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October 23, 2020

Federal Housing Finance Agency
Division of Housing Mission and Goals
400 Seventh St. SW
Seventh Floor
Washington, DC 20219

Re: RFI on Fannie Mae and Freddie Mac Duty to Serve Plan Modifications and Extensions

To Whom It May Concern,

Next Step Network is grateful for the opportunity to provide input on proposed Duty to Serve modifications by Fannie Mae and Freddie Mac (the Enterprises) to 2020 objectives, and provide input on 2021 plan activities and objectives as an extension of their 2018-2020 Underserved Market Plans. Next Step, through its network of members and partners across the country, provides support and resources to low- and moderate-income individuals and families looking to successfully finance and purchase a manufactured home. Through our programmatic activity, Next Step partners with national, regional and community-based lending and banking institutions in order to ensure that prospective home buyers have access to fair and competitive loan products when purchasing a manufactured home.

Based on our understanding of the Enterprises' proposed modifications and extensions for their Duty to Serve plans, both Fannie Mae and Freddie Mac seek to increase the loan purchase volume of manufactured homes titled as real property, while also broadening efforts to expanded outreach and education aimed at educating and promoting product adoption among non-traditional manufactured housing stakeholders. Next Step applauds the progress that both Freddie Mac and Fannie Mae have made in the manufactured housing space –and we are proud to have been a part of some of the initiatives detailed in their respective Duty to Serve plans. We support the Enterprises' goal to increase loan purchase volume and expand education and outreach, however we recognize that current loan purchase volume targets are inadequate to foster significant market change. As the inequality gap expands – spurred by the economic impact of the ongoing coronavirus pandemic – the need for quality, affordable homes is immediate. In regards to individual activities proposed in the RFI, Next Step recommends the following:

Proposed Modifications for 2020 Duty to Serve Plans –

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

Eliminate loan purchases and replace with expanded outreach and education aimed at educating and promoting product adoption among non-traditional MH stakeholders.



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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. As we assess the market landscape for manufactured homes, Next Step realizes the critical importance of conducting education and outreach initiatives with stakeholders (e.g. home builders and developers, lenders, local government entities) that have traditionally not operated in the manufactured housing space. More market participants will foster competition in the space, giving prospective home buyers more options when purchasing and financing manufactured homes.

Proposed Additions for 2021 Plans –

Activity A: Manufactured Homes Titled as Real Property (FN_MH_RealProp_1):

Increase the Purchase Volume of Conventional Manufactured Housing Secured by Real Estate Each Year of the Plan.

Next Step applauds Fannie Mae's increase in target loan volume to between 11,500 and 12,000 loan purchases. However, we believe that Fannie Mae should consider increasing their target loan volume in order to effect a shift toward home purchases titled as real property. According to CFPB data, in 2012 about 68 percent of all manufactured-housing purchase loans (including both home-only and land-home purchases) were considered "higher-priced mortgage loans," compared with only three percent of site-built home loans. Additionally, two-thirds of manufactured-home owners eligible for mortgages instead financed with more expensive personal property loans. Next Step agrees with the proposed approach to expand and deepen relationships with non-traditional manufactured housing lenders in order to expand access to CHOICEHome and MH Advantage loan products, but current targeted loan purchase volumes will fail to create a true shift in the home lending market.

The continuing impact of the COVID-19 pandemic has further highlighted the need for more prospective home buyers to have access to mortgage financing for their manufactured home purchase. New analysis from the Urban Institute points to the fact that renters and owners of manufactured homes tend to have lower incomes and work in industries that have proven vulnerable to the pandemic, yet these households mostly fall outside the protections offered by the CARES Act. Thirty-five percent of owners of manufactured homes work in the five industries that have lost the most jobs during this crisis (food and accommodation, retail, construction, entertainment, and other services), compared with 24 percent of owners of single-family homes. Those individual home owners who financed their manufactured home purchase with a home-only loan do not qualify for CARES Act forbearance relief. In order to ensure that manufactured home owners are insulated from future public health and economic crises, able to build wealth and equity into their home, and more fully access the myriad benefits of homeownership in America the GSEs' must prioritize expanding access to manufactured home mortgage products to both lending institutions and prospective home buyers.



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Proposed Additions for 2021 Plans –

Activity A: Manufactured Homes Titled as Real Property (FN_MH_RealProp_2):

Increase Liquidity for Manufactured Housing Titled as Real Property through Industry Outreach and Increasing Purchases.

Fannie Mae should focus on policy changes that would: allow for fair and equitable appraisals and valuations for manufactured homes, and expand lender participation through available options for construction-to-permanent financing.

Proposed Additions for 2021 Plans –

Activity A: Manufactured Homes Titled as Real Property (FN_MH_RealProp_3):

Develop an Enhanced Manufactured Housing Loan Product for Quality Manufactured Housing and Purchase Loans.

Next Step is supportive of Fannie Mae's strategy to expand access and use of MH Advantage for manufactured homes titled as real property. Of particular importance are efforts to develop and deploy outreach, education and research tactics that foster expanded use of manufactured homes as infill housing in urban and suburban markets. Proving efficacy of manufactured housing in infill housing and subdivision development efforts at the local level would provide case studies to promote expanded adoption and scalability in communities nationwide.

Proposed Additions for 2021 Plans –

Activity A: Manufactured Homes Titled as Real Property (FN_MH_RealProp_4):

Engage with Industry Stakeholders in a way that Addresses Market Needs.

Next Step recognizes the key importance of building and maintaining relationships with the manufactured housing industry in order to achieve strategic priorities, and applauds Fannie Mae's commitment to these relationships. We would also ask that Fannie Mae consider broadening engagement with more stakeholders working within the affordable housing space, including: nonprofit housing developers, housing counselors, national housing advocacy organizations and other committed stakeholders working to expand access to affordable homeownership. Strategic alliances with the manufactured housing industry and affordable housing advocates more generally will generate wider acceptance and awareness of manufactured housing as a scalable affordable housing solution.

Proposed Additions for 2021 Plans –

Activity 1: Support for Manufactured Housing Titled as Real Property (FR_MH_Real Prop_A):

Increase Single-Family Loan Purchases of Manufactured Housing Titled as Real Property.



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Freddie Mac's proposed loan purchase volume of 4,050-4,500 loans in 2021 is in adequate to effect real market change (see Next Step's comments for *Activity A: Manufactured Homes Titled as Real Property (FN_MH_RealProp_1)*).

We look forward to continuing the dialog with both FHFA and the Enterprises as they continue their work on supporting of this critically underserved market.

Sincerely,

Stacey Epperson, President & Founder
Next Step Network, Inc.