I'M HOME
Innovations in Manufactured Homes

March 21, 2017

Federal Housing Finance Agency
400 7th Street, SW
Washington, DC 20219

Submitted via fhfa.gov

RE: Request for Public Input on Potential Manufactured Home Chattel Loans Pilots

To Whom It May Concern:

CFED is pleased to submit comments to the Federal Housing Finance Agency (FHFA) on a Potential Manufactured Home Chattel Loans Pilot program to help facilitate Fannie Mae's and Freddie Mac's (the Enterprises) duty to serve the manufactured housing single-family finance market, identified by Congress as underserved. The focus of this comment letter will be on the questions enumerated in the FHFA's Request for Public Input.

CFED is a national, nonpartisan nonprofit organization based in Washington, D.C. that works to expand economic opportunity for all Americans by promoting and advocating asset-building policies and programs. Since 2005, CFED has convened the I'M HOME Network, a nationwide coalition of service providers, lenders, intermediaries and advocates working together to improve access to mortgage financing for manufactured homes, ensure that chattel financing is fair and affordable, promote resident ownership of manufactured home communities, and provide a voice for manufactured homeowners on policy issues.

For a broad and recent discussion of chattel lending in the United States, we recommend review of Steps Forward: Delivery of Competitive Manufactured Home Financing in Land-Lease Communities, Especially with Long-Term Security of Tenure.

Sources of Chattel Loan Financing

1. Describe the current sources of financing for chattel loans in the primary market (e.g., mortgage companies, federally insured depository institutions, manufactured housing community owners, specialized finance companies) and their relative market shares.

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Which entities are the 20 largest originators of chattel loans for chattel manufactured homes, and what is the approximate market share for each originator? Are there geographic or regional differences in funding sources? How is financing concentrated geographically?

We have identified five lenders that, combined, represent over 52% of the estimated market share of chattel lending on manufactured homes in the country. These include 21st Mortgage and Vanderbilt, Berkshire Hathaway affiliates ($34.5 billion combined), Triad ($1 billion), and San Antonio Federal Credit Union ($1 billion). There are some geographic differences as each of the lenders has identified target states for its lending activity. In general, and taken together, at least one of these lenders lends in each state. Despite the importance of these lenders to the national chattel lending landscape, there are over 2,700 lenders who originated at least one manufactured home chattel loan in 2015, so outside of the several big lenders, many lenders do serve home buyers, although typically they represent small shares of a local market. According to HMDA data, many lenders originated just one manufactured home loan in 2015.

In addition, not all of the large lenders serve all potential buyers. Vanderbilt and San Antonio Federal Credit Union, for example, do not typically lend to customers with FICO scores below 660. 21st Mortgage does serve that market.

2. Do manufactured housing communities fund their community-financed chattel loans? If so, explain how such a funding process works and what secondary market or other funding sources are used.

In absence of readily available chattel financing, manufactured housing community owners have provided home financing. According to estimates prepared by George Allen, there is approximately $3.5 billion of park-owned seller financing among over 500 land-lease community owners around the country. Seller financing is concentrated among some of the biggest community owners in the country, with these owners representing the ownership of about 25% of the country's 50,000 land-lease communities.

4. What types of financing providers do not participate in the chattel market, and what is the appropriate role that the Enterprises could play in broadening that market? What risks should be considered in expanding into this market?

The majority of banks and nonbank lenders do not participate in manufactured home lending. Though, per the Steps Forward *paper, there are isolated examples of strong leadership from such entities, CFED and the I'M HOME Network are disappointed in the limited role that credit unions and local banks have in the chattel market. A usable chattel product from the GSEs could help address this in part, as many lenders will not keep loans in portfolio.*

