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July 24, 2026

Clinton Jones
General Counsel
Federal Housing Finance Agency
400 Seventh Street SW
Washington, DC 20219

Re: Enterprise Duty to Serve Underserved Markets; RIN 2590-AB64

Dear Mr. Jones:

The Independent Community Bankers of America ("ICBA")[1] appreciates the opportunity to comment on the Federal Housing Finance Agency's ("FHFA") proposed rule regarding the Duty to Serve ("DTS") obligations of Fannie Mae and Freddie Mac (the "Enterprises"). ICBA and the nation's community banks strongly support policies that responsibly expand sustainable homeownership opportunities and increase the availability of affordable housing in underserved communities. ICBA also appreciates President Trump and his Administration's leadership on housing affordability, including the President's Executive Order directing federal agencies to identify and advance policies that increase housing supply, reduce housing costs, and expand opportunities for homeownership.

Community banks have long played a critical role in financing affordable housing, including manufactured housing, rural housing, and affordable housing preservation efforts. We understand FHFA's objective of providing the Enterprises greater flexibility to fulfill their statutory DTS obligations and generally support efforts to reduce unnecessary administrative burdens. We also recognize that manufactured housing remains an important source of affordable homeownership for many low- and moderate-income households, particularly in rural communities. FHFA's observation that manufactured housing borrowers face higher denial rates and borrowing costs points to market challenges that deserve careful consideration.

[1] The Independent Community Bankers of America® has one mission: to create and promote an environment where community banks flourish. We power the potential of the nation's community banks through effective advocacy, education, and innovation. As local and trusted sources of credit, America's community banks leverage their relationship-based business model and innovative offerings to channel deposits into the neighborhoods they serve, creating jobs, fostering economic prosperity, and fueling their customers' financial goals and dreams. For more information, visit ICBA's website at icba.org.

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However, ICBA is concerned that the proposal appears designed, in part, to encourage significantly greater Enterprise participation in the manufactured housing chattel lending market. While increased liquidity may produce certain short-term benefits, we believe the risks to the Enterprises, taxpayers, and the broader housing finance system substantially outweigh those benefits, particularly while the Enterprises remain under-capitalized and in conservatorship.

Enterprise Expansion into Chattel Lending Is Inappropriate While the Enterprises Remain in Conservatorship

ICBA believes FHFA should not encourage or incentivize significant Enterprise expansion into manufactured housing chattel lending while Fannie Mae and Freddie Mac remain under federal conservatorship and have not achieved the capital levels required under FHFA's regulatory capital framework.

Although the Duty to Serve statute requires the Enterprises to support underserved housing markets, FHFA must balance those mission objectives with its statutory responsibility to ensure safety and soundness. The proposed rule expressly contemplates expanded Enterprise efforts to support the chattel financing market and states that FHFA expects the Enterprises to develop and implement robust, responsible chattel financing initiatives that expand liquidity, sustainable credit, and consumer choice.

Unlike traditional residential mortgages secured by real estate, chattel loans are secured solely by the manufactured home. These assets generally depreciate rather than appreciate, can be relocated, and frequently lack the long-term value stability associated with real property. As a result, chattel lending presents fundamentally different risks than conventional mortgage lending, including greater collateral risk, higher loss severities, valuation uncertainties, and more complicated servicing and collection challenges.

ICBA continues to voice concerns that expanding the government-backed secondary market into this segment would expose the Enterprises, and ultimately taxpayers, to heightened risk while producing indeterminate affordability benefits. In discussions with community bankers, several observed that the proposal evokes previous efforts to expand homeownership opportunities through progressively riskier forms of financing, often with unintended consequences. While the affordable housing objectives are well-intentioned, public policy should not encourage the Enterprises to assume materially greater credit and collateral risk while they remain dependent on the federal government's support structure.

Accordingly, ICBA urges FHFA not to encourage significant expansion into chattel lending unless and until the Enterprises have:

- Exited conservatorship;

- Achieved and maintained capital levels consistent with FHFA's regulatory capital framework;
- Demonstrated the capacity to absorb potential losses without increasing taxpayer exposure; and
- Received explicit supervisory approval from FHFA based on demonstrated safety and soundness.

Once those conditions have been satisfied, the Enterprises could evaluate pilot programs or limited activities in this market. Until then, Enterprise resources should remain focused on retaining capital while adhering to lower-risk activities that are more closely aligned with their traditional mortgage finance expertise and long-term safety and soundness objectives.

Financing Gaps Do Not Necessarily Justify Government Risk

FHFA points to substantially higher denial rates and borrowing costs in the manufactured housing chattel market as evidence of a financing gap. As noted in the proposed rule, borrowers seeking these chattel loans face a 65.6 percent denial rate compared to just 8.8 percent for site-built homes. While those statistics warrant attention, they do not necessarily demonstrate a market failure requiring expanded Enterprise intervention.

