



February 26, 2021

Mr. Clinton Jones  
General Counsel  
Federal Housing Finance Agency  
Attention: Comments/RIN 2590-AB12  
400 Seventh Street, SW, Eighth Floor  
Washington, DC 20019

**Re: Advanced Notice of Rulemaking – Enterprise Housing Goals (RIN 2590-AB12)**

Dear Mr. Jones:

The Manufactured Housing Institute (MHI) appreciates the opportunity to submit these comments under this Advanced Notice of Proposed Rulemaking (ANPR) about potential changes to the regulation establishing housing goals for Fannie Mae and Freddie Mac (the Enterprises).

MHI wants to make three important points in advance of the next Federal Housing Finance Agency (FHFA) housing goals rulemaking and promulgation. First, FHFA should encourage Fannie Mae and Freddie Mac to develop flexible loan products for manufactured homes and to purchase manufactured home loans, including making this an important objective in FHFA's Enterprises Scorecard.

Second, housing goals are important to manufactured housing for the simple reason that manufactured home loans are "goal-rich," since manufactured housing continues to be the most affordable segment of the homeownership market.

Third, since Fannie Mae and Freddie Mac have historically been able to meet housing goals without purchasing chattel loans and have natural disincentives to purchase real property manufactured homes because they are not a "high volume" product, Duty to Serve continues to play a critical role in ensuring that Fannie Mae and Freddie Mac are adequately facilitating the important homeownership option of manufactured housing.

**MHI and Manufactured Housing**

MHI is the only national trade association that represents every segment of the factory-built housing industry. Our members include home builders, suppliers, retail sellers, lenders, installers, community owners, community operators, and others who serve the industry, as well as 49 affiliated state organizations. In 2020, our industry produced nearly 95,000 homes, accounting for approximately nine percent of new single-family home starts. These homes are produced by 34 U.S. corporations in 135 plants located across the country. MHI's members are responsible for close to 85 percent of the manufactured homes produced each year.

Manufactured housing is the largest form of unsubsidized affordable housing in the U.S. and the only type of housing built to a federal construction and safety standard. It is also the only type of housing that Congress recognizes as playing a vital role in meeting America's housing needs as a significant source

for affordable homeownership accessible to all Americans. Today, 22 million people live in manufactured housing and the industry employs tens of thousands of Americans nationwide.

As the nation continues to navigate an affordable housing shortage, exacerbated by the Coronavirus crisis, ensuring a robust manufactured housing market has never been more important. Studies have shown that COVID has widened the income gap, magnifying the importance of manufactured housing as an affordable homeownership option, particularly for minority, underserved, and low-income borrowers.

### **Housing Goals**

MHI believes that the levels FHFA establishes in the next round of housing goals should be robust. While housing goals are not by themselves sufficient to ensure that the Enterprises fully serve manufactured housing, robust housing goals are an important component in meeting this objective.

The Enterprises are in conservatorship, with continued underlying financial support by the federal government. Therefore, there is both a statutory responsibility and a policy imperative that the Enterprises use this status to serve the full range of the market, including low-income, underserved, and minority borrowers – and particularly manufactured home purchasers and homeowners.

As the Enterprises continue their progress toward an exodus from conservatorship, it will become even more imperative that housing goals are robust and duly enforced. Were privatization to occur, there would be a greater focus on profits and an increased tendency towards purchase of high-volume, high dollar loans – not those that serve the lower end of the market. Therefore, it will be even more important that the Duty to Serve require the Enterprises to be compelled to participate in manufactured housing markets.

### **Duty to Serve**

In 2008, the Housing and Economic Recovery Act of 2008 established a statutory Duty to Serve requirement for Fannie Mae and Freddie Mac. The statute requires Fannie Mae and Freddie Mac to serve three specified underserved markets – manufactured housing, affordable housing preservation, and rural markets – in order to increase the liquidity of mortgage investments in those areas and facilitate access to mortgage credit for low-, very-low, and moderate-income families in these market areas. Congress did this because it concluded that the Enterprises could routinely meet the housing goals without serving these critical underserved markets.

MHI is appreciative that Fannie Mae and Freddie Mac have introduced new programs that provide conventional financing for manufactured homes that are titled as real estate and have certain site-built features. Qualifying home features for the Fannie Mae MH Advantage and the Freddie Mac CHOICEHome programs align closely with the industry's new CrossMod homes, and include higher roof pitches, permanent and lower profile foundations, energy efficient features, garages or carports, and porches.

In a separate, concurrent comment letter, MHI is asking the Enterprises to make it a priority that appraisers are more broadly aware of these new CrossMod appraisal guidelines, emphasizing how they differ from guidelines for traditional manufactured homes. The objective should be to ensure that appraisers follow the new appraisal guidelines for homes that qualify for MH Advantage and CHOICEHome.

At the same time, MHI is disappointed that Fannie Mae and Freddie Mac have not carried through on their Duty to Serve Market Plans to resume purchases of chattel manufactured homes, as part of a longer-term plan to gain market knowledge and develop a flow program for the purchase and securitization of chattel loans. Both Fannie Mae and Freddie Mac had included the acquisition of existing chattel loans as a pilot project within their initial three-year plans. Fannie Mae's plan included the purchase of 2,000 chattel home loans through the end of 2020 and Freddie Mac's plan included the purchase of 800 to 2,000 chattel home loans through the end of 2020.

MHI appreciates that this has been a difficult period for mortgage markets and mortgage loans, with the emergence of the COVID health crisis. With the surge in unemployment, the Enterprises' loan defaults have increased. We assume that this has been a factor in Fannie Mae and Freddie Mac not making any visible progress to develop a secondary market for chattel financing.

In MHI's response to the 2018-2020 Duty to Serve Plans, we expressed concerns that such an approach of purchasing a few existing chattel loans would not lead to the accomplishment of creating a secondary market for chattel. The real goal needs to be the creation of a flow program, in which Fannie Mae and Freddie Mac purchase all chattel loans that meet specified underwriting criteria and securitize those loans into an evolving and efficient secondary market for chattel loans. Fannie Mae and Freddie Mac appear to share that goal – at least based on language in their 2018- 2020 Duty to Serve Plans. Specifically, Fannie Mae's Objective No. 2 in their manufactured home Duty to Serve plan was "Explore securitization structures that attract private capital and provide sustainable liquidity to the chattel market." And Freddie Mac's Plan indicated that the ultimate purpose of buying existing chattel loans was "to help inform future product design to build out capabilities for flow path."

MHI would like to reiterate that it was not the industry's idea to begin this process by having the Enterprises buy existing, more seasoned chattel loans. However, the Enterprises chose to pursue this path, arguing that it would allow them to re-gain familiarity with the loan product and it is financial performance. The first 3-year period of the GSEs' Duty to Serve process has ended, and the Enterprises are still making no progress in actually purchasing chattel loans. MHI believes it is important for the Enterprises to refocus their efforts on the ultimate goal of developing a flow program for purchase and securitization of chattel loans. Unfortunately, there was nothing in the 2021 Plan Amendments that address this critical imperative.

More support from FHFA, Fannie Mae and Freddie Mac in the manufactured housing market will not only strengthen homeownership opportunities for millions of Americans but also provide more options to consumers hurt by unaffordable rents and the shortage of adequate housing options. As stated above, and in previous comment letters, manufactured housing is critically important to increasing the availability of affordable housing in America.

Sincerely,



Lesli Gooch, Ph.D.  
Chief Executive Officer