



# Manufactured Housing Association for Regulatory Reform

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June 13, 2019

VIA FEDERAL EXPRESS

Mr. Jonathan M. Lawless  
Vice President, SF Customer Solutions  
And Affordable Housing  
Fannie Mae  
Midtown Center  
1100 15<sup>th</sup> Street, N.W.  
Washington, D.C. 20005

Re: Duty to Serve Underserved Markets – Manufactured Housing

Dear Mr. Lawless:

Thank you for your letter of May 23, 2019 in response to my April 9, 2019 communication to Fannie Mae President Hugh Frater regarding implementation of the statutory Duty to Serve Underserved Markets (DTS) with respect to federally-regulated manufactured housing. Unfortunately, your letter serves only to reinforce the deep concerns that we have regarding the failure of Fannie Mae (and Freddie Mac) to fully and properly implement DTS with respect to affordable, mainstream manufactured housing, more than a decade after its enactment. Indeed, in our view – and as we have already stated publicly -- the implementation of this aspect of DTS is an ongoing fiasco, which should be investigated and addressed by Congress.

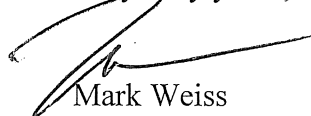
In part, you state that “Fannie Mae recognizes that manufactured housing is an important source of affordable housing and, as such, is a key corporate priority.” (Emphasis added). That assertion, however, cannot be squared with the simple fact that eleven years after the enactment of DTS, Fannie Mae has no current program to securitize or provide secondary market support for the nearly 80% of the manufactured housing consumer finance market represented by personal property (chattel) loans (according to U.S. Census Bureau data). Thus the vast bulk of the manufactured housing market remains completely *unserved*, despite the possibility of what you call a “*potential*” chattel pilot program at some unspecified time in the future. And for the 17% of the market represented by real estate loans, you state that “Fannie Mae exceeded [its] loan purchase goal by more than 30 percent.” But based on Fannie Mae’s DTS Implementation Plan, it appears that loan purchase goal was a mere 500 loans, meaning that 650 loans – or a whopping .67% of all manufactured home loans on the 96,555 HUD Code homes produced in 2018 -- were supported by Fannie Mae. Meanwhile, 99.3% of the market was left to fend for itself, with some consumers needlessly excluded from homeownership and other forced to pay higher-than-necessary interest

rates precisely because of the lack of securitization and secondary market support by Fannie and Freddie.

Further, the excuse (again, after 11 years) that “the GSEs do not have considerable experience in [manufactured housing personal property] loans,” which “requires” Fannie and Freddie to “perform due diligence to consider an MHPP pilot,” does not ring true when both Fannie and Freddie have already embarked on pilot programs for an ostensible “new class” of manufactured homes – being developed and built by the industry’s largest conglomerates – with absolutely no data or “due diligence” at all. Simply put, what “experience” does Fannie have with this “new class” of manufactured home? Assuming the meaning of “new” has not changed, there is not – and cannot be – any pre-existing loan performance data for an entirely new class of home. So what exactly justifies the prioritized creation of even a pilot program for a completely “new class” of manufactured home (with prices supposedly reaching \$220,000.00 and above), when support for mainstream, affordable manufactured homes financed as personal property has yet to occur at all? Where moreover, is the creation of a “new class” of homes pilot even mentioned in Fannie Mae’s original DTS Implementation Plan? Your letter states that Fannie Mae’s “tactics” concerning MHPP loans are “consistent” with its DTS Implementation Plan “which does not, and has never, called for [the] immediate purchase and securitization of these loans.” That being the case, where does your DTS Implementation Plan address the apparently immediate purchase and securitization of an entirely “new class” of home with no data and a price tag far above that of mainstream manufactured housing?

All of these matters – and more – highlight the need for congressional intervention and investigation of Fannie and Freddie’s non-implementation of DTS with respect to manufactured housing and the vast bulk of manufactured housing consumers. Indeed, the glaring need for affordable housing and homeownership in the United States only serves to underscore the egregiousness of Fannie and Freddie’s emasculation of DTS for manufactured housing to date and ongoing efforts to divert DTS support away from mainstream, affordable manufactured housing. Both are unacceptable and demand a prompt and effective congressional investigation and remedy.

