



U.S. Federal Housing Finance Agency
Division C – Housing Mission and Goals
7th Floor
400 7th Street, S.W.
Washington, D.C. 20219

Re: Proposed Modifications FNMA: 2018-2020 Duty to Serve Manufactured Housing Plan

Dear Sir or Madam,

Our publications - MHPRONews.com and ManufacturedHomeLivingNews.com (MHLivingNews.com) - are the most read in the manufactured housing trade media. I'm an award-winning, multi-decade industry veteran of the manufactured home profession. My experience is outlined in a [document linked here](#). There are over [1,000 recommendations and endorsements for me on LinkedIn](#), the vast majority of which were not requested.

Please note those references - and **all linked items and cross links or downloads from them** - should be all be considered as part of these comments.

The *MHPRONews* audience spans the gamut from the largest firms to the smallest companies in our industry. I've successfully worked professionally with lenders and financial service providers on several levels, dating from recent experiences, and back to the mid-to-late 1980s. My work, along with that of my colleagues, was routinely praised. All success in such projects is team work, and thus the praise is for the team's outcomes. Suffice it to say for now that I'm properly understood as a manufactured home industry expert.

Let me note too that while I will cite others, my comments are solely my own. Quotes should be viewed as my professional belief that a given quote is worthy of consideration as applied to a specific topic.

To set the stage for my comments on Fannie Mae's request, let's begin by quoting them as follows.

"Most people wouldn't recognize today's factory-built homes. The manufactured housing industry has diversified and enhanced the models available so they can blend seamlessly into traditional neighborhoods of site-built homes, offering comparable amenities and curb appeal. At Fannie Mae, we're enhancing our mortgage financing options to keep pace with these important changes," said Sarah Edelman, Director of Duty to Serve, Single-Family Mortgage Business.

Her comments were published on **June 05, 2018** at [this link here](#).

Edelman continues, **“This trend toward modern designs is a smart way to meet demand from growing segments of buyers, including millennials, downsizing baby boomers, and first-time homebuyers. These buyers and others are looking to manufactured housing as an affordable option providing quality and value in a market where the supply of site-built housing is low and prices are high. Quite simply, manufactured housing is a key opportunity to address our growing affordable housing crisis.”**

The above quoted is largely accurate. A problem with this is that many of the same points were true back in the 1990s. Who said? Richard Genz in a 22-page research report, for – among others – the Fannie Mae Foundation.

<http://www.MHProNews.com/blogs/daily-business-news/why-advocates-need-to-rethink-manufactured-home-quality-harvard-gse-genz-high-satisfaction/>

So, why didn't the GSEs get into the manufactured home market in a prudential but robust way previously? Why are they only toe-in-the-water now? Genz wasn't alone in his overall praise of the HUD Code manufactured home industry and its homes. At Harvard's respected Joint Center of Housing Studies (JCHS), Eric Belsky said these two pertinent quotes.



“Credit is the lifeblood of housing.” – Eric Belsky

“There are multiple reasons to expect manufactured housing to do better than site built housing in the [current] decade.”

- Eric Belsky

Executive Director Joint Center of Housing Studies at Harvard University.

Second quote from May 2000 issue of Modern Homes Development, per MHI.



Let's next answer the question asked by the request for comments, but then rapidly move onto the more important point, which is not addressed in the request per se, but arguably ought to be the focus.

- **Both of the GSEs - Fannie as requested, or Freddie if they so wished – should be given the maximum prudential ways to positively impact the lending and liquidity of the manufactured housing industry. Like energy policy, lending and the ways the GSEs could each positively impact the affordable manufactured home market should be an 'all of the above' approach.**

That said, pardon me, but this request for comments is begging what ought to be the key issue on several levels. Let's see how, which will be my focus.

For decades, the GSEs could and should have been buying manufactured home (MH) loans in a robust yet prudent way. Those loans should be both personal property and real property loans.

- Triad Financial Services is but one example of how personal property manufactured home lending has been done profitably and securely for decades.
- [I'm Home](#) previously cited the example of how loans on manufactured homes perform similarly to conventional housing in land-home lending.
- U.S. Bank's manufactured home-only program was profitable, and performed, but they pulled out due to regulatory risks and relatively low volume.
- UMH Properties was buying loans which included relatively weak credit scores, and said that their loan program performed well, and at rates lower than what the Berkshire Hathaway lenders offered. [UMH President Sam Landy, JD, told MHLivingNews](#) that they pulled out only due to regulatory and related legal risks, not because of loan performance.

