

Pennsylvania MHA

All Industry Symposium

Financing Solutions Panel

March 18, 2009

Gail Cardwell, President, MHI

8/9/2023



Update on Finance Issues

- FHA Title I
- Ginnie Mae Title I
- GSE Program for Chattel Loans
- Tax Credit for Homebuyers
- Floor Plan Lending



FHA Title I

- ❑ Insures loans made by private lending institutions to finance the purchase of a new or used manufactured home (MH)
- ❑ HUD has been providing loan insurance on MH under Title I since 1969.
- ❑ The program insures lenders against losses of up to 90% of the value of a single loan.
- ❑ The buyer must agree to make a 5% down payment and interest rate payments determined by the lender.
- ❑ The maximum loan term varies from 20 to 25 years.

Housing & Economic Recovery Act of 2008 (HERA): Title I Provisions

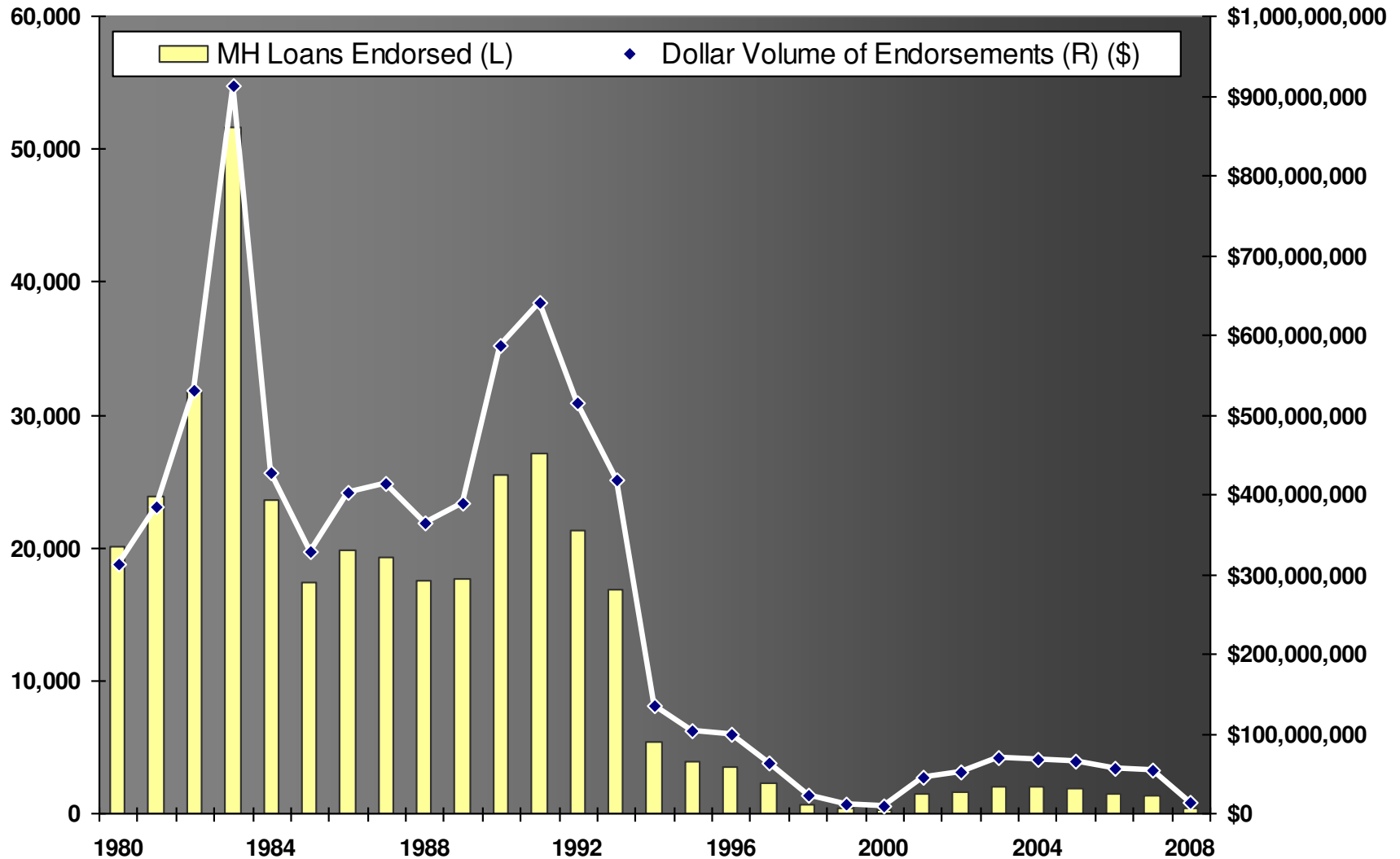
- Adjusts the loan limits from \$48,600 for home only to \$69,678; manufactured home lot from \$16,200 to \$23,226 and manufactured home & lot from \$64,800 to \$92,904
- Initial upfront premium no greater than 2.25% of the original insured principal amount
- Annual premium payments = no more than 1.0% of the remaining balance
- The Secretary establishes underwriting criteria adequate to retain fiscal soundness of the program



