Manufactured Housing Institute

April 8, 2010

Alfred M. Pollard
General Counsel
Federal Housing Finance Agency
Fourth Floor
1700 G Street, N.W.
Washington, D.C. 20552

Reference: RIN 2590-AA26
2010 – 2011 Enterprise Affordable Housing Goals

Dear Mr. Pollard:

The Manufactured Housing Institute (MHI), a trade association representing all segments of the factory-built housing industry including manufacturers, lenders, community owners and retailers, appreciates the opportunity to submit our comments regarding the 2010-2011 Affordable Housing Goals proposed by the Federal Housing Finance Agency (FHFA).

MHI believes it is vitally important that the Government Sponsored Enterprises (GSEs) play a major role in ensuring affordable financing for low-to-middle income borrowers through the adherence to the affordable housing goals. While MHI generally supports the premise of FHFA's proposed 2010-2011 affordable housing goals, we strongly urge more GSE purchases of personal property manufactured home loans and commercial loans secured by manufactured home communities, and urge the implementation of the GSE's "duty to serve" the manufactured housing industry as directed by Congress as soon as possible.

Background

Manufactured housing comprises an important share of this nation's affordable housing stock and supply – at an average price of $65,000, the typical manufactured home is affordable by almost any definition. MHI has worked tirelessly to ensure access to financing for those who wish to purchase or refinance a new or existing manufactured home, yet conditions in this lending space have become dire as. Despite a recent track record of excellent loan performance, there exists minimal liquidity for manufactured home lenders, especially since the onset of the credit crunch. The GSE's should be actively working with industry to address these issues, and indeed have even been directed by Congress to do so.

2111 Wilson Blvd. Suite 100 Arlington, VA 22201 Tel: 703.558.0400 Fax: 703.558.0401
http://www.manufacturedhousing.org info@mfghome.org

Manufactured home loans can be grouped into two primary categories – mortgages and personal property loans. Lending conditions in each of these sub-groups have been severely weakened and would benefit greatly from increased activity from the GSEs.

Mortgages are available to borrowers who wish to finance their manufactured home and land together, while a personal property loan is used if the borrower is financing the home only. In the latter case, the land is typically leased (e.g. manufactured housing community) or the home is sited on land (such as family property) that is already owned by the borrower.

Mortgages

Historically, mortgages on manufactured homes have been purchased by Fannie Mae and Freddie Mac, but under much more restrictive policies than those which are applied by the GSEs to their "site-built" mortgage purchases. Penalizing underwriting standards and loan-level price adjustments for mortgages on manufactured homes have prevailed since 2003, limiting the purchases of these loans by the GSEs and adversely impacting the competitiveness of our industry in the housing market. In 2009, manufactured housing represented over 11 percent of all new home sales, but loans on manufactured homes represented less than one percent of all GSE loan purchases, despite the fact that a disproportionately large share of these loans qualify for credit toward the affordable housing goals. Given this alarming trend, it is clear the GSE's must be more involved in purchasing manufactured home mortgages.

Personal Property Loans

A manufactured home financed with a personal property loan is among the most affordable forms of homeownership as no land is involved in the loan transaction. Currently, there is no secondary market for personal property loans. Regrettably, the GSEs do not purchase personal property loans, although the charters of both Fannie Mae and Freddie Mac allow for these purchases. <u>In fact, Congress reinforced the need for such a program with the "duty to serve manufactured housing" provision in the Housing and Economic Recovery Act (HERA) of 2008 which specifically mentions personal property loans as eligible for credit under this provision.</u>

MHI urges the development of a GSE program to purchase these loans on an ongoing or "flow" basis which will provide much needed liquidity to manufactured housing lenders, will lower borrowing costs, and will ensure the continued availability of this important form of affordable housing. Shipments of manufactured homes fell to 49,789 in 2009—the worst year on record since 1959 when industry statistics began to be collected. FHFA has a duty to see that the GSEs begin implementation of manufactured home personal property loan purchase programs as soon as possible, and enforce the Congressionally mandated duty to serve the manufactured housing industry as soon as possible.

Single-Family Housing Goals

Section 1282.12 of the proposed rule relates to single-family housing goals. It provides that Fannie Me or Freddie Mac shall be in compliance with the goal if its performance meets or exceeds either: "(1) the share of the market that qualifies for the goal, or (2) the benchmark level for the goal. The size of the market shall be established annually by the FHFA based on data reported under the Home Mortgage Disclosure Act (HMDA) for a given year."

This section also provides that the size of the market shall be based upon certain criteria. The criteria found in section 1282.12(b)(5) provides that: "all mortgages with rate spreads of 300 basis points or more above the applicable average prime offer rate as reported in the HMDA data shall be excluded." Personal property loans on manufactured homes often carry interest rates in excess of 300 basis points above prime. There are several reasons: first; the lack of a secondary market for these loans which is caused by the refusal of Fannie and Freddie to purchase them on a "flow" or ongoing basis; second, these loans require more "high touch" servicing than traditional mortgages; and third, because these transactions do not include land, lenders have less collateral and therefore have to price their product accordingly.

Given the fact that there are very good reasons for personal property loans on manufactured homes to carry higher interest rates, we question the prudence of excluding those loans from the size of the market for purposes of measuring the GSEs' compliance with the single-family housing goals.

Multifamily Special Affordable Housing Goal and Subgoal

As mentioned, ownership of a manufactured home sited in a land-lease manufactured home community is one of the most affordable forms of home ownership. However, the recent slowdown in commercial lending has made it extremely difficult for owners of these land-lease manufactured home communities to refinance their properties. Many of communities could soon end up in foreclosure if commercial lending conditions do not improve so that owners are again able to secure financing. When an entire manufactured home community is foreclosed upon, it is often the individual home owners that suffer the most.

Historically, it has not been clear whether commercial loans on manufactured home communities are eligible to be applied by the GSEs to the special multifamily subgoal, as it is difficult to estimate the income levels of manufactured home community residents who own their home and lease their land. Section 1282.13 of the FHFA proposal specifies multifamily goals for low-income housing and very low-income housing, but no such guidance is provided regarding land-lease manufactured home communities.

MHI urges the FHFA to offer a clarification in the final rule that includes a similar procedure for land lease community loans, as there is a wide-spread crisis on the horizon for communities if financing cannot be secured by owners.

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Thank you in advance for consideration of these comments. Should you need clarification on any of the issues discussed in this letter, please feel free to contact me at tlong@mfghome.org, or 703.558.0678.

Sincerely,

Thayer Long
Executive Vice President
Manufactured Housing Institute