Hon. Spencer Bachus, Chairman, House Financial Services Committee (w/o enclosures)  
Hon. Barney Frank, Ranking Member, House Financial Services Committee (w/o enclosures)  
Hon. Tim Johnson, Chairman, Senate Banking Committee (w/o enclosures)  
Hon. Richard Shelby, Ranking Member, Senate Banking Committee (w/o enclosures)