August 12, 2024

Marcea Barringer
Supervisory Policy Analyst
Attention: Duty to Serve 2025-2027 RFI
Federal Housing Finance Agency
Ninth Floor, 400 Seventh Street, S.W.,
Washington, D.C. 20219

RE: MHI Comments
Fannie Mae and Freddie Mac Proposed 2025-2027 Duty to Serve Plans

Dear Ms. Barringer,

The Manufactured Housing Institute (MHI) is pleased to submit comments in response to FHFA's Request for Input regarding Fannie Mae and Freddie Mac's proposed Duty to Serve plans for 2025 through 2027.

MHI is the only national trade association that represents every segment of the factory-built housing industry. Our members include builders, suppliers, retail sellers, lenders, installers, community owners, community managers, and others who serve our industry, as well as 48 affiliated state organizations. Our industry is on track to build more than 100,000 homes this year, accounting for approximately 9 percent of new single-family home starts. These homes are produced by 36 U.S. corporations in 148 homebuilding facilities located across the country. Today, MHI members represent over 90 percent of all manufactured homes constructed and we are pleased to submit the following comments on behalf of this important industry.

Manufactured housing is the most affordable homeownership option for American families. Last year, the price for an average manufactured home was $124,300, while the average site-built home was around $409,000 (excluding land). The average income for a manufactured home buyer was about $61,000 while the average income for a site-built home buyer was over $136,000.

Fannie Mae and Freddie Mac (the "Enterprises") play a critical access to mortgage credit role by purchasing single family home loans for manufactured home buyers and manufactured home community loans. The importance of the Enterprises' role has been recognized in statute since the adoption of the HERA legislation in 2008, which created a Duty to Serve requirement for the Enterprises for manufactured housing.

MHI appreciates the priority that FHFA and the Enterprises have placed on the importance of supporting affordable manufactured housing, and their cooperative approach to solving problems.

Following are MHI comments on the Duty to Serve Plans and critical manufactured home areas.

Land-Home Loans

Both of the Enterprises' plans boost loan volume targets for land-home manufactured home loans. While MHI believes that the volume of securitized real property manufactured home loans could exceed these targets, we are pleased to see increased volume targets included in the plans and will monitor their performance with great interest.

One barrier that should be addressed is LLPAs. For real property manufactured loans, Fannie and Freddie both charge a 50 basis point LLPA. MHI has not seen any analysis done to justify this add-on fee at this level. We call on both Enterprises to examine and analyze at their default and loan loss performance data and re-calibrate accordingly. If the 50 basis point LLPA is not justified – or is too high relative to risk – we would ask Fannie Mae and Freddie Mac to eliminate or revise this fee as appropriate.

MHI also appreciates both Enterprises for several policy changes and variances to its MH products to increase loan volume and we encourage continued strategies to support real property loans going forward.

For example, both Enterprises have developed programs that provide conventional financing for CrossMod homes. Last year, the Enterprises affirmed the potential for CrossMod homes by removing appraisal hurdles, which was a critical step.

To further the impact of CrossMod homes across the country, we urge the Enterprises' programs to be modified to include eligibility for single-section CrossMod homes, not just multi-section CrossMod homes.

This is an important improvement since quality, attainable homeownership solutions are needed in high density and in-fill areas that would not accommodate the size of a multi-section CrossMod home. The single-section CrossMod design will make attainable housing available to a wider range of families who are not currently well-served in the market today.

MHI, the Mortgage Bankers Association, the Community Home Lenders of America, and the Underserved Mortgage Markets coalition have all called on the Enterprises to immediately implement the addition of a single-section CrossMod design as eligible for the MH Advantage and CHOICEHome loan programs.

The single-section design brings all the site-built features of the multi-section design, at a greatly reduced cost to consumers, establishing more affordable housing options and helping the Enterprises meet their Duty to Serve objectives.

Personal Property Loans

Despite the HERA statute requiring Fannie and Freddie to "consider" personal property manufactured loans as part of its statutory Duty to Serve requirements, neither GSE has made a single personal property loan since HERA was adopted 16 years ago.

In their Duty to Serve Plans, both Fannie Mae and Freddie Mac are focused on efforts around titling barriers to converting land ownership so there are more real property manufactured home loans – and on efforts to purchase personal property home loans in Resident Owned Communities.

MHI believes this is the wrong focus. Personal property loans make up around 70% of the manufactured home loan market. The simple truth is that personal property loans continue to be made safely by portfolio lenders, and MHI has submitted detailed loan performance data to FHFA, Fannie Mae, and Freddie Mac to document the strong loan performance of these loans – even through COVID, a time of mortgage loan stress.

Therefore, as MHI has been calling for years, Fannie and Freddie should develop a flow program for such loans, purchasing all loans that meet underwriting criteria – for securitization into secondary markets. After 16 years of delay we see it a significant shortcoming of Fannie Mae and Freddie Mac with respect to their compliance with Duty to Serve requirements.

Manufactured Home Communities

MHI notes the initiatives the Enterprises' have made in their Duty to Serve Plans a focus on loans to Resident Owned Communities (ROCs) and communities owned by non-profits or governmental entities. Again, we believe this is not the right focus. While we appreciate the role of ROCs and other nonprofit community owners in the manufactured housing community space, MHI believes that the Enterprise plans should encourage capital investment into land-lease communities and financing support for residents.

The hybrid homeownership model of land-lease manufactured housing communities provides a quality affordable housing experience resulting in satisfied residents who choose to remain in these communities longterm. MHI research demonstrates that residents of professionally managed land-lease manufactured housing communities value their community's extensive offering of amenities and the ongoing investments made by community owners/operators.

Objective data shows that land rent increases in manufactured home communities across the country today are well below cost increases in other forms of housing. On average, rent paid by manufactured housing residents in land-lease communities is nine to 25 percent more affordable than market rents for comparable rentals, depending on the market. In MHI's past study of residents of manufactured housing communities, the majority of residents of land-lease communities said that their rent is competitive or below average compared to other nearby housing options.

For some time, now, Enterprise manufactured home community loans have been subject to tenant protections. The vast majority of community owners already follow these protections, regardless of whether they receive Enterprise loans. It is the industry norm.

Therefore, we believe that the Enterprises' plans should continue to provide support for, rather than focusing on programs that would have the impact of reducing support for, land lease manufactured housing communities, and we believe the Enterprises should lean in to support the preservation of these communities.

On the topic of community loans, MHI is disappointed that Fannie Mae shut down its innovative Duty to Serve loan program - started in 2022 – for manufactured homes with rental flexibilities. We are disappointed there is no mention of Fannie Mae reviving this loan product in its Duty to Serve Plan for the next three years – and that there is no mention in Freddie Mac's plan of exploring this.

Increasingly, community owners are turning to affordable rental of manufactured homes in their communities. Unfortunately, without the rental flexibilities loan feature, the cost of the rental units themselves are not financed in Enterprise community loans. This makes it much harder to use manufactured homes for affordable rentals, including in markets where there is more demand for rentals than for homeownership.

In closing, MHI members appreciate Fannie Mae, Freddie Mac, and FHFA's work to facilitate mortgage credit for affordable manufactured housing and we look forward to working with the Enterprises in implementing their Duty to Serve Plans.

Sincerely,

Lesli Gooch

Lesli Gooch, Ph.D.
Chief Executive Officer