



MHARR *WASHINGTON UPDATE*

The Manufactured Housing Association for Regulatory Reform is a Washington, DC based national trade association representing the views and interests of producers of manufactured housing

REPORT AND ANALYSIS

IN THIS REPORT:

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- **GSE REFORM BEST WINDOW OF OPPORTUNITY**
- **REVIVED DTS ANOTHER WINDOW OF OPPORTUNITY**
- **MHARR CONTINUES COOPERATION TO RESOLVE GNMA RULE**
- **MHARR SHARPENS FOCUS ON FEDERAL PROGRAM**
- **MHARR CONSIDERS WASHINGTON, D.C. ADVERTISING**

INDUSTRY'S SECOND AND BEST CHANCE TO REFORM CONSUMER FINANCING

With MHARR congressional sources indicating that Senate Banking Committee Chairman Tim Johnson (D-SD) and Ranking Member Mike Crapo (R-ID) could unveil – and potentially introduce -- a bipartisan bill to completely overhaul the home financing market in a matter of weeks, the stakes for the future of manufactured home consumer financing have never been higher, while the consequences of industry failure could be devastating. The industry, therefore, has a tight and rapidly narrowing timeframe for a candid, clear-eyed assessment of what needs to be done, going forward, if it is going to be a viable and growing part of the housing market of the future.

To start, the industry has a real opportunity -- right now -- to be “at the table” as Congress debates and ultimately decides the future shape of the housing finance market for decades to come. Doing so, it can avoid repeating – on an even larger scale -- past errors so correctly identified by 21st Mortgage Corporation President Tim Williams, who stated in a July 4, 2013 MHMSM interview, “Part of the reason we have the Dodd Frank issues is that we were not at the table when the legislation was being drafted.” Indeed, those errors pale in comparison to what is at stake for the industry now in the housing finance reform process.

Being “at the table” and being effective, means recognizing, as MHARR has documented for the past year, that this issue should – and needs to be -- a top industry and consumer priority in Washington, D.C. Why? Because with reform of the Government Sponsored Enterprises (GSEs) now a leading priority on Capitol Hill, with the impending restructuring of the entire housing finance system as a result of that reform, and with a completely changed landscape in

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the nation's capital since the start of 2013, now is the time for the industry and consumers to finally ensure the equality of all manufactured homeowners in the home financing market once and for all.

As things stand currently, manufactured homebuyers (and manufactured home loans of all types – real estate, land-home and chattel) face *pervasive* discrimination in the private and public financing marketplace under policies and rules established in -- and enforced from -- Washington, D.C. And it is this discrimination that has contributed to the lower industry production levels of recent years. Eliminating this crippling discrimination once and for all, though, will require a clear, definitive and mandatory provision in federal law -- and GSE reform legislation pending in Congress, for the first time, provides the industry and consumers with the opportunity to make the necessary changes in a comprehensive way.

While the industry, thanks to a *genuine* united front between MHARR and MHI, was able to successfully urge Congress to enact the “Duty to Serve Underserved Markets” (DTS) provision of the Housing and Economic Recovery Act of 2008 -- which *sought* to remedy such long-standing discrimination and securitization issues in the *private sector* -- DTS was pocket vetoed by the Federal Housing Finance Agency (FHFA) in the wake of the housing market crash and remains in regulatory limbo today (see, article below). Over-arching GSE reform and restructuring of the entire housing finance market, however, provides a new window of opportunity for the industry and consumers to cooperate in advancing a multi-faceted approach to open-up and expand manufactured home consumer financing, focused on the inclusion of clear, definitive and mandatory language in any final GSE reform bill to provide a specific statutory underpinning for the elimination of such discrimination against manufactured housing consumers.

Key to the success of such an effort are four fundamental factors that in recent years have changed the dynamics in a positive way for the industry and its homebuyers, and provide a foundation for full equality:

(1) The Manufactured Housing Improvement Act of 2000 is taking root and completing the transition of manufactured homes from the “trailers” of yesteryear to legitimate “housing.”

(2) Consumers of *affordable* housing, after the housing market crash of 2008, are ready and willing to enter the housing market – where manufactured homes are their best and most affordable housing choice.

