10.23.2020

The Honorable Mark Calabria Director,
Ms. Rebecca Cohen
Senior Policy Analyst
Attention: Duty to Serve 2020-2021 RFI
Federal Housing Finance Agency
400 Seventh Street, S.W.
Washington, DC 20219

Re: Duty to Serve Underserved Markets – Proposed 2020 Plan Modifications and 2021 Plan Extension

Dear Director Calabria and Ms. Cohen,
"**The definition of insanity is doing the same thing over and over and expecting different results**." *Quora* says the attribution of that to Albert Einstein is disputed. But the wisdom of the observation – regardless of who first said it – should be undisputed.

Two questions will shed light on this important Duty to Serve manufactured home lending issue to those who care about affordable home ownership.

1) To the point raised by the purported Einstein quote above. The quote creates a bright light on the insanity of repeating year-after-year the exercise of filing comments. Where are the ROBUST plan modifications by the Government Sponsored Enterprises (GSEs or Enterprises) of Fannie Mae and Freddie Mac to Federal Housing Finance Agency (FHFA) to advance – rather than retreat and regroup under the guise of education or anything else - regarding the implementation of the long-awaited proper implementation of the Duty to Serve Manufactured Housing?

The second question is equally important.

2) **Cui Bono?** Who benefits from the status quo? Rephrased, which operation or group(s) benefit from the fact that about a dozen years have elapsed since the passage of the Housing and Economic Recovery Act (HERA) of 2008 made the Duty to Serve (DTS) Manufactured Housing a mandate for the Government Sponsored Enterprises (GSEs or Enterprises) of Fannie Mae and Freddie Mac federal law?

These are but two of several questions that public officials - elected or appointed – and those researchers who truly care about affordable home ownership should be asking.

This may seem to be a complex issue, but actually it is quite simple. Let's outline just how simple this should be.

- All other matters aside, DTS is the law. No one, no organization, is supposed to be above the law.

That noted, let us outline that the law is entirely capable of being implemented.

A) Several lenders are on the record making manufactured home loans profitably and sustainably.
B) The GSEs have been 'studying' the issue for years.
C) Experts say that the GSEs have the capability of fulfilling the law.

D) Some 12 years have elapsed since DTS was mandated by the Housing and Economic Recovery Act of 2008 (HERA).
E) Failure to fulfill the law costs taxpayers, federal, state, and local agencies, and hurts millions of potential homeowners, many of whom are minorities or single parent households, including obviously women.
F) A proven form of wealth creation is affordable home ownership.
G) Creating affordable home ownership at a healthy rate would reduce the upward pressures on rental and other housing. Restated, manufactured homes are an important part of the affordable housing crisis, as both nonprofit, university, and federal research has demonstrated repeatedly over the years.
H) The vast majority of Americans would benefit from the DTS law being properly implemented.
I) Only a relatively small minority – who are often aligned with consolidators – benefit from the status quo, according to evidence developed and linked herein.
J) Congress mandated that manufactured housing lending should be supported and those loans could be both mortgage lending and mortgage lending.

With that introduction, let me note that this writer is the co-founder of *MHProNews* and *MHLivingNews.* Our publications are the largest and most read trade media in all of manufactured housing. I've been involved in the manufactured housing industry since the early 1980s, having also spent some several years involved in RV, trade show, and other professional endeavors that often-earned award winning results and professional recognition. I have won several awards and recognition in manufactured housing. This writer was a multiple award winner in history during my years in high school and at the university.

Please consider all linked reports and downloads as being part of this comments letter.

Hundreds of kudos and recommendation comments from industry peers via LinkedIn, the vast majority unsolicited, also establishes the qualifications of this writer.

http://www.linkedin.com/in/latonykovach

Additionally, Congress, the Consumer Financial Protection Bureau, the National Association of Realtors, MHI leaders, MHARR leaders, a doctoral dissertation in manufactured housing, and several mainstream media reports are among those who have cited our firm's work or mentioned me by name.

LATonyKovach.com

The easiest thing for this writer to do is to simply attach my prior comments to the 2019 Listening Session or prior comments on DTS. Those are above and below.

