

Why FHFA Is Seeking More Data on Chattel Loans



By **Brian Collins**
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Photo caption: "Chattel loan performance demonstrates that the GSEs can purchase chattel loans safely and profitably," said Lesli Gooch, the senior vice president for government affairs for the Manufactured Housing Institute.

The Federal Housing Finance Agency is seeking a significant amount of information from lenders that specialize in making chattel loans to manufactured homebuyers due to a lack of reliable data on the market.



In its final "duty to serve" rule issued in December, the agency opened the door for Fannie Mae and Freddie Mac to purchase manufactured housing loans that are secured by land and titled as real estate. But the agency took a more cautious view of chattel loans — which are not secured by land — and are viewed as more personal loans.

With industry advocates pushing the FHFA to ease up on chattel loans, the agency is hoping to receive more data from lenders on how such loans have performed.

"The manufactured homes chattel lending market poses challenges and risks for the enterprises," the FHFA said in its request for input, which was issued on Jan. 18.

"Historically, many manufactured home chattel loans have performed poorly, the collateral has generally depreciated, and many chattel loan origination and servicing practices have lacked important borrower protections."

The Manufactured Housing Institute has been trying to encourage Fannie and Freddie to enter the chattel market.

"MHI has been in discussions for some time with the GSEs, making the case that chattel loan performance demonstrates that the GSEs can purchase chattel loans safely and profitably," said Lesli Gooch, the group's senior vice president for government affairs. "MHI will continue working with both the FHFA and the GSEs going forward to provide helpful data that does not violate privacy or lender confidentiality concerns."

Fannie and Freddie were big players in the manufactured housing market nearly 20 years ago when they purchased loans from finance companies like Green Tree Financial and Conseco Inc. But the two government-sponsored enterprises incurred significant losses in the early 2000s and exited the manufactured housing market.

Today, 18 million Americans live in manufactured homes and 80% of new manufactured homes purchased in 2015 were financed with chattel loans, according to the FHFA.

Under the final duty to serve rule, the GSEs can earn credits for supporting affordable housing preservation, rural housing and manufactured housing.

The FHFA has incentivized the development of a pilot program for chattel loans, but it's not clear whether the GSEs will do so.

"We have no plans to do a pilot program with chattel loans at this time," said Fannie Mae spokesman Pete Bakel.

Before Fannie would consider entering the chattel market, company executives want to see the results of the FHFA's request for public input, which ends Feb. 13, and any guidance the FHFA provides.

"We want to understand the market first and that will give us perspective. Then we could make some kind of a decision," Bakel said.

Fannie currently buys manufactured housing loans titled as real estate, but not chattel loans.

"Fannie is assessing its capabilities with respect to real property, which we are already involved in, and to determine how we can enhance that program," Bakel said.

Freddie has been conducting outreach and research on manufactured housing as well as the other underserved markets — rural housing and affordable housing preservation — according to Freddie Mac spokeswoman Lisa Tibbitts.

"We're looking to lenders and others who may be able to bring creative solutions to us that can make a difference to very low-, low- and moderate-income Americans,"

Tibbetts said. "I can't make any predictions but we're certainly interested in gathering more information about the portion of the market that's financed as personal property."

There is a chance a GSE might pass on conducting a chattel pilot, according to Doug Ryan, director of affordable homeownership at the Center for Economic Development.

"However, I do believe the GSEs are serious about creating a safe chattel program, if feasible," Ryan said. ##

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