



Manufactured Housing Association for Regulatory Reform

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September 21, 2022

VIA ELECTRONIC SUBMISSION

Hon. Alanna McCargo
President
Government National Mortgage Association
Suite 500
425 3rd Street, S.W.
Washington, DC 20024

Re: Request for Input: FHA and Ginnie Mae Title I Manufactured Housing Programs

Dear President McCargo:

The following comments are submitted on behalf of the Manufactured Housing Association for Regulatory Reform (MHARR). MHARR is a Washington, D.C.-based national trade organization representing the views and interests 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 (2000 Reform Law).¹ MHARR was founded in 1985. Its members include independent producers of manufactured housing from all regions of the United States.

I. INTRODUCTION

On July 27, 2022, the Government National Mortgage Association (Ginnie Mae) published a Request for Input (RFI) seeking comments from stakeholders to “assist in the evaluation of current program policies and to help identify opportunities to better leverage” the Federal Housing Administration’s (FHA) Title I manufactured housing program in order to “address housing supply and affordability needs through manufactured housing.”² Noting that FHA’s Title I program for manufactured homes titled as personal property “was created to provide broader availability and affordability of financing for this market than would otherwise exist,” Ginnie Mae nevertheless concedes in its RFI that loan originations within that program have “trended downward since 2009” and “today [have] become negligible.”³ This acknowledgment is consistent with information

¹ See, 42 U.S.C. 5401, et seq.

² See, July 27, 2022 Request for Input, Government National Mortgage Association at p. 3, col. 2.

³ Id. at col. 1-2. The “negligible” impact of the FHA Title I program within the affordable HUD Code manufactured housing market, is consistent with and comparable to the entirely negligible impact that other highly-touted federal government housing programs have had within the manufactured housing sector. As was detailed in a July 2022

previously provided to Ginnie Mae by MHARR at a meeting with senior officials in February 2022 and on multiple prior occasions dating back to 2011.⁴ Significantly, the RFI states that this information “suggests two conclusions:”

- (1) That “manufactured housing has yet to reach its full potential to help address the nation’s [affordable] housing supply shortage;” and
- (2) That “the government financing programs managed by FHA and Ginnie Mae are not playing a meaningful role in the financing of manufactured housing even at current production levels.”⁵

MHARR agrees with these conclusions and strongly supports the stated interest of both Ginnie Mae and FHA -- as set forth in the RFI-- in exploring and, more importantly, implementing policy changes “for the purpose of reinvigorating” their “manufactured housing programs in support of larger housing supply and homeownership goals.”⁶

As MHARR has emphasized repeatedly in its engagement with Congress, Ginnie Mae, the Federal Housing Finance Agency (FHFA), Fannie Mae and Freddie Mac, manufactured housing is – and long has been – the nation’s most affordable source of non-subsidized homeownership.⁷ And personal property loans are, by far, the leading source of purchase money consumer financing for manufactured homes, representing some 77% of new manufactured homes titled in 2021 according to U.S. Census Bureau data.⁸ Manufactured homes financed through chattel loans, moreover, are among the industry’s most affordable, as such loans, by definition, do not include the cost of the land on which the home is situated. Consequently, personal property financing predominates in land-lease manufactured housing communities and other situations where homes are sited on land that is leased or already owned by the homeowner or a related third-party with no corresponding homeowner debt.

The number of chattel loans made by lenders, however, and the corresponding number of manufactured homes that are produced and sold in the United States, have been (and are being) artificially constrained and limited by longstanding federal government policies that discriminate against manufactured homebuyers who utilize third-party financing to purchase a home. These policies undermine full, fair and legitimate open-market competition within the manufactured

MHARR White Paper, “The Exploitation of Federal Housing Finance and Mortgage Funding Assistance Programs,” such programs, while widely publicized for political and other advantage, have typically failed to reach their intended beneficiaries and have broadly failed to produce tangible results on the ground.

⁴ In substantial part, though, the lack of an independent national representative for the HUD Code industry’s post-production sector, has allowed this situation to persist to the extreme detriment of both the industry and American consumers of affordable housing.

⁵ Id. at P. 4, col. 1.

⁶ Id.

⁷ See, e.g., Urban Institute, “Manufactured Homes Could Ease the Affordable Housing Crisis, Why are so Few Being Made?” Alanna McCargo, Edward Golding, et al. January 29, 2018. (“Manufactured housing is the least expensive type of housing.”)

⁸ See, U.S. Census Bureau, “Cost and Size Comparisons: New Manufactured Homes and New Single-Family Site-Built Homes, 2014-2021.” Nor is this an aberration, as data for the entire eight-year survey period shows that homes titled as personal property ranged from 76% to 80% of all manufactured homes sited over that timeframe.

housing consumer financing market, helping to promote and sustain interest rates on manufactured housing consumer loans – and particularly chattel loans – which exceed the rates that would otherwise characterize a fully-competitive consumer financing market and, arguably, are “predatory” in nature. Such discriminatory policies include FHFA’s failure to fully implement the Duty to Serve Underserved Markets (DTS) mandate of the Housing and Economic Recovery Act of 2008 (HERA) within the private manufactured housing lending sector (particularly with respect to personal property loans), and more immediately, for purposes of the present comments, the Ginnie Mae “10-10” rule (or, more accurately, “policy,” as explained more fully below), which is responsible, in substantial part, for the collapse of the manufactured housing “public” lending/financing sector following its adoption in 2010. Accordingly, as is set forth in greater detail below, MHARR supports the abolition of the “10-10” policy and the adoption of non-discriminatory lender participation criteria for the FHA Title I HUD Code manufactured housing financing program that are comparable to or less restrictive than corresponding qualification criteria for site-built single-family housing lenders.

