Download of Text From American Banker Purported Psuedo-Debate Between Doug Ryan (Prosperity Now) and Lesli Gooch (Manufactured Housing Institute) Over Alleged Clayton Homes Monopoly Over Manufactured Housing

These two articles on American Banker came within days of each other. While the Doug Ryan article reflects no noticeable update, the one by Lesli Gooch has after her opinion column the added point that she is now MHI's CEO. At the time of her column, as it stated, she was an executive vice president for MHI. That noted, the articles are found at their respective links below. This should be understood as part of a fact-check and analysis by MHProNews in a report at the link shown immediately below.

MHProNews:

https://www.manufacturedhomepronews.com/epic-kevin-clayton-moat-rant-analysis-lesli-gooch-debate-defense-doug-ryan-charge-end-clayton-monopoly-over-manufactured-housing-breaching-buffett-berkshire-clayton-monopolistic-moat-method

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https://www.americanbanker.com/opinion/time-to-end-the-monopoly-over-manufactured-housing

CONSUMER BANKING

BankThink

Time to End the Monopoly Over Manufactured Housing

By Doug Ryan

February 23, 2016, 12:00 p.m. EST

For too long we have ignored a segment of our housing system that offers an affordable path to homeownership: manufactured housing.

A manufactured home is the only option for many low-income families to own a piece of the American dream. But those families often have limited access to competitive loan-pricing that is available to more conventional home buyers, thanks in part to low participation by Fannie Mae and Freddie Mac in the manufactured housing market.

The system currently discourages Fannie and Freddie from investing in manufactured housing. The two government-sponsored enterprises will more typically buy or securitize loans secured by real estate, while staying clear of "chattel loans" — used for most manufactured home purchases — a type of financing in which a home is not legally bound to its land.

That means borrowers of manufactured home loans often must turn to an uncompetitive market, dominated by Clayton Homes, which does not have to rely on the secondary market for capital.

But the recent Federal Housing Finance Agency proposal on Fannie and Freddie's "duty to serve" underserved housing markets offers hope. The FHFA's December proposal, mandated by a provision in the 2008 law that created the agency, would bring about two key reforms.

First, Fannie and Freddie would get "duty-to-serve" credit for doing more to finance manufactured home loans secured by real estate. While this would still exclude chattel loans, the proposal is meant to encourage states to change titling laws to recognize manufactured homes as real estate. (The proposal, as drafted, does not provide credit for chattel loans but also asks for comment on whether the GSEs should invest in chattel loans through a pilot program.)

Second, the mortgage giants would be required to consider expanding their buying of loans that finance whole manufactured housing communities. Those include communities with 150 rental sites or fewer; those owned by residents, nonprofits or government agencies; and those where tenants have certain protections. Of those three options, Fannie and Freddie would likely focus their compliance on communities with no more than 150 sites. Yet targeting only that segment may not be sufficient to have enough impact. We need to ask hard questions about whether Fannie and Freddie should get such an easy pass.

The plan could go a long way toward creating a secondary market for manufactured home loans, but only if states and others challenge the prevailing business model in the manufactured housing industry.

Manufactured housing is the largest source of unsubsidized housing in the country, home to 18 million people in 8.6 million units. But uncompetitive lending practices prevent residents from enjoying the many benefits that come from homeownership, including building family wealth.

According to the Consumer Financial Protection Bureau, even families who own the land beneath their manufactured home — and therefore in certain cases qualify for a real estate loan — tend to rely on a chattel loan.

Those borrowers often follow the suggestion of firms such as Clayton Homes, which dominates the market for building, marketing and financing of manufactured homes. The company has no need for Fannie and Freddie since it accesses the capital markets through its parent Berkshire Hathaway.

This is likely why it and the Manufactured Housing Institute — the industry's trade association — have been unwilling to criticize the exclusion of chattel loans from the rule, even though including such loans could bolster manufactured home sales by attracting new lenders. (For the record, we do not support including the typical chattel loan in the rule, but not for the same reasons that Clayton opposes it.)

Those dominating the industry likely fear incursions into their vertically integrated market. For example, the rule explicitly advocates for state titling reform to allow more manufactured home loans to be secured by real estate and therefore be eligible for GSE backing, but the MHI has actively lobbied against titling reform as it would direct lending away from the national behemoths to smaller, nimbler regional players.

Meanwhile, a pilot program to provide credit for Fannie and Freddie backing chattel loans would likely include certain protections and underwriting standards akin to the CFPB's criteria for "qualified mortgages." That would be anathema to many industry operators.

We need states, local lenders and housing practitioners to comment forcefully on this rule with a strong emphasis on the need for improved titling laws, and a safe chattel loan pilot program.

