

**STATEMENT OF EDWARD J. HUSSEY --
NOVEMBER 18, 2019 DUTY TO SERVE LISTENING SESSION**

My name is Edward Hussey. I have personally been involved in the manufactured housing industry for over 40 years. I have testified before Congress many times on manufactured housing issues and in the late 1990s, was appointed by Congress to serve as a member of the National Commission on Manufactured Housing, which held public hearings around the country and developed a legislative blueprint to modernize and improve the federal manufactured housing law, eventually leading to the Manufactured Housing Improvement Act of 2000.

My company was a founding member of the Manufactured Housing Association for Regulatory Reform (MHARR), a national trade organization created specifically to protect and advance the interests of small businesses within the manufactured housing industry on matters such as this. I have also served as Chairman of MHARR and in other capacities as well.

In January 2017, I spoke at a similar Duty to Serve (DTS) “Listening Session” conducted by FHFA concerning the initial DTS implementation plans then being developed by Fannie Mae and Freddie Mac for the period from 2018 to 2020.

At that time, we emphasized the urgent need for both Government Sponsored Enterprises (GSEs) and FHFA, as their federal regulator, to ensure market-significant secondary market and securitization support under DTS not only for manufactured housing real estate loans, but also for the manufactured home personal property (*i.e.*, “chattel”) loans which, according to U.S. Census Bureau data, are used to finance nearly 80% of the manufactured homes purchased in the United States today.

I further stressed that it would be crucial for both Fannie Mae and Freddie Mac – and for FHFA in its role as regulator – to ensure the availability of such support for mainstream, affordable manufactured housing. Federal government studies have found these homes to be the nation’s most affordable type of housing. In providing consumer financing support for such homes, DTS would thereby expand homeownership opportunities for lower and moderate-income Americans who have all too often been excluded from the many benefits of homeownership even though they are otherwise credit-worthy at price levels within the mainstream manufactured housing market.

In the mid 1990’s we met with the GSEs and tried to convince them to provide programs for manufactured housing. We were informed that manufactured housing loans were between two and four percent of the GSEs’ loans. This was designed to help the GSE’s meet their affordable housing goals. The GSEs listened but failed to provide any meaningful programs for manufactured housing. Ultimately, industry and consumer frustration at this state of affairs led to congressional adoption of the DTS mandate as part of the Housing and Economic Recovery Act of 2008 (HERA). As written, DTS relates to loans for manufactured homes titled both as real estate and as personal property.

Unfortunately, though, nearly three years after I first brought these facts before you (and some eleven years since Congress enacted DTS), there has been virtually no real progress under DTS

with respect to manufactured home consumer lending – and, in fact, matters are actually getting worse.

As a result, the mainstream manufactured housing market – which currently serves approximately 100,000 American families each year (but could and must serve many more) – remains, as it was at the time of HERA’s adoption more than a decade ago, almost entirely un-served by Fannie Mae and Freddie Mac, contrary to the clear will of Congress as expressed in the Duty to Serve mandate.

Specifically, eleven years after the enactment of DTS and now approaching the conclusion of the initial DTS “implementation” plans developed by the GSEs and approved by FHFA, I am not aware of any manufactured housing personal property loans being purchased under programs developed by either Fannie Mae or Freddie Mac. Nor am I aware of the existence of any current loan “product” under DTS for the purchase or support of manufactured home chattel loans.

Accordingly, right from the start, the nearly 80% of the manufactured home consumer lending market represented by personal property loans, has not – and is not – being served by the GSEs under DTS at all. This in itself represents a major policy failure on the part of both the Enterprises and FHFA, which has left the vast bulk of manufactured housing consumers no better off – and no better served – today, than when Congress initially enacted DTS.

Worse yet, those same consumers, because of the failure of the GSEs and FHFA to implement DTS within the manufactured housing market in any meaningful manner, are being forced into higher-cost interest rate loans available from only a handful of captive lenders affiliated with the industry’s largest producers.

Congress’ objective under DTS was and is clear. Increase lending and loan availability within all three targeted markets to substantially increase homeownership opportunities for credit-worthy moderate and lower-income Americans here and now, not in another 20 or 30 years.