Title I HERA Provisions (con't)

- Requires Title I loans on homes to be situated in LLCs to have at least a 3-year lease, renewable upon the expiration of the original 3-year term by successive one-year terms & the lessor must provide written notice of lease termination not less than 180 days prior to expiration of the current lease term if the lessee is required to move due to a LLC closing and failure to provide notice will cause the lease term to automatically renew for one year
- Replaces the former insurance mechanism that limited coverage to 10% of the lender's Title I portfolio to a loan by loan insurance coverage
- Title II: 1. eliminates requirement that MH must be taxed as real estate (applicable to homes in LLC), so long as they are permanently affixed to land that is owned or leased under a long-term leasehold arrangement. 2. FHA may insure mortgages on MH in condominium developments.

Historical FHA Title I Endorsements



Source: HUD

FHA Title I Status

- MHI conducted conference calls with FHA and Ginnie Mae Senior Staff & Lenders on 2/20/09
- FHA staff reported that Title I implementation is top priority and that Secretary Donovan and members of Congress have expressed their desire to move forward, including a recent press release from Cong. Joe Donnelly (D-IN) sponsor of the legislation
- FHA confirmed they will not go through a formal rulemaking process and that OMB concurs with this approach
- FHA reported that its current approach is to issue a notice in the Federal Register within 30 days announcing program changes, followed by a 60-90 day comment period
- Lenders on the call and MHI repeated our request that FHA increase the loan limits ASAP
- Loan limits were raised on 3/3/09 due to MHI efforts

MHI's Key Title I Implementation Efforts

- Conduct biweekly status calls with FHA (last one conducted on 3/17/09)
- In early January, HUD's Office of General Counsel (OGC) informed FHA staff that Title I reforms must go through a formal rulemaking procedure
- MHI met with counsel immediately
- MHI communicated it strongly disagreed with the OGC's views.
- MHI contacted former FHA Commissioner Montgomery, who in turn, met with HUD Secretary Donovan, stressing importance of expedited implementation
- MHI staff contacts Secretary Donovan's and OGC's staff
- MHI advocates to avoid rulemaking and contacts Congressman Donnelly, House Financial Services Chairman Barney Frank, Senate Banking Chairman Chris Dodd, Ranking Members Richard Shelby and Senator Bob Corker;
- MHI sends letter to Secretary Donovan, stressing importance of Title I implementation to survival of our industry
- MHI provides data to Cong. Donnelly, noting plant and retail center closings, for his discussion with President Obama, during President's visit to Elkhart the week of Feb. 9th; Donnelly conveys state of industry and urges him to expedite Title I implementation
- MHI contacts FHA and key Congressional liaisons on a daily basis and provides updates on FHA in *Housing Alerts* and *MHNewswire*

