Comments Concerning Plan Modifications to Fannie Mae's and Freddie Mac's Duty to Serve Plans

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First, thank you for the opportunity to comment on the modification to the Enterprise plans (e.g., Chattel Activity, FNM_MH_B-2: Manufactured Housing, Objective #2) for facilitating a secondary market for manufactured home chattel loans. The comments include some specific information and suggestions concerning manufactured home security products along with raising some broader equity issues regarding the current situation in the housing finance industry.

Low to moderate income Americans purchasing manufactured homes do not have access to nor have they benefitted from the extraordinary opportunities for historically low home purchase and refinancing mortgage rates. Expanding credit opportunities as required by the Housing and Economic Recovery Act (HERA) in a sound manner should always be the foundation for consideration of changes in Enterprise Duty to Serve policies. New loan programs will increase liquidity in the marketplace that in turn lowers costs for homeowners.

1. What is the proposed modification's potential impact on the related objective in the Plan and on the underserved market as a whole?

A. The proposed Modification will do little to advance the Duty to Serve goal

The proposed modification (participating in a debt instrument or security similar to a Residential Backed Mortgage Security) will have little impact if the goal is to expand financing opportunities to low moderate income Americans who want to purchase new or used manufactured homes. Why? Because the Duty to Serve (DTS) goal is to:

> "Develop loan products and flexible underwriting guidelines to facilitate a secondary market for mortgages on manufactured homes for very low, low and moderate-income families."

Purchasing a private label or a non-agency asset backed security does not develop new loan products or flexibility in credit origination or underwriting guidelines. It merely continues the current high cost personal property financing system that currently exists.

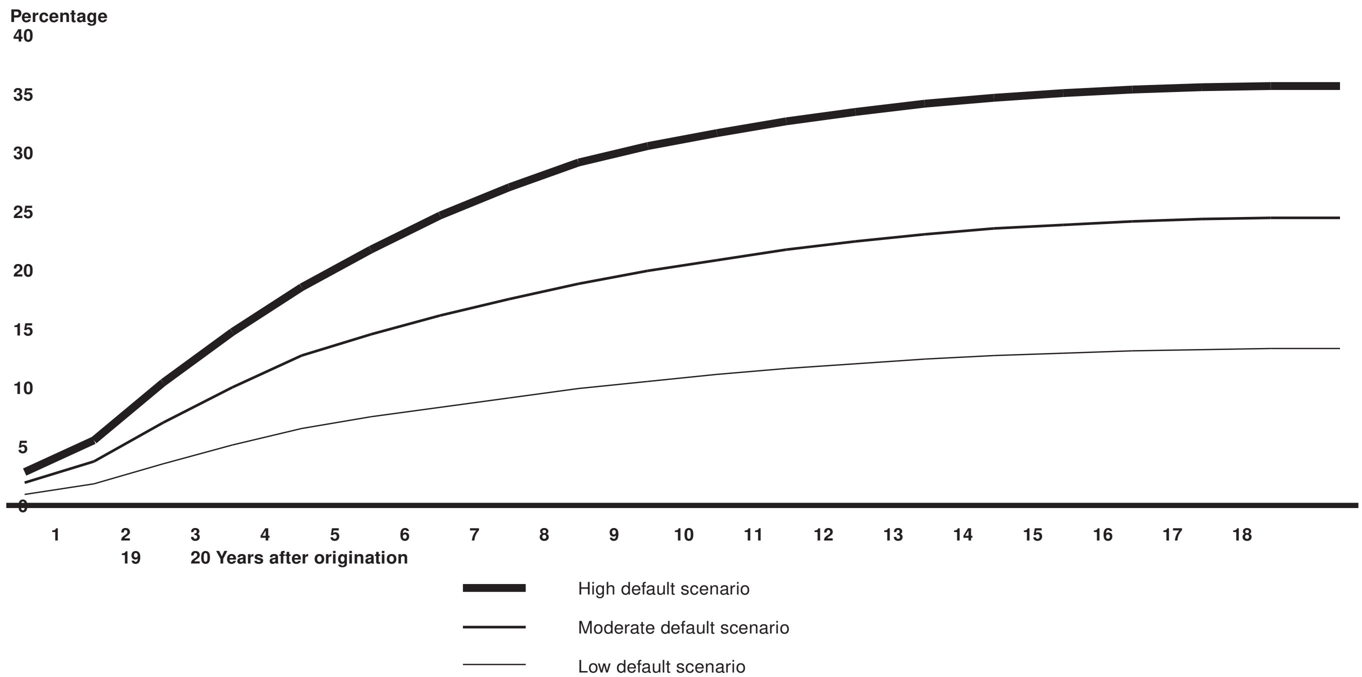
B. This underserved market is not being served through Private label Securities.