[FHFA, GSEs – High Cost to Minorities, All Americans – Due to Asserted Failures to Follow Duty to Serve Affordable Housing, Existing Federal Laws]

The statements then apply largely the same today as when they were published.

The screen capture below was performed at the date and time shown. But at 5:18 PM on 10.23.2020, the same number of comments have been submitted. That is a miniscule number given the millions of people that are impacted. Note that some of those below are duplicates from the same party.

DTS RFI INPUT: PROPOSED 2020 MODIFICATIONS AND 2021 PLAN EXTENSIONS

Date	First	Last	Organization	Submission	Attachments
10/23/2020	Mark	Kudlowitz	Local Initiatives Support Corporation	Submission includes comments on Fannie Ma...	Yes
10/23/2020	Mark	Kudlowitz		Submission includes comments on Fannie Ma...	Yes
10/23/2020	Mark	Kudlowitz		Submission includes comments on Fannie Ma...	Yes
10/23/2020	Mark	Kudlowitz	Local Initiatives Support Corporation	Submission includes comments on Fannie Ma...	Yes
10/22/2020	Philip	Schulte		...	Yes
10/22/2020	Stacey	Epperson	Next Step Network	Next Step Network is grateful for the opp...	Yes
10/22/2020	Stacey	Epperson	Next Step Network	Next Step Network is grateful for the opp...	Yes
10/21/2020	Gabe	del Rio	Homeownership Council of America	Please see attachment for Homeownership C...	Yes
10/21/2020	Mark	Weiss	Manufactured Housing Assoc. for Regulatory Reform	See comments attached.	Yes
10/20/2020	Randall	Grumbine	Virginia Manufactured and Modular Housing Assoc	October 20, 2020 The Honorable Mark ...	Yes
10/14/2020	Douglas	Tice		If possible, please address the current s...	No
09/29/2020	Alyssa	Orosco		856 E la Verne ave Pomona ca 91767 woulf ...	No

1-5 of 12

6-10 of 12

DTS RFI INPUT: PROPOSED 2020 MODIFICATIONS AND 2021 PLAN EXTENSIONS

1:49 PM
10/23/2020

11-12 of 12

What explains the paucity of comments at this time? Could it be that people have lost faith in the process?

It is a fair observation that numbers have grown weary having faith in this DTS process. And why shouldn't they, when outgoing DTS manager Jim Gray said not much progress has been made?

Jim Gray - **Manager,**
Duty to Serve (DTS) Program
Federal Housing Finance Agency
Photo credit, LinkedIn.

"[W]**e have not made as much progress** [under the Duty To Serve (DTS) mandates] **as many of us would have liked; so much remains to be done to reach these** [DTS] **markets.**"

- **Jim Gray,** FHFA DTS Manager in an August 31, 2020 farewell note to DTS stakeholders.

There is widespread agreement that not much progress has been made. Yet, in previous comments by David M. Dworkin, President and CEO of the National Housing Conference, said that he opposed changes in benchmarks by the GSEs. He plainly said, as someone who worked for a GSE, that he had full confidence that both Fannie Mae and Freddie Mac could have reached their benchmarks.

David M. Dworkin
President and CEO

NATIONAL HOUSING CONFERENCE

"...**but we oppose the principle that** [DTS] **benchmarks be changed** [for Fannie Mae and Freddie Mac] **to accommodate difficulty in reaching them. Manufactured housing is critical to ensuring access to affordable housing for both rural and underserved urban communities. Challenges in achieving what were arguably modest goals should prompt redoubled efforts rather than changes in goals targets. We have full confidence in both Enterprises ability to reach the existing benchmarks.**"

Dworkin's full comments can be found in the report linked below. It is compared and contrasted with the arguably convoluted and not as useful comments from MHI's then EVP Lesli Gooch, who has since become their CEO. That once more begs questions. After some 11 years at Fannie Mae, and a decade at the U.S. Treasury, Dworkin's statement that he has confidence that they could hit their benchmarks, and more.