II. COMMENTS

A. ADOPTION AND NEGATIVE IMPACTS OF THE “10-10” POLICY

The “10-10” criteria, adopted by Ginnie Mae in June 2010, require that all Ginnie Mae “approved issuers” for the FHA Title I Manufactured Home (MH) Loan Mortgage-Backed Securities (MBS) program “meet and maintain a minimum adjusted net worth valuation of \$10 million,” as “calculated in accordance with the HUD audit guide,” plus:

- (1) “10 percent of the dollar amount of all MH MBS outstanding;” and
- (2) “10 percent of the outstanding balance of the Issuer’s commitment line balance;” and
- (3) “10 percent of the outstanding balance of all pools funded by the Issuer.”⁹

(Emphasis added). As MHARR was contemporaneously advised by senior Ginnie Mae officials, however, the specific elements of the “10-10” policy are not prescribed, mandated, or even *suggested* by statutory law or any other binding mandate, nor were the “10-10” criteria adopted by Ginnie Mae, FHA, or HUD as a legislative rule pursuant to the requirements of the Administrative Procedure Act (APA).¹⁰ Accordingly, there is no substantive or procedural impediment to the withdrawal of that policy and its modification and replacement with non-discriminatory criteria that would simultaneously facilitate the availability and utilization of manufactured housing as an affordable homeownership resource, in accordance with existing federal law.¹¹

⁹ See, Attachment 1 hereto, Government National Mortgage Association, Memorandum APM 10-18, “New Ginnie Mae Title I Manufactured Home Loan Program to Launch October 1, 2010.” November 1, 2010.

¹⁰ See, Attachment 2, hereto, MHARR communication to Theodore W. Tozer, Government National Mortgage Association President. December 16, 2011.

¹¹ See, Further discussion at section II C, infra.

Specifically, in a meeting on December 14, 2011, MHARR was advised by former and current Ginnie Mae officials that the 10-10 criteria and particularly the 10 percent reserve mandate, were:

- (1) Subjective, “policy-based” benchmarks designed primarily to ensure that FHA Title I originators are established firms “committed” to the manufactured housing market;
- (2) Based primarily on manufactured housing loan performance data from the 1980s and 1990s (i.e., prior to the adoption of the Manufactured Housing Improvement Act of 2000 and the transformation of manufactured housing from the “trailers” of yesteryear to the modern, legitimate housing of today. See, sections II B and II C, below); and
- (3) Were not designed or intended by Ginnie Mae to be “exclusionary” or have an exclusionary impact.¹²

Notwithstanding such allegedly benign motivations, however, the 10-10 policy has had a devastating impact on the FHA Title I program, American consumers of affordable housing and the manufactured housing industry, both suppressing the market and driving consumers needlessly into higher-priced, arguably “predatory” loans.

As Ginnie Mae’s own data shows, the FHA Title I portfolio had an Unpaid Principal Balance (UPB) of \$477 million in January 2002. With the program effectively closed by Ginnie Mae’s refusal to approve new originators, program UPB fell to \$83 million in October 2008 – a decline of 82%. Subsequently, following adoption of the 10-10 policy in 2010, Title I UPB plateaued at approximately half of its 2002 level and has since declined to less than \$200 million, while the number of Title I loan originations has dropped to negligible levels. To put this decline in perspective, in 2009, before the adoption of the 10-10 policy, 2,544 Title I loans, representing 5.1% of the total new manufactured housing market that year, were originated. Following adoption of the 10-10 policy, Title I originations have precipitously declined, ranging from a high of 1.4% of the total new annual manufactured housing market in 2011 to a low of 0.002% of the total new manufactured housing market in 2021, the last year for which such data is available.¹³

Because of the highly restrictive nature of the 10-10 policy within the context of the HUD Code manufactured housing consumer financing market, only four lenders out of the 2,300 financing institutions serving the manufactured housing market as of 2019¹⁴ -- or less than 0.2% -- have reportedly qualified to be approved Title I originators since 2010. Two of those are related corporate entities – 21st Mortgage (21st) and Vanderbilt Mortgage Corporation (VMC) – both of which are subsidiaries of Clayton Homes, Inc. which, in turn, is a wholly-owned subsidiary of

¹² See, Attachment 2, supra.

¹³ While manufactured housing production has recovered, to some degree, following its modern historical low in 2009, current Title I origination levels would still represent a miniscule portion of the market, even if total production were controlled at 2009 levels.

¹⁴ See, Consumer Financial Protection Bureau, “Manufactured Housing Finance: New Insights from the Home Mortgage Disclosure Act Data,” May 2021 (CFPB Report) at p.44, n. 63 and related text.

Berkshire Hathaway Corporation (Berkshire Hathaway). Of those two entities, only VMC reportedly offers consumers FHA Title I loans. The other two approved Title I originators, reportedly are Country Place Mortgage (a wholly-owned subsidiary of Cavco Homes, Inc.) and Cascade Financial Services, Inc. The total *universe* of approved Title I lenders, accordingly, includes only one independent lender that is not a corporate affiliate of one of the largest manufactured housing conglomerates. Other lenders serving the HUD Code market either do not qualify for approval under the 10-10 criteria, or have not sought approval and have, therefore, been effectively excluded from the Title I market.