Steps Forward *documents several examples of community development lenders and/or credit unions participating successfully in the chattel market. These lenders have played an important role in expanding access to home financing, but face significant constraints on expanding their activity due to a lack of a secondary market outlet for their lending activities. We envision that the Enterprises need to develop practical and practicable standards for the purchase of these manufactured home loans. Risks to lending in this market involve three parties: (1) borrowers' home abandonment; (2) investor-owners' neglect of infrastructure maintenance, escalation of lot rents and/or sale of the land for redevelopment purposes; and (3) lenders' inability to recover the value of the manufactured home in* *event of default. Mitigating these risks will be important to the success of any chattel pilot program. CFED and I'M HOME have documented how partners have addressed these risks through land security, secure leases and good state and local law.*

5. What role do manufactured home dealers and manufacturers currently have in financing purchases of manufactured homes? What disclosures are provided? How do interest rates and other terms and conditions compare to non-dealer financing?

Clayton Homes controls large shares of the manufacturing, retailing and lending markets for manufactured homes. Vanderbilt and 21st Century both offer financing for Clayton Homes products, so are, in essence, dealer financing. We are not aware of financing at the dealer level beyond these significant lending operations, which are tied to the manufacturer, rather than at the retail dealer level. Cavco, Inc. recently launched its own chattel lending operation for its homes.

CFPB rules implementing Dodd-Frank, effective in 2014, regulate the lender information that retailers can share with home buyers. This rule addresses a historical problem in the industry, that is, retailer compensation based on lender referrals.

Origination of Chattel Loans

6. Describe currently available home purchase and refinance chattel loan products, including their terms and features, e.g., amortization, credit score requirements, down payment requirements, fixed or variable rate interest. Describe the underwriting criteria for home purchase and refinance chattel loan products. Include the performance history of these products, noting any differences based on whether the home is located in a manufactured housing community or on privately owned land.

These are discussed and summarized in the Steps Forward *paper.*

7. Should the Enterprises value chattel-financed homes using an appraisal, the manufacturer's invoice plus cost of appurtenances (e.g., garage, patio, and set-up), the National Appraisal System facilitated by the National Automobile Dealers Association guide data, or other methods? What items should be included in the valuation (e.g., transportation of the home to the site, set-up costs, utility connections)?

All homes must be valued in the field as sited. Just as it would not make sense to value the cost of moving lumber to a site for valuing a site-built home, so also the costs of freight, delivery or other aspects of home set-up are not a logical part of evaluating the value of a home in communities.

DataComp is the only national-level appraisal company for manufactured homes in land-lease communities, and we believe their appraisals to be reasonably accurate.

There is important market value differentiation between resident-owned communities (or other land-lease communities) with long-term security of tenure, stabilized lot rents and well-maintained infrastructure, even though conventional home appraisal practices typically do not attempt, in a formal way, to value these additional features of resident, nonprofit or publicly-owned manufactured housing communities.[1] *In addition, the market value of new and used home placement*

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[1] As a top official at DataComp noted in a private email on September 2, 2016, to our consultant, Kevin Walker, *"I spoke with my appraisers regarding valuation differences between resident owned communities and investor owned communities, and whether that factor has any*

in land-lease communities today suffers deeply from the effects of a poorly developed chattel lending market. In many land-lease communities, homes in the same community can sell for $10,000 to $30,000 or $60,000 with seller financing from former owner-occupants at the lower end of the spectrum and third party lending occurring at the higher end of the spectrum. This tremendous variation in home values within the same community represents one of the challenges to valuing and underwriting home lending. However, with competitively priced long-term loans made possible by a secondary market, monthly payments can and should be competitive with site-built product even in many rural or outstate markets.

8. Is there an industry standard used to value a used chattel-financed home, and should resales of chattel-financed homes be excluded from a chattel loans pilot?

DataComp or locally commissioned appraisals should be able to capture adequately the value of today's manufactured homes. The term "used homes" is not conducive to improved lending products, and it represents why depreciation tables are widely accepted— wrongly in our view—to value homes.

9. Should a chattel loans pilot allow for the refinancing of existing chattel-financed homes and, if so, how should the Enterprises value these chattel-financed homes?

