MHI Manufactured Housing Institute 75th ANNIVERSARY 1936 to 2011

Mr. Nicholas Krafft
Nondepository Supervision
Consumer Financial Protection Bureau
1801 L Street, NW
Room 513-H
Washington, DC 20036

Re: Docket No. CFPB-HQ-2011-2; Defining Larger Participants in Certain Consumer Financial Products and Services Market

Dear Mr. Krafft:

On behalf of the Manufactured Housing Institute (MHI), a national trade association representing all segments of the factory-built housing industry including manufacturers, lenders, community owners and state-licensed manufactured home retailers, we appreciate the opportunity to provide comments on the Consumer Financial Protection Bureau's (CFPB) Notice and Request for Comment on Defining Larger Participants in Certain Consumer Financial Products and Services Markets (Docket No. CFPB-HQ-2011-2).

Manufactured housing is vital to fulfilling the nation's need for affordable housing. In 2010, according to data compiled by the Census Bureau and American Housing Survey (AHS), 72 percent of all new homes sold under $125,000 and 47 percent of all new homes sold under $150,000 were manufactured homes. MHI urges the Bureau to fully understand the manufactured housing industry and the 19 million families living in manufactured homes.

MHI's comments will focus on two areas outlined in the CFPB's request:

- Scope of Coverage of Supervised Programs
- Criteria Defining a Larger Participant

<u>Background on Manufactured Housing Finance</u>

The vast majority (60 percent) of those purchasing a manufactured home rely on a personal property (home-only) loan to finance their purchase. This is because the home is either being placed on leased land, such as in a manufactured home community, or on private property (and there is no need to finance acquisition of the land). More, 70 percent of all new homes today are being sited onto private property.

According to U.S. Census and American Housing Survey Data, the median price of all manufactured homes is under $30,000 and the average price of a new manufactured home is $65,000.

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These smaller balance loans— which make up the bulk of lending activity within the manufactured housing market— must contend with a higher degree of price pressures than larger loans made in the site built housing market. Thus affordability brings with it heightened sensitivity to what most would consider relatively minor cost fluctuations and regulatory changes.

Manufactured home loans and our lenders are subject to same disclosures and regulations as residential real property mortgages. Manufactured home loans must abide by the appropriate disclosure and registration requirements required under the Truth in Lending Act (TILA) and Regulation Z, Secure and Fair Enforcement for Mortgage Licensing Act (SAFE Act), Real Estate Settlement Procedures Act (RESPA), and the Mortgage Disclosure Improvement Act (MDIA). They must also comply with a host of state laws that govern manufactured housing finance activity.

In addition, all residential mortgage loans—regardless of whether they are considered real or personal property—now fall under the mortgage reform amendments outlined in Title XIV of the Dodd-Frank Act.

It is important to note that the mortgage finance reforms outlined in Dodd-Frank Act were designed to cure abuses outlined in the subprime mortgage market of the last few years. The manufactured housing industry did not play any role in the collapse of the nation's housing market, but have been subsequently affected by the resultant economic downturn.

In fact, manufactured home lenders, because of the lack of participation by Fannie Mae and Freddie Mac in securitizing manufactured home loans, have long adopted the transparent and sensible practices required of lenders that are holding loans in portfolio, such as fully documenting customer's ability to repay and requiring a meaningful down-payment.

Due to the existing levels of examination and enforcement manufactured home lenders are already subject to at the state and federal level and the existing regulatory scrutiny and oversight to which organizations that offer manufactured home loans are already subject, we believe the CFPB should:

- **Refrain from defining manufactured home financing as its own market.** To consider it separate and discrete from the residential lending market would contradict the regulatory framework and precedent outlined in Dodd-Frank for all providing consumer credit on dwellings.
- **Avoid defining any lender that provides loans for the purchase of manufactured homes as a "larger participant" based solely on their level of manufactured home lending**. To do so would disregard the small level of lending that takes place in this area, especially when compared against the overall level of activity of the residential mortgage lending market.

Scope of Coverage of Supervised Programs

The Bureau should follow the precedent outlined in the Dodd-Frank Act which includes manufactured housing finance in the larger regulatory structure outlined for the residential mortgage lending market. No statutory distinction is made at the federal level for the purposes of regulatory enforcement, between those providing financing for the purchase of site-built homes and manufactured housing.

Even prior to the enactment of the Dodd-Frank Act, those involved in the sale and financing of manufactured homes have been subject to significant federal and state regulations as outlined above. This oversight covers retailers selling manufactured homes as well as lenders (depository and non-depository institutions) providing financing, it also includes federal regulation of the manufactured housing industry's construction codes and standards through the Department of Housing and Urban Development (HUD).

While the process of buying and financing a manufactured home can differ from purchasing a site-built home, purchasing any home requires buyers to secure a loan. And now, under the Dodd-Frank Act, all loans are subject to identical levels of scrutiny, rule making, and enforcement. This is because the Act now established a universal definition for a "residential mortgage loan," which considers loans on dwellings considered personal property the same as those for residential real property.

This move to regulate without distinction eliminates the need for the CFPB to develop a separate regulatory classification for those providing manufactured housing financing. Defining manufactured housing finance as its own market, for the purposes of Section 1024 of the Dodd-Frank Act, would contradict existing federal policy and create a duplicative and burdensome level of regulatory oversight.

Criteria Defining a Larger Participant

Secondly, MHI believes there is no need to define those organizations providing manufactured home financing as "larger participants" based solely on their manufactured home lending activity.

In fact, a majority of manufactured home finance is localized and includes community banks and credit unions. The business conducted by these entities and other non-manufactured housing specialty lenders continues to be the majority active source of lending for our industry.

Indeed, those lending institutions that do provide specialty financing for manufactured housing are already subject to examination, rule making authority, and enforcement from a number of federal and state agencies (outside of the CFPB), including the Federal Reserve Board, Federal Trade Commission, National Credit Union Administration and departments of banking and finance in states where our lenders must be licensed to do business.

Further, manufactured housing finance activity is a fraction when compared to the level of residential mortgage lending of roughly $3.5 trillion annually. The level of a single lending institution's manufactured home financing activity when compared to the scale and size of the residential mortgage lending market is almost inconsequential, especially when you consider the average purchase price of a manufactured home is under $30,000, according to the 2009 American Housing Survey, and the average purchase price of a site-built home is over $107,000.

Therefore, MHI feels that there is no adequate criteria that could be constructed, which could reasonably justify defining any single lending institution as a “larger participant” in the residential mortgage lending market, based solely on that institution’s level of lending on manufactured homes.

We thank you for your thoughtful consideration of theses comments.

Sincerely,

Thayer Long
President and CEO