

FHFA Virtual Listening Session Comments – 12.11.2019 - by L. A. 'Tony' Kovach, Publisher of MHLivingNews.com, MHProNews.com, Award-Winning Manufactured Home Industry Expert and Consultant (LATonyKovach.com and <http://www.linkedin.com/in/latonykovach>)

- ▶ Speakers addressed the Washington, D.C. Federal Housing Finance Agency (FHFA) Duty to Serve (DTS) listening sessions on December 2, 2019. DTS mandates the Government Sponsored Enterprises (GSEs) of Fannie Mae and Freddie Mac support affordable housing.
- ▶ Those speakers could be broken into 3 broad groups.
 1. Those praising FHFA and the GSEs for a 'transparent process' and 'progress' being made.
 2. Those that were polite toward FHFA, Fannie and Freddie, but clearly stated that more needed to be done to make DTS a reality.
 3. Those who were blunt or caustic that asserted DTS wasn't working. Instead, the law had been perverted to benefit the more well-to-do instead of those of lesser means.
- ▶ I know this because I was among those invited to present. I listened to some 40 people sound off, plus FHFA and GSE officials.
- ▶ For example, there were black nonprofit and businesses leaders. They pointed out the wide disparity of lending reaching minorities vs. whites in mortgages purchased for the secondary market by Fannie and Freddie. Data shown was provided by [Maurice Jourdain-Earl](#) of [ComplianceTech](#), based on HMDA data.
- ▶ NAREB said **“The homeownership rate for black households ended 2016 at 41.7 percent.”** They've made the point that discrimination is being tolerated by FHFA.



▶ Doing the math, the economic harm to blacks may be imputed to exceed a staggering \$2.1 trillion dollars.

▶ Several manufactured home (MH) community residents from different states said commercial real estate loans made under DTS to community operators who purchased or refinanced MH communities at low rates. Because of a lack of resident safeguards, they named companies like Havenpark Capital and RV Horizons/Impact Communities – both of which are Manufactured Housing Institute (MHI) members - that aggressively raised site fees (lot rents). Economic evictions had or will occur, residents said.

▶ DTS had been perverted, diverted and turned on its head.

▶ A program designed to provide more affordable housing for lower income Americans was instead fueling less affordable housing by making loans to wealthy consolidators and others.

▶ David Dworkin spent 11 years at Fannie Mae, nearly 10 years at the U.S. Treasury, and for almost 2 years has been the President and CEO of the National Housing Conference. [Dworkin's recent comments letter to FHFA](#) said: **“Manufactured housing is critical to ensuring access to affordable housing for both rural and underserved urban communities. Challenges in achieving what were arguably modest goals should prompt redoubled efforts rather than changes in goals targets. We have full confidence in both Enterprises ability to reach the existing benchmarks.”**

▶ Dworkin knows the system from the inside. But there's more.

▶ The Duty to Serve (DTS) Rural, Underserved, and Manufactured Housing Markets was enacted as part of the Housing and Economic Recovery Act (HERA) of 2008. The law passed by a [widely bipartisan margin](#).

▶ FHFA's website says: **“The Duty to Serve (DTS) requires Fannie Mae and Freddie Mac (Enterprises) to facilitate a secondary market for mortgages on housing for very low-, low-, and moderate-income families in: Manufactured housing, Affordable housing preservation, and Rural housing.”**

High Cost to Minorities of Not Enforcing DTS and Other Existing Federal Laws

71% White Homeownership Rate vs 41.9% Black Homeownership Rate. Difference = 29.1%.

There were 37,144,530 non-Hispanic blacks, per *Wikipedia*. That's 10,809,058 more blacks in rental housing.

HUD Secretary Ben Carson has often said that the average rental household has \$5,000 net worth, while the typical homeownership household has some \$200,000 net worth. Doing the math, that is a difference of \$195K.

Thus:

$10,809,058 \times \$195,000 = \$2,107,766,310,000.$

\$2,107,766,310 in lost equity to blacks - \$2.1T based on data.

That's \$2.1 trillion in lost equity or wealth among black Americans. That clearly harms minorities, but also the nation as a whole.