Yes, it should. In general, DataComp or local appraisals should help define the value of homes in land-lease communities. We fully anticipate that as this market starts to develop, there will be a value gap that will need to be addressed with gap financing or closing cost or down payment assistance.

Currently, there is not a meaningful refinance market. As a component of a pilot program, a refinance program would be a means to improve homeowners' financial positions.

10. Describe current chattel loan and collateral documentation and variations, and discuss challenges to standardizing loan and collateral documentation.

Lenders active in this market are in the best position to address this question.

11. Are there typical warranties or other add-ons (e.g., insurance) provided by dealers that increase the purchase price of chattel-financed homes? If so, please describe the terms, conditions, and benefits of these add-ons and the typical costs to borrowers.

Industry-standard warranties address home construction, major appliances, etc. These are typically simply factored into the price, and we do not believe, separable, from the invoice price of the homes. Clearly, they add costs to what the home could otherwise be sold for, but they also add

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influence on the final value of a home. While we haven't done any detailed studies of this in the past, it is our belief that because the buyer often looks at the total housing price (home payment and lot rent), homes in resident-owned communities value slightly higher than homes in investor-owned communities because the market is willing to pay more for those homes." DataComp is the nation's largest provider of market-based manufactured home appraisals and a leading provider of market data to the manufactured housing industry. The GSEs could support and sponsor market studies of the home valuation difference among various community ownership models to quantify what difference, if any, might be factored into as-is home appraisals.

important protections to the consumer. Home warranties are not unusual in the site-built market, for both new and existing homes.

12. Under what circumstances, if any, should housing counseling be required as a condition for receiving a chattel loan to be purchased by an Enterprise, and if so, where and how should the counselors be trained?

We believe that all borrowers would benefit from housing counseling. We think an online delivery system or in-class training could suffice in delivering this. Data clearly show the better performance rate associated with housing counseling. Manufactured housing-specific training (that is, a homebuyer training designed expressly around the idiosyncrasies of owning and operating manufactured homes, especially in cold, wet or hot climates) can and would be important to helping ensure best maintenance practices over the long run and should result in more successful borrowers.

That said, there may not be adequate capacity in existing counseling providers to serve a growing chattel market. New programs are rolling out in the coming years, including online platforms, which may be able to more completely serve this market. The rural nature of this market adds to the challenges in implementing a counseling requirement.

<u>Borrower and Tenant Protections</u>

13. What protections for chattel loan borrowers should be required beyond those currently provided by federal, state, and local law, and how should those protections be overseen?

These questions are extremely important. The 2008 meltdown of the mortgage market shows that abusive or unaffordable loan terms and poor loss mitigation standards can have disastrous results not just for borrowers but also for lenders, investors and the economy in general.

First, the FHFA should require fair loan terms for chattel loan borrowers in the pilot project. Fair loan terms should be required regardless of whether the home is located on owned or leased land. The FHFA's rule already appropriately provides that loans that qualify as HOEPA loans are not eligible for duty to serve credit.[2] *However, the manufactured home industry has been advocating for statutory or regulatory changes that would weaken this standard. Rather than just refer to HOEPA standards, the FHFA should incorporate the current HOEPA standards into its policy.*

A second major concern is the general absence of standards, procedures or programs for loss mitigation for manufactured home loans. The experience in the home mortgage market has shown that loan modification can restore a loan to performing status and benefit both the borrower and the lender. Yet chattel loans were not eligible for the HAMP program, the federal government's main loan modification program, and the GSEs are in the process of phasing out their crisis-driven modification programs. Many states, in response to the foreclosure crisis, added more protections to their foreclosure laws or created foreclosure mediation programs—but since chattel loans do not go through foreclosure, these protections will be unavailable.

Because of this vacuum, the FHFA should build loss mitigation requirements into its chattel pilot. We recommend that the FHFA require the loan documents to include specific loss mitigation requirements, similar to those currently required for FHA home loans. It should also require the loan documents to prohibit self-help repossession, instead requiring the lender to invoke the appropriate state judicial procedure—typically a replevin action—to take possession of the home.