The de facto exclusion of most manufactured housing consumer lenders and virtually all manufactured home consumer loans from the FHA Title I market – combined with the total failure of FHFA, Fannie Mae and Freddie Mac to provide secondary market and securitization support for manufactured housing chattel loans under DTS¹⁵ -- means that interest rates for manufactured home chattel loans in particular are higher than would otherwise be the case if such public (FHA) and “private” sector (FHFA/Fannie Mae/Freddie Mac) lending support did, in fact, exist as directed by Congress.¹⁶ Thus, as was recently reported by the Consumer Financial Protection Bureau (CFPB), “more than 90%” of manufactured housing personal property loans reported in the 2018 Home Mortgage Disclosure Act (HMDA) data were “higher-cost originations.” Moreover, “the rate spread for chattel loans is substantially higher than for either [manufactured housing] mortgages or site-built mortgages. Manufactured housing loans – both chattel and mortgage – are more likely than site-built mortgages to be classified as a Higher-Priced Mortgage Loan (HPML) or a high-cost mortgage as defined under [the Home Ownership Equity Protection Act] HOEPA. Nearly all of the chattel loans are HPML loans and a higher percentage also are classified as HOEPA loans.”¹⁷ (Emphasis added).

Federal government and other authoritative data, moreover, demonstrate that such higher-than-necessary interest rates disproportionately and discriminatorily harm lower income Americans, as well as racial minority groups. Harmed first and foremost, are those excluded totally from the housing market and from homeownership due to higher lending costs fueled by the lack of FHA and DTS support. Due to the high price elasticity of manufactured homes, which

¹⁵ In the 14 years since the enactment of DTS by Congress, not a single manufactured home chattel loan has been purchased by Fannie Mae or Freddie Mac pursuant to the DTS mandate. Under the current 2022-2024 DTS Plans, moreover, no chattel purchase support whatsoever is expected until at least 2024.

¹⁶ The direct causal linkage between the lack of FHA Title I/DTS lending support for manufactured home consumer loans and the higher-than-necessary interest rates for such loans, has been pointed out in multiple contexts. For example, in 2011 testimony before a House of Representatives subcommittee, the President of Clayton Homes stated: “... the lack of a secondary market means lenders are typically forced to hold manufactured home loans in their portfolios, which makes [the] cost of capital associated with originating manufactured home loans higher for these lenders versus those which are able to securitize real property mortgages” See, Testimony of Kevin Clayton before the Subcommittee on Housing, Insurance and Community Opportunity, Committee on Financial Services, U.S. House of Representatives Field Hearing on [the] “State of the U.S. Manufactured Housing Industry,” November 29, 2011. Similarly, manufactured housing producer Cavco Industries, Inc., in its Form 10-Q filing with the United States Securities and Exchange Commission for the quarter ending September 30, 2019, stated: “The lack of an efficient secondary market for manufactured home loans and the limited number of institutions lending to manufactured home buyers result in higher interest rates for loans secured by manufactured homes compared to those for site-built homes.” (emphasis added).

¹⁷ See, CFPB Report, supra at p. 24.

specifically serve predominately lower-income purchasers,¹⁸ relatively minor variations in home price can result in significant levels of market exclusion. Thus, a recent analysis by the National Association of Home Builders (NAHB) submitted to the U.S. Department of Energy (DOE) in connection with its proposed manufactured housing “energy conservation” standards, shows that for each \$1,000 increase in the price of a manufactured home, 347,901 households are excluded from the single-section HUD Code manufactured housing market and 315,385 households are excluded from the double-section HUD Code manufactured housing market. Further, CFPB research shows that, at present – without FHA or DTS support -- the vast majority of manufactured housing loan applications do not result in an origination. Thus, “only 27% of manufactured home loan applications resul[t] in a home being financed, compared to 74% of applications for site-built homes” even controlling for credit score. CFPB also found that loan denial rates were “higher still for chattel [loan] applications.”¹⁹

Even if not excluded totally from the housing market, higher-than-necessary interest rates harm other purchasers, who may be forced to purchase a smaller or otherwise lower-priced manufactured home, or limit spending on other goods and necessities in order to make higher-than-necessary interest payments due to lack of FHA or DTS support. And, significantly, the burden of such rate-driven exclusion or market distortion, according to CFPB, falls most heavily on members of minority communities. CFPB thus found that “Hispanic white, Black and African American ... American Indian and Alaska Native borrowers make up larger shares of chattel loan borrowers than among MH mortgage loan borrowers or ... site-built loan borrowers.” Further to this point, the report states that “Black and African American borrowers are the only racial group that ... is overrepresented in [manufactured home] chattel lending compared to site-built” lending.²⁰ Consequently, the lack of any chattel loan support under the FHA Title I program or DTS, disproportionately impacts, harms and discriminates against African Americans and other minorities.