71.0 percent

According to the Census Bureau's American Community Survey (2012-2016), the national black household homeownership rate was 41.9 percent, about 29 percentage points lower than the white household homeownership rate (71.0 percent) during the same time period. Mar 1, 2018

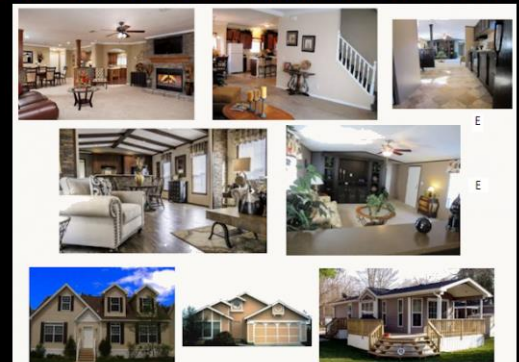
Homeownership Rates by Race and Ethnicity - NAHB
<https://www.nahbclassic.org/generic>



“Compared with the unregulated mobile/trailer homes of the past, the manufactured homes built after 1976 have a higher level of safety, durability, and quality, and the small fraction of homes damaged during hurricanes attests to their safety and durability.”

- Scholastica "Gay" D. Cororaton,

Certified Business Economist (CBE),
National Association of Realtors® (NAR).



The E represents 'entry level' manufactured homes, others are residential style manufactured homes. Photo collage credit MHLivingNews.com

- ▶ Over a decade later, there is little to no discernible support for the vast majority of HUD Code manufactured homeowners, those seeking affordable housing, retailers and others selling manufactured homes exists.
- ▶ Data supplied by the GSEs prove that point.
- ▶ As a trade journalist who publishes the runaway largest and most-read professional media in our industry ([MHPProNews](#)) that includes a companion public site ([MHLivingNews](#)) and as someone who is a multiple award-winner in history and manufactured housing, those opening facts beg several questions.
- ▶ But let's pivot to statements instead.
- 1. **No person or organization is supposed to be above the law.**
- 2. We've spoken with lenders that entered the manufactured home market after DTS passed. They're successfully making sustainable loans.
- 3. We've spoken with lenders who've made manufactured home loans – including personal property or 'chattel loans' – sustainably for a decade or more.
- 4. Given federal law and that others made such loans successfully, why has FHFA tolerated obvious foot-dragging by Fannie and Freddie to fully enforce and comply with federal law?
 - ▶ Years of research and reports could be boiled down to this claim.
 - ▶ **Good federal laws are on the books that support manufactured housing on paper but are going under-enforced, are ignored and/or perverted. DTS is among them.**
 - ▶ A decade after HERA and DTS passed, where is that secondary financing market for manufactured homes?
 - ▶ Interested parties should [read various letters submitted to FHFA](#) about the current plans and proposed modifications requested by the Enterprises. The [MHI letter by EVP and CEO-elect Lesli Gooch](#) makes some interesting and accurate statements, but pivots to items that are arguably [paltering](#).
 - ▶ Instead of Gooch making a case for robust support for all HUD Code manufactured homes – which is what one might reasonably expect of the trade association claiming to 'represent all segments of manufactured housing' – instead MHI promoted their so-called 'new class of homes' recently dubbed "[CrossMod™ homes](#)."
 - ▶ Why didn't MHI pursue robust lending for *all* manufactured homes, instead of only for select "[CrossMod™ homes](#)" backed by Clayton Homes, Skyline-Champion, Cavco Industries and some MHI member producers?
 - ▶ How did Fannie and Freddie magically establish a special program with specs for those so-called "[CrossMod™ homes](#)," reportedly developed in closed doors meetings with MHI?