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[2] *12 C.F.R. § 1282.37(b)(2).*

As for oversight, we recommend that the GSEs be required to review the terms of the loan documents for the chattel pilot project to make sure that they meet these standards. Once the program moves from a pilot project to a permanent feature of the duty to serve program, the GSEs may find it efficient to create a model chattel loan contract or at least model clauses. Perhaps the most important element of oversight, however, is to mandate that the requirements be incorporated as contract terms that are enforceable by the borrowers. That way, the FHFA will ensure that the requirements actually have an effect in the real world and that they benefit the borrowers and the GSEs as intended. Individual borrowers will have a way to ensure that lenders comply with the requirements, without having to call on a federal agency to enforce them.

The GSEs' Servicing Guides contain extensive provisions requiring servicers to consider borrowers in default or at risk of default for a hierarchy of loss mitigation options. The Guides include reporting requirements for these loss mitigation options. However, the Guides do not expressly apply to chattel mortgages. The time frames for review are tied to state foreclosure laws. FHFA should develop guidelines for servicing chattel loans. These should include a hierarchy of loss mitigation options, from forbearance and repayment plans, to modification, to various short sale options. Servicers should be required to review for these options according to a set time frame of delinquency and document their consideration of these options before taking actions to recover the collateral properties.

Additional lease protections should also be part of the transaction. A chattel borrower should have protections on the same topics as those detailed in the final rule under §1282.33(c)(4), which cover manufactured housing community financing. However, the protections should be strengthened in a number of respects.

14. What tenant protections are appropriate and workable for chattel loans when the home is located in a manufactured housing community as compared to when it is located on privately owned land?

This is a highly important question, both for manufactured home community residents and for the GSEs. If the manufactured home community does not provide land tenure security for the homeowners, then the homeowners are at risk of losing their homes, and the GSE is at risk of losing its investment. If a chattel loan has onerous terms or is unaffordable, then the buyer is at greater risk of default, and the GSE is again at risk of loss. If the community owner has unrestrained authority to raise the lot rent, any equity that the homeowner might otherwise build up in the home can be drained away by rent increases (which reduce the home's value), reducing the value of the GSE's collateral. On all of these issues, the GSE's interests and the homeowner's interests are aligned: both want the loan to succeed, the lot rent to remain affordable and the manufactured home community to remain open rather than be converted to some other use. Nothing will ensure the chattel pilot project's failure more effectively than park closures, evictions and confiscatory rent increases.

In approaching the question of the protections that should be required for chattel loans, we urge the FHFA to start with the two-pronged approach that it is taking for "blanket" financing of communities. First, homes in manufactured home communities that are owned by the residents, by a governmental entity or by a nonprofit organization should be eligible for the chattel pilot. In these manufactured home communities, the operation of the community is aligned with the long-term interests of the residents. There is far less likelihood that the community will be converted to some other use, forcing the homes out, that residents will be unfairly evicted or that confiscatory rent increases will be imposed.

Second, homes in other manufactured home communities should be eligible if the community has robust "pad lease" protections designed to ensure land tenure security, prevent confiscatory rent increases, protect against snap evictions, ensure the right to sell the home in place, and protect against community closure. We recommend that these protections address the same issues as those required for blanket financing of communities,[3] but that several of them be strengthened considerably. If a manufactured home community is closed and the land converted to some other use, a GSE might not lose its investment in a blanket loan on the community, but there would be a great risk that it would lose its investment in a home that had been located there. Our recommendations for "pad lease" protections—to protect both homeowners and the GSEs—are detailed one-by-one below:

<u>Leases of at least one year, renewable in the absence of good cause.</u> The first "pad lease" protection that the FHFA requires for financing of communities is that the homeowners be given at least one-year leases that are renewable unless there is good cause for non-renewal. This requirement, and particularly the requirement of renewal in the absence of good cause, is perhaps the most important protection of all and should be required for the chattel pilot. Without this protection, homeowners have no land tenure security but are at risk of arbitrary eviction at any time.