Rather than alleviating these disproportionately harmful and discriminatory impacts, then, the lack of manufactured home chattel lending under the FHA Title I program, due to the 10-10 policy, is instead perpetuating them. Put differently, the contorted, pseudo-predatory, and less-than-fully-competitive manufactured housing consumer finance market that has been left in place – i.e., not remedied through the FHA Title I program and the full, market-significant implementation of DTS by Fannie Mae and Freddie Mac – is discriminatory in its impact and effect. Among other things, this runs directly contrary to the policy of the Biden Administration, as enunciated in Executive Order (EO) 13985 (January 20, 2021), “Executive Order on Advancing Racial Equity and Support for Underserved Communities Through the Federal Government.” That Order states, in part: “Affirmatively advancing equity, civil rights, racial justice and equal opportunity is the responsibility of the whole of government. Because advancing equity requires a systematic approach to embedding fairness in decision-making processes, executive departments and agencies must recognize and work to redress inequities in their policies and programs that serve as barriers to equal opportunity.” (Emphasis added). And, indeed, the very next paragraph

¹⁸ Federal law specifically recognizes the affordability of manufactured housing and directs HUD to maintain and preserve that affordability. See, e.g., 42 U.S.C. 5401(b)(1) “The purposes of this title are -- *** to facilitate the availability of affordable manufactured homes and to increase homeownership for all Americans.”

¹⁹ See, CFPB Report, supra at p. 4.

²⁰ Id. at p. 31.

of that order makes it clear that this includes “closing racial gaps in ... housing credit [and] lending opportunities,” among other things. (Emphasis added). Both the EO and existing law (i.e., Title I and DTS), accordingly, make the reform of these programs – to render them fully functional in accordance with their intended purposes and objectives – urgent and essential.

Consequently, the failure of the Title I program to: (1) attract more approved lenders; and (2) produce or support substantially higher numbers of manufactured home chattel loan originations at (3) interest rates more favorable than the distorted pseudo-predatory levels that are now (and long have been) the norm, represents not only a failure of federal housing policy, but a failure to seek and ensure housing and lending equity, contrary to the highest policy priorities of President Biden. For these reasons alone, the 10-10 policy should be withdrawn and substantially modified. Just as significantly, though, manufactured home loan performance data more recent than the 1980s and 1990s-era information used to establish the 10-10 policy, shows that manufactured home loan performance has substantially improved and that the highly-detrimental 10-10 policy is no longer needed, warranted or justified (if it ever was).

B. THE 10-10 POLICY IS NOT WARRANTED OR JUSTIFIED

While the 10-10 policy, as previously admitted by Ginnie Mae officials, is based on 30-40-year-old manufactured home loan performance data from the 1980s and 1990s, more recent data shows that modern, post-2000 Reform Law HUD Code home loans – including chattel loans – perform similarly to purchase-money loans for site-built homes. Thus, in an analysis presented to Ginnie Mae by MHARR in 2013, manufactured home loan data from a non-FHA lender showed that:

- (1) The 2013 delinquency rate for manufactured home chattel loans originated in Florida – a representative manufactured housing state – averaged 2.4% of all units financed through October 2013;
- (2) The default rate for the same period would necessarily be lower than the 2.4% delinquency rate due to delinquencies being cured prior to declaration of a default and repossession or foreclosure; and
- (3) By comparison, the seasonally-adjusted delinquency rate for mortgages on one-to-four-unit residential properties outstanding at the end of the second quarter of 2013 was 6.9% according to the Mortgage Bankers Association’s National Delinquency Survey.²¹

This 2013 information, moreover, is consistent with data reflecting the performance of non-FHA/non-DTS manufactured home loans originated and held in portfolio by 21st and VMC. Public information regarding the performance of manufactured housing loans held by those lenders – summarized in the 2016 and 2017 shareholder letters of their parent corporation, Berkshire Hathaway -- indicates performance parameters which closely parallel those for more costly site-built homes. In 2015, for example, as reported in the 2016 Berkshire Hathaway Shareholder Letter,

²¹ See, Attachment 3, hereto, MHARR Summary Analysis of Manufactured Home Chattel Loan Performance Data (2006-2013).

these industry-dominant lenders experienced a foreclosure/repossession rate of 2.64%, a difference of less than 1% from the 1.77% foreclosure rate reported for the broader housing market at the end of the third quarter of 2015²² -- for borrowers with incomes significantly higher than most manufactured home purchasers. Moreover, the same lenders reported 8,444 foreclosures/reposessions in 2015, at an average loss of \$18,593 per home,²³ or a loss severity of 28.47%, based on a 2014 average sales price of \$65,300 for all types of manufactured homes.²⁴ By contrast, Freddie Mac reported historical loss severities averaging 30.73% across all FICO scores and Loan-To-Value (LTV) ratios between 1999 and 2013.²⁵

Further, information for 2016, reflected in the 2017 Berkshire Hathaway Shareholder Letter, shows a slowing foreclosure/repossession rate and lessening loss severities. In 2016, the Berkshire Hathaway finance entities foreclosed on 8,304 manufactured home loans (a reduction of nearly 2% from 2015), representing 2.5% of its total portfolio, at a cost of \$150 million or \$18,063 per home/loan foreclosed (a reduction of 2.85% from 2015).

What this information shows, first, is that a profitable, market-safe model exists for the origination (and retention) of manufactured housing loans, including manufactured housing chattel loans. Second, and more importantly, if a profitable model can be structured with higher-cost loans retained in portfolio, an even larger, more profitable – and equally safe – model could and would result from a higher volume of loans originated at the lower interest rates that would result from FHA Title I support for such loans. Accordingly, no valid, legitimate basis for the 10-10 policy currently exists, and that policy should, again, be withdrawn and substantially modified.