(3) The Obama Administration is actively pursuing housing and home finance policies that prioritize government assistance for middle-class working families; and

(4) The elimination, with the advent of Dodd-Frank regulation, of the prior negative image of some aspects of manufactured home consumer financing among decision-makers in Washington, D.C.

Based on these factors and other relevant considerations – and with the industry preoccupied with the effort to reform manufactured housing aspects of the Dodd-Frank law --

MHARR took the lead, at a very early stage, to develop a strategy and approach to open-up and expand manufactured home consumer financing via the GSE reform process, through a clear, definitive and mandatory provision that would ensure consumer choice and equal access, without discrimination, to all available types of manufactured home consumer financing. Moreover, building on the industry's successful effort to reform the federal manufactured housing program in the 1980s and 1990s, with the full cooperation of manufactured homeowners, MHARR made certain that representatives of the nation's more than 18 million manufactured homeowners were informed – and fully understood – what MHARR and the industry would be attempting to do with such an effort, *i.e.*, opening-up and expanding the availability of manufactured home financing to provide potential homebuyers with a full range of choices. And, in fact, at an October 2013 meeting with the leadership of the National Manufactured Home Owners Association (NMHOA), MHARR explained this initiative and received a positive response.

MHARR subsequently drafted specific language for such a provision and having “market-tested” its proposal with key offices in the United States Senate, is pleased to report that initial reaction to the draft provision has been extremely positive. But now, with time becoming an important factor, all stakeholders have an opportunity to join this vitally important effort to secure true financing equality for manufactured homebuyers. MHARR thus continues to seek partners to join this effort and advance this key provision. Given the fact, however, that there is no independent national post-production representation in the manufactured housing industry, MHARR is now concentrating on urging industry finance companies to join this effort.

REVIVAL OF DUTY TO SERVE AS AN IMMEDIATE SOLUTION ON PRIVATE CONSUMER FINANCING

While the effort to include all types of manufactured housing loans in any final GSE reform legislation should be an industry priority, the industry should also be paying attention to the potential short-term financing availability solution that already exists in the “Duty to Serve Underserved Markets” provision of the Housing and Economic Recovery Act of 2008 (HERA).

Created by Congress primarily to benefit manufactured housing and manufactured housing consumers, and based on the mandate of 2000 reform law for parity and equal treatment of manufactured housing, DTS was designed and intended to end long-standing and pervasive discrimination by the GSEs against manufactured home buyers – including policies that prevent the securitization of manufactured home chattel loans and subject all other manufactured home loans to discriminatory criteria for underwriting, appraisals, comparables, rates and fees, among other things. As an aside – and quite ironically – this law, written with its main focus on manufactured housing, but ignored for three-plus years by most of the industry – has become a centerpiece mandate for the other two “underserved markets it identifies, *i.e.*, ***affordable housing preservation*** and ***rural markets***, as illustrated during a nationally-televised January 31, 2014 seminar presented by the National Community Reinvestment Coalition (NCRC).

DTS, however, was undermined by federal regulators, first through a proposed FHFA implementation rule that excluded chattel loans (despite express congressional authorization for

their inclusion), and then by inaction, as FHFA withheld a final implementation rule based on an administrative policy against “new” GSE “products” fashioned by its former Acting Director.

MHARR, therefore, as part of its 2013 cooperative effort with MHI, urged joint action by the two associations to advance a simple corrective amendment to DTS, to mandate the inclusion of chattel loans, combined with legislative and/or administrative action to secure a final DTS implementation rule. This strategy was bolstered in early May 2013, when the Obama Administration announced the nomination of then-Rep. Melvin Watt to become the new director of FHFA. Unfortunately, however, this joint DTS effort failed to materialize because MHI decided to maintain its focus and concentration on securing Dodd-Frank reform prior to the effective date of implementing regulations in January 2014, and MHARR deferred to MHI’s decision at that time.