Skyline Homes has stated in a recent SEC filing that only three private label manufactured home chattel securities have been issued during 2019-2020. The latest private asset backed securitization is a $507 million dollar pool offered by First Key Mortgage consisting of heavily seasoned (average 114 payments) current manufactured home chattel loans. The loans in the pool have an average FICO score of 720. While this is lower than the average FICO score for Fannie Mae mortgage acquisitions (753), it is still substantially above typical credit scores for Millennials who might want to purchase a manufactured home.

Similarly, a 500 million dollar private label chattel home security issued by Skyline Homes in 2019 consisted of highly seasoned loans so the payment and default characteristics are likely to be very different than new home originations (see Chart A from an earlier GAO report). Note that under Moderate default risk the curve flatters and the slope of the default curve approaches zero in years 10-11. Heavily seasoned debt securities will not provide information on the performance of securities backed by newly originated home loans.

Chart A: <u>A Sample Default Curve for Manufactured Home Chattel Loans</u>

Figure 19: Assumptions of Default Risk Used in Our Analysis (GAO Report d07879)



The situation is similar for manufactured homes taxed as real property. A private label security for 30 year real estate manufactured home loans was developed by First Key in 2019. The loans had a remaining term of 9 years and therefore, on average they were originated around the year 2000. In sum, there are relatively few securities given the approximate 80,000 new personal property manufactured homes sold each year and the estimated two hundred thousand used manufactured homes sold each year. Also, the chattel and real property securities are heavily seasoned and therefore, the performance will be different from pools backed by new loans.

C. <u>Existing Large Producers Have Other Capital Sources</u>

Three companies (Clayton Homes, Skyline Homes and Cavco Industries) produce 76% of the new manufactured home sold in the US. These vertically integrated companies may not need to sell loans to the Enterprises to get access to capital. In fact, the largest manufactured home producer is part of one of the largest corporations in America, a major investor and provider of capital. Making meaningful progress in expanding finance opportunities for low and moderate income Americans means developing a chattel mortgage purchase program which would be attractive to new seller/servicers.

2. <u>Are there any market conditions FHFA should consider related to the proposed modification</u>?

A. <u>Macroeconomic Conditions</u>

Yes, there are market conditions to consider concerning the purchase of private label or other debt instruments. When FHFA began the Duty to Serve process, unemployment rates were dropping and income for low to moderate income Americans was growing for the first time in several decades. Now, the pandemic has had a disproportionate impact on these Americans with higher rates of under or unemployment and reduced hours at many cyclical industries.

New underwriting and servicing standards and reasonable guarantee pricing to protect the safety and soundness of the Enterprises is even more important now than it was during 2017-2019. Information related to market size, credit underwriting, property eligibility and seller/servicer standards were previously provided to FHFA (see Appendix A). Also, there must be clear and effective remedies for violations of seller service standards so the Enterprises are not left "holding the bag" due to the actions of other organizations.

B. Investor Confidence Levels

The lack of progress in standardizing loan origination, underwriting and servicing procedures for manufactured home chattel loans has done nothing to increase investor confidence for whole loans or securities backed by chattel loans. Clarity and transparency about lender and loan standards is important for developing complex structured finance products suitable for the various types of investors (insurance companies, pension funds, hedge or other types of funds etc.). Also, developing and enforcing these standards will help control the "boom and bust" cycles experienced in the past.

3. Safety and Soundness: Are there any safety and soundness concerns related to the proposed modification?

A. The Simple Answer is Yes Regarding This Modification and Purchasing Any Single Family Loans

Yes, there remain substantial safety and soundness issues surrounding the acquisition of manufactured home backed securities. A structured finance debt structure has the same risk of default, management and sale recovery losses. What differs from whole loans is the allocation of cash flows and losses based on the ownership tranche. There are also safety and soundness challenges with low loan amount, personal property financing.