Ginnie Mae Title I Program

- Ginnie Mae allows lenders to obtain a better price for their mortgage loans in the secondary market, by guaranteeing investors the timely payment of principal and interest on mortgage-backed securities (MBS) backed by federally insured or guaranteed loans, primarily FHA loans
- Regardless of whether the mortgage payment is made, investors in Ginnie Mae MBS will receive full timely payment
- Ginnie Mae securities are the only MBS to carry the full faith and credit guaranty of the U.S. government, which makes them a very safe investment, even in difficult times.
- Each loan must be FHA Title I insured
- Ginnie Mae has Eligibility Requirements to be an approved Ginnie Mae issuer
- In order to qualify, an issuer must be an approved FHA mortgagee in good standing
- Ginnie Mae placed a moratorium on issuers in 1992
- MHI has called on Ginnie Mae to lift the issuer moratorium
- Ginnie Mae is important because it guarantees FHA Title I loan pools which would increase liquidity to our industry, so that more homes could be financed through Title I



MHI/Ginnie Mae Next Steps

- To increase liquidity, MHI met with Ginnie Mae senior staff on 2/13/09 to:
- Work Together to Identify Additional Title I issuers
 - Current MH Lenders
 - Current GNMA issuers who are not involved in Title I
- Be Prepared to Lift the Moratorium on Title I Eagle-approved issuers as soon as FHA implementation of Title I is complete and have application materials available for qualified issuers
- Work Together to Resolve Document Custodian Issues—call conducted yesterday.
- Continue Our Productive Dialogue and Identify Marketing/Speaking Opportunities for GNMA, e.g. MHI Congress & Expo

GSE Program for Chattel Loans

■ Duty to Serve

- In the Housing and Economic Recovery Act of 2008, Congress provided that the GSEs have a statutory duty to serve 3 specific, underserved markets. MHI was successful in having manufactured housing included as one of the markets.

GSE Duty to Serve Underserved Markets

- (1) DUTY- To increase the liquidity of mortgage investments and improve the distribution of investment capital available for mortgage financing for underserved markets, each enterprise shall provide leadership to the market in developing loan products and flexible underwriting guidelines to facilitate a secondary market for mortgages for very low-, low-, and moderate-income families with respect to the following underserved markets:
 - (A) MANUFACTURED HOUSING- The enterprise shall 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.
 - MANUFACTURED HOUSING MARKET- In determining whether an enterprise has complied with the duty under subparagraph (A) of subsection (a)(1), the Director may consider loans secured by both real and personal property.

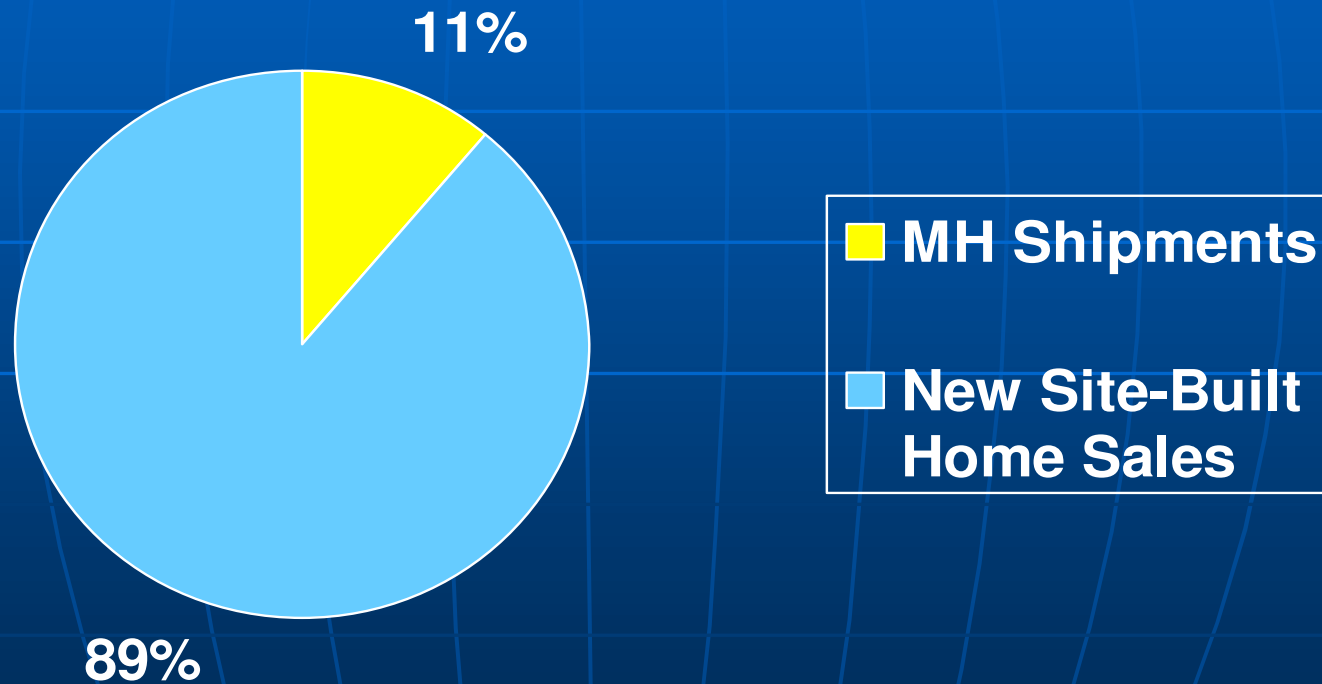
FURTHER...