Yet, subsequent events may provide the industry with a second chance -- and compelling reason -- to implement DTS as intended by Congress. First, Dodd-Frank, along with its implementing regulations, has taken effect and is now taking its course to become “the law of the land.” Second, and more importantly, with the industry having failed to reform Dodd-Frank prior to the effective date of those implementing regulations and industry sources maintaining that the *main* underlying difficulty of manufactured home chattel loans with the “high-cost loan” provisions of Dodd-Frank is the lack of securitization and a secondary market for such loans, the quickest, most direct and – given prevailing political realities – most practical short-term solution to expand the availability of manufactured home consumer financing, while avoiding the pitfalls of “high-cost” status under Dodd-Frank, would be to revive DTS. A revival of DTS, moreover, would benefit *all* manufactured homebuyers and *all* manufactured housing lenders across-the-board, not just one or two companies.

In addition, the Senate, on December 10, 2013, voted to confirm former-Rep. Watt as the first appointed FHFA Director since 2009. Given Mr. Watt’s congressional track record of support for manufactured housing and affordable homeownership -- as well as his responsibility for advancing Obama Administration housing and home financing policies designed to help middle-class working Americans who want and need affordable housing – Mr. Watt may be more amenable than his predecessor to a change in policy on DTS. Furthermore, the GSEs, according to sources in Washington, D.C., for many reasons, may continue to exist in their present form for as much as ten years – or more. Thus, DTS could provide the industry with a basis for immediate relief to expand the availability of private-sector financing and bridge the gap until the time that the final implementation of GSE reform becomes a reality.

MHARR CONTINUES COOPERATION WITH GNMA TOP OFFICIALS ON 10-10 RULE

Expanding on its ongoing efforts concerning consumer financing, MHARR officials recently met yet again with senior leaders of the Government National Mortgage Association (GNMA) to address the securitization of Federal Housing Administration (FHA) Title I loans -- which constitutes the public financing counterpart of the securitization of private-sector manufactured home chattel loans by the GSEs – and particularly the GNMA 10-10 rule, which

has limited competition in the Title I market and reduced originations to a very small fraction of their former level.

Although a clear and definitive manufactured housing inclusion mandate in any final GSE reform legislation would send a clear message to all relevant federal agencies to re-evaluate and reconsider policies that discriminate against manufactured homes and manufactured homeowners, GNMA officials have nevertheless been extremely candid and helpful in exploring possible solutions to the status quo. In order to consider policy changes, however, those officials need specific information, data and numbers.

While MHARR has already been able to compile certain up-to-date information concerning the impressive performance of current-day (i.e., post-2000 reform law) manufactured home loans, GNMA has indicated that even more information will ultimately be needed, and the Association is cooperating with GNMA in pursuing such relevant data. MHARR is thus continuing this positive dialogue with the top officials at GNMA, who are working with MHARR to seek a viable solution in order to expand and open-up the availability of FHA Title I manufactured housing loans.

MHARR INTENSIFIES AND SHARPENS FOCUS ON FEDERAL PROGRAM

After a year in which consumer financing issues absorbed much of the industry's time, attention and resources, MHARR has resumed its efforts concerning Title VI and the HUD manufactured housing program, with a plan of action for completion of the full and proper implementation of key aspects of the 2000 reform law that are currently pending. This effort is both important and timely because the full and proper implementation of those key elements of the 2000 reform law is directly related to efforts to open-up and expand the availability of manufactured home consumer financing and the effort to raise the profile of manufactured housing at HUD so that it is ultimately included in all relevant HUD affordable housing programs. Thus, in a comprehensive January 2014 communication to the highest-ranking HUD official with direct authority over the manufactured housing program, MHARR has targeted several key issues that the Department should address and resolve. Chief among these are the following:

- The ongoing downgrading of the manufactured housing program within HUD. As the only HUD program that provides safe and affordable housing for middle-class American homebuyers without costly taxpayer-funded subsidies, manufactured housing should be a key part of every HUD affordable housing program and not suppressed in its "risk management" operation.
- HUD's failure, for ten years, to appoint a non-career administrator for the federal program. A key objective of Congress in the 2000 law was to change the direction and dynamics of the program, and transform it into a true affordable housing program. For this to occur, as events have demonstrated, an appointed, non-career administrator is essential.