Very truly yours,



Mark Weiss  
President and CEO

cc: Hon. Mark Calabria  
Hon. Ben Carson  
Hon. Mick Mulvaney  
Hon. Maxine Waters  
Hon. Patrick McHenry  
Hon. Mike Crapo  
Hon. Sherrod Brown  
Mr. Hugh Frater  
Mr. Donald Layton



Fannie Mae

**Jonathan M Lawless**

Vice President  
SF Customer Solutions  
& Affordable Housing  
Midtown Center  
1100 15th Street, NW  
Washington, DC 20005

May 23, 2019

Dear Mark Weiss:

As the Fannie Mae executive responsible for our Single Family Duty to Serve activities, I am responding on behalf of Mr. Frater.

Thank you for your letter representing the members of the Manufactured Housing Association for Regulatory Reform. I appreciate your candid feedback and would like to share my thoughts on Fannie Mae's manufactured housing work, in general, and to respond to your comments about Fannie Mae's activities related to the MH Personal Property (MHPP) market under Duty to Serve.

Fannie Mae recognizes that manufactured housing is an important source of affordable housing and, as such, is a key corporate priority. In recent years, our product development and policy teams have dedicated significant resources towards removing barriers to manufactured home loans secured by real property. Our commitment to manufactured housing is perhaps most evident in our 2018 Duty to Serve loan purchases, which are loans made to low and moderate income consumers secured by manufactured homes titled as real property. In 2018, Fannie Mae exceeded this loan purchase goal by more than 30 percent. Through its conventional loan purchase program, Fannie Mae dramatically increased liquidity to the manufactured housing finance market in the first year of Duty to Serve, relative to prior years.

Regarding Fannie Mae's activities in the MHPP market, our deliberate yet extensive work researching and interacting with this industry in the past year and a half is consistent with the tactics stated in its Duty to Serve Plan. As noted in the Plan, those tactics are intended "to determine whether Fannie Mae may participate in this market, consistent with notions of safety and soundness." The plan does not, and has never, called for immediate purchase and securitization of these loans. Because the Plan, as written, reflects significant input from market participants, consumers, FHFA, and others, we believe it is prudent to adhere to it unless we have reason to believe it no longer fulfills our regulatory obligations. I do not believe that to be the case with respect to MHPP. Furthermore, I firmly disagree that Fannie Mae's activities to date constitute an "illusion of motion". Fannie Mae met with dozens of distinct stakeholders from across the industry in developing its planned MHPP Pilot proposal. Those insights informed the active development of a Pilot proposal that we expect to submit to FHFA for review in the coming months. Far from inaction, the Duty to Serve has motivated Fannie Mae to expend significant resources in support of a potential pilot. FHFA's Duty to Serve Final Rule points out that the GSEs do not have considerable experience in MHPP loans and requires us to perform the due diligence to consider an MHPP pilot. Our Plan reflects our desire to purchase MHPP loans to identify opportunities for a prudent and sustainable solution that will also garner support from our regulator.



Fannie Mae is committed to driving change in manufactured housing finance. I know that you share that same goal, so I thank you for your input. If you have any additional feedback you would like to share, I would be glad to meet with you at your convenience.

Sincerely,

A handwritten signature in black ink, appearing to read 'Jonathan M Lawless', with a long horizontal flourish extending to the right.

Jonathan M Lawless



# Manufactured Housing Association for Regulatory Reform

1331 Pennsylvania Avenue, NW • Suite 512 • Washington, DC 20004 • 202-783-4087 • Fax 202-783-4075 • mharrdg@aol.com

April 9, 2019

VIA FEDERAL EXPRESS

Mr. Hugh R. Frater  
Chief Executive Officer  
Fannie Mae  
Midtown Center  
1100 15<sup>th</sup> Street, N.W.  
Washington, D.C. 20005

Re: Duty to Serve Underserved Markets – Manufactured Housing

Dear Mr. Frater:

I am writing on behalf of the members of the Manufactured Housing Association for Regulatory Reform (MHARR). MHARR is a Washington, D.C.-based national association of producers of manufactured housing regulated 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 by the Manufactured Housing Improvement Act of 2000. MHARR's members are primarily smaller and medium-sized independent businesses located in all regions of the United States.