B. High Delinquency Rates for Site Built Home Loans

However, it is very important to remember that all single family loans will have an elevated level of risk for the next 18-24 months. The latest Black Knight data for August of 2020 shows that 4.77% of first mortgage home loans are either severely (90 day) delinquent or in foreclosure). This is a 400% increase over the rate in March of 2020 (1.18%).

C. Geographic Distribution of Home Loan Risk

Second, the States with some of the highest delinquency rates also have the highest number of manufactured home placements (see Table A below). Since delinquency rates are influenced by local economic and social factors, manufactured home chattel loans may show similar patterns.

Table A: Delinquency and Foreclosure Percentages For Site Built Homes: August, 2020

Delinquency and Foreclosure Percentage and Ranking				
State	Delinquent Plus Foreclosures %	Year to Year Change	Comparison to US Del.+ Fore. %	Risk Ranking
US	7.20%	84.30%	100%	Average
TX	9.00%	88.00%	125.00%	Much Higher Than Average
GA	9.00%	77.20%	125.00%	Much Higher Than Average
AL	8.60%	29.20%	119.44%	Much Higher Than Average
SC*	7.70%	55.00%	106.94%	Higher than Average
NC	6.80%	61.70%	94.44%	Below Average

D. Safety and Soundness Principles Must Be Balanced For Underserved Markets

Congress was aware that lending to underserved Americans would raise safety and soundness and adequacy of return issues for the Enterprises. In establishing the duties of the Director of FHFA, Section 1313 of the Housing and Economic Recovery Act stipulates that the Director was to ensure that:

> "(ii) The operations and activities of each regulated entity foster liquid, efficient, competitive, and resilient national housing finance markets (including activities relating to mortgages on housing for low- and moderate-income families involving a reasonable economic return that may be less than the return earned on other activities)"

Underserved market investments may earn a lesser return than other investments but that return must be reasonable. Given the interest rates charged on other loans to correct market inadequacies, a return of 1.5% (the average 10 year Treasury rate over the last two years) would appear to meet Congressional intent. This level of return would not significantly impair the financial strength of the Enterprises while still serving this market.

4. What additional information might be helpful in evaluating the proposed modification?

A. Examining Available Loan Level and Lender Information

Other Government agency loan programs have not been significant sources of financing for manufactured homes taxed as personal property. For example, FHA's Title I loan program for manufactured homes is not sufficiently large to provide much useful information about the entire marketplace (see Table B for the number of Title I manufactured home loans). The average loan volume over the last five years is less than 1% of the estimated 80,000 personal property new manufactured homes sold each year. Also, there is only one GNMA approved servicer for these types of loans and the outstanding principal balance was $258.0 million at the end of Fiscal Year 2019.

Table B: Title I Manufactured Home Loans Insured for the Last 10 Fiscal Years

Fiscal Year	Number of Title I Manufactured Home Loans
2009	2368
2010	1776
2011	986
2012	655
2013	612
2014	464
2015	645
2016	785
2017	848
2018	526
Most Recent 5 Year Average	654

B. Loan Performance Data From Current Security Issuances

There is some information available involving large pools of manufactured home chattel backed loans (see Table C). The Rating Agencies have done some default modeling which the Enterprises can access through their rating reports.

Table C: 2020 Manufactured Home Chattel Security

First Key Towd Point Mortgage Trust 2020-MH1	Statistics
https://longbridge.global/en/news/6449161	
Pool Characteristics	
Number of Seasoned Manufactured Home Loans	12,555
Outstanding Indebtedness	507,100,000
Current Delinquency % (using OTS Methodology)	0%
Percentage of Chattel Loans	98%
Average Age of Loans	9.5 Years
Final Payment (Average)	12 years
Underwriting and Collateral	
Average Credit Score	722
Percentage of Fixed Rate Loans	94%
Percentage of Loans without a UCC-1 or Certificate of Title	5.50%
% Double Wide Homes	86%
Loan Servicing	
% of Loans Delinquent During The Last 36 Months	4.30%
% Loans Modified or Given Extensions	5.60%
Loan Servicing Fee (bps)	100

C. Earlier Chattel Home Loan Pool Information

Data for 2008-2012 is also available. This was a period of maximum stress in the housing finance industry. This loan experience would be a good “stress test” for how loans might perform under adverse conditions like we are currently experiencing with the pandemic.