But instead, the GSEs were allowed to pare back their efforts. Will they be allowed to do so again? If so, based on what pretext?

https://www.manufacturedhomepronews.com/david-dworkin-national-housing-conference-compared-and-contrasted-with-lesli-gooch-manufactured-housing-institute-on-fannie-mae-freddie-mac-proposed-modifications-to-fhfa-on-duty-to-serve-finance/

The Manufactured Housing Association for Regulatory Reform (MHARR) was instrumental in getting DTS for manufactured housing passed into law. They have stayed focused on the effort to get DTS fully and properly implemented. By contrast, leaders with MHI – such as former chairman Tim Williams, who is President and CEO of the Berkshire Hathaway owned 21st Mortgage Corporation, has flipped flopped several times on DTS. One example is shown in the pull quote below.

In 2013, in an exclusive interview with *MHProNews,* Williams said that pursing the Duty to Serve was a "**complete waste of time**."

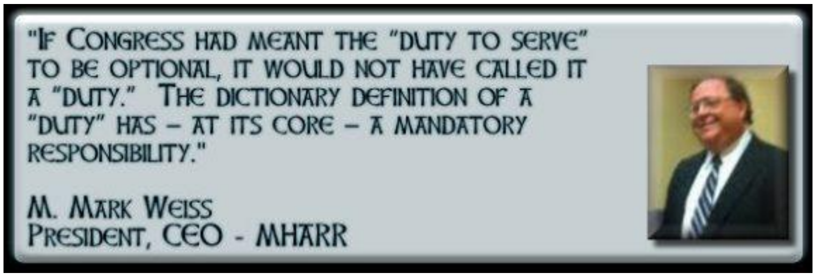
Tim Williams, 21st Mortgage, then MHI Chairman. Photo credit, MHProNews.com.

"**I think it is a total waste of time to talk about DTS until Congress reaches a consensus on the GSEs. Will the GSEs exist as we know them? What will be their mission? I think it is a million to one shot that the FHFA and either of the GSEs agree to finance chattel manufactured homes while the larger issues remain unresolved**," Williams said.

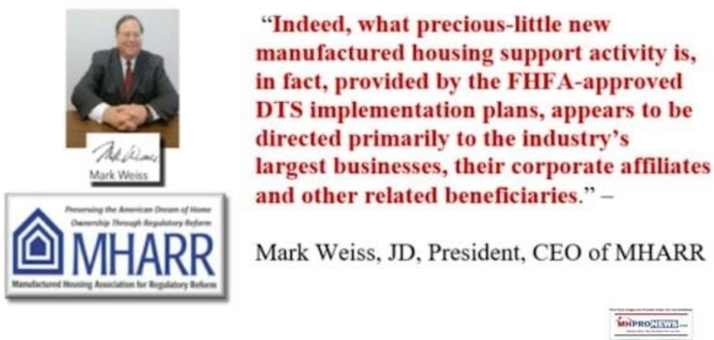
Beyond his observation, Williams would be correct in his "**a million to one shot**" observation, if:

- the Berkshire-Hathaway (BH) owned manufactured housing lending units *failed to give the GSE's the data that they said the Enterprises need,*
- If they exerted subtle behind the scenes efforts to keep the GSEs out of serious implementation of DTS, in part by using MHI as a tool to foil implementation while seemingly posturing support. That explains, for instance, the odd phrasing and behavior of MHI EVP turned CEO Gooch. After all, Gooch does what she is told by MHI leadership, which is dominated by Berkshire Hathaway brands and their MHI allies.
- It must be noted, as MHARR's President and CEO said in his comments letter, that because DTS isn't fully implemented, most manufactured home chattel or personal property lending is at higher interest rates. Restated, 21st and Berkshire Hathaway

benefits from the lack of appreciable DTS activity, especially in the personal property or home only "chattel loan" lending space.



It was July 13, 2017 that Mark Weiss quote above was uploaded to our website. The comment below was first uploaded on February 12, 2018. But MHARR – and *MHProNews* – have been making such arguments for years before.