Congress, as part of the Housing and Economic Recovery Act of 2008 (HERA), enacted the Duty to Serve Underserved Markets (DTS), a remedial mandate which directs Fannie Mae and Freddie Mac 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.” (See, 12 U.S.C. 4565(a)). In addition, to ensure that the term “mortgages” is not misconstrued to limit the scope of DTS to manufactured home real estate “mortgage” loans, the same section of HERA expressly provides that “in determining whether an Enterprise has complied” with DTS, the Federal Housing Finance Agency (FHFA) “may consider loans secured by both real and personal property.” (I.e., home-only “chattel loans”). (See, 12 U.S.C. 4565(d)(3)).

Congress' express inclusion of manufactured home personal property loans in DTS is hardly accidental, as such loans comprise nearly 80% of the entire manufactured home consumer lending market, according to data compiled by the U.S. Census Bureau. Indeed, as MHARR has repeatedly emphasized in DTS implementation comments to FHFA, the Administration, Fannie Mae and Freddie Mac, as well as in congressional testimony, DTS, without market-significant



levels of securitization and secondary market support for manufactured home chattel loans, cannot and will not achieve its remedial objectives within the manufactured housing market as mandated by law.

The absence of such market-significant securitization and secondary market support for manufactured home personal property loans, continues to unduly restrict and constrain the market for inherently affordable, non-subsidized manufactured homes (which again, in 2018, failed to reach its historical production benchmark of 100,000 homes per year), while forcing consumers to pay higher-cost interest rates for manufactured home chattel loans due to extremely limited competition and the parallel domination of the manufactured home consumer lending market by a small number of existing lenders -- primarily subsidiaries of the largest industry conglomerates, such as Berkshire-Hathaway-owned Clayton Homes, Inc. (Clayton). Fannie Mae obsequiously describes this de facto stranglehold on the manufactured housing consumer lending market as lending that is "somewhat consolidated amongst a small group of prominent chattel lenders."

Fannie Mae's failure to implement DTS in a market-significant manner, with respect to the vast bulk of manufactured home consumer loans, more than ten (10) years after the enactment of that mandate, has caused and continues to cause significant harm to both American consumers of affordable housing and the manufactured housing industry. In particular, this failure has disproportionately impacted -- and continues to have its greatest negative impact -- on smaller, independent manufactured housing businesses, which, unlike the industry's largest conglomerates, do not have the luxury or advantage of controlling captive consumer financing subsidiaries or affiliates.

After 40-years of toying with the manufactured housing industry and consumers, and more than ten years after an express and unmistakable congressional directive and mandate set-out in law, Fannie Mae still has no market-significant manufactured housing chattel loan program and, at present, no participation whatsoever in that market. Instead, as shown by Fannie Mae's attached December 20, 2018 report, "Chattel Lending -- Learning and Analysis from 2018 Outreach Activities" (copy attached), it has created an "illusion of motion," with meaningless meetings and conferences focused almost exclusively on the industry's largest corporate conglomerates, supposed "outreach" to the same industry conglomerates that benefit from maintenance of the status quo, a Manufactured Housing Advisory Council (MHAC) that lacks independent representatives of smaller industry businesses that wish to see DTS implemented with respect to the vast bulk of the manufactured housing market in a market-significant and timely way, and endless supposed "analysis" after ten-plus years of fundamental inaction.

Thus, despite literally decades of "happy talk" and unfulfilled promises from Fannie Mae with respect to the manufactured housing finance market generally, and personal property manufactured home financing in particular, the destructive status quo has not changed, despite Congress' direct intervention and remedial mandate.

This stasis *must change* and both Fannie Mae and Freddie Mac *must* fully implement DTS in a market-significant manner before the manufactured housing market becomes even more "consolidated," to the detriment of consumers. Hopefully, with you assuming the leadership of

Fannie Mae, you will take the initiative to address this matter head-on, and take Fannie Mae in a different, more productive direction, to fully implement DTS without additional, needless delay.

Based on all the above, we seek to meet with you to address all aspects of DTS in relation to federally-regulated manufactured housing, and will contact your office to schedule such a meeting soon.

Sincerely,



Mark Weiss  
President and CEO

cc: Hon. Mick Mulvaney  
Hon. Steven Mnuchin  
Hon. Ben Carson  
Hon. Mike Crapo  
Hon. Maxine Waters  
Hon. Mark Calabria  
Manufactured Housing Industry Businesses  
Manufactured Housing Industry Consumers