Unfortunately, at present the GSEs cannot rely on state law to provide this essential protection. Fifteen states impose no restrictions on grounds for terminating or refusing to renew

[3] *See 12 C.F.R. § 1282.33(c)(4).*

manufactured home community leases.[4] *About 20% do not even prohibit termination or non-renewal in retaliation against a homeowner who has joined a resident association or exercised the right to complain to a governmental authority about the community owner's failure to maintain the community.*[5] *A number of states have a statute that requires good cause to terminate a lease but are ambiguous about whether there is any protection against refusal to renew a lease. The FHFA should require that a provision limiting termination or nonrenewal to instances where good cause is shown be built into the lease for any home located in a manufactured home community, other than one owned by the residents, a governmental entity or a mission-driven non-profit organization.*

Rent increases. *The second protection that the FHFA requires for blanket financing of communities is a 30-day written notice of rent increases. We commend the FHFA for recognizing the importance of rent increases. Confiscatory rent increases can drain away any equity the homeowner might otherwise build up in the home. Since the home is collateral for the loan, this also makes the loan less secure. High rent increases can also lead to eviction of the homeowner from the park, which also impairs the collateral for the loan.*

However, a 30-day notice requirement is insufficient to protect either the homeowner's interests or the GSE's interests for homes in the chattel pilot. To protect the lender and the homeowner, there should be a ban on unreasonable rent increases, not just an advance notice requirement. The FHFA could implement this by requiring the lease to spell out standards for rent increases, such as basing them on the consumer price index and other cost increases. In the alternative, it could locate the chattel pilots in the approximately seven states that have rent justification statutes, that specifically prohibit unreasonable or unconscionable rent increases in manufactured home communities or that have widespread local rent control.[6] *Confining the chattel pilot to communities owned by the residents, government entities or mission-driven non-profits is another way to protect against confiscatory rent increases. However, the pilot project will not be a true test of the viability and safety of chattel financing unless it also includes homes in investor-owned communities. Excluding investor-owned communities also removes approximately 97% of all communities from pilot participation.*

We are by no means advocating for a ban on rent increases. Manufactured home communities need maintenance and improvements, and costs go up. However, the FHFA should require protections against arbitrary or unreasonable rent increases, which would undermine the stability and security of the chattel pilot.

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[4] *See National Consumer Law Center and CFED, Protecting Fundamental Freedoms in Communities at 4-6 (Jan. 2015), available at https://www.nclc.org/images/pdf/manufactured_housing/cfed-freedoms_guide.pdf.*

[5] *Id. at 3-4.*

[6] *Delaware, Florida, and Vermont have rent justification statutes: Del. Code Ann. tit. 25, §§ 7042, 7043; Fla. Stat. §§ 723.033 to 723.0381; Vt. Stat. Ann. tit. 10, §§ 6251 to 6253. Rhode Island gives residents the right to invoke an arbitration proceeding to challenge excessive rent increases, R.I. Gen. Laws §§ 31-44.1-1 to 31-44.1-3, and New Jersey prohibits eviction for failure to pay an unconscionable rent increase: N. J. Stat. Ann. § 2A:18-61.1(f). California and New Jersey have widespread local rent control, and some municipalities in Massachusetts also have rent control ordinances for manufactured home communities. In addition to these states, Arizona, Iowa, Kansas, Maryland, Montana, Nebraska, and Ohio allow a court to refuse to enforce any unconscionable term in a manufactured home community lease: Ariz. Rev. Stat. Ann. § 33-1411; Iowa Code § 562B.8; Kan. Stat. Ann. § 58-25,104; Md. Code, Real Prop. § 8A-1502; Mont. Code § 70-33-403; Neb. Rev. Stat. § 76-1473; Ohio Rev. Code § 4781.48. Such a provision might give manufactured home community residents a remedy for particularly unjustified rent increases, but since it is not specifically targeted to rent increases courts may be reluctant to apply it that way. A second provision of Iowa law provides that, in the absence of a rental agreement, the homeowner is required to pay only the fair rental value of the lot. Iowa Code § 562B.10. Minnesota simply requires that there be no unreasonable rent increases (Minn. Stat. 327C.02, Subd. 2) and that there be no more than two rent increases in any twelve-month period (Minn. Stat. 327C.06, Subd. 3).*

