



MORTGAGE BANKERS ASSOCIATION

March 20, 2017

Office of General Counsel
Federal Housing Finance Agency
400 7th Street, S.W., Eighth Floor
Washington D.C. 20219

RE: Chattel Financing of Manufactured Homes Request for Input

To Whom it May Concern:

The Mortgage Bankers Association (MBA)¹ thanks the Federal Housing Finance Agency (FHFA) for the opportunity to comment on its request for input on current chattel financing practices for manufactured homes. MBA appreciates the opportunity to provide comments on the possible opportunities available to Fannie Mae and Freddie Mac (collectively, the Enterprises) to improve chattel financing terms and conditions for very low-, low-, and moderate-income families through the purchase of chattel loans in a safe and sound manner under the Duty to Serve Final Rule (Final Rule) published on December 29, 2016.

Duty to Serve requirements imposed on the Enterprises by the Housing and Economic Recovery Act of 2008 (HERA – HERA Section 1129) represent a key element of the Enterprises role in the market to facilitate a broad, liquid, and stable national housing market accessible to all credit-worthy borrowers. MBA supports FHFA's Final Rule as a positive step towards improving the availability of mortgage credit and affordable homeownership options in underserved markets.

I. Background

Under the Final Rule, FHFA provides opportunities for the Enterprises to support the manufactured housing and chattel lending market with standardized loan products. MBA supports FHFA's decision to include Enterprise support for chattel loan pilots as Regulatory Activities under the Final Rule as well as its expansion of extra credit activities under §1282.36(c)(3) to manufactured housing community activities such as a chattel loan pilot program. MBA believes that these opportunities can improve liquidity and access to credit in the manufactured housing market.

According to MBA data, the United States will see 15.9 million additional households over the next decade consisting of 10.3 million additional owner households and 5.6 million new renter

¹ The Mortgage Bankers Association (MBA) is the national association representing the real estate finance industry, an industry that employs more than 280,000 people in virtually every community in the country. Headquartered in Washington, D.C., the association works to ensure the continued strength of the nation's residential and commercial real estate markets; to expand homeownership and extend access to affordable housing to all Americans. MBA promotes fair and ethical lending practices and fosters professional excellence among real estate finance employees through a wide range of educational programs and a variety of publications. Its membership of over 2,200 companies includes all elements of real estate finance: mortgage companies, mortgage brokers, commercial banks, thrifts, REITs, Wall Street conduits, life insurance companies and others in the mortgage lending field. For additional information, visit MBA's Web site: www.mortgagebankers.org.

households.² Subsequently this demand will increase the need for all types of housing over the next decade including already limited affordable housing for very low-, low-, and moderate income borrowers. MBA believes that manufactured home ownership can play a key role in providing both first-time home-buying opportunities and affordable alternatives to site built homes for these consumers.

MBA has worked with a cross-section of diverse lenders and industry stakeholders to identify the following comments in response to FHFA's request for input. MBA supports FHFA's efforts to provide additional parameters and safeguards to make chattel financing more widely available for first-time homebuyers and more viable for lenders in the future.

II. Recommendations

As noted in FHFA's RFI, the percentage of new manufactured homes titled as chattel increased from 67 percent in 2009 to 80 percent in 2015.³ Despite this increase, participating lenders are often required to hold chattel loans in portfolio, resulting in only a small handful of lenders who have the balance sheet capacity to offer this product to consumers. This limited product availability is due to the lack of financing options available for manufactured housing and the absence of a secondary market for chattel loans. Consequently, a lack of competition in the manufactured housing market results in the limited availability of long-term fixed rate loans at the most competitive interest rates and constricted options for the purchase, resale, and refinance of manufactured housing properties. As a result, consumers of manufactured home properties often find themselves at a disadvantage to those seeking site built homes.

To this end, MBA supports the expansion of Duty to Serve Credit through the creation of additional financing options for chattel loans for both new and existing manufactured homes that can support the broader segment of manufactured housing consumers with lower income, lower FICO scores, and lower loan amounts. Absent the creation of a secondary market for these loans, the Enterprises will remain unable to meaningfully contribute to increased optionality for those seeking homeownership in the manufactured housing market and critical access to credit for these consumers.

MBA also acknowledges the difficulties associated with the funding of manufactured home chattel loans in the past. However, current lending practices have since been significantly improved. Loans are now supported by sound underwriting and are better able to withstand quality control examinations. MBA believes that FHFA and the Enterprises can create a chattel loan pilot program in a safe and sound manner for both the Enterprises and consumers. As directed in the Final Rule, MBA recommends that the Enterprises seek additional feedback from stakeholder groups on how to best design structured consumer and tenant protections against foreclosure, evictions, rate increases, provisions for loss mitigation, and long-term lease protections beyond those required under current law. Increased consumer protections paired with lender recourse, risk-sharing, and the availability of mortgage insurance will support a uniform structure for chattel financing and will allow both lenders and the Enterprises to more effectively manage and mitigate remaining chattel lending risks.

A pilot will also be able to yield much needed data on the terms, features, performance, and servicing of recent-vintage chattel loans to better inform future risk mitigation and the quality

² Lynn Fisher and Jamie Woodwell, Housing Demand: Demographics and the Numbers Behind the Coming Multi-Million Increase in Households, Mortgage Bankers Association, July 2015.

³ U.S. Commerce Department, Census Bureau "Cost & Size Comparisons for New Manufactured Homes and New Single-Family Site-Built Homes" (2007-2015), available at <https://www.census.gov/data/tables/2015/Econ/mhs/2015-annual-data.html>.

control needs of chattel loans in the future. A comparison of this data to non-chattel manufactured housing financing may also help to identify additional opportunities to better serve this underserved market. To this end, MBA believes that the Enterprises must take on a meaningful but controlled volume of chattel financing per Enterprise in order to ensure that the pilot engages a representative slice of the market, which will ensure scalability of the program in the future. As a benchmark, this effort should be tied to a minimum score for the manufactured housing component of an Enterprise plan.

III. Conclusion

MBA appreciates FHFA's efforts in developing the Final Rule and its employment of transparent information gathering processes to engage industry stakeholders on provisions under the Final Rule. FHFA has taken an important step toward increasing access to credit and mortgage liquidity for underserved markets through the finalization of its Duty to Serve requirements. This work represents a critical element in the creation of access to affordable mortgage credit for many homebuyers with limited financial options.

MBA welcomes the opportunity to work with FHFA and the Enterprises to further improve its programs to ensure loan quality and the establishment of a clear chattel financing pilot framework. Should you have questions or wish to discuss these comments, please contact Tamara King, Vice President of Residential Policy and Member Engagement, at (202) 557-2758 or TKing@mba.org, or Katherine Tung, Policy Advisor of Residential Policy at (202) 557-2870 or KTung@mba.org.

Sincerely,

A handwritten signature in black ink that reads "Stephen A. O'Connor". The signature is written in a cursive, slightly slanted style.

Stephen A. O'Connor
Senior Vice President Public Policy and Industry Relations