The examples could go on. There is no doubt that lending by Conseco, Greentree or others during the infamous meltdown in MH Lending in the late 1990s or early 2000s were problematic from the outset. The proved costly to lenders, investors and so many others involved.

But the same pattern of poor lending occurred in conventional housing lending in the runup to the 2008 housing/mortgage meltdown. Those losses to investors, lenders and homeowners in conventional housing made losses from manufactured home loans originated in the 1990s pale in comparison.

- Why was conventional housing lending forgiven?
- Why is manufactured housing still being punished?

FHFA recently issued a report that indicates that manufactured homes can appreciate in value.

The Urban Institute made a similar finding in January 2018. Perhaps as or more important was the findings from the National Association of Realtors (NAR), which said that manufactured homes appreciated. There is a HUD PD&R from 2011 which said that manufactured homes appreciated side-by-side with conventional housing in various metro markets that they studied. Trulia research reveals that affordable homes don't harm the values of other housing nearby.

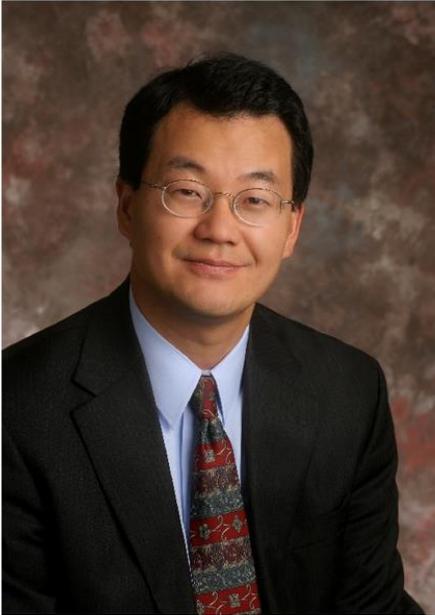
The points and takeaways from the above are many. Let's sum some of them up.

- **Manufactured homes are misunderstood.** FNMA's Sarah Edelman's comments indicate as much. That is also an underlying premise of Richard Genz's paper too.
- **Because of ignorance**, prejudice, biased, and/or agenda-driven positions, there has been never been much manufactured home lending.
- There are lenders that have lost money, and lenders that have made money, in manufactured home lending. **That means manufactured home lending can be done well, or badly.** Welcome to the world. That's true of every profession.
- The current MH lenders all appear to be profitable and successful. They buy the full range of credit qualities.
- **Per information from our sources with the GSEs and manufactured home industry lenders, the entire premise of their GSEs programs are arguably flawed.** Why did Edelman say the homes were good and important, and then *pivot* and argue that FNMA were going to only make specific loans on a special class of manufactured home loans?
- **Why didn't the GSEs make loans for all manufactured housing, instead of creating a new program, for a 'special class' of MHI established new homes, that have no track record whatsoever?** It defies logic.

Let me cite step back from the above, and shift to the work of for Scholastica 'Gay' Cororaton, CBE. It is not my purpose to speak for Ms. Cororaton, who should be asked for her take on this statement. But she and I spoke related to her NAR research paper. This writer is cited in her first footnote. My impression was that we agreed on the following principles.

All housing – conventional on-site housing, and manufactured homes - increases or decreases in value due to the following factors that include, but may not be limited to:

- **Location,**
- **Condition of a home,**
- **Local job and other economic conditions in a given home's market,**
- **The availability of reasonable financing,**
- **Supply and demand.**



"The only way to lessen home price growth is to bring in more supply. It cannot be a simple case of existing homeowners listing their home..."

"But as evidenced by fast-rising rents and fast-rising home prices, we cannot expect a further fall in vacancy rates to handle the ongoing and growing housing shortage gaps."

"...the country is short by 8.3 million housing units."

"The only way to bring additional supply, therefore, is for homebuilders to get really busy."

- Lawrence Yun
Chief Economist, National Association of Realtors™ (NAR)



There are self-defeating and self-limiting aspect to the GSE's approved plans. They are making consumers and sellers alike jump through hoops that they wouldn't make a conventional housing buyer or builder do.

Rephrased, why are manufactured homes both praised and punished?

It is arguable that their MHI scheme for a 'special class of homes' harms the HUD Code home market, rather than helps it. They should make loans on all HUD Code manufactured homes, period.