Because the robust implementation of the FHA Title I program, without the baseless shackles of the current 10-10 policy would result in lower levels of risk for lenders, it would, by its very existence, exert downward pressure on manufactured housing consumer loan interest rates. Further, it would be highly likely to draw more – and more diverse -- lenders into the manufactured housing market, leading to enhanced competition and yet additional downward pressure on interest rates for such loans. By eliminating a substantial part of the rationale and justification for current higher-cost manufactured housing loan interest rates charged by the dominant lenders, and by weakening or eliminating their dominant role in the market by promoting enhanced competition, the full implementation of the FHA Title I program without the current 10-10 policy, would open that program to significantly higher levels of both lender and consumer participation, would promote the greater availability and affordability of manufactured housing in accordance with binding federal law, and would eliminate or significantly ameliorate the racial and ethnic inequities that have resulted from higher-than-necessary manufactured housing personal property loan interest rates.

²² See, 2016 Berkshire Hathaway Shareholder Letter.

²³ *Id.*

²⁴ See, U.S. Census Bureau, “Cost and Size Comparisons: New Manufactured Homes and New Single-Family Site-Built Homes, 2007-2014.”

²⁵ See, “Loss Severity on Residential Mortgages: Evidence from Freddie Mac’s Newest Data,” Urban Institute (February 2, 2015).

C. FEDERAL LAW REQUIRES THE EQUAL TREATMENT OF MANUFACTURED HOUSING FOR ALL PURPOSES

Beyond the factual and policy bases for the withdrawal and modification of the current Ginnie Mae 10-10 policy as set forth above, federal law – specifically the Manufactured Housing Improvement Act of 2000 – requires that manufactured housing be treated, for all purposes, on an equal basis with site-built single-family housing. MHARR directly addressed this mandate and its nexus to public and private sector manufactured home consumer loan programs in 2012 testimony before Congress. In written (and verbal) testimony presented to the House of Representatives Subcommittee on Insurance, Housing and Community Opportunity on February 1, 2012, MHARR stated:

The Manufactured Housing Improvement Act of 2000 ... a watershed law enacted by Congress with unanimous bi-partisan support, was designed to modernize and reform the HUD manufactured housing program and complete the transition of manufactured housing from the “trailers” of yesteryear to legitimate “housing” at parity with all other types of homes. HUD, though, instead of implementing this legislation fully and in accordance with its express terms and purposes has, over multiple administrations, made a mockery of its most important reforms, ignoring some and distorting others through unilateral “interpretations,” as is explained in detail below. By failing to fully and properly implement the 2000 law and by failing to achieve or even pursue its fundamental purpose of ensuring the status of manufactured homes as legitimate housing for all purposes, HUD has placed the manufactured housing industry and manufactured homebuyers in a no-win position.

[HUD] has enabled and facilitated discrimination against manufactured housing and manufactured homebuyers in public and private financing by the Government National Mortgage Association (GNMA) and the Government Sponsored Enterprises (GSEs), which effectively view manufactured homes as “trailers” and have thus imposed punitive terms and restrictions on manufactured home financing. These restrictions have decimated the availability of manufactured home purchase financing – especially the industry’s most affordable homes financed through personal property (i.e., chattel) loans -- have frozen millions of lower and moderate-income Americans out of the manufactured housing market altogether and have undermined competition within the manufactured housing finance market.

(Emphasis added). As is indicated by this testimony, the entire record and history of the 2000 Reform Law, as well as its express terms, confirm that the law was designed and intended to ensure the equality of both manufactured homes and manufactured housing consumers for all purposes, to ensure not only the availability of affordable housing and homeownership for all Americans, but also to ensure full and complete equity within the housing sector.

In the case of public manufactured housing consumer lending support, this statutory equality/equity mandate simply demands the same result that would follow from a valid, thorough, legitimate and accurate analysis of the factual evidence. Such an analysis, as indicated by the information set forth above, herein, would show that manufactured housing consumer loans, for today’s modern post-2000 Reform Law manufactured homes, using current-day intra-industry servicing criteria, perform on a basis that is equal to or better than site-built homes. As a result,

and in accordance with the express terms, underlying policies and goals of the 2000 Reform Law, there is no basis for the maintenance or preservation of a discriminatory qualification policy for approved lenders within the FHA Title I program. Instead, those qualification criteria should reflect the greater affordability of HUD Code manufactured homes and the need for more affordable consumer financing for such homes, as compared with the parallel criteria for FHA-approved site-built lenders,²⁶ to allow broader and more liberal participation by interested lenders and institutions in the Title I program.

III. CONCLUSION

For all of the foregoing reasons, Ginnie Mae's existing 10-10 policy should be withdrawn and modified to make lender approval criteria for the Title I manufactured housing program equal to and consistent with the parallel lender approval criteria for participation in the FHA/Ginnie Mae programs for site-built housing. This policy change, moreover, should be made as rapidly as possible, in part as a remedial measure for the significant, discriminatory damage that the 10-10 policy has done to manufactured housing consumers, the manufactured housing industry and the manufactured housing market in the United States.

Sincerely,

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

Mark Weiss
President and CEO

cc: Hon. Marcia Fudge
Hon. Maxine Waters
Hon. Patrick McHenry
Hon. Sherrod Brown
Hon. Patrick Toomey
Hon. Sandra Thompson
Hon. Julia Gordon
HUD Code Manufactured Housing Industry Members

²⁶ Current Ginnie Mae criteria require a base net worth of \$2.5 million for approved site-built housing lenders. See, Ginnie Mae, Eligibility Requirement Comparison Tables, August 17, 2022.



