

California Mobilehome Parkowners Alliance

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

Attention: Comments/RIN 2590-AA27

Dear Mr. Pollard:

The California Mobilehome Parkowners Alliance (CMPA) is a trade association primarily representing owners and professional managers of land-lease communities. We appreciate the opportunity to submit formal comments in response to the Federal Housing Finance Agency's (FHFA) ***Enterprise Duty to Serve Underserved Markets*** notice of proposed rulemaking (75 FR 32099).

BACKGROUND

There is a long history of Fannie Mae and Freddie Mac failing to serve the needs of the manufactured housing market. The possibility of establishing substantive liquidity for manufactured home loans is severely undermined by the effective monopoly the GSEs have on the secondary lending market and the lack of service provided to the manufactured housing industry. Ultimately, this hurts consumers and those most in need of affordable housing, especially those in land-lease communities. Congress recognized this reality, and through the Housing and Economic Recovery Act of 2008 (HERA; P.L. 110-289), specifically established a duty for the GSEs to serve underserved markets, including manufactured housing.

Less than one percent of GSE business originates from manufactured housing. While the GSEs may purchase small amounts of conforming real property manufactured housing loans, they offer virtually no funding for personal property loans. However, it is our understanding that, nationwide, since 1989 manufactured housing has accounted for 21 percent of all new homes sold in this country, and in 2009 manufactured housing accounted for 43 percent of all new homes sold under \$150,000 and 23 percent of all new homes sold under \$200,000.

In requiring the GSEs dutifully serve the needs of the manufactured housing market, Congress intended "to increase the liquidity of mortgage investments and improve the distribution of investment capital available for mortgage financing for underserved markets." HERA provided further direction that the GSEs "shall develop loan products and flexible underwriting guidelines to facilitate a secondary market for mortgage on manufactured housing."

Personal Property Lending

CMPA is disappointed in FHFA's proposal to "consider only manufactured home loans

titled as real property for the purposes of the duty to serve the manufactured housing market.” HERA specifically provided FHFA the authority and direction to consider loans secured by both real and personal property in evaluating whether the GSEs are in compliance with their duty to serve obligation. Given the prevalence of personal property lending in the manufactured housing sector, FHFA’s proposed rule essentially disregards the wide-scale needs of both the manufactured housing industry and consumer, as well as Congressional intent.

A manufactured home financed with a personal property home loan is among the most affordable forms of homeownership as no land is involved in the loan transaction. Today, the industry estimates that personal property home loans account for at least 60 percent of manufactured housing lending.

The proposed rule indicated that with the GSEs in government conservatorship, FHFA is restricted in its ability to approve any new product lines, including personal property lending. While GSEs do not currently purchase personal property home loans, they have in the past purchased asset-backed securities collateralized by manufactured personal property home loans and have purchased loans directly from lenders for their portfolios. The GSEs cannot serve the manufactured housing market by eliminating the 60 percent of manufactured homebuyers who finance their homes using a personal property home loan.

In its proposed rule, FHFA indicated there are questions regarding consumer protections on personal property home loans. However, there are various laws and standards, both at the federal and at the state level, that protect consumers receiving a personal property home loan for a manufactured home. For instance, HERA included amendments to the Truth in Lending Act (TILA), known as the Mortgage Disclosure Improvement Act of 2008 (MDIA). Regulation Z, which implemented TILA, was also amended to implement MDIA.

MDIA requirements affecting manufactured housing personal property home loans include: the creation of a category of higher-priced mortgage loans; lenders must now specifically determine a consumer’s ability to pay and are no longer able to make loans on stated income; and, lenders must verify a customer’s ability to pay based on the customer’s income.

Additional federal consumer protections include the Secure and Fair Enforcement for Mortgage Licensing Act of 2008 (SAFE Act), also enacted as a part of HERA. The SAFE Act is designed to enhance consumer protection and reduce fraud by requiring states to establish minimum standards for the licensing and registration of mortgage loan originators, including originators of personal property home loans. The SAFE Act’s primary objectives include the creation of a comprehensive licensing and supervisory system with uniform application and reporting requirements. All states are required to implement legislation that meets the minimum requirements of the SAFE Act. To date, most states have enacted legislation implementing the SAFE Act. The SAFE Act also directs the establishment of a nationwide mortgage licensing system and registry. Manufactured housing lenders are required to have their loan originators licensed and registered in accordance with the SAFE Act.

The industry is willing to engage FHFA in addressing its concerns with respect to personal property lending. Ultimately, CMPA believes FHFA must reconsider its approach to personal property lending and approve this type of lending activity by the GSEs.

Manufactured Housing Community Lending

Unless a GSE has been engaged in the commercial lending market for manufactured home communities prior to the implementation of government conservatorship, FHFA's proposed rule precludes the GSEs from developing new activity in this arena. CMPA strongly believes the GSEs should be directed to purchase commercial manufactured housing community loans under their multifamily goals.

The recent slowdown in commercial lending has made it extremely difficult for owners of land-lease communities to refinance their properties. The ownership of a manufactured home sited in a land-lease community is one of the most affordable forms of home ownership.

In 2008, Fannie Mae's multifamily loan volume through its Delegated Underwriting and Servicing (DUS) program was approximately \$33 billion. However, only \$1 billion of that total volume was in manufactured home communities. Historically, manufactured housing community loans have performed well and **land-lease communities offer one of the most affordable forms of homeownership for moderate-, low-, and very low-income households.** GSE activity in this area is vital to maintaining the health of this sector and to ensuring the availability of this important supply of affordable housing.

Additionally, we understand that the proposed rule now precludes Freddie Mac, who was actively engaged in preparing to enter the market by the 3rd quarter, has now curtailed these efforts. Fannie Mae has demonstrated for years they have been able to operate in this space, why should Freddie Mac not also be allowed to compete for this business, and bring this very important capital source to the market? This policy must be reconsidered.

CMPA recognizes the GSEs are in a weakened state and hesitant to make changes to their existing business models. However, Congress, through HERA, recognized a fundamental lack of service existed and specifically directed the GSEs to begin to dutifully serve the entire needs of the manufactured housing market.

The manufactured housing industry can appreciate the difficulty and uncertainty of operating in a stressed environment. Nationwide, new manufactured home construction has fallen 86 percent over the past ten years, which has accounted for 167 plant closures, more than 7,500 home center closures, and over 200,000 lost jobs. Most importantly, thousands of manufactured homeowners and land-lease tenants have been unable to buy, sell, or refinance their homes.

While we appreciate the concerns raised by FHFA to ensure the GSEs remain viable economic institutions and that adequate consumer protections are in place, FHFA and the GSEs have an obligation to serve manufactured housing and the 18 million Americans that currently reside in manufactured homes.

CMPA Comments

The proposal to potentially eliminate personal property lending from the GSE duty to serve requirements fails to serve the underserved manufactured housing market, particularly those in land-lease communities.

We appreciate you considering our comments,

Chelu Travieso
Vice President