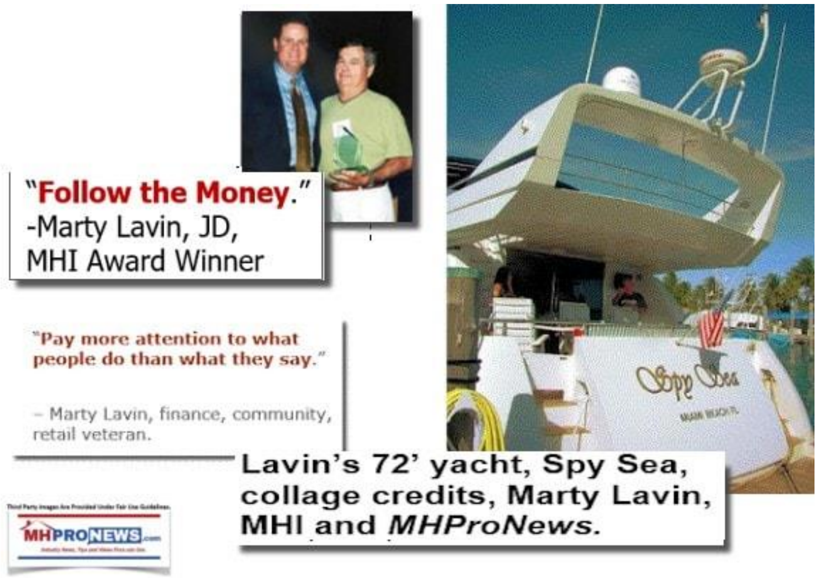
There are any number of reports that *MHProNews* has referenced before.

One of them is the one linked below.

["Witch's Brew" of Predatory Practices – Longtime MHI Member/Attorney Marty Lavin Rips Manufactured Housing Institute, Exposes Duty to Serve Financing Stonewall]()

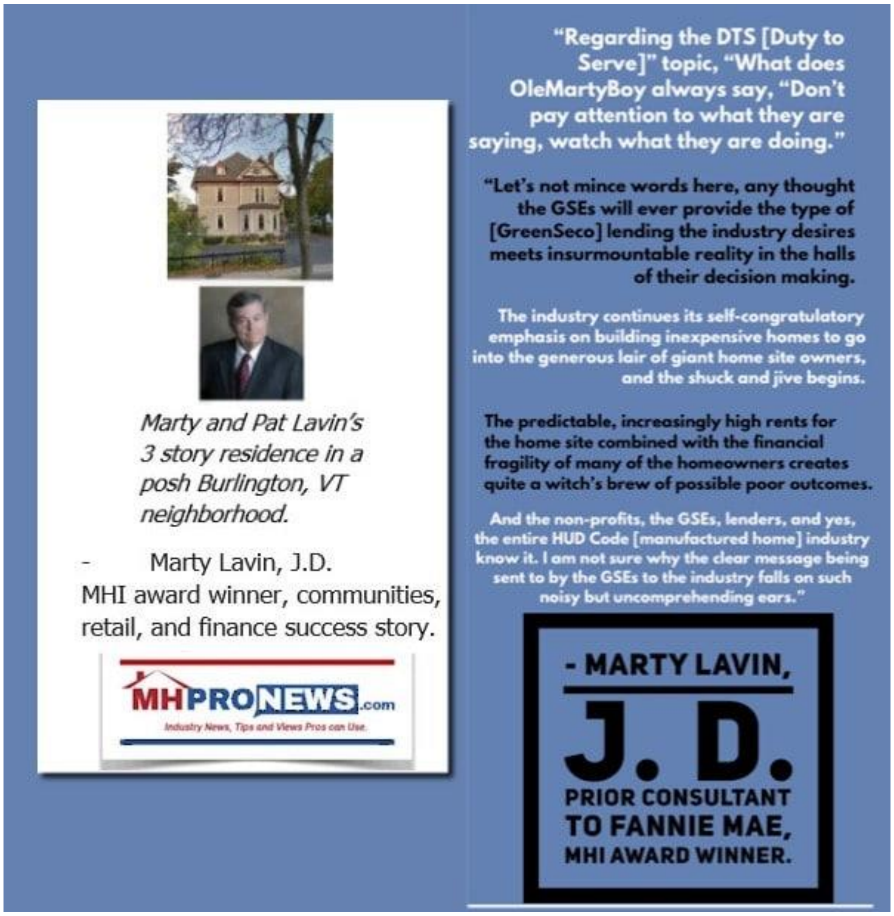
In the report linked above, Marty Lavin, J.D., a former consultant to Fannie Mae and an MHI award winner, politely ripped MHI. But he also chastised the industry for believing that DTS would ever occur.