GOVERNMENT NATIONAL
MORTGAGE ASSOCIATION

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-9000

November 1, 2010

APM 10-18

MEMORANDUM FOR: All Participants in Ginnie Mae Programs

FROM: Theodore W. Tozer, President

SUBJECT: New Ginnie Mae Title I Manufactured Home
Loan Program to Launch October 1, 2010

As previously published in APM 10-07, *New Ginnie Mae Title I Manufactured Home (MH) Loan MBS Program*, dated June 10, 2010, Ginnie Mae is pleased to announce its support for FHA's new Title I Manufactured Home Loan Program. Effective with issuances on or after October 1, 2010, Issuers may pool manufactured home loans electronically through GinnieNET. Corresponding FHA Guidance can be found in Title I Mortgagee Letters TI-481 and TI-484.

Eligible collateral for the Ginnie Mae II custom pool type, "C MH" shall only include FHA Title I home loans whose loan application dates occur on or after June 1, 2009. Manufactured home loans whose loan application dates occur prior to June 1, 2009, will be ineligible for pooling within the "C MH" pool type, and will not be eligible for pooling within any Ginnie Mae security beyond a September 2010 issuance.

As a reminder, Ginnie Mae would like to once again highlight several important program guidelines for the new "C MH" pool type:

Issuer Eligibility	All institutions that want to participate in the new Ginnie Mae II Manufactured Home Loan MBS Program must submit an application for consideration as an MH Issuer. Issuers that are currently approved to issue MH securities must re-apply and meet new program eligibility requirements.
Unique ID	Newly-approved Issuers will be assigned a 4-digit Ginnie Mae ID that will only be eligible for MH pooling.
Adjusted Net Worth	All approved Issuers must meet and maintain a minimum adjusted net worth valuation (as calculated in accordance with the HUD Audit Guide), of \$10mm plus 10 percent of each of the following: a) 10 percent of the dollar amount of all MH MBS outstanding, b) 10 percent of the outstanding balance of the Issuer's Commitment line balance, and c) 10 percent of the outstanding balance of all pools funded by the Issuer.
MH Collateral	Issuers must provide, at pooling, the MH loan application date. Missing or incorrect loan application dates will return a fatal edit through GinnieNET. Issuers must correct the loan application date and resubmit the pool.

MH Pool Type	Effective with MH issuance on or after October 1, 2010, the only eligible pool type is the "C MH" pool type.
Eligible MH Security Spread	For all manufactured home loans pooled as collateral for the "C MH" pool type, the securities rate must be at least 3.25 percent lower than the lowest face rate on the loans, but not more than 4.75 percent lower than the highest face rate of the security.
Guarantee fee	The guarantee fee for MH MBS remains at 30 bps, and each pool must contain at least eight loans. The minimum pool balance, at origination, will increase to \$1 million.
MH Loan Servicing	MH loans must be serviced by the Issuer of Record; MH subservicing is strictly prohibited.
Immediate Pool Transfers at Issuance ("PIIT")	Ginnie Mae II "C MH" pools are ineligible for PIIT pooling.
Accounting Methods	Issuers must use the "Concurrent Date" ("CD") accounting method for all "C MH" pools; Internal Reserve ("IR") accounting is ineligible.

Applicable changes to the Ginnie Mae Mortgage-Backed Securities Guide 5500.3, Rev.1, ("Guide") are currently posted under the "What's New" section of the Ginnie Mae website, and was incorporated into the Guide on October 1, 2010.

If you have any questions regarding this memorandum, please contact your Ginnie Mae Account Executive in the Office of Mortgage-Backed Securities at (202) 708-1535.

Attachments



Manufactured Housing Association for Regulatory Reform

1331 Pennsylvania Avenue, NW • Suite 508 • Washington, DC 20004 • 202-783-4087 • Fax 202-783-4075 • mharrdg@aol.com

December 16, 2011

VIA FEDERAL EXPRESS

Mr. Theodore W. Tozer
President
Government National Mortgage Association
Potomac Center South
550 12th Street, S.W.
Washington, D.C. 20024

Re: Manufactured Housing Finance Issues

Dear Mr. Tozer:

I am writing as a follow-up to our meeting on December 14, 2011. First, on behalf of the independent producers of federally-regulated manufactured housing represented by the Manufactured Housing Association for Regulatory Reform (MHARR), we want to take this opportunity to thank you and your colleagues for a very informative and productive meeting. As a result of our discussion, we now have a better understanding of the rationale and process that led to the Government National Mortgage Association's (GNMA) \$10 million net worth and 10% reserve requirements (hereafter "10-10 rule") for the securitization of Federal Housing Administration (FHA) Title I manufactured housing loans. At the same time, we trust that the information provided by our members offers you a fresh perspective on the dilemma that this rule has created for the industry – particularly its smaller businesses – and American consumers of affordable housing.