(1) Portfolio Snapshot of the Largest Portfolio of Manufactured Home Loans

A very large portfolio (nearly 10 billion dollars) of manufactured home chattel loans was reviewed by Standard and Poors in 2011 (see the size and loan level data: Table D). While more information would help round out the picture, you can see the average interest rates and FICO scores for borrowers during that period.

Table D: Green Tree Manufactured Homes Chattel Loans Snapshot as of March, 2011

Manufactured Housing Chattel Loans	Amount As of March, 2011
UPB ($bn)	$9.47
Count	352,595
Average balance ($)	$26,870
Weighted average coupon	9.58%
Weighted average maturity (mo.)	135
Age (mo.)	143
Loan-to-value	94%
Current FICO Scores	644
Top five Site of Placement States	
TX	13.70%
GA	8.20%
NC	7.80%
AL	7.60%
SC	6.90%

(2). Manufactured Home Delinquency Rates during the Great Recession and Its Aftermath

Realty Trac reported that there were over 6 million foreclosures from January, 2006 to April of 2016. Many Americans are still not fully recovered from the aftermath of the financial crisis. At the peak of the Great Recession, delinquency rates on single family mortgages exceeded 10% and elevated level of risk applied to all housing, including manufactured housing.

The data in Table E shows the consistency of manufactured home loan performance from 2008-2012 with total delinquency rates staying in the range of 9-10%. Similar consistency is noted in the percentage of bankruptcy and foreclosure cases. This level of delinquency might be expected to occur over the next several years.

Table E: GreenTree Acceptance Chattel Home Loan Delinquency Rates by Year End

Year Ending	Dec. , 2008	Dec. , 2009	Dec. , 2010	Dec. , 2011	June, 2012
30-59 days (%)	7.39	7.49	7.42	8.07	7.21
60-89 days (%)	1.28	1.18	1.05	1.16	0.97
90+ days (%)	1	0.97	0.97	1	0.87
Total delinquency (%)	9.67	9.64	9.44	10.23	9.05
Bankruptcy (%)	2.84	2.81	2.64	2.63	2.54
Foreclosure (%)	0.02	0.04	0.03	0.03	0.01

This data and rating agency default and capital recovery scenarios should give the Enterprises enough information to develop a guarantee pricing model including a margin of safety for uncertainty. Adopting a policy of conservatism until adequate data is available will allow the Enterprises to move forward as required by Congress despite the opacity of the market. After all, defining and managing risk in expanding credit opportunities is the core of the Enterprise's mission. Over time, standardization of these chattel loans will promote certainty, transparency, uniformity, and lender recourse to improve the functioning of capital markets.

6. Is there any other feedback on the proposed modification that FHFA should consider?

A. Despite the Pandemic, Progress in meeting the HERA Act must become a priority

I and other advocates for low and moderate income housing opportunities urge the Enterprises to proceed with establishing a secondary mortgage market program for chattel manufactured homes, either by direct loan purchases or are by purchasing debt instruments backed by new loans. It has more than a decade since Congress imposed this requirement on the Enterprises. Insufficient progress has been made and the realization of this FHFA goal seems even further off than it did when the public input process began several years ago.

However, I am also mindful of the incredible impact of the 2020 Pandemic on the housing finance system and the potential for massive dislocations and homelessness. Through its mortgage forbearance programs, foreclosure moratoriums and assisting tenants in federally involved properties, FHFA has shown strong leadership in avoiding a massive humanitarian crisis. Also, FHFA has dealt with the unfunded costs from the pandemic and the threat to the solvency of the Enterprises at a time when the secondary mortgage market is desperately needed.

As a former government manager, I recognize the difficulty and hard work that has been shown by FHFA leadership and staff during this extraordinary situation. I commend FHFA for moving quickly and decisively while balancing conflicting objectives to serve the American people. This same sense of urgency needs to be applied to help lower income Americans buy manufactured homes.

B. Safety and Soundness and Enterprise's Public Missions (Duty to Serve)

The unspoken but underlying fundamental issue that appears to be frustrating progress toward a manufactured home chattel market is the tension between the risks of chattel financing and Congressional instructions to develop loan policies and underwriting criteria to serve this market. Reconciling business and public mission goals have long been a struggle as advocates want to expand access to financing while being largely indifferent to the increased risk involved. Manufactured homes are the largest source of unsubsidized affordable housing and a secondary market chattel financing program should also operate without credit subsidies.