- ▶ Why haven't the minutes for secretive meetings between the GSEs and MHI been released?
- ▶ MHI member-producers told MHPProNews that there's long been lending on modular housing on par with conventional housing.
- ▶ It was illogical and insulting, said those sources, to create a so-called new class of manufactured housing when those same factories already built modular-coded units.
- ▶ We have no problem with what products builders produce that comply with regulations. But we do have a problem with special lending extended to favored MHI firms by the GSEs with the FHFA's consent.
- ▶ HUD Code builders have always had the ability to build manufactured homes to minimum federal construction, energy and safety standards providing durable, safe housing with consumer protections. Those entry-level homes are affordable for people with lower incomes. Builders can also offer more residential style-homes with more features at a higher cost.
- ▶ There was therefore no logical reason to create a 'new class' blurring lines between modular and HUD Code, including via the name of the product - "CrossMod™ homes."
- ▶ I've personally spoken with people at the GSEs and/or who performed contract work for the Enterprises. Some said the Freddie Mac Choice and MH Advantage by Fannie Mae plans are not how such lending programs are traditionally developed.
- ▶ Of course not.
- ▶ Do the GSEs tell site builders how to build their housing units?
- ▶ Richard Genz did research for the Fannie Mae Foundation published some 2 decades ago. He made the case that manufactured homes were unfairly stigmatized.
- ▶ An Obama Administration era HUD PD&R documented in 2011 manufactured homes appreciating side-by-side with conventional housing.
- ▶ So why implement a scheme splitting higher cost 'new class' HUD Code homes MHI and the GSEs are pushing? Doesn't that de facto stigmatize anew the millions of existing manufactured homes?
- ▶ This ploy purportedly fuels stigma, arguably benefiting lenders like 21st Mortgage or Vanderbilt Mortgage and Finance, owned by Berkshire Hathaway that along with Clayton Homes have been credibly accused of predatory and racist behavior.

- ▶ MHI and the GSEs vaguely admit that '**CrossMod™ homes**' are off to a poor start. Only some 10 total loans were made in 2018 and 2019, per a statement at the St. Louis FHFA listening session. New HUD Code production is also down year-over-year. Coincidence?
- ▶ Given that FHFA as well as the NAR both reported in 2018 that manufactured homes appreciate, the lack of logic for plans developed by MHI, Fannie and Freddie behind closed doors is stunning.
- ▶ The **Urban Institute said in 2018 that a lack of lending likely keeps existing manufactured homes from appreciating even more than they already do.**
- ▶ Rephrased, the status quo unduly punishes millions who currently own a manufactured home. They could enjoy higher equity and resale values if DTS were fully enforced. It's also punishing renters who could pay less monthly to own a manufactured home, per the NAR.
- ▶ That's billions of collectively lost wealth for current and potential manufactured homeowners. When more people of all backgrounds realize that, there are voters among those 22 million Americans in manufactured homes and 111 million U.S. renters.
- ▶ We've published an [online version of this comments letter on Manufactured Home Living News](#) (MHLivingNews.com). It includes illustrations, videos, links to comments, documents, plus historic information.
- ▶ We believe evidence and reason suggest that one or more at FHFA actively or tacitly allowed the law to be twisted in a manner benefiting a few at high cost to millions.
- ▶ That implies incompetence, collusion, conflicts of interest and/or corruption.
- ▶ Therefore, the FHFA has no legal or logical choice but to reject currently promoted plans and call upon Fannie and Freddie to immediately follow the DTS law, no matter whose deep pockets that may upset.
- ▶ The appropriate oversight parties at FHFA and Congress should independently investigate how a decade after DTS became law that it's still thwarted from providing affordable lending to potentially millions during an affordable housing crisis.
- ▶ The status quo is a scandalous disgrace.
- ▶ **"There is nothing wrong with America that cannot be cured with what is right in America."** So said former President William J. 'Bill' Clinton, who signed the widely bipartisan Manufactured Housing Improvement Act of 2000 into law. [Affordable housing isn't a partisan issue.](#) It's an issue of right and wrong. People of good will must do all that is necessary to expose the treachery that's arguably harming tens of millions of Americans, smaller independent businesses and taxpayers while enriching a few consolidators thanks to their cronies in government.
- ▶ Thank you.
- ▶ L. A. 'Tony' Kovach
Managing Member
Lifestyle Factory Homes, LLC
Parent Company to DBAs [MHProNews.com](#), [MHLivingNews.com](#), [LATonyKovach.com](#), [MHC-MD.com](#) et al.