We are encouraged that we now have a better understanding of a number of important issues relevant to the 10-10 rule. Specifically, we understand that the 10-10 rule (actually a policy rather than a "regulation" subject to the Administrative Procedure Act) was developed largely on the basis of older FHA manufactured home loan performance data from the 1980s and 1990s and that the \$10 million net worth requirement, in particular, is a subjective, "policy" figure that was not intended to be exclusionary but, instead, to reflect GNMA's legitimate concern that FHA Title I loan originators be established enterprises that are committed to serving the manufactured housing industry and its consumers. We further understand that GNMA is willing to be flexible with the net worth requirement, in particular, and would be willing to take a

second look at lower levels that would satisfy GNMA's policy concerns while enabling other and additional lenders to obtain GNMA securitization for FHA Title I loans. In this regard, GNMA indicated that it would welcome information that would allow it to change the net worth requirement for Title I manufactured housing loans to make it similar to current parallel requirements for site-built home loan issuers so as to permit and encourage more lenders to enter and participate in the Title I market.

Regarding these points, we stressed that because current-day manufactured home loans perform as well as or better than sit-built loans, qualifications for the securitization of manufactured home loans should actually be more flexible than those for site-built housing loans, but that the industry is willing to accept and seeks parity with the site-built market. We also emphasized the difficulty of obtaining more recent and more relevant loan performance data precisely because that data is within the possession of the current originator(s) which benefit from the 10-10 rule and, therefore, have no incentive -- and are under no mandate -- to disclose that information (as GNMA itself learned when it invited but never received such information last year -- although such numbers would be questionable in any event because of the distortion of the market due to a lack of competition). Nevertheless, and given the fact that MHARR's membership does not include finance companies, MHARR will use its best efforts to encourage such finance companies to provide GNMA with the type of information that would support and warrant a "second look" at the 10-10 rule and a modification of that rule that would allow more originators and genuine competition within the FHA Title I market.

That said, we promised that we would provide you with a written summary of the points and issues that we raised at the meeting. This necessarily begins with the fact, as I emphasized in my initial letter to you on November 4, 2011, that production and sales of manufactured homes subject to regulation by the U.S. Department of Housing and Urban Development (HUD), have declined by more than 80% since 1998 -- from nearly 400,000 homes that year, to barely 50,000 in 2010, with total production projected to remain nearly flat in 2011.

While this decline has been affected by multiple factors, one of its primary causes has been a steep drop in the availability of consumer financing for manufactured home purchases, and especially FHA Title I financing. HUD data shows that from 1980 to 1993, FHA averaged approximately 20,000 Title I manufactured housing loan endorsements per year, with a peak volume of approximately 55,000 loans (representing a dollar volume in excess of \$900,000,000) in 1983. Since 1996, however, FHA Title I manufactured housing loan endorsements have plummeted to approximately 1,000 per year, a trend that has continued despite significant improvements to the Title I program -- designed to increase its scope and utilization -- legislated by Congress in the Housing and Economic Recovery Act of 2008 (HERA).

A reversal in this historically low level of FHA Title I loan endorsements would help spur an industry recovery, produce and save thousands of jobs, and help meet the housing needs of the lower and moderate-income consumers served by the manufactured housing industry. As was emphasized at our meeting, however, all of the available evidence from the field indicates

that the GNMA 10-10 rule, by effectively limiting FHA Title I originations to one or two finance companies affiliated with the industry's largest producer(s), has had the unintended consequence of eliminating competition from the FHA Title I financing market. This, in turn, has kept FHA Title I originations artificially low, has placed smaller, independent producers of manufactured housing at an extreme competitive disadvantage and, most importantly, has led to the unnecessary and unjustified exclusion of large numbers of consumers from the manufactured housing market and, in many if not most cases, from the American dream of home ownership.

Thus, we asked you and your GNMA colleagues to consider the following matters:

- What is the analytic basis for the 10-10 rule? What data on manufactured housing loan default rates was used, what assumptions were used about the adequacy of net worth levels with regard to participating lenders, and how do these levels relate to net worth requirements for Title II loans, and are such higher requirements commensurate with the higher risk relative to Title I.
- In establishing the 10-10 rule, did GNMA consider the financial risks to FHA of having only one or two lenders able to meet the \$10 million net worth requirement? Such concentrated risk exposes the program to heightened risk if just one such lender encounters financial problems.
- Did GNMA consider the market impact of having only one or two lenders able to qualify under the new requirements that are also subsidiaries or affiliates of major manufacturers? This unintended consequence would – and has -- undermined the purpose of the program, which was to provide financing to a broad range of manufactured home purchasers.
- Would GNMA consider other approaches, such as basing requirements on the volume of loans originated rather than a very high minimum net worth bar of \$10 million, or charging a slightly higher fee for all loans, combined with a lower net worth requirement?

We look forward to working with you and your colleagues in a collaborative effort to address these issues and ensure that the FHA Title I program offers genuine choice and free market competition to as many homebuyers as possible, consistent with GNMA's obligations and responsibilities to the public.

Sincerely,

A handwritten signature in dark ink, appearing to read 'Danny D. Ghorbani', with a stylized flourish at the end.

