THE NEW CHAMPION

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VIA FEDERAL EXPRESS AND EMAIL

Mr. Alfred M. Pollard
General Counsel
Attention: Comments/RIN 2590-AA27
Federal Housing Finance Agency
Fourth Floor
1700 G Street, N.W.
Washington, D.C. 20552
regcomments@fhfa.gov

Re: Enterprise Duty to Serve Underserved Markets
75 Federal Register, No. 108 at 32099 -- RIN 2590-AA27

Dear Mr. Pollard:

Our company is one of the nation's largest producers of manufactured housing. As a result, we take a particular interest in the recent proceedings of your department and the potential impact of your Agency's actions. After reviewing the Agency's proposed rules on the Enterprises' Duty to Serve Underserved Markets and comment letters such as the one submitted by Manufactured Housing Association for Regulatory Reform, we find it necessary to provide the following comments – in the hope that the Agency changes course and uses its capabilities and vast resources to make a meaningful impact on the underserved potential homeowners in our country.

I. Any Rule That Limits Itself to Traditional Conforming Mortgages Will Fail Congress' Dictate to Assist the Underserved

Congress' edict to the Enterprises is simple: Find a way to help low-income, rural and manufactured housing customers obtain housing by creating a market for loans covering that housing. By the Agency's own admission, manufactured housing serves all three groups in need (with a unique ability to reach low-income buyers in rural areas lacking traditional construction infrastructure). *See* 75 Federal Register, No. 108 at 32102-4. Therefore, it is fairly undisputed that the greatest strides towards achieving the Agency's goals will be obtained by providing manufactured housing financing to assist all three underserved groups simultaneously.

However, despite the fact that nearly two-thirds of all manufactured housing is purchased with chattel financing or a non-traditional land-home mortgage arrangement, the Agency proposes a "solution" that only helps traditional mortgages. A proposed solution that excludes two-thirds of the population at the outset is hardly sufficient to meet Congress' mandate. Instead, and although it will be challenging, we must work to provide a solution that addresses the needs of the vast majority of manufactured housing customers.

Much is made in the Agency's proposed rule about the challenges of managing a chattel finance portfolio, customer protections, and the Enterprises' own financial struggles. Of course, a program that allows non-traditional financing will be more difficult, there will be sacrifices made, and it will take creative thinking to structure a solution that meets the needs of these underserved markets. However, though it will not be easy, two-thirds of potential manufactured housing homeowners (many of whom are low-income and/or rural customers) must command the Agency's attention and, indeed, deserve the opportunity of home ownership as much as or even more so than those capable of affording traditional conforming mortgages.

II. Providing Financing Support for Non-Traditional Homeownership is Unpopular - That is Why it is so Important

The Agency does an admirable job outlining the sentiment of the majority (composed largely of consumer groups and various associations) strongly opposed to the chattel-financing regime in its entirety. In fact, the Agency itself makes clear that it, too, disfavors the added hassle and insecurity associated with non-traditional home financing. If this type of financing were popular, there would be no need for Congressional action in the first instance. But, the simple fact remains that the vast majority of low-income, rural and manufactured housing customers cannot afford both the home and land necessary to create the traditional mortgage package and need this option. And, so long as our goal as a country remains assisting those who do not have as much, we must continue to offer solutions that are obtainable for those citizens as well.

While ripe with criticisms, the detractors (the Agency included) fail to offer any solution or proposal to address the majority of affordable manufactured housing customers who will be left without financing opportunities should the proposed rules come to pass. Instead, the proposed rules would simply make it easier for those who already have the resources to obtain traditional mortgages, while continuing to widen the gap between those most affected by the economic downturn.

The only solution that helps all of the target groups is to include chattel and other non-traditional financing in the Enterprises' duties. As an industry, customers and associations included, we must focus our collective energy on refining the chattel financing systems as opposed to abandoning the process while nearly two-thirds of our target consumers have no other option. The Enterprises have assisted the chattel markets in the past (despite the Agency's suggestion otherwise this has been part of the traditional business even if it has lost favor in recent times) and we need the Enterprises to assist this financing option again.

III. The Agency Must Set Concrete Goals for the Enterprises

Although dedicating lengthy discussion to the topic, the proposed rules fail to set any rigid goals to measure the success of the program. However, even a modest improvement in the Enterprises' portfolios could have a dramatic and lasting impact on these target groups. Specifically, historic levels saw up to 15% of the Enterprises' portfolios dedicated to manufactured housing financing. Now, estimates put the number at less than 1%. If we are to make meaningful inroads, the Agency should require the Enterprises to allocate 5% of their portfolios to manufactured housing by 2015, and 10% by 2020. These levels, although below the peaks seen a decade ago, would represent a sustainable commitment to the underserved groups in this country. Without concrete goals, we fear progress will stall and there will be a continuation of the status quo, leaving the underserved groups just as underserved.

Conclusion

While the Agency has made progress in the proposed rules (acknowledging the importance of manufactured housing financing to the target underserved groups) the proposal to exclude non-traditional/chattel financing would have grave consequences on the goal of providing access to financing to this important underserved group. Instead, we respectfully request that the Agency expressly include non-traditional financing in the proposed rule and then devote the resources and time necessary to refine the system so that consumers and manufacturers are equally protected. To assist this goal, we will commit to dedicate our own resources to assist the Agency if needed. We know that the system can work, and that the Enterprises have the ability to open this stagnant avenue of financing. We also know it will not be easy, and the Enterprises will need to undertake additional expense to analyze different risk pools. That said, however, our tax dollars, and those of the target underserved groups, went to shore up the operations of the Enterprises (even though that too was not easy and involved new risk assessments). It is time that the Enterprises return the favor.

Sincerely,

Phyllis A. Knight

cc: Congressman Gary Peters
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