

**DECEMBER 16, 2015**

**IMPORTANT**

**TO: MHARR MANUFACTURERS  
MHARR STATE AFFILIATES**

**FROM: MHARR**

**RE: FEDERAL HOUSING FINANCE AGENCY FAILS  
CONSUMERS AND INDUSTRY ON CHATTEL FINANCING AGAIN**

The Federal Housing Finance Agency (FHFA) has advised parties interested in the implementation of the “duty to serve underserved markets” (DTS) provision of the Housing and Economic Recovery Act of 2008 (HERA), that it has forwarded a new proposed DTS implementation rule to the Federal Register for publication. The FHFA notice, provided to DTS stakeholders by email at Noon on December 15, 2015, contains a 167-page pre-publication draft of the proposed rule, as well as a press release and related “fact sheet” addressing the main points of the FHFA proposal (a complete copy of the FHFA package is attached).

Of paramount importance to the manufactured housing industry and consumers of affordable housing, the FHFA “fact sheet” indicates that DTS credit will not be available under the rule – as proposed – for manufactured home chattel loans based on reasoning that mimics FHFA excuses for the exclusion of chattel financing in its original 2010 proposed DTS implementation rule.

In part, the FHFA “fact sheet” states: “Duty to Serve credit” under the new proposed rule, “would be provided for regulatory activities that Fannie Mae and Freddie Mac undertake related to financing manufactured homes titles as real estate and not “chattel” loans ... because real estate loans perform better, have greater borrower protections, and have lower default rates than chattel financing.”

While the “fact sheet” notes that: “the proposed rule invites public comment on whether the final rule should authorize Duty to Serve credit for the purchase of chattel loans,” the purpose of FHFA “revisiting” the 2010 rule and proposing a new implementation rule – supposedly -- was to gather additional information and reassess the addition of manufactured home chattel loans. And, in fact, when an MHARR delegation met with FHFA officials in June 2014, it appeared that FHFA was poised to issue a revised rule that would include chattel loans – which provide consumer financing for the vast bulk of industry production and provide lower and moderate-income buyers with access to the industry’s most affordable homes.

Subsequently, though, as detailed by MHARR in its report of a September 15, 2015 meeting with FHFA officials, FHFA confirmed having closed door discussions with other segments of the industry and supposed “consumer” representatives. At that time, MHARR emphasized that it was “unknown what input FHFA received as a result of those discussions, what impact that input could or will have on the final content of any new rule, and whether that input could derail the effort to include the full securitization of manufactured home chattel loans as part of the new DTS rule – a distinct possibility given the tone of certain FHFA comments at the meeting.”

While the impact of these closed-door discussions remains unclear, given the fact that FHFA has invited comments on the inclusion of chattel loans – and given the 90-day comment period referenced in the “fact sheet” -- industry members, both individually and collectively, should submit comments to FHFA providing a basis for the inclusion of manufactured home chattel loans.

MHARR will conduct a complete analysis of the new proposed rule and submit strong comments to FHFA calling once again for the full inclusion of chattel loans. At the same time, MHARR will examine other options in the event that a final rule does not correct the exclusion of chattel financing.

cc: Other HUD Code Industry Manufacturers, Retailers, Communities and Finance Companies

Attachments

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