- The Director of FHFA shall insure that 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);

GSE Affordable Housing Goals

- The Act refocuses the GSE Affordable Housing Goals
 - **Now, only loans to borrowers earning a maximum of 80% AMI qualify**
 - ✓ According to HMDA data, in 2006, 45% of MH borrowers earned 80% AMI or less
 - ✓ MH loans remain very “goals rich”

In 2007, New MH Shipments Comprised over 11% of New Home Sales...



...but Less Than 1% of GSE Purchases

	2007 MH Purchases by GSEs (# of loans)	2007 Total Loan Purchases by GSES (# of loans)	% MH
Fannie Mae	11,621	2,406,229	0.5%
Freddie Mac	11,861	1,532,893	0.8%
Total	23,843	3,939,122	0.6%



GSE Personal Property Program

- MHI Key Initiatives/Activities:
 - Promoting a personal property loan program as a component of Duty to Serve
 - Met with Federal Housing Finance Agency (FHFA), GSE's regulator to advocate Duty to Serve implementation
 - Wrote to Regulator calling for Duty to Serve implementation
 - Met with Freddie Mac and Fannie Mae in Fall 2008
 - Met with Fannie Mae Task Force in New Orleans (2/2/2009) to discuss personal property MBS program
 - Contacted New York Federal Reserve
 - Met with Treasury Department last week
 - Petitioned Treasury to have Personal Property Loans qualify for the Home Affordable Modification Program, HomeSaver Forbearance and New Workout Hierarchy program

American Recovery and Reinvestment Act of 2009

Refundable First-Time Home Buyer Tax Credit

- Provides a tax credit of up to \$8,000 for qualified first-time homebuyers
- Must purchase a principal residence (either new or resale) on or after January 1, 2009 and before December 1, 2009
- A "first time homebuyer" = a buyer who has not owned a principal residence during the 3-years prior to purchase
- Any home that will be used as a principal residence qualifies for the credit, including: manufactured homes placed on private land or in a land-lease community, a condominium or a cooperative
- The tax credit = 10% of the home's purchase price up to a maximum of \$8,000
- The credit can be claimed even if the taxpayer has little or no federal income tax liability to offset the credit
- The tax credit does not have to be repaid; however, the homebuyers must use the principal residence for at least 3 years or return a portion of the tax credit amount
- The income limits for single-taxpayers are defined as under \$75,000 for modified adjusted gross income (MAGI) and \$150,000 for married taxpayers; over these limits, the credit is reduced proportionally; however, you may not have a MAGI of over \$95,000 or \$170,000 for single or married taxpayers, respectively.
- The tax credit may be applied against the taxpayer's 2008 tax return
- The tax credit may be an excellent opportunity for LLC owners to turn renters into owners in 2009!