<u>Grace period for rent payments and right to cure default.</u> The third protection that the FHFA requires for community financing is a five-day grace period for rent payments and a right to cure any default on rent. These requirements also protect both the homeowner and the lender, as much of the value of the collateral on which the lender is relying will be lost if the home is evicted from the park. However, for the chattel pilot we recommend that the FHFA be more specific about the right to cure. It should extend up to the point of physical removal of the home from the lot or physical eviction of the residents, and the homeowner should not be required to pay more than the past-due rent plus any court costs in order to cure the default.

<u>Right to sell the home in place.</u> For community financing, the FHFA requires several measures to enable the homeowner to sell the home in place. These should also be required for financing of homes.

<u>Notice of planned sale or closure of the community.</u> Finally, for community financing the FHFA requires the lease to provide a 60-day notice of a planned sale or park closure. As to the 60-day notice requirement for any planned sale, we strongly support carrying this requirement over to the chattel pilot. The notice should be required 60 days before the sales agreement is final and binding, so that the residents have an opportunity to make a competing offer.

However, 60 days' notice of a park closure is wholly inadequate. The 26 states that require closure notice all require much more than 60 days. Half of them require at least a year's advance notice, and the rest all require either six months or nine months.[7] The FHFA should require at least a one-year notice of closure or should undertake chattel pilots only in states that have this or other strong statutory protections against closure. The chattel pilot will be a failure if the GSEs invest in manufactured homes in communities that close.

We also recommend that the GSEs develop a process for certifying manufactured home communities that meet the standards for the borrower and tenant protections discussed in response to this and the preceding question. We would envision a process whereby three documents would be required for protection of borrowers and lenders and all three would be required in order for chattel loans to be purchased by the Enterprises. First, long-term leases between the current community ownership entity and the resident should be required for any chattel lending supported by the Enterprises. These leases should incorporate the protections described in our answer to Question 14. The relevant document is easy to produce and distribute to the home lenders as part of a due diligence checklist. Second, a capital needs assessment[8] (of the community's infrastructure) could also be required as a precursor to underwriting of homes in communities. Third, a memorandum of

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[7] Alaska Stat. Ann. § 34.03.225(a)(4) (270 days); Ariz. Rev. Stat. § 33-1476(H) (180 days); Cal. Civil Code § 798.56(g)(2) (6 months; 12 months if the change in use does not require a government permit); Colo. Rev. Stat. § 38-12-217(c) (180 days); Conn. Gen. Stats. § 21-80(E) (545 days); Del. Code Ann. tit. 25, § 7010(b) (1 year); Fla. Stat. § 723.061(1)(d)(2) (6 months); Idaho Code § 55-2010(1)(d) (180 days); 765 Ill. Comp. Stat. § 745/8.5 (12 months); Me. Rev. Stat. tit. 10, § 9097(1)(F) (1 year); Mass. Gen. Laws Ch. 140, § 32L(8) (2 years; 4 years in some circumstances under § 32R(f)); Minn. Stat. Ann. § 327C.095 (9 months); Mont. Code Ann. § 70-33-433(1)(l) (180 days); Nev. Rev. Stat. § 118B.177(6) (180 days); N.H. Rev. Stat. Ann. § 205-A:3(III) (18 months); N.J. Stat. Ann. § 2A:18-61.2(d) (18 months); N.D. Century Code § 23-10-13 (180 days); Ohio Rev. Code § 4781.40(A)(3) (180 days); Or. Rev. Stat. § 90.645(1)(a) (365 days); R.I. Gen. Laws § 31-44-3.2(a)(1) (1 year); Tex. Prop. Code Ann. § 94.204 (180 days); Utah Code § 57-16-18(1)(a) (9 months); Vt. Stat. Ann. tit. 10, § 6237a(a) (18 months); Va. Code § 55-248.46(B) (180 days); Wash. Rev. Code § 59.20.080(e) (12 months); W. Va. Code Ann. § 37-15-6a (prohibits eviction of more than 25 tenants within any 18-month period unless they have breached the lease, all of them agree to leave voluntarily, or community owner has given 6-month notice).