A graphic featuring a quote on the left and a portrait of M. Mark Weiss on the right. The quote reads: "IF CONGRESS HAD MEANT THE 'DUTY TO SERVE' TO BE OPTIONAL, IT WOULD NOT HAVE CALLED IT A 'DUTY.' THE DICTIONARY DEFINITION OF A 'DUTY' HAS - AT ITS CORE - A MANDATORY RESPONSIBILITY." Below the quote is the logo for M. Mark Weiss, President, CEO - MHARR. The MHARR logo includes the text "Preserving the American Dream of Home Ownership Through Regulatory Reform" and "Manufactured Housing Association for Regulatory Reform".

FNMA making a distinction via their MH Advantage (and Freddie Mac's similar plan) implies that the standard manufactured home is somehow inferior.

If the GSEs and others routinely beat the drums that ALL modern manufactured homes – not some special class of HUD Code homes – are quality, durable and a prudent investment, then over time, acceptance will grow and *demand will rise*.

Given sound lending, and demand, then manufactured homes will – per the law of supply and demand – *be even more likely to gain in value than they already do*.

That in turn means that loan performance would be better. And isn't the mitigation of risk – i.e.: loan performance, along with the market's affordable housing needs - the issue that the GSEs and FHFA say they have concerns about?

This proposal is about applying common-sense, with proven methods, and basic economics.

The GSEs and others ought to likewise mention in their promotional material to the public that it is not just the low to lower-middle classes that are buying manufactured homes. Kid Rock and other millionaires own manufactured homes too, and not for some promotional purpose. Billionaire Daniel S. Loeb, serves as Chief Executive Officer of the Third Point hedge fund. He owns a HUD Code manufactured home in the tony Hamptons, per the *New York Post*. It's a single sectional.

Correct information – routinely repeated – is one of several ways that FNMA and the GSEs could help overcome the unjust stigma about manufactured homes. That in turn would be good for lenders, buyers and the marketplace. It would be a rising tide that raises all boats.

On several projects, I've personally been involved in over the years, we've sold pre-owned manufactured homes for the same or higher prices as they sold for new. The customers who bought those homes were routinely happy. People who want their home to appreciate, generally understand that they must maintain them. People who want their home to appreciate, also understand that it means that they will pay the same or more for an existing home as a new one.

Let me note what's in an attachment from the story linked here. I've personally owned four manufactured homes over the years, and only once did I lose money. On that one occasion, I was in a hurry to sell. Three of the four homes I owned/later sold were in manufactured home land-lease communities. I've also owned conventional housing, in nice neighborhoods, including new conventional 'site built' housing.

So, my experience covers the gamut. What's shared aren't theories. These are proven realities, if properly applied.

Berkshire Hathaway and the Manufactured Housing Institute (MHI)

There is another problem with the GSE pilot programs that must be addressed. MHI postures supporting a use of the GSEs in manufactured home lending. But they are widely seen, inside and outside of the manufactured housing industry, as working to represent the interests of Berkshire Hathaway, and a few other large players.



"So the association [MHI] is not there for the "industry," unless the interests of the Big Boys join the industry's."

- Marty Lavin, J.D.
MHI Award Winner
High Volume Retailer, Community
Owner, Finance Expert.



As noted before, my quoting someone doesn't mean that the person quoted would apply that quote to this specific case. That said, common sense would suggest that the above applies here.

The point is that MHI postures as if they want GSE involvement, but in fact, their prior chairman – Tim Williams, CEO of 21st Mortgage Corp – stated in writing that the Duty to Serve (DTS) was a **"waste of time."** For them, of course it was.

Mr. Williams also said in an MHI meeting - with a few dozen in the room, including this writer - the following. Berkshire owned 21st didn't want the GSEs to get involved in a manner that could cause them to take only top-tier credit, or in other ways that could harm 21st's own business.

Rephrased, there is arguably a *conflict of interest* between 21st/Clayton Homes/Berkshire Hathaway, MHI and the need for the GSEs to get robustly into the manufactured housing marketplace. That conflict of interest must therefor be considered when viewing any statements by MHI or their astroturfing, 'amen corner' affiliates.

Robust manufactured home lending on personal property or land-home packages would be good for consumers, and good for most small-to-mid-sized businesses. Loans on entry-level manufactured homes are what would get more people out of rental housing and/or subsidized housing. That's good for the vast majority of society, not just a few special interests.

