



FHFA Duty to Serve Listening Session: Manufactured Housing
Friday, October 16, 2020
1:00 p.m. EDT

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Thank you to the team from FHFA, Fannie Mae and Freddie Mac, and everyone joining today. I appreciate the opportunity to share MHI's views during this important Listening Session. MHI broadly represents all the major sectors of the manufactured housing industry – including lenders, community owners, manufacturers, retailers, installers, and suppliers.

We are now nearing the end of the first 3-year period of the GSEs' Duty to Serve plans – a perfect time to take stock of their performance to date. In light of the impact of COVID-19 on the economy, MHI believes the importance of the Enterprises carrying out their charter access-to-credit and statutory Duty to Serve manufactured housing responsibilities should be a priority. In the longer term, as Fannie Mae and Freddie Mac move toward eventual exit from conservatorship, adherence to Duty to Serve responsibilities become increasingly critical to ensure these underserved areas are not ignored.

In assessing progress in meeting their statutory Duty to Serve responsibilities so far, let's first look at the GSEs' performance on manufactured homes backed by real estate. Both Fannie and Freddie's plans promised to develop more flexible, innovative loan products for real property loans – and we believe they have done so.

MHI commends both Fannie and Freddie for several policy changes and variances to its MH products to increase volume and we encourage continued strategies to support real property loans and further increase volume going forward. MHI is also pleased that both GSEs have introduced new programs that provide conventional financing for manufactured homes with site-built features. Qualifying home features for the MHAdvantage and CHOICE Home programs align closely with the industry's new CrossMod™ homes, with higher roof pitches, permanent and lower profile foundations, garages or carports, and porches.

As Director Calabria and his team witnessed on the national mall during HUD's innovative housing showcase last year, CrossMod homes are indistinguishable from site-built housing at a fraction of the cost due to the efficiencies of off-site home construction. CrossMod™ homes are a point of entry for home buyers who are currently priced out of homeownership because traditional site-built housing is not produced at below \$200,000. CrossMod™ homes will serve this gap in the market. These homes have the potential to reach areas of the country where manufactured housing has, in the past, been zoned out by discriminatory land use regulations at the state and local level.

The Enterprises' support for CrossMod homes could not come at a more important time. Particularly as the nation responds to the impact of the pandemic, there has emerged a large group of aspiring homeowners who are priced out of traditional site-built housing. These are the consumers that

CrossMod™ homes will serve. MHI commends the GSEs for these actions – and we hope that they will become a model for similar actions for the FHA Title II loan program to serve CrossMod. Looking forward, MHI urges the GSEs to provide further support on certain challenges the industry has seen in developing this new product – specifically with respect to zoning, appraisal, and engagement issues.

A secondary market for chattel manufactured home loans, also called personal property loans, is an area that continues to elude the manufactured housing industry. Chattel loans are mortgage loans which are only backed by the manufactured home, and not by underlying land.

Both Fannie Mae and Freddie Mac had included the acquisition of existing chattel loans as a pilot project within their three-year plans. Fannie Mae's plan included the purchase of 2,000 chattel home loans through the end of this year and Freddie Mac's plan included the purchase of 800 to 2,000 chattel home loans through the end of this year. At the time, MHI expressed concern that such an approach of purchasing a few existing chattel loans would not lead to the accomplishment of creating a secondary market for chattel.

MHI appreciates that this has been a difficult period for mortgage markets and mortgage loans, with the emergence since March of the COVID-19 crisis. With the surge in unemployment, GSE loan defaults have increased. We assume that this has been a factor in Fannie and Freddie not making any visible progress to develop a secondary market for chattel financing in the first three years of their plans.

The manufactured housing industry needs the GSEs to focus efforts on developing a secondary market for manufactured housing chattel loans based upon sound underwriting principals and inclusive of features consistent with current industry practices. We would also appreciate candor about how long this delay in re-entering the chattel loan market will continue – and more specifically, what Fannie and Freddie hope to accomplish next year.

I would point out that the purchase of several hundred or a few thousand chattel loans is not the real goal here. The real goal needs to be the creation of a flow program, in which Fannie and Freddie purchase all loans that meet specified underwriting criteria and securitize those loans into an evolving secondary market for chattel loans.

Fannie and Freddie appear to share that goal – at least based on their Duty to Serve plans. Specifically, Fannie Mae's Objective no. 2 in their manufactured home Duty to Serve plan was “Explore securitization structures that attract private capital and provide sustainable liquidity to the chattel market.” And Freddie's plan indicated that the ultimate purpose of buying existing chattel loans was “to help inform future product design to build out capabilities for flow path.”

I would like to reiterate that it was not MHI's idea to begin this process by the GSEs buying existing, more seasoned chattel loans. However, the GSEs chose to pursue this path because they said it would allow them to re-gain familiarity with the loan product and have a chance to observe their loan performance as an asset.

Now that the GSEs have apparently reconsidered the benefit of buying existing chattel loans, it is important for them to refocus the effort on progress in developing a flow program for purchase and securitization of chattel loans.

Therefore, MHI would like to get a fully transparent and detailed explanation of the specific steps Fannie and Freddie have taken over the last few years to advance the ball on developing underwriting

criteria and to develop a secondary market to create a flow program for the purchase and securitization of chattel manufactured home loans.

There has been much discussion about the GSEs' support for the purchase of land-lease communities, both within and outside of the Duty to Serve. Land-lease communities offer more than affordable housing. Communities offer a sense of neighborhood and often feature a range of amenities. MHI recently conducted a national survey of people living in manufactured housing, which showed that 87 percent of residents in all-age communities are satisfied with their homes.

MHI understands some parties have raised concerns about some bad actors raising rents excessively and otherwise acting in bad faith. Raising rents and evicting tenants is counter to the prevailing business model of every professional land-lease community owner-operator who relies upon stable rent and high occupancy.

Going back many years, MHI worked with consumer groups and proposed standards for consumer lease protections through the Duty to Serve process. Our intent was for such protections to accompany secondary market support for the financing of homes within land lease communities (chattel financing) as opposed to the commercial financing of the communities themselves, which is how the protections were ultimately adopted within Duty to Serve. Going forward, MHI remains committed to responsible, professional ownership of manufactured housing communities – and to the homeowners in those communities.

We commend the GSEs for their work to support land lease manufactured housing communities and encourage them to focus on creating a secondary market for chattel financing so that residents in land lease communities can benefit from the GSEs' support.

In closing, MHI appreciates FHFA and the GSEs for setting up these listening sessions. For Duty to Serve to truly succeed, the emphasis must be on performance, accountability and transparency – and not just on plans and discussion.

Thank you.