Lavin is well known in manufactured housing circles for MHProNews quoting these prior statements by Lavin.



Lavin, in his own words, has told *MHProNews* in an exclusive that MHI exists for the benefit of its larger members. This was uploaded on January 15, 2020 as part of one of our reports.

In the past few days, Lavin focused even more sharply on DTS.

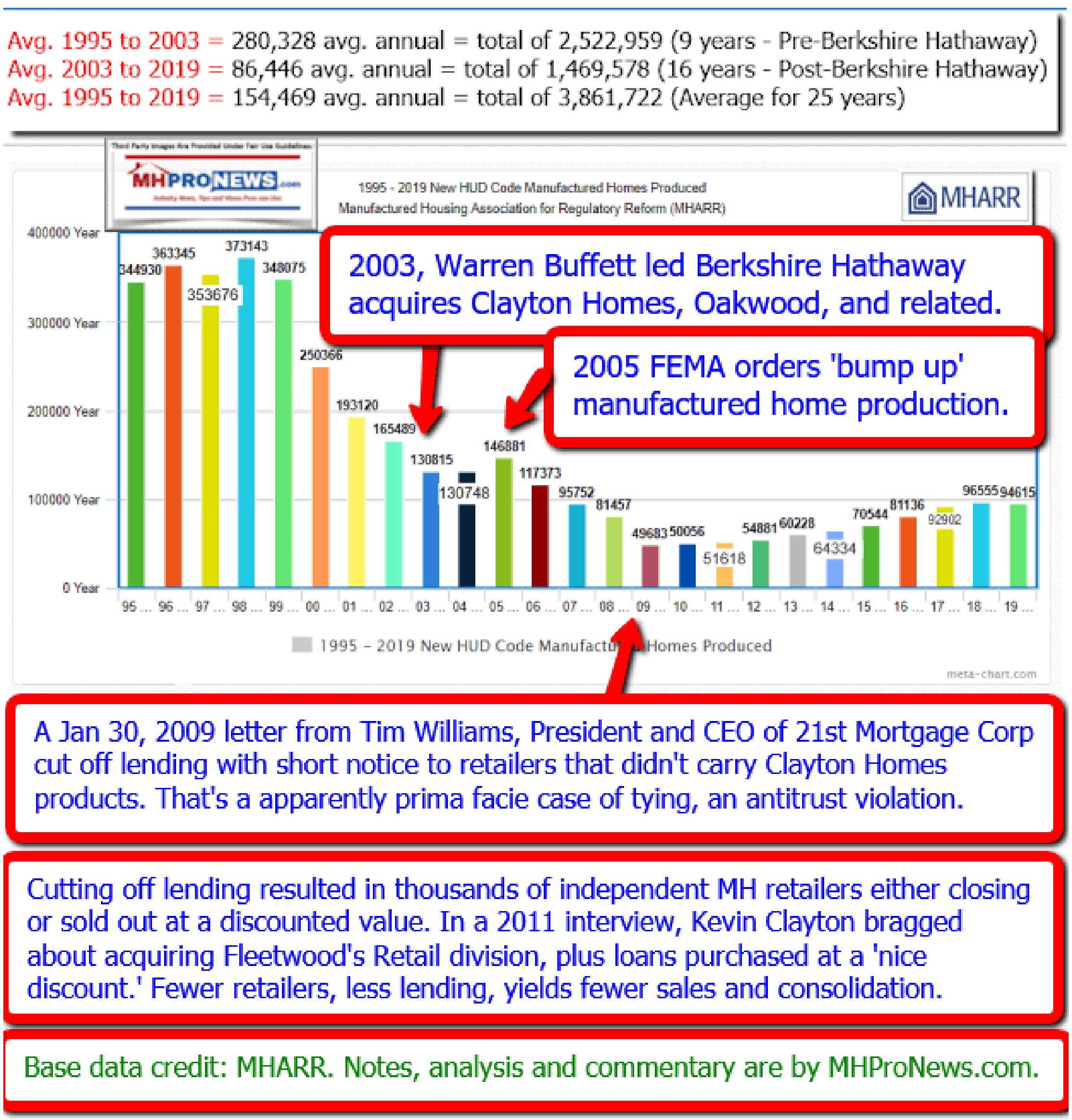