C. Adopting the Principles from Dr. Mark Calabria's Comments Before Congress Last Month

1. The Importance of Avoiding Putting Pandemic Costs on the Taxpayer

In his recent testimony before the House Committee on Financial Services, FHFA Director Calabria stated a number of FHFA policy principles that should be applied to a new chattel manufactured home loan program. For example, Dr. Calabria stated that the persons who were refinancing or receiving new mortgages (the users of the credit system) should pay for its cost. The same principle could be applied to manufactured home chattel loans guaranty fees so that the users pay reasonable fees for access to this type of credit.

2. Socializing Losses and Privatizing Business Profits Needs to Go

Dr. Calabria mentioned several times that he wanted to ensure that the reckless business practices by lenders and others involved in the finance industry are eliminated. History in 1986-1987 (Ginnie Mae servicer defaults) and 1998-2000 (Fannie Mae GreenTree Acceptance_Conseco defaults) has already shown two massive defaults of secondary market chattel manufactured home programs.

Front loading of profits and imprudent lending led to expensive secondary market collapses causing GNMA and Fannie Mae to incur significant losses. Also, the Enterprises cannot grow capital and become financially strong enough to withstand economic events if they are stuck with disproportionate losses from manufactured home chattel lending. The principle also applies to the manufactured housing industry which needs to become long term and supportive business partners with the Enterprises.

3. Enterprises Need to Act in the Public Interest

As Director Calabria noted, FHFA follows the laws and national policies established by Congress; one of these public interest policies is to improve access to credit for undeserved Americans. The first evaluation criteria in the HERA Act is ''(A) the development of loan products, more flexible underwriting guidelines, and other innovative approaches to providing financing to each of such underserved markets".

Outreach efforts to lenders, loan volume purchased and financial assistance were also to be evaluated but these are temporary actions rather than making persistent changes to the marketplace. So far, much of the attention has gone to the latter categories rather than to the former. It is time to move forward with program development and financial analysis modeling to assess the economic, financial, and policy risk with this type of chattel lending.

D. A Call to Action

Rather than having multiple lenders seek out their business, chattel manufactured home buyers are given few choices and they carry interest rates that would shock most Americans. Reduced wages and work opportunities caused by the pandemic only magnify the financial struggle for low-moderate income Americans. Low and moderate income Americans who want to purchase or who own manufactured homes have been waiting for more than a decade. An active chattel home program should have already been in place by now.

FHFA also has to consider the financial condition of the Enterprises given the significant losses suffered during this pandemic and the Enterprise's future. However, if the manufactured home Duty to Serve effort continues on its current path, it will ultimately result in a defacto repeal of that portion of the HERA Act.

Affordable manufactured housing will continue to be underutilized and chattel home buyer's options will be limited to the finance arms for large manufactured home producers or the very few local lenders who in many cases turn them down for financing. Expanding manufactured home chattel lending opportunities and safe and maintaining sound business practices at the Enterprises are not mutually exclusive.

The failure to act can perpetuate inequities and disparities in access to credit and to the American dream of homeownership. The Enterprises have the expertise to complete this mission in the proper manner; it is time for them to move forward.

Appendix A:

Duty to Serve Listening Sessions: Manufactured Housing November 21, 2019

I. Identifying the most relevant issues in each underserved market

A. In addition to financing new manufactured home sales, there is a large population of used manufactured owners who are underserved by current financing methods
B. Traditional eligibility and credit underwriting standards if applied to chattel manufactured housing purchase or refinance loans will leave many very low, low, and moderate-income families unserved
C. Seller servicer standards and sufficient guarantee pricing for long term sustainability and success must be in place along with chattel manufactured home loan products and flexible underwriting guidelines
D. Consumer education and protection standards are an important part of addressing this underserved group of Americans
E. New and innovative thinking by all parties (the Enterprises, builders, retailers, lenders, leased land community owners/operators, and consumers) will be necessary for this effort to succeed

II. Estimated Size of the Underserved Manufactured Home Loan Market and Home Sitings

A. Sale of Used Manufactured Homes and Existing Loan Refinancings

- The 2017 American Community Survey indicates that there are 6,727,000 manufactured homes in the US
- Manufactured Home turnover rate estimates vary widely; if 2% of used manufactured homes sell annually. the underserved market would be around 135,000
- Given the higher interest rates for existing home loans, a 1.0% annual refinancing rate, or around 65,000 loans per year is a reasonable estimate
- Using an average loan amount of $30,000 for resales and refinancings, the total potential loan volume could be 6 billion dollars annually. This is roughly comparable to the loan volume for new manufactured home loans (100,000 new homes were sold in 2018 with an average price of $78,500).