Danny D. Ghorbani
President

cc: MHARR Members

**SUMMARY ANALYSIS OF MANUFACTURED HOME
CHattel LOAN PERFORMANCE DATA (2006-2013)**

Current GNMA requirements for the securitization of Federal Housing Administration (FHA) Title I manufactured home personal property (chattel) loans – in effect since June 2010 -- require a minimum net worth of \$10 million for issuers, plus a 10% reserve of certain specified balances maintained by such issuers. Because these requirements are so high (especially as compared to the securitization requirements for site-built home loans), the “10-10” rule has severely limited competition – and the volume of loans originated – under the Title I program, at a time when the Government Sponsored Enterprises (GSEs) are not providing any securitization for manufactured housing chattel loans, which provide access to the industry’s most affordable homes. As GNMA acknowledged at a December 14, 2011 meeting with MHARR, the 10-10 criteria are subjective (to ensure that FHA Title I originators are “committed” to the manufactured housing market) and based primarily on outdated FHA Title I loan performance data from the 1980s and 1990s. GNMA, therefore, indicated that it was willing to revisit the 10-10 rule and potentially amend its benchmark levels based on more recent information from industry lenders.

Insofar as chattel placements constitute the vast majority of manufactured home placements in the United States (76%) and represent the single most affordable source of home acquisition and homeownership for American families, the Manufactured Housing Association for Regulatory Reform (MHARR) sought -- and has obtained -- up-to-date information regarding the performance of manufactured home chattel loans (considered confidential and extremely sensitive by loan providers), which shows that such loans, in fact, perform extremely well, as is reflected in the attached summary:

- The 2013 delinquency rate for manufactured home chattel loans originated in Florida (a representative manufactured housing state and a microcosm of the national manufactured housing market) averaged 2.49% of all units financed through October 2013.
- The default rate for the same period would be lower than the 2.49% delinquency rate due to delinquencies cured prior to declaration of a default and repossession or foreclosure.
- The delinquency rate, after climbing to 3.21% in 2010 – corresponding with the foreclosure crisis in the broader housing market – has since returned to levels consistent with pre-crisis averages.
- By comparison, the seasonally-adjusted delinquency rate for mortgages on one-to-four-unit residential properties outstanding at the end of the 2d quarter of 2013 was 6.96% according to the Mortgage Bankers Association’s National Delinquency Survey.
- The steady improvement in the performance of manufactured housing chattel loans since enactment of the Manufactured Housing Improvement Act of 2000 makes it imperative that such loans and mandatory manufactured housing inclusion language (such as that suggested by MHARR) be a part of any final housing finance reform legislation.

2006-2013 National Provider Delinquency Statistics For Manufactured Home Chattel Loans – Florida Originations

2006

Dollars

Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Yearly Avg.
2.30%	2.18%	1.77%	2.10%	2.14%	1.75%	2.26%	2.33%	2.35%	2.29%	2.40%	2.77%	2.22%

Units

Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Yearly Avg.
2.57%	2.48%	1.90%	2.16%	2.24%	1.79%	2.39%	2.50%	2.48%	2.45%	2.45%	2.97%	2.37%

2007

Dollars

Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Yearly Avg.
2.45%	2.43%	2.20%	2.33%	2.49%	2.61%	2.72%	2.82%	3.02%	2.82%	2.66%	2.66%	2.60%

Units

Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Yearly Avg.
2.57%	2.54%	2.27%	2.43%	2.57%	2.73%	2.77%	2.87%	3.21%	2.99%	2.85%	2.82%	2.72%

2008

Dollars

Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Yearly Avg.
2.53%	1.83%	1.70%	1.64%	1.62%	1.44%	1.40%	2.03%	2.12%	2.28%	2.46%	2.71%	1.98%

Units

Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Yearly Avg.
2.62%	1.98%	1.86%	1.80%	1.70%	1.54%	1.52%	2.10%	2.16%	2.32%	2.53%	2.84%	2.08%

2009

Dollars

Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Yearly Avg.
2.64%	2.41%	2.28%	2.40%	2.51%	2.66%	2.65%	2.89%	3.04%	3.13%	3.34%	3.27%	2.77%

Units

Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Yearly Avg.
2.79%	2.46%	2.25%	2.34%	2.50%	2.61%	2.68%	2.91%	3.01%	3.15%	3.25%	3.34%	2.77%

2010

Dollars

Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Yearly Avg.
3.48%	3.01%	2.58%	2.63%	2.99%	2.90%	3.27%	3.52%	3.66%	3.86%	3.70%	3.62%	3.27%

Units

Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Yearly Avg.
3.52%	3.00%	2.58%	2.48%	2.88%	2.89%	3.17%	3.36%	3.58%	3.74%	3.66%	3.67%	3.21%

2011

Dollars

Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Yearly Avg.
3.69%	3.52%	2.91%	3.08%	3.14%	2.99%	3.21%	3.16%	2.92%	2.77%	2.85%	2.94%	3.10%

Units

Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Yearly Avg.
3.60%	3.34%	2.77%	2.93%	2.99%	2.96%	3.14%	3.19%	3.01%	2.80%	2.95%	3.16%	3.07%

2012

Dollars

Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Yearly Avg.
2.97%	2.54%	2.23%	2.30%	2.51%	2.84%	2.78%	3.23%	3.57%	3.15%	3.58%	3.33%	2.92%

Units

Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Yearly Avg.
3.00%	2.53%	2.30%	2.37%	2.55%	2.89%	2.82%	2.99%	3.64%	3.09%	3.64%	3.34%	2.93%

2013

Dollars

Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Yearly Avg.
3.54%	3.16%	2.83%	2.69%	2.55%	3.04%	2.92%	2.82%	2.69%	2.83%	--	--	2.42%

Units

Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Yearly Avg.
3.68%	3.17%	2.25%	2.75%	2.70%	3.17%	3.14%	3.09%	2.89%	3.03%	--	--	2.49%

Data is for all delinquencies of 30 days or more.