This next quote, IMHO, also applies.



"You get more of what you encourage, and less of what you discourage."

- Marty Lavin, J.D.
MHI Award-winner
MH Finance, MH Communities, & MH Retail Veteran

Manufactured home lending has de facto been discouraged, as have manufactured homes. Lavin was a critic of the poor lending practices of the 1990s. He believes - from my perspective – in making good, sound, properly serviced, and performing manufactured home loans. A company he was involved in founding was later purchased by what is today known as Credit Human Federal Credit Union. He and his wife Pat are informed on such issues. It should be noted, as with any two humans, Marty and I see some things differently.

The points to be made are simple. The GSEs robust involvement could be saving consumers money, while making a robust level of loans that are proven to be able to perform well for everyone in the mix. **DTS is also the law.** Mandated. Where I come from, if a valid law applies to me, I'm supposed to follow it, not make excuses as to why it isn't being followed.

There are experts in the industry, including this writer, that could be useful in guiding the GSEs to make a volume of sound performing loans. The fact that other lenders do it, means the Enterprises can too. FYI, my personal expertise is more on the front-end with consumers, and then at the remarketing side when a loan fails. But there are several experts that could guide the GSEs in terms of setting up their underwriting, servicing, etc. standards and procedures.

Put differently, there is no lack of talent and expertise for the GSEs to do what is needed and required.

It is an outrage that a decade after HERA was passed, that the GSEs are not yet fully dived into manufactured housing lending in any meaningful way. FNMA said in writing that they've done no personal property lending since 2006.

I'm told that within the GSEs there are groups who seriously want to do manufactured housing lending, and others that honestly don't want to, but the later *postures* wanting to make loans. So, is there an official stance that postures a desire to prudentially comply, but apparent foot dragging?

With FHFA itself in flux - with your director soon to be step down and replaced, per reports - it may be tempting to punt this DTS ball down the field again. That's a mistake. What too few understand is just how costly to society failing to make loans like what is suggested costs America and the federal government.

The article below helps shed light on some research that indicates that the economy would gain **\$2 trillion dollars a year in increased GDP**, once affordable housing is made more common for a wider range of society. The sources are cited.

<https://www.valuepenguin.com/home-insurance/fear-manufactured-homes-affordable-housing-crisis>

ValuePenguin 

HOMEOWNERS INSURANCE

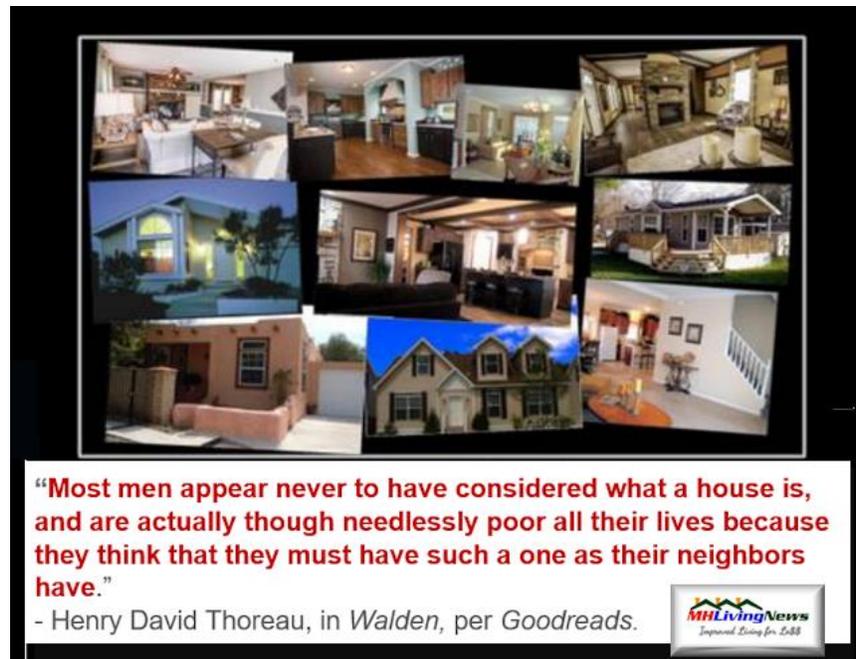
Fear, Manufactured Homes and a Solution to the Affordable Housing Crisis

Fear affects decision-making every day. But often, "fear" is an acronym for "false evidence appearing real." Our research indicates that the solution to the affordable housing crisis is hiding in sight, but fear and prejudice have kept it from being widely embraced.