B. Chattel Loans Ownership and Foundations

- Approximately 80% of manufactured home loans are personal property loans rather than real estate loans
- The percentage of homes on perimeter blocks vs. permanent masonry or concrete foundations is also 80%. Permanent foundation home placements have been rising slightly over the past five years (see Table in Appendix A)

C. Used Manufactured Home Purchase Loans and Refinances Interest Rates

- Based on Home Mortgage Disclosure Act (HMDA) data for 2015, 3% of conventional single family home purchase loans had an interest rate of 1.5% over the Average Prime Offering Rate (APOR); the comparable rate for manufactured home loans was 77% (see Appendix B)
- Of high APOR loans, only 3% of conventional home purchase loans were 5% or more above the APOR rate, the comparable rate for manufactured homes was 57%
- For refinances, higher APOR loan rates for single family home loans were 1.6%; manufactured home loans were 28.5%

III. Offering the Enterprises ideas for what they may undertake through their plans.

A. Examples of Traditional Loan Eligibility, Credit Underwriting Techniques and Property Eligibility that may limit serving this market

1. Loan Eligibility: Loans on Leased Land:

   a. Fannie Mae Seller Servicer Guide Section B2 03.03: Special Property Eligibility and Underwriting Considerations: Leasehold Estates has land requirements (land must be subject to the mortgage), lease requirements (term 5 years longer than the loan; fully assignable, default only for nonpayment of rent) and borrower requirements (taxes, insurance payments must be current etc.)
   b. FHA's Title I manufactured home loan program requires a minimum 3 year lease with annual 1 year renewals.
   c. Instead of lease standards, why not focus on default notification and orderly collateral liquidation?
      - Nonpayment of Rent:
        - Notice within 30 days of nonpayment or other default on the ground lease
        - Lender servicing efforts to remind borrowers that they must correct the default
      - Borrower requirements
        - The borrower will pay taxes, insurance, and homeowners' association dues etc.
      - Repossession Requirements:
        - Leased land owner will permit sale of the collateral as sited
        - Leased land owner will grant a lease to the new owner provided that they meet commercially reasonable risk standards
        - The lease must protect the mortgagee's interests in the event of a property condemnation

B. Credit Underwriting

1. Fannie Mae Seller Servicer Chapter B3.1: Manual Underwriting: Comprehensive Risk Assessments for Loans: The purchase of a single unit principal residence must have LTV ratios no higher than 95%, a credit score of at least 680, and a DTI ratio no greater than 36%. There are exceptions to these rules for certain high DTI loans or lower LTV loans.
2. Many manufactured home families with very low, low, and moderate-incomes will not be able to meet Enterprise credit score, DTI ratio, Credit History and Non-Credit risk factors
3. For chattel manufactured home loans, trying new underwriting models like a Credit Scorecard can be a useful method to balance credit and non-credit factors for these underserved Americans (see Table 1)

Table 1: Credit Underwriting Scorecard

	Highest Acceptable Risk 1 Point	Moderate Risk 2 Points	Lower Risk 3 Points
Credit Points	1 point	2 points	3 points
Elements			
Downpayment	5% - 9.9%	10-15%	> 15%
Credit Score	620-659	660-729	730 or >
PITI plus Lot Rent	40-45%	35-39%	<35%
Total Debt Service	45%-48%	39-44%	38% or <
Length of Employment	1-12 months	12 months	>18 months
Reserves	1 month payment	3 months payments	6 or > months payments
Minimum Points		10	14

C. Fostering Innovation in Credit Underwriting

- 40 million Americans are underserved by the current Credit Score system
- Expanding the Credit Box: Many types of buyers with limited (Thin Credit) or lower credit scores cannot obtain financing and will remain unserved

- Machine Learning and Artificial Intelligence Algorithms: "AI-based underwriting can help …. better evaluate the creditworthiness of applicants, expanding credit options to applicants who might not otherwise qualify using traditional credit scoring," said ZestFinance founder Douglas Merrill. "
- Zest Finance models also provide explainability and regulatory compliance