MHI Response to Floor Plan Crisis

- Outlined immediate course of action on Officers call on Nov. 14
- Contacted Independent Community Bankers Association (ICBA) and SBA to explore inventory lending programs
- Distributed a *Housing Alert* to all MHI members on Nov. 17 that: 1. provided a list of community bank lenders; 2. furnished information on SBA's 7(A) inventory loan guaranty program
- Conducted conference call with state execs to outline course of action and provide link to state-based community bank associations
- Petitioned former US Treasury Secretary Paulson in a formal letter sent on Nov. 21, calling on him to require non-bank lending institutions offering MH inventory financing who receive TARP funds to dedicate a portion of those funds to maintain this financing; a similar letter was sent to Treasury Secretary Geithner on 2/6/09
- Sent a letter to Federal Reserve Chairman Bernanke emphasizing that their Commercial Paper Funding Facility (CPFF) restricted to the highest rated issuers should go beyond the top-rated issuers, as lower-rated issuers have suspended inventory lending to retailers



MHI Response to Floor Plan Crisis

- Participating in a coalition with large, 2nd tier issuers on CPFF, e.g. Nissan, Textron, to coordinate strategy with FRB
- Ongoing conversations with Federal Reserve staff who are evaluating extending the CPFF to lower-rated issuers
- Met with the Equipment Leasing & Finance Association whose members have business lines that include inventory financing
- Distributed survey to manufacturers to assess impact of national floor plan lending on the industry's structure and production
- Conducting webinar on January 21 with community bank lenders to brief MHI-member retailers & members on lending criteria and inventory lending programs
- Drafted prototype presentation for retailers to use when approaching their local banks for inventory financing
- Working with media to get the story out
- Established Floor Plan Lending Resource Center on Web Site
- Sent letter to Treasury Secretary Timothy Geithner requesting that floor plan loans qualify for Term Asset-backed Securities Loan Facility (TALF)

Alternative Options to Existing National Floor Plan Lenders

- Specialty Finance Companies
- Local Banks
- ❖ Marketing plan for sales growth
- ❖ Average amount of Home Invoice
- ❖ Operating expense to income ratio (5-year history)
- ❖ Copy of any recourse agreement with manufacturers
- ❖ Value of any real estate or other assets owned
- ❖ Monthly inventory turnover
- ❖ Inventory to Sales Ratio



Retailer Resources



MEMBER ID
 PASSWORD
 Save Username & Password

 Forgot your Password?
[Sign Up >](#)
MEMBER ONLY ACCESS

- [About Us >](#)
- [Bank Store >](#)
- [Calendar >](#)
- [Community Attributes System >](#)
- [Community Resources >](#)
- [Consumer Center >](#)
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Floor Plan/Inventory Lending Resources

MHI has several resources to assist retailers in dealing with the shortage of floor plan/inventory financing. An audio conference was held on January 21 and a CD-ROM recording of that event which includes handout materials is available for purchase. In addition, MHI has created a PowerPoint presentation retailers can use when meeting with their local bank to educate them about manufactured and modular housing. MHI President and CEO Gail Cardwell addressed the attendees at the Louisville Show and her presentation is also posted to this site. Other resources will be posted as they become available

MHI President and CEO Addresses Louisville Show Attendees on Floor Plan Lending Issues

For a copy of the PowerPoint Presentation, [click here](#)

November 25, 2008 Letters to Chairman of the Federal Reserve Board and Secretary of the U.S. Dept. of the Treasury on Troubled Asset Relief Program (TARP)

[Purchase Recording from January 21, 2009 Interactive Audio Conference on Inventory Financing Solutions - Working with Local Lenders For Your Retail Inventory Financing Needs](#)

Community Bank Locator

Retailer Presentation for Local Banks

Modular Builder/Developer Presentation for Local Banks

(Click on the title to view document)



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