



Manufactured Housing Association for Regulatory Reform

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February 27, 2018

VIA FEDERAL EXPRESS

Mr. Donald H. Layton
Chief Executive Officer
Freddie Mac
8200 Jones Branch Drive
McLean, Virginia 22102-3110

Re: Implementation of the Duty to Serve Underserved Markets

Dear Mr. Layton:

I am writing on behalf of the members of the Manufactured Housing Association for Regulatory Reform (MHARR). MHARR members are mostly smaller and medium-sized manufactured housing industry businesses, subject to regulation by the U.S. Department of Housing and Urban Development (HUD), pursuant to the National Manufactured Housing Construction and Safety Standards Act of 1974, as amended.

As part of the Housing and Economic Recovery Act of 2008, Congress established the “Duty to Serve” (DTS) certain specified markets, including federally-regulated manufactured housing, which, it concluded, had historically been underserved by the two Government Sponsored Enterprises (GSEs) -- Freddie Mac and Fannie Mae. In relevant part, DTS directs the GSEs to develop “loan products and flexible underwriting guidelines to facilitate a secondary market for mortgages for very low-, low- and moderate-income families” with respect to HUD-regulated manufactured homes, including both manufactured housing real estate loans and personal property – or “chattel” – loans, which comprise the vast bulk of the manufactured housing market (12 U.S.C. 4565(d)(3)).

After nearly a decade of baseless, unjustified, prejudicial and damaging delays (particularly for the smaller industry businesses which MHARR represents), DTS implementation plans for both Freddie Mac and Fannie Mae were finally submitted to – and approved by – the Federal Housing Finance Agency (FHFA) in late 2017. As both Freddie Mac and FHFA are well aware, however, MHARR has been – and continues to be – a highly critical and active opponent of these plans, which are not only ten years too late, but are grossly insufficient and inadequate to meet the policy objectives of DTS, based on their failure to provide, at any time within their three-year terms, market-significant secondary market and securitization support for the chattel loans which

comprise more than 80% of the manufactured housing market. MHARR, moreover, will continue that opposition until the fundamental failures of these initial DTS plans are remedied.

Now, though, MHARR, as a participant in Freddie Mac's "Manufactured Housing Initiative Task Force" (MHIT), has learned that Freddie Mac apparently plans to divert an unspecified portion of its already minimal and wholly inadequate support of the manufactured housing market under DTS to a so-called "new class" of manufactured homes which is currently being researched and developed on an exclusionary, proprietary basis by the Manufactured Housing Institute (MHI), under the direction and authority of a control group comprised, in relevant part, of executives of the industry's three largest manufacturers.

At a February 26, 2018 telephone conference meeting of the MHIT, Freddie Mac representative, Ms. Simone Beatty, indicated, for the first time, that Freddie Mac plans to pursue implementation of a "pilot program" -- on an expedited basis (*i.e.*, during June and July 2018) -- for loans on an undefined "new class" of manufactured homes, apparently based on the exclusionary (*i.e.*, limited to MHI members) / proprietary MHI "new class" of manufactured home research and development activity.

Any such action by Freddie Mac (and/or Fannie Mae) would be totally unacceptable to MHARR and would be vehemently opposed by this association.

First, no such program was included in the 2018-2020 DTS implementation plan submitted by Freddie Mac -- and approved by FHFA -- and, as such, would be *ultra vires* and unlawful. Second, diverting any portion whatsoever of DTS support to a proprietary product that is developed and manufactured on an exclusive or exclusionary basis by one group of competitors and not generally available or accessible to other industry producers, would be a knowing and intentionally anti-competitive action by Freddie Mac which, again, would be opposed by MHARR by any and all available means. Third, the diversion of any portion whatsoever of DTS manufactured housing support to a "new class" of homes with a reported retail cost as high as \$220,000.00 instead of existing types of manufactured housing, which are inherently affordable for very low-, low- and moderate-income American families without the need for costly government subsidies, would violate the letter, intent and fundamental purpose of DTS -- to expand the availability of inherently affordable homeownership for all Americans -- while simultaneously relegating existing types of HUD Code manufactured homes to de facto "second class" status for purposes of financing and all other matters, with entirely predictable anti-competitive and highly damaging impacts.

Based on the foregoing, MHARR, by copy of this letter, is advising Fannie Mae, FHFA, Congress, and relevant Executive Branch agencies of its strenuous objections to any action by Freddie Mac to divert any portion of its DTS activity to such a "new class" of manufactured homes and reserves all of its rights to take any and all necessary further actions. In addition, MHARR demands:

1. That it be advised of -- and included in -- any and all further discussions, meetings, or conferences of any type or description involving the supposed "new class" of manufactured home and DTS;

2. That it be provided any and all documents, meeting summaries, minutes, or other documents describing discussions of a “new class” of manufactured home and any party outside of Freddie Mac, including notes of telephone or other discussions maintained by Freddie Mac employees;
3. That MHARR be provided with any and all materials received by Freddie Mac from any source with respect to the supposed “new class” of manufactured home; and
4. That it be provided with any recording, or written transcript, or summary of the February 26, 2018 MHIT meeting produced by or on behalf of Freddie Mac.

For Freddie Mac, after ten years of inaction on DTS, followed by a blatantly inadequate DTS implementation plan, to now even *consider* diverting any aspect or portion of DTS to a “new class” of proprietary, high-priced, non-affordable manufactured home, is indefensible, inexcusable, in direct defiance of DTS, and unacceptable.

Sincerely,

A handwritten signature in black ink, appearing to read 'Mark Weiss', with a stylized flourish at the end.

Mark Weiss
President and CEO

cc: Hon. Michael Crapo
Hon. Sherrod Brown
Hon. Jeb Hensarling
Hon. Maxine Waters
Hon. Jeff Sessions
Hon. Mick Mulvaney
Hon. Gary Cohn
Hon. Melvin Watt
Mr. Timothy J. Mayopoulos