



Preserving the American Dream of Home
Ownership Through Regulatory Reform

MHARR

NEWS

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MHARR EXPOSES GSES' FAILURE ON CHATTEL FINANCING BEFORE CONGRESS

Washington, D.C., September 27, 2018 – The Manufactured Housing Association for Regulatory Reform (MHARR), in a submission (copy attached) to the House of Representatives' Financial Services Committee in conjunction with a September 27, 2018 oversight hearing on regulation of the two "Government Sponsored Enterprises" (GSEs) – Fannie Mae and Freddie Mac – strongly criticized the Federal Housing Finance Agency (FHFA), for failing to implement federal law and, instead, sanctioning the GSEs' continuing discrimination against lower and moderate-income American consumers seeking to purchase manufactured homes through personal property, or chattel loans.

Specifically, MHARR's submission emphasizes that under the "Duty to Serve Underserved Markets" (DTS) provision of the Housing and Economic Recovery Act of 2008 (HERA), so-called DTS "implementation plans" developed by the GSEs and approved by FHFA in late 2017, fail to provide for market-significant participation by Fannie Mae and Freddie Mac in the manufactured housing chattel finance market some ten years after Congress, through DTS, specifically directed the GSEs to "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," including chattel loans. Such chattel loans account for 80% (or more) of the entire manufactured housing market, according to U.S. Census Bureau data.

As MHARR's submission explains, the so-called Fannie Mae and Freddie Mac DTS "implementation plans," by failing to provide for market-significant participation in the manufactured housing chattel financing market – beyond tiny, highly-conditional, "pilot programs" that through 2020 would serve, at most, little more than 1% of the manufactured housing market – do not and cannot, by definition, satisfy the express statutory mandate of DTS. Indeed, it is utterly inconceivable that Congress, in adopting DTS, intended for the vast bulk of all manufactured housing purchasers -- and potential purchasers -- seeking to access the nation's most affordable source of non-subsidized homeownership, to go unserved under DTS indefinitely and, potentially, forever.

Relying on an alleged lack of chattel loan "performance" data that is a direct result of their own long-term, discriminatory failure to serve the manufactured housing market – that DTS was specifically designed to remedy – Fannie Mae and Freddie Mac instead seek to evade that "duty" indefinitely. As emphasized by MHARR, this will effectively force the 80% (or more) of the manufactured housing purchasers who currently rely on chattel financing to seek loans from one of the existing market-dominant manufactured housing lenders that do not require or seek

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secondary-market securitization or support from the GSEs and provide such financing at interest rates that are higher than would be the case if the GSEs were significant participants in the manufactured housing chattel market. Even worse, many more potential lower and moderate-income manufactured home purchasers, who might otherwise qualify for a loan, will continue to be needlessly excluded from the manufactured housing market – and from homeownership altogether – because of the higher chattel loan interest rates and monthly loan costs resulting from the GSEs’ continuing discriminatory refusal to fully implement DTS with respect to chattel loans.

MHARR, accordingly, will continue to press for the full implementation and application of DTS to manufactured home chattel loans and will continue to address, through all necessary means (including Congress and the Administration) the ongoing failure of FHFA, Fannie Mae and Freddie Mac to implement DTS in a timely and market-significant manner, thereby depriving lower and moderate-income Americans of the full access to affordable, non-subsidized manufactured homeownership that Congress sought to provide.

In Washington, D.C., MHARR President and CEO, Mark Weiss, stated: “Congress, in its vital oversight role concerninhg FHFA, must hold that agency – and, by extension, Fannie Mae and Freddie Mac, which are being and have been bailed-out with billions of taxpayer dollars -- accountable for their ongoing discriminatory failure, more than a decade after-the-fact, to fully implement DTS with respect to the 80% of the federally-regulated manufactured housing market that is represented by chattel purchase-money loans. Affordable homeownership is desperately needed in the United States and is at the core of the GSEs’ statutory mission. Neither FHFA nor the GSEs should be allowed to flout this mission, nor the specific mandate of DTS with regard to manufactured housing chattel loans.”

The Manufactured Housing Association for Regulatory Reform is a Washington, D.C.-based national trade association representing the views and interests of independent producers of federally-regulated manufactured housing.