

Lesli Gooch, Manufactured Housing Institute CEO Appraisal Comments to FHFA, Fannie Mae, Freddie Mac on Manufactured Home vs. CrossMod™ home Appraisals 2.11.2021

Bill Merrill: But thank you. Let me turn it over to Lesli Gooch and then we'll be going to Charles Gress. Lesli?

Lesli Gooch: Thank you very much. And thank you to the team at FHFA, Fannie Mae and Freddie Mac and everyone joining today's call. I appreciate the opportunity to share MHI's views about the enterprises, appraisal related policies, practices and processes.

My name is Leslie Gooch. I'm the CEO of the Manufactured Housing Institute. We are the only national trade association that represents all segments of the factory built housing industry. Our members include home builders, suppliers, retail sellers, lenders, installers, community owners and operators and others who serve the industry. We also have 49 affiliated state organizations.

In 2020, the industry shipped almost 95,000 HUD code homes produced by 35 US corporations in 135 plants located across the country. Our members are responsible for close to 85% of the manufactured homes that are produced each year.

Manufactured housing offers value to consumers because of the technological advancements and cost savings associated with the factory built process. And because of the efficiencies that come with the Federal Building Code, the HUD code.

We are pleased that the Federal Housing Finance Agency focused its housing price index highlight in the second quarter of 2018 on price trends for manufactured housing that are titled as real estate. According to the report, in general, the figures suggest that manufactured homes have seen price trends broadly similar to those of other homes.

According to the purchase only series, since 1995, prices have risen by roughly 120% for manufactured homes versus 140% for other homes. While this report was the first of its kind from FHFA, we do encourage FHFA to continue with these reports. We recommend that FHFA publish updates about manufactured housing pricing more regularly, and we hope that FHFA will ultimately include this information in the standard monthly and quarterly house price indexes.

In 2008, Congress created the duty to serve, and it made manufactured housing one of the three areas that Fannie Mae and Freddie Mac must serve. MHI has since been advocating for Fannie and Freddie to meet this statutory duty for manufactured housing both chattel home loans and homes titled as real estate. We urge

FHFA to continue to hold the enterprises responsible for meeting these obligations. My comments today are focused on changes that both Fannie Mae and Freddie Mac have made to their loan programs for a new category of manufactured homes called CrossMod homes. MHI is pleased that the enterprises have introduced these new

programs that provide conventional financing for manufactured homes that are titled as real estate and have certain site built features.

Qualifying home features for the MH Advantage program, which is Fanny's program, and the choice Home program, which is Freddie's program, align closely with the industry's CrossMod home. And include things like higher roof pitches, permanent and lower profile foundations, energy efficient features, garages or carports and porches.

As Director Calabria and his team witnessed on the National Mall during HUD's innovative housing showcase in 2019, CrossMod homes are indistinguishable from site built homes, and are at a fraction of the cost due to the efficiencies of off-site construction.

CrossMod homes are a point of entry for homebuyers who are currently priced out of homeownership because traditional site built housing is not produced 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 exclusionary land use regulations at the state and local level. As we work to deliver CrossMod homes to more consumers, MHI believes the GSE needs to help ensure that appraisers are aware of the new financing programs at Fannie Mae and Freddie Mac, and understand how they are different from traditional manufactured housing appraisals.

We need the GSEs to ensure appraisers follow the new appraisal guidelines for homes that qualify for MH Advantage and Choice homes. Under both of the GSEs programs, appraisers may use site built homes as comparables when valuating qualifying homes. But since both programs are still relatively new, we think more GSE outreach to the appraisal professionals about appraisal logistics surrounding CrossMod homes and the available financing programs is absolutely critical.

Beyond outreach we think if the GSEs could develop a functional solution that fits into the lender and underwriting process, such as a

form that provides appraisers with very specific instructions and guidelines, would help overcome some of the hurdles we are experiencing.

For example, we are beginning to see multiple listing services include CrossMod as a separate category in their drop down menus. This simple change has helped clarify for agents, appraisers and loan originators that CrossMod is a distinct type of HUD code home. We need the GSEs and FHFA to support similar changes that can help keep the CrossMod home category distinct from the other HUD code homes.

Our fundamental concern is that in spite of the new programs appraisal guidelines, appraisers are just not aware of CrossMod and that it is a distinct type of HUD code manufactured home. We are concerned that by default, they are using manufactured

homes as comps when appraising a CrossMod home. So purposeful outreach and engagement for appraisers so that they are aware of these new programs is needed.

In conclusion, the enterprises programs for CrossMod homes could not have 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 very consumers that CrossMod homes will serve.

Looking forward, MHI urges the GSEs to provide further support on certain challenges the industry has had in developing this new product, specifically with respect to appraisals and zoning. Again, we appreciate FHFA for setting up this listening session to learn more about potential changes needed to the GSEs appraisal-related policies, practices and processes. Thank you very much.

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