https://www.manufacturedhomepronews.com/expose-manufactured-housing-institute-ceo-lesli-gooch-fhfa-gses-mhec-mharr-and-mhi-award-winner-marty-lavin-on-duty-to-serve-manufactured-home-loan-controversies/

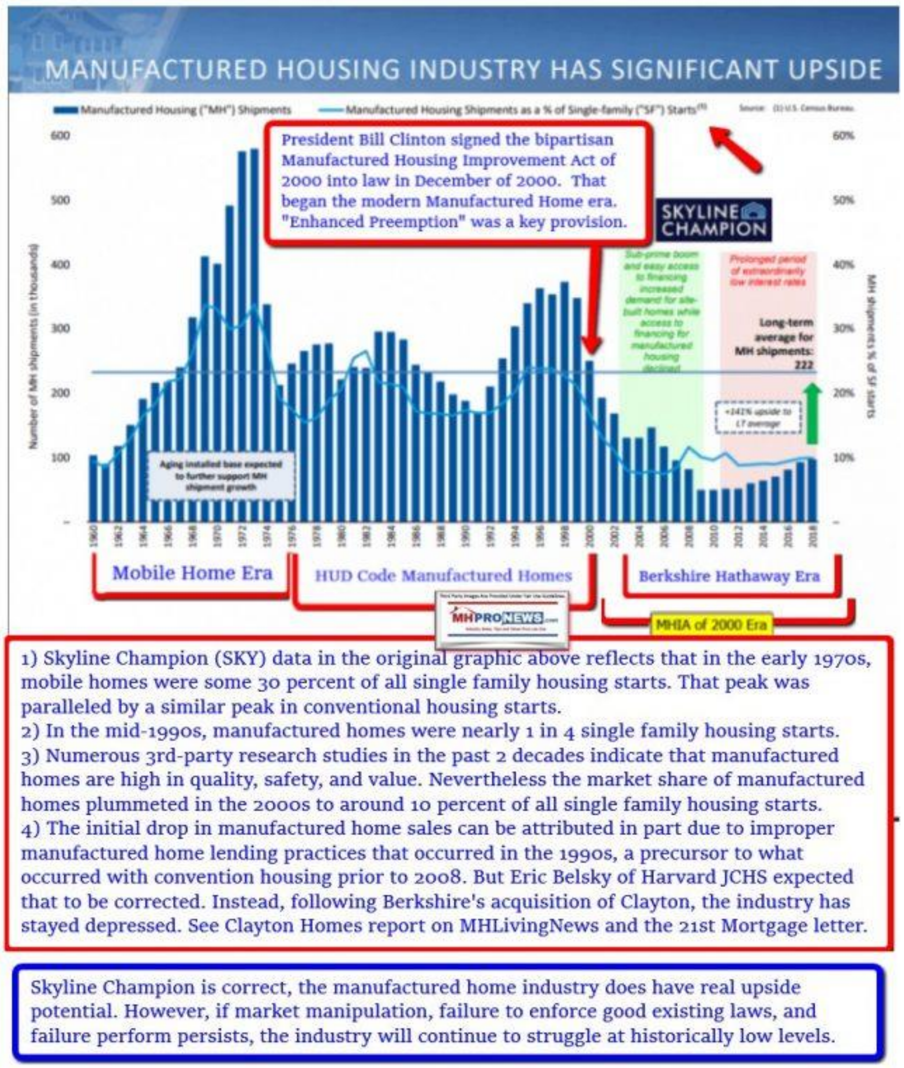
The report above substantiates numerous concerns raised by MHARR (see their website, linked here: https://manufacturedhousingassociationregulatoryreform.org) and also by the exclusive Q&A's with MHProNews and MHARR's founding president, a prior MHI VP, Danny Ghorbani.