The complete absence of GSE support for the manufactured housing chattel market (and, indeed, the entire HUD Code manufactured housing market) maintains the long-standing status quo within that market, to the detriment of both the industry and consumers.

This means that the vast majority of manufactured home loans – at high-cost interest rates -- are written by captive lenders affiliated with the industry’s largest producers. These lenders have the capital at their disposal to make and keep large numbers of manufactured home loans on portfolio. The lack of GSE securitization and secondary market support, however, keeps many other lenders out of the manufactured housing chattel market that would otherwise participate and provide lending options for purchasers at much lower, market-based interest rates.

It is therefore essential that the Enterprises, in their 2021-2023 DTS implementation plans, specifically commit to market-significant purchases of manufactured home chattel loans during the term of those plans.

Contrary to FHFA's recent determinations as reported to Congress, the GSEs' continuing total failure to serve the nearly 80% of the manufactured housing finance market represented by chattel loans is not – and cannot possibly be -- in compliance with DTS.

Nor would chattel “pilot” programs be sufficient to meet the GSEs' DTS obligation.

Nor have the Enterprises done any better in the realm of manufactured housing real estate loans, which constitute a comparatively small segment of the overall manufactured housing market to begin with.

In proposed revisions to its 2018-2020 DTS Implementation Plan published by FHFA on October 24, 2019, Fannie Mae seeks permission to reduce its already minimal commitment to manufactured home real estate loan purchases as set out in its original FHFA-approved plan.

Under the proposed modifications, Fannie Mae's 2020 “loan purchase target” for mainstream manufactured homes titled as real estate under “Objective 2” of its initial DTS Implementation Plan would drop from 450 loans to a mere “100” loans (i.e., 0.1% of the entire manufactured housing market, based on 2018 production).

Under Fannie Mae's proposed 2018-2020 DTS revisions, loan purchases on more costly manufactured homes under its “MH Advantage” program would be significantly reduced. Pursuant to its separate DTS undertaking to “develop an enhanced manufactured housing loan product for quality manufactured homes and purchase loans” Fannie Mae would totally remove any commitment to purchase such loans in 2019 and 2020, and would reduce its loan purchase “goal” from 500-750 such loans to a mere 25.

Incredibly, Fannie Mae asserts in its modification request that 25 loans “is a meaningful loan purchase target” in that it “represents a significant increase in purchase volumes as compared to 2018 and 2019.” Thus, as has been the case throughout the DTS process, Fannie Mae effectively claims that its total failure to serve any component of the mainstream manufactured housing market in the past constitutes justification for its continuing and ongoing failure to do so, DTS notwithstanding.

By failing to implement any aspect of DTS for mainstream HUD Code manufactured homes in a market-significant manner, the GSEs and FHFA are seriously harming lower and moderate-income American homebuyers by forcing them into higher-cost interest rate loans originated by just a handful of captive portfolio lenders.

I can assure you that this is not what Congress had in mind when it established DTS. I know this for a fact because, as Chairman of MHARR at the time, MHARR was a direct participant in crafting this law to simultaneously protect smaller industry businesses while provide financing relief for lower and moderate-income American families that had previously been ignored by Fannie Mae and Freddie Mac.

Put simply, the purpose and objective of DTS was to change the way that the GSEs deal with mainstream, affordable HUD Code manufactured housing, not to change the nature of the homes

themselves to be something more like the site-built housing that Fannie Mae, Freddie Mac and FHFA are more accustomed to and more comfortable dealing with.

The reality, however, at the end of 2019, is that neither the GSEs, nor FHFA as their regulator, have changed at all. None have demonstrated the remotest interest in fully and properly implementing DTS to truly serve the vast bulk of the mainstream, affordable HUD Code manufactured housing market and the credit-worthy lower and moderate-income American consumers who rely on those homes.

Instead, each of these entities has done their utmost to delay any significant relief and remedy for those consumers under DTS, while seeking to change the nature of the enabling legislation and diverting and misdirecting DTS activity within the manufactured market to more costly, less-affordable homes that are distinctly outside of the mainstream of the industry and its products.

Far from “implementing” DTS, this amounts to de facto rejection of both its express terms and its laudable policy objectives within the manufactured housing market and an unconscionable rejection of the true and legitimate objectives of Congress in enacting DTS.