



MINNESOTA MANUFACTURED HOUSING ASSOCIATION

Opening doors to better living.

July 19, 2010

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

Re: RIN 2590-AA27

Dear Mr. Pollard:

I am writing on behalf of the 400 members of the Minnesota Manufactured Housing Association (MMHA); please consider these formal comments in response to the Enterprise Duty to Serve Underserved Markets Notice of Proposed Rule Making and Request for Comments (RIN 2590-AA27) released June 7, 2010.

Briefly, the MMHA was formed in 1951 and represents 400 businesses, including manufactured home and modular home builders, manufactured home installers, residential contractors, model home sales centers and retailers, and land-lease manufactured home communities. The MMHA works to promote quality housing that is affordable, encourages a level playing field in the public policy arena, and educates its members on new home building technologies and best industry practices. It holds seminars and workshops, assists members with local zoning and building code concerns; provides updates on state and federal law changes, new regulations, and offers continuing education opportunities for licensed manufactured home installers, residential building contractors and real estate brokers. It is estimated that over 200,000 Minnesota residents reside in a manufactured home either on leased land or sited on real property in what comprises nearly 15 percent of the state's housing stock. There are approximately 1,200 licensed manufactured home communities in Minnesota containing 50,000 individual home sites. All of these homeowners lease the land where their homes are sited and do not have access to traditional mortgage financing offered at competitive rates via the GSEs.

In addition to these 50,000 homeowners residing in manufactured home communities on leased land, manufactured homes are often placed on leased land on one of the state's 80,000 family-farms as a way for children to remain a part of the family's farming business when they are young adults. In these situations, the land would be owned by the parents and the manufactured home owned by the children; like homeowners in manufactured home community, they are not able to secure GSE-backed financing as their home cannot be secured by real property via the land underneath the manufactured home.

Congressional intent was very clear to the GSE's to specifically serve the manufactured housing market and personal property financing; instructing them to develop regulatory guidelines to implement duty to serve provisions outlined in the Housing and Economic Reform Act of 2008 (HERA; P.L. 110-289), initial rules developed by the Federal Housing Finance Agency (FHFA) do not fully reflect congressional intent on the duty government-sponsored enterprises (GSEs) have to serve the manufactured housing market.

HERA tasked the GSEs with developing loan products, flexible underwriting guidelines and a secondary market for mortgages for very low-, low- and moderate-income families for three underserved markets: 1) manufactured housing; 2) rural housing; and 3) affordable housing. Congress further specified that FHFA, in considering whether GSEs have fulfilled their duty-to-serve obligation, consider loans secured by both real and personal property.

In its proposed rule, FHFA indicates it will consider only manufactured homes loans secured by real property for purposes of the duty to serve the manufactured housing market requirement. We feel this decision misinterprets legislative intent as well as industry realities with respect to the prevalent role personal property lending plays in the manufactured housing market.

The manufactured housing industry serves a vital segment of the housing market. In fact, since 1989, manufactured housing has accounted for 21 percent of all new single-family housing sold in the United States. A significant portion of this is in the form of affordable housing, and from a national perspective, manufactured homes specifically accounted for:

- In 2009, 43 percent of all new home sales under \$150,000 and 23 percent under \$200,000 were manufactured homes
- 73 percent of those living in manufactured housing earn less than \$50,000
- 45 percent of manufactured housing borrowers earn 80 percent or less of Area Median Income (AMI)

More than 60 percent of manufactured home owners have relied on a personal property loan in order to finance their home purchase. FHFA's initial decision to exclude personal property lending considerations from the GSE's duty-to-serve obligation effectively eliminates more than half the market that relies on manufactured housing.

While the charters of Fannie Mae and Freddie Mac have always allowed for the purchase of personal property loans, they represent only one percent of all loans purchased by the GSEs. Congress recognized this reality, and through, HERA provided FHFA the authority to consider loans secured by both real and personal property in assuring GSEs dutifully serve the needs of the manufactured housing market.

Finally, manufactured homes are the largest source of non-subsidized, owner-occupied, affordable housing for Minnesota families. The industry in Minnesota employs around 3,000 workers at 1,500, mostly small businesses. There are 8 factories building manufactured and/or modular homes in Minnesota; they are located in rural areas of the state in cities such as Detroit Lakes, Redwood Falls, Montevideo, Red Lake Falls, Marshall, Tracy, Verndale, and Worthington. These plants tend to be the larger employers in their respective towns, with four of these plants building manufactured homes and all building modular homes. For the plants building manufactured homes, it is critical to their long-term survival that there be a source of GSE-backed financing for manufactured homes located on leased land.

In conclusion, while we appreciate the concerns raised by FHFA to ensure GSEs remain viable economic institutions and that adequate consumer protections are in place, the FHFA and the GSEs have an obligation to serve manufactured housing and the 18 million Americans that currently reside in manufactured homes. The manufactured housing industry stands ready to address personal property lending issues identified by FHFA in the proposed rule in a substantive and productive manner.

However, the decision to potentially eliminate personal property lending from GSE duty-to-serve requirements not only fails to serve the underserved manufactured housing market; it fails to serve the larger underserved affordable housing and rural housing markets.

It is for these reasons FHFA is urged to amend its proposed rule to also consider manufactured home loans secured as personal property towards the Enterprise duty-to-serve requirement.

The MMHA appreciates the opportunity to offer its comments on the proposed rule and hopes the FHFA is able to incorporate the concerns raised by the industry when crafting its final Rule. If you have any questions or need clarifications to our comments, they can be directed to me at (651) 450-4700 or mark@mnmfghome.org. Thank you.

Sincerely,



Mark Brunner
President