[FHFA "Director [Mark] Calabria Must Initiate An Internal Investigation" – Danny Ghorbani Rips & Reveals Duty to Serve Problems, Solutions](#)

The result of constricting manufactured home lending, placement, or other barriers is underperformance.



That is not only *MHProNews'* view, but it is the implication of publicly traded Skyline Champion's investor package. The following was uploaded by MHProNews on November 21, 2019.



This matters because when lending is choked off, consolidation results. Consumers are harmed too.

One of the comments letters, by Philip W. Schulte, includes this noteworthy pull quote.

"**The lack of progress in standardizing loan origination, underwriting and servicing procedures** [by the GSEs] **for manufactured home chattel loans has done nothing to increase investor confidence for whole loans or securities backed by chattel loans.**"

In order to shed light on question 2 on page one of this letter, the following quotes from comments by others already posted on this topic shed light.

Manufactured Housing Institute (MHI) member Next Step, which has clear ties to Berkshire Hathaway and Clayton Homes, made this stunning but revealing statement.

"**Next Step agrees with Fannie Mae's proposed modification that would eliminate loan purchase volume requirements for the remainder of 2020 as they instead focus on expanded education and outreach**," said Stacey Epperson, President & Founder Next Step Network, Inc.

The stunning nature of that statement is a reasonable stand-in for what MHI and the Berkshire Hathaway owned brands of Clayton Homes, 21st Mortgage Corp, and Vanderbilt Mortgage and Finance (VMF) are supportive of, since as of 4:44 PM ET, MHI itself has not yet filed its comments.

Note that logically, in a normal business, you don't suspend business generating activity in order to engage in marketing or education. Rather, the norm for business is to tweak marketing and education in order the facilitate more results. Marketing, production, and education all continue side-by-side. That's how business is done. Thus, *Epperson's comments above are nonsensical.* To test the relevance, does Epperson's sales unit *suspend* their sales, while waiting for Next Step's marketing and education to improve *their* market? **<u>Of course not.</u>**

Put differently, Epperson is de facto providing cover for the GSEs, a head fake that is masquerading as reason that falls apart upon closer examination.

Epperson also said, "**Next Step is supportive of Fannie Mae's strategy to expand access and use of MH Advantage for manufactured homes titled as real property**." But this approach has already proven to be a marketplace failure, as information from 2019 and since has made clear. In a market of some 94,615 manufactured homes in 2019, versus an estimated dozen units of CrossMod™ manufactured homes – which, per an MHI member source – have been sold at retail thus far in about the last 2 years.

A retailer cited further below told MHProNews that they don't think that the CrossMod™ manufactured homes will work for street retailers.

That retailer said that CrossMod™ - branded by Fannie MH Advantage™ and by Freddie as CHOICEHome® which are promoted by Clayton Homes and their allies at MHI – can only be successfully sold as production builders do, which is in a development. More on that below.

Here is another comments letter pull quote that has been posted in response to the DTS by the Homeownership Council of America (HCA).

Per HCA:

"**Manufactured Homes Titled as Real Property, Objective #3 (FN_MH_Real Prop_3):**

Eliminate loan purchases. Replace them with expanded outreach and education to promote the product's adoption among non-traditional MH stakeholders.

HCA Comment: The elimination of loan purchases and expansion to non-traditional MH stakeholders makes good sense. HCA has seen firsthand that much more work is needed to proliferate consumer demand and increase usage of higher quality manufactured housing. This is especially true in rural areas. Urban markets with high housing costs may also find MH more cost-effective for delivering affordable homeownership units. In rural markets, manufactured housing tends to have a more negative perception."