[8] Any such capital needs assessments should meet the minimum ASTM 2018-08 Standard Guide for Property Condition Assessments standard and look at electrical, water, sewer, street, and stormwater systems, with a review of recent relevant regulatory inspections and records (e.g. from departments of health, DNR, etc.) to ensure that infrastructure is functional and with adequate useful life.

understanding between the community owner and the originating home lender identifying the level of responsibility for owed lot rent by the lender in event of default and ensuring that the lender has untrammeled access to recovering collateral will all be important to put the pieces together to protect consumers and lenders and help build this market and put it in position to go to scale. Communities with these documents in place could become GSE-Certified communities, which would become a branded status that encourages home lenders to lend and compete for the GSE business.

Credit Enhancements, Standardization, and Risk Sharing

15. What third party credit enhancements (e.g., letters of credit) might be available for chattel loans or securities backed by chattel loans? Which entities are the potential providers of these credit enhancements, and what are the appropriate terms, conditions, and pricing of the credit enhancements?

Housing finance agencies (HFAs) offer the best forms of credit enhancement for chattel lending at scale to address specific markets. We recommend close collaboration among HFAs in the design of credit enhancement approaches and use of their bonding authority to this end. Mortgage revenue bond mechanisms are an important source of and approach for generating capital. As Maine Housing has experienced, it would be helpful for FHFA or another relevant federal agency to formally provide for MRB financing as a legally sanctioned mechanism for states where this is a primary mechanism; this could dramatically expand access to financing in such states where MRBs are a big part of agency activity. Terms can and should reflect credit risk and may take time to develop based on the initial chattel pilot experiences. GSE research into the development of a meaningful manufactured housing mortgage insurance market (as well as other credit enhancement tools) should earn DTS credit.

16. In designing chattel loans pilots, how might the Enterprises incorporate lender recourse or sharing credit risk with private investors?

State HFAs currently have access to specialized GSE products that include lender recourse. In light of a weak mortgage insurance market, we believe expanding such products to manufactured housing, including the chattel pilot, should be explored by the Enterprises.

In addition, home-only lenders are increasingly requiring recourse agreements with community owners, including cooperatives, to protect their interests. For example, some lenders require that the community operator notify the single-family lender prior to eviction for nonpayment of lot rent or for abandonment. Other agreements require the operator to arrange for grass cutting or snow removal, or to provide referrals for such services, after the borrower vacates. The Enterprises should be aware of these agreements as part of any pilot.

17. What changes in data collection and reporting and what other efforts at standardization are needed across the manufactured housing industry to increase the marketability of manufactured home chattel loans and to enhance consumer capacity to resell used manufactured homes?

Performance should be required as part of any participation in Enterprise-backed lending program. The revised Home Mortgage Data Act rule requires that lenders provide more data to federal regulators. These data may be helpful in the near and mid-term. In addition, the Enterprises should examine existing chattel portfolios to determine standard loan features to determine if these should be standard features.

The Enterprises must retool their guidance to lenders to accept single-section homes, which serve lower-income families. Reviewing performance data on section-size should inform this effort.

18 to 21: Chattel loan servicing.

See Question 13 for our recommendations regarding servicing.

CFED and NCLC appreciate the opportunity to comment on this important matter. Please contact Doug Ryan, CFED's Director, Affordable Homeownership, at (202) 207-0155 with any questions.

Sincerely,

Corporation for Enterprise Development (CFED)
National Consumer Law Center, on behalf of its low-income clients