- The ongoing downgrading of the Manufactured Housing Consensus Committee (MHCC). Established by Congress to end closed-door HUD rulemaking processes and ensure consensus-based standards and regulation, the MHCC, which has been totally dormant for a year-and-a-half and has had no Administering Organization (AO) since July 2013, must be restored to the full role intended by Congress.
- And even more importantly, on the regulatory side, is the necessity of an open and public forum, conducted by HUD, to explain the intricacies of its new and inherently complex Subpart I regulations, to ensure a level playing field for regulated parties and all program stakeholders.

For the industry and consumers to effectively advance efforts to open-up and expand manufactured home consumer financing in Washington, D.C., the ongoing full and proper implementation of the 2000 reform law is essential, as one of the four factors that justify the full equality of manufactured homebuyers with purchasers of all other types of homes.

MHARR LAUNCHES SUCCESSFUL ISSUE ADVERTISEMENT – CONSIDERS NATIONAL ADVERTISING IN WASHINGTON, D.C. PUBLICATIONS

With overwhelmingly positive initial reaction, a recent MHARR issue advertisement could become the prototype for future advertisements in national print publications designed to inform and educate not only industry members and consumers, but decision-makers in the nation’s capital regarding key industry priorities. MHARR, moreover, given the positive industry reception for this advertisement, issued a blanket authorization on February 19, 2014, for its secondary use.

This initial goal-oriented advertisement, inviting all affected stakeholders to join MHARR’s efforts to expand the industry to “production levels measured in the hundreds of thousands of homes,” was launched in the February 2014 issue of *The Journal of Manufactured and Modular Housing*. MHARR chose The Journal as the inaugural venue for this prototype issue advertisement because it is the only industry print publication, because of its well-established 35-year presence as an industry and Washington, D.C. fixture, and its unsurpassed credibility and reputation for fairness, balance and objectivity among its readers.

It should be noted that this non-commercial issue advertisement is intended exclusively to educate and inform both stakeholders and decision-makers regarding the complex issues that a federally-regulated industry, such as manufactured housing, face in the nation’s capital. MHARR believes and maintains -- based on a wealth of experience, institutional knowledge and continuity – that decision-makers in Washington, D.C. are fully amenable to helping the industry and its consumers and that with fully-informed industry members and decision-makers, the industry can readily achieve results that would be difficult or impossible for other industries.

With the positive input that it has received on this initial advertisement from industry members, MHARR is now preparing relevant information for Association members to consider regarding a continuation and expansion of this education and information initiative, not only in

The Journal and among industry stakeholders and consumers, but also to a broader range of decision-makers in the nation's capital as well. This information for MHARR members' consideration, includes different versions (and messages) of the initial advertisement, as well as a variant intended primarily for decision-makers, for possible inclusion in publications, such as *Roll Call*, *The Hill* and *Politico* that are most widely read by Washington, D.C. decision-makers and, most particularly, by every congressional office.

MHARR is a Washington D.C.-based national trade association representing the views and interests of independent producers of federally-regulated manufactured housing.

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Preserving The American Dream of Home Ownership Through Regulatory Reform

For a federally regulated industry such as manufactured housing to remain competitive and continue to offer unparalleled cost savings to homebuyers -- together with the quality and lifestyle choices that empower homebuyers at all economic levels to live as they wish -- the industry will need to fight hard to advance key priorities, including:

- ★ **Full and proper HUD implementation of the Manufactured Housing Improvement Act of 2000**
- ★ **Full implementation of the Duty to Serve, including securitization of chattel loans**
- ★ **Full inclusion by Congress of all manufactured housing loans in any final housing finance reform legislation, through clear, definitive and mandatory language**
- ★ **Full and unrestricted homebuyer access, nationwide, to the financing sources and providers of their choice**
- ★ **Full acceptance of manufactured housing by states, cities and localities**

As an industry leader in the nation's capital, seeking to ensure fair and reasonable regulation that protects both homebuyers and the industry as a vital national housing resource, MHARR invites all affected stakeholders to join its efforts, including the financial institutions that are so vital to homebuyers and an industry expansion to production levels measured in the hundreds-of-thousands of homes annually.

The heritage of this great industry and the vision of its founders must be preserved so that the American Dream of home ownership remains within the reach of every American.