D. Property Eligibility: Manufactured Homes

1. Seller Servicer Guide Chapter B2-3, Property Eligibility: Manufactured Home loans: The unit must not have been previously installed or occupied at any other site or location, except from the manufacturer or the dealer's lot as a new unit.
    a. This would prohibit the financing of any home that had been moved by the owner, or repossessed and resold at the dealer's lot
    b. Loan conditions, such as proper installation and inspection of moved homes might be sufficient to protect the Enterprises
2. Seller Servicer Guide Property Eligibility: B-5-2-02: Single Wide Homes: Single-width manufactured homes must be located in a Fannie Mae-approved co-op, condo, or PUD project development.
    a. Relatively few manufactured housing communities (around 2%) are cooperatives, condominiums or planned unit developments
    b. While the Enterprises are encouraging more resident owned communities, it is likely that land lease communities will continue to dominate into the foreseeable future

IV. Further Development of ideas into Enterprise policies: Seller Servicer and Enterprise Pricing

A. Seller Servicer Standards:

- Capital and other manufactured home lender requirements (such as repurchase of loans with Significant Defects in underwriting etc.) should mirror Enterprise standards

B. Enterprise Pricing:

- While comprehensive loan level data for manufactured home loans sold under installment contracts (chattel loans) is not available, published information is available for selected years in the area of foreclosures, total losses, average loss per portfolio loan, and delinquency rates.
- The available information for 2013-2018 shows manufactured home repossession/foreclosure rates roughly twice those reported by ATTOM Data Solutions for single family homes
- Loss severities of approximately $18,000 per manufactured home foreclosure, or roughly 30-40% based on the Unpaid Principal Balance would be approximately twice the loss percentage reported for Freddie Mac loans originated in 2011-2013
- Enterprise guarantee fees should be set conservatively initially and fine-tuned as more data and experience is obtained

C. Loan Insurance and Guaranty Pricing by Other Governmental Entities:

- The Housing and Economic Recovery Act also amended HUD's manufactured housing program and required that the agency establish "underwriting criteria for loans…..as may be necessary to ensure that the program is financially sound.''
- The FHA manufactured program insurance premiums shall be "sufficient, but do not exceed the minimum amounts necessary, to maintain a negative credit subsidy for the program"'
- Up-front insurance and guarantee fees charged for other government programs are shown in Table 3

Table 3 Federal Manufactured Home Insurance and Guaranty Program Fees

Federal Agency	Upfront Fee	Annual Fee
Title I Loan Program	2.25%	1.0%
Rural Housing Service: 502 Guaranteed Loans	Up to 3.5%	Up to .5%
VA Guaranteed Loans	2%	

V. Access to Credit, Education and Consumer Protection

A. A Robust Group of Lenders to Provide Financing

- Several decades ago, there were money center banks, local banks and finance companies were involved in manufactured home chattel lending
- Besides recruiting new manufactured home specialty lenders, the Enterprises should encourage existing single family lenders to consider manufactured home chattel lending

B. Promoting Understanding of the Unique Features of Manufactured Home Ownership:

- Freddie Mac's 2020 DTS goal to expand the Next Step SmartMH online homebuyer education pilot to include chattel financing is an important step forward for these underserved Americans.
- Educational materials should cover how chattel manufactured home loans differ from real property loans in the appraisal methods used to value manufactured homes and resale of a home

C. Educational Materials Should Also Include Basic Financial Education

- Borrowers must become aware of the importance of maximizing your potential credit score through knowledge and superior debt repayment habits
- Importance of emergency fund and financial discipline to maintain homeownership

D. High Interest Rate Loan Disclosures

- The Consumer Finance Protection Board issued Home Ownership and Equity Protection Act regulations for high APR rate chattel loans under $50,000 and points requirement for loans under and over $21,549
- Lenders should be encouraged to put HOEPA prohibited practices such as certain balloon mortgages, improper fees and practices, loan servicing fees for payoffs etc. in their manufactured home loans

VI. Providing insight on activities that should be prioritized

A. Remembering the following statements from Fannie Mae's Lessons Learned in 2003
   a. "Goal Cannot be Zero Loss – We are in the Risk Taking Business"
   b. "Unrealistic to be able to forecast everything and to always get it right"
B. Congress mandated that the Enterprises provide leadership in increasing the liquidity of mortgage investments and improving the distribution of investment capital available for underserved markets
C. A robust secondary market for manufactured home chattel loans also promotes affordable housing and credit availability in rural markets
D. Innovations in Loan products and flexible Credit Underwriting Standards are essential to make progress
E. Prioritize activities based on the largest number of underserved Americans
F. Continue to seek information on prepayments, refinancing rates to fine-tune guarantee rates and fees