This pilot is an opportunity to explore financing for manufactured housing loans that are not secured by real estate, but are done in a nontraditional and responsible way. High-touch servicing and better underwriting could be extended to the chattel market if chattel loans are matched with lease protections and other assurances.

By imposing on Fannie and Freddie a strong and meaningful "duty to serve" manufactured housing, the FHFA can help provide owners of manufactured homes the value appreciation, consumer protections and financial stability that most homeowners take for granted.

Doug Ryan is the director of affordable homeownership at the Corporation for Enterprise Development.

Doug Ryan

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https://www.americanbanker.com/opinion/manufactured-housing-industry-a-monopoly-anything-but

BankThink

Manufactured Housing Industry a Monopoly? Anything But

By Lesli McCollum Gooch March 04, 2016, 12:00 p.m. EST

A recent opinion piece by Doug Ryan of the Corporation for Enterprise Development called for increasing financing options for manufactured housing. Yet he also made erroneous claims about the manufactured housing industry that need to be corrected.

For the record, the Manufactured Housing Institute has been leading the campaign to bring more lenders into the manufactured housing market for years. Since the housing crisis, MHI has advanced a comprehensive plan to address the availability of credit for manufactured home buyers. That includes slight adjustments to Consumer Financial Protection Bureau rules, as well as engagement both with the Federal Housing Administration to make sure its manufactured housing programs are workable, and with the Federal Housing Finance Agency and government-sponsored enterprises to foster a secondary market for "chattel" loans.

Those interested in solving the affordable housing challenges our country faces should come together to ensure financing is available for manufactured housing. But Ryan's attacks on MHI and one of its members, Clayton Homes, don't square with the facts. He argued that Clayton Homes effectively has a monopoly over the manufactured housing market. He also suggested that MHI is trying to protect this one company. But neither is the case. As the recently released 2015 Berkshire Hathaway Shareholder letter states, only 35% of manufactured homes are financed by Clayton's lenders. (Clayton Homes is a

Berkshire Hathaway subsidiary.) This is hardly a monopoly. In addition, there are 39 members of MHI's Financial Services Division that direct the actions of the trade association when it comes to advocacy about financial services issues. Under no standard could this be considered a monopoly.

Any cursory examination of the facts and the record challenges Ryan's claim of MHI supporting anticompetitive practices. Indeed the record shows that Ryan and MHI's goals are often aligned. MHI's congressional testimony, advocacy on Capitol Hill and meetings with regulators demonstrate clearly to any unbiased observer that our top priority has been to increase the number of lenders offering financing for manufactured homes. Our members support that effort as well.

One key area of agreement between Ryan and the manufactured housing industry is that financing is at a pricing disadvantage to site-built housing because of a lack of secondary market support. Facilitating access to the secondary market, especially for chattel loans, would expand access to credit across the manufactured housing spectrum. MHI supports sound underwriting guidelines and robust protections for both consumers and tenants so that a secondary market for chattel loans can be safely developed.

Ryan's op-ed said MHI has "been unwilling to criticize the exclusion of chattel loans from" the recent FHFA proposal meant to increase Fannie Mae and Freddie Mac involvement with certain underserved markets, including manufactured housing. But we have actively supported chattel lending being included in the FHFA plan. MHI's public comment letter to FHFA during the last Duty-to-Serve rulemaking focused on the importance of Fannie and Freddie committing more resources to increasing the supply and affordability of manufactured housing, particularly through a commitment to purchase chattel loans.

More recently, there have been numerous articles about MHI's strong support for the inclusion of chattel lending in the rule. What's more, Ryan himself participated in an ongoing dialogue with FHFA, MHI and other interested parties about the importance of including chattel lending in the Duty-to-Serve rule. He knows a strong chattel requirement in Duty-to-Serve is a top MHI priority, and his op-ed indicated support for a Fannie and Freddie pilot program to include chattel loans.

Where we disagree with Ryan on a path forward is his support for state titling reforms to recognize manufactured homes as real estate, which he argues would more readily qualify them for GSE support. But there are compelling reasons why borrowers should not have to convert their homes to be titled as real property. This can carry significant costs, whereas a secondary market for chattel lending would respect the rights of consumers who often choose not to retitle their property.

MHI wants to expand access to financing for manufactured housing and increase the number of lenders that offer such financing. It is time that we all work collaboratively toward constructive and actionable solutions.

Lesli McCollum Gooch, Ph.D., is the senior vice president for government affairs and chief lobbyist for the Manufactured Housing Institute, the national trade organization representing all segments of the factory-built housing industry.

Lesli McCollum Gooch

CEO, Manufactured Housing Institute

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The above is as found on 3.29.2021. It appears to be substantively the same as when it was published, with one notable change. That is the addition – an obviously later update – of Gooch's promotion some years later to the role of MHI's CEO.