In many cases, higher interest rates and more restrictive underwriting standards reflect the underlying risk characteristics of the collateral and lending structure. Chattel-secured manufactured homes generally depreciate more rapidly than real estate, are more difficult to value accurately, and often produce greater losses in default scenarios. The existence of risk-based pricing should not, by itself, be viewed as justification for transferring those risks to government-sponsored entities that remain in conservatorship.

Collateral Risks Are a Primary Concern, While Valuation Challenges Add Uncertainty

Community banks that make chattel loans today consistently identify the collateral itself as the primary concern associated with expanded chattel lending.

Extending longer loan terms against depreciating assets creates a meaningful risk that borrowers may become underwater relatively quickly. The ability to relocate the collateral also increases servicing difficulties, repossession costs, and potential loss severity in default situations.

Community bankers also raise concerns about whether certain underwriting parameters currently being considered in the broader manufactured housing market appropriately reflect the useful life and residual value of older manufactured homes. Financing aging manufactured homes over extended repayment periods raises legitimate safety and soundness concerns that should not be overlooked in pursuit of affordability goals.

Valuation challenges further complicate these risks. Community bankers report that reliable appraisal and valuation options remain limited for manufactured homes that are not permanently attached to land. While these valuation challenges may be secondary to the broader collateral concerns, they make prudent underwriting more difficult and add uncertainty to the true risk profile of chattel loans.

Broader Affordability Challenges Should Remain Central

ICBA does not believe that expanded Enterprise support for chattel lending would constitute a comprehensive response to the nation's housing affordability challenges.

While manufactured housing serves an important role in the housing ecosystem, expanding access to financing for depreciating personal property assets will not address many of the structural factors driving affordability concerns. Community bankers noted that new manufactured homes frequently exceed $100,000 in cost, meaning affordability challenges remain even when financing is available.

Policymakers should prioritize strategies that expand housing supply, preserve existing affordable housing, support community land trusts, encourage shared-equity homeownership models, and reduce barriers to residential development. President Trump's Executive Order provides an important and constructive framework for this work by appropriately focusing federal agencies on practical steps to increase housing supply, reduce housing costs, and expand opportunities for homeownership. ICBA appreciates the Administration's continued attention to these priorities and supports ongoing regulatory and administrative actions undertaken pursuant to the Executive Order to remove unnecessary barriers to housing development and improve affordability. Consistent with these objectives, policymakers should reassess burdensome and duplicative regulations that make mortgage lending more difficult for community banks, particularly smaller lenders serving rural and underserved communities. A more workable regulatory framework would help these lenders better meet the nation's housing needs.

Compliance complexity, supervisory uncertainty, and rising operational costs can limit community banks' ability to originate and service mortgage loans, reducing the availability of local, relationship-based credit. When community banks are constrained from making mortgage loans, prospective borrowers have fewer financing options, competition declines, and access to affordable homeownership becomes even more difficult. Regulatory relief, combined with the approaches listed above, offers the potential for more durable affordability gains while posing considerably less risk to taxpayers and the Enterprises.

Conclusion

ICBA supports FHFA's efforts to streamline the DTS framework and provide the Enterprises greater flexibility to serve underserved housing markets. Doing so is consistent with President Trump's

Executive Order directing regulators to meaningfully address our nation's ongoing housing affordability challenges while rolling back unnecessary regulations that undermine safe and responsible mortgage lending to borrowers that need it the most. However, we have strong concerns about provisions of the proposal that intend to encourage or incentivize expanded Enterprise participation in the manufactured housing chattel loan market.

Chattel lending presents substantially different risks than traditional mortgage lending, including collateral depreciation, valuation uncertainty, servicing complications, and heightened loss severity. Those risks are particularly concerning given that the Enterprises remain in conservatorship and have not yet achieved the capitalization envisioned under FHFA's regulatory capital framework.

Accordingly, ICBA respectfully urges FHFA to reconsider this aspect of the proposal. Until the Enterprises exit conservatorship, satisfy their regulatory capital requirements, and demonstrate the ability to absorb losses associated with this market without increasing taxpayer exposure, FHFA should not encourage meaningful expansion of Enterprise chattel loan activities. Any future consideration of such activities should occur only after capitalization objectives are met and should be subject to supervisory review and approval by FHFA.

Thank you for considering ICBA's views. We look forward to continuing to work with FHFA and the Administration on policies that promote sustainable affordable housing opportunities while preserving safety and soundness and ensuring a strong role for community banks.

Sincerely,

Tim Roy

Vice President, Housing Finance Policy