Appendix A

Table 1 Selected Characteristics of New Manufactured Homes Sold and Placed

Year	2018	2017	2016	2015	2014
Community or Private Property					
Inside manufactured home communities	37.02%	32.10%	34.37%	34.43%	32.02%
Outside manufactured home communities	62.98%	67.90%	65.63%	65.57%	64.69%
Titling					
Personal property	**76.59%**	**75.51%**	**77.28%**	**80.26%**	**77.41%**
Real estate	16.70%	17.07%	16.50%	14.25%	12.72%
Not titled	6.72%	7.42%	6.21%	5.48%	6.58%
Foundation:					
Permanent masonry or concrete	23.41%	19.48%	20.39%	20.18%	21.27%
Blocks	**65.15%**	**70.69%**	**68.35%**	**70.61%**	**57.46%**
Other (includes steel stands)	**11.43%**	**10.02%**	**11.26%**	**9.43%**	**18.20%**
Secured in place with:					
Tie-down straps	**76.04%**	**80.15%**	**79.42%**	**79.82%**	**75.22%**
Permanent masonry foundation	23.41%	19.48%	20.39%	20.18%	21.27%
Not secured	0.54%	0.56%	0.19%		0.44%

NOTICE: This comments letter is attached as a download as part of a broader look at the DTS program in a fact check found at this link here.

https://www.manufacturedhomepronews.com/foot-dragging-rigged-system-manufactured-housing-lending-comments-to-feds-by-various-professionals

APPENDIX B

	Federal Reserve Board Report		Residential Mortgage Lending from 2004 to 2015: Evidence from the HMDA Data							
			Table 8. Distribution of price spread, 2015							
				Loans with APOR spread above 1.5 percentage points 1						
	Purpose and type of loan	Total number	Number of Higher Interest Rate Loans (HIRL)	Percent of HIRL	Distribution, by percentage points of APOR spread					
Home Type					1.5-1.99	2-2.49	2.5-2.99	3-3.99	4-4.99	5 or more
	Site-built homes									
Purchases	Conventional	1,894,090	59,959	**3.2**	53.7	20.3	10.2	8.8	3.4	3.6
Purchases	FHA 2	793,828	173,157	21.8	78	18.4	2.4	0.9	0.14	0.12
Purchases	VA/RHS/FSA 3	435,792	5,080	1.2	84.5	7.8	1.6	3.8	2	0.3
Refinance	Conventional	2,151,796	33,573	1.6	51.1	18.6	10.1	11.2	5.1	3.9
Refinance	FHA2	391,651	34,582	8.8	70	13.2	7.9	6.2	0.5	2.2
Refinance	VA/RHS/FSA3	266,758	1,009	0.4	92.3	3.9	0.7	2.2	0.8	0.2
	Manufactured homes									
Purchases	Conventional	56,155	43,331	**77.2**	6.7	4.9	7.3	13.1	10.8	57.3
Purchases	FHA2	15,408	8,383	54.4	57.2	25.4	6.5	1.7	0.6	8.7
Purchases	VA/RHS/FSA3	4,372	181	4.1	90.1	7.7	0.6	1.7	0	0
Refinance	Conventional	20,591	5,869	28.5	27.2	15.3	13.3	18.3	11.4	14.6
Refinance	FHA2	6,783	1,529	22.5	68.7	19.3	6.7	4.4	0.3	0.7
Refinance	VA/RHS/FSA3	3,439	59	1.7	88.1	11.9	0	0	0	0
Note: First-lien mortgages for 1-4 family owner-occupied homes.										

1. Average prime offer rate (APOR) spread is the difference between the annual percentage rate on the loan and the APOR for loans of a similar type published weekly by the Federal Financial Institutions Examination Council. The threshold for first-lien loans is a spread of 1.5 percentage points.
2. Loans insured by the Federal Housing Administration.
3. Loans backed by guarantee0.s from the U.S. Department of Veterans Affairs, the Rural Housing Service, or the Farm Service Agency.