The same observation to Epperson's applies. Ask HCA to suspend their services while trying to advertise and educate potential members or service units. That's not how it works in America. It's nonsense. It would be worth following the money trail on HCA to see why they would make such a, pardon me, absurd argument.

Several MHI member sources stated to *MHProNews* that the "**CrossModTM**" homes, which Fannie Mae refers to as **MH Advantage**™ and Freddie Mac calls **CHOICEHomes®** 'have no traction in the market.'

A retailer/developer told *MHProNews* that they don't see this model of home working in the normal retail distribution method. It will require subdivision style sales methods, he said.

"**The success of this product will depend on the ability of developers to offer this product in a subdivision style setting with Homeowner Association setups similar to what you see with production homebuilders**," said Dustin Arp of President of Spark Homes, LLC.

Sparks said he had two contracts at this time. But note that the Texas Manufactured Housing Association (TMHA) in a press release dated November 20, 2019 touted the initial deployment of that **CrossModTM** type manufactured home.

While Arp believes in the product and the process, he has not had much traction himself, as volume retailers of manufactured housing would attest to the notion of 2 contracts in about 10 months. That said, Arp's statements reflect the notion that this the **CrossModTM** is not a product that 'street retailers' will be able to successfully sell.

That's fully in line with what *MHProNews* reported some 18 months ago when we dubbed the entire "**new class of manufactured home scheme**" later dubbed by MHI as a **CrossModTM** manufactured home, a "**Trojan Horse**" for the industry.

Having spoken with sources working with GSEs on the program, it was apparent that the financing product development would not work as described and hyped by MHI, Clayton Homes, or their other two larger producers.

The impact of this should be viewed through the lens of the following comment below by HUD Secretary Ben Carson. He touted the value of manufactured homes and their value to creating affordable home ownership.

There will be a report published under this title linked below.

Foot Dragging? Rigged System? Manufactured Housing Lending Comments to Feds by Various Professionals

Each of the articles and documents in this comments letter should be considered as part of this submission. Furthermore, the linked downloads and references are also to be considered as part of this comment's submission.

Ben Carson
United States Secretary of Housing and Urban Development

"Our nation's shortage of affordable housing is ultimately an issue of supply and demand. With millions of people in need, high demand is already guaranteed. That's why HUD has focused our strategy on increasing supply – namely, by promoting initiatives, programs, techniques, and technologies that produce more affordable homes..."

...the average cost per square foot of a manufactured home is nearly half that of a site-built home – $49 [dollars] per square foot, as opposed to $107 [dollars]. These dramatic cost savings in construction enable responsible citizens to secure housing that may be considerably less expensive than renting or purchasing a site-built home. *

And yet, even at this lower price, manufactured homes appreciate in value at a rate similar to site-built homes, according to the Federal Housing Finance Agency Housing Price Index.*

Sustainable homeownership is the number one builder of financial capital for most American families. For example, the average net worth of a renter is $5,000 [dollars], while the average net worth of a homeowner is $200,000 [dollars]. That's an extraordinary 40-fold difference.

But with comparable home appreciation rates to site-built homes, manufactured homes exhibit their own extraordinary potential to be a wealth creation tool for ordinary, everyday American families."

- Ben Carson, M.D.
  HUD Secretary

This was part of a speech at an MHI conference. Why isn't this speech on MHI's website?

Conclusion

There are years of useful research and positive comments about manufactured homes. There Congress passed HERA 2008 with widely bipartisan support.

Thus the insanity and game playing surrounding the DTS Program is costly to the vast majority of affordable housing seekers, particularly to those who want to be affordable homeowners. Minorities, single parents, particularly women are among those who suffer.

It's a disgrace. But beyond that, it arguably points to corrupt and possibly illegal practices. More on that in the report linked below.

Foot Dragging? Rigged System? Manufactured Housing Lending Comments to Feds by Various Professionals

Respectfully submitted,

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