- JUNE 7, 2018



Rephrased, it is in almost everyone's interest – including the federal government's – if more loans are made to a broader range of consumers, including on entry-level manufactured homes. It is only a limited number that want to bound the market, so that they might make a little more interest on their own loans, or to grow their 'moats,' or other motivations.



The homes in the photo are not the special class. They are entry-level to residential style HUD Code manufactured homes that have been on the market for years.

Let me draw this towards a close with the following. *MHProNews* has requested that the GSEs and FHFA provide insights as to the number of manufactured home loans made this year by Fannie and Freddie. Our sources tell us off-the-record that **'few if any'** loans have been made. We asked for that to be confirmed or clarified by an informed official source with the Enterprises or FHFA.

That question was ducked by almost everyone contacted. Why?

Here is what an FHFA spokesperson had to say. Quoting in part: ["Here is our response, which you can attribute to an FHFA spokesperson:](#)

[Our regulation requires that DTS performance data be reported in the year following the performance year. The information you requested is slated to be made public sometime in 2019. We cannot release that information now, nor is it our policy to ask the Enterprises to release it ahead of our own release schedule. We appreciate your attention to the matter and share your interest in getting the information out as soon as it is appropriate."](#)

I followed that up with this question.

"My thanks for your prompt reply. Here is a simple request. Please forward my request to both of the GSEs. Let them report, or not, based upon this request. Transparency isn't against the law, and it can help the comments planned. Does that make sense?"

Thank you. Regards,

Tony”

The same spokesperson said in a reply message:

“Tony, our response covers the Enterprises too. And I want to remind you that we too appreciate transparency which has been one of the guiding principles of the duty to serve program since day one.”

My follow up read as follows:

“Thanks again for your prompt reply. Pardon what might be mistaken as rude, because my intent is to get the facts. If transparency is the goal, then the GSEs should provide the requested information. My request stands. Please...forward my message to your contact with both. Please cc me. Let them respond, or not. Isn't that fair enough? Reasonable?”

Furthermore, given your statement on transparency - and please consider this next item as a new request. If transparency is valued, then I'd also like the minutes of the closed door meetings between MHI, various representatives of the GSEs, and the Manufactured Housing Institute's PowerPoint for their so-called "new class of homes."

Thank you again for your prompt replies...”

That last message has not yet been responded to, several hours later, as of this writing.

In fact, for approaching two years, we've requested some of that information from MHI, the GSEs and/or FHFA on the minutes of closed door meetings that we are told took place regarding the DTS and the Clayton-backed MHI so-called “**new class of homes**” – which we believe was not in the best interests of the majority of the industry's firms.

There has been no transparency on any of it. MHI hides the information behind a firewall. Why?

MHProNews asked for a written interview – we submitted questions, to Sarah Edelman with FNMA. She was to type her replies and email them back. As FNMA's point person on manufactured housing and DTS, she was the obvious choice. One of their media people initially said yes. But after some follow ups, they changed their minds, once questions and issues like those mentioned herein were raised.

Paul Barretto with FNMA did previously respond to a live public inquiry in a room with dozens of manufactured housing professionals in attendance. He admitted that the two Berkshire Hathaway lenders provided no data to the GSEs. That's like de facto saying, 'we don't want the GSEs to make manufactured home loans.'

<http://www.MHProNews.com/blogs/daily-business-news/fannie-maes-paul-barretto-news-making-remarks-in-tunica/>

It's arguably a scandal on several levels.



“Indeed, what precious-little new manufactured housing support activity is, in fact, provided by the FHFA-approved DTS implementation plans, appears to be directed primarily to the industry’s largest businesses, their corporate affiliates and other related beneficiaries.” –



Mark Weiss, JD, President, CEO of MHARR

Third-party image credits are as shown.



<http://www.MHProNews.com/blogs/daily-business-news/take-the-mh-advantage-challenge-can-you-tell-the-difference-fisk-of-sarah-edelman-director-of-duty-to-serve-single-family-mortgage-business-for-fannie-mae/>

Other lenders admitted to providing the GSEs with data, why not the Berkshire Hathaway brands of 21st and Vanderbilt Mortgage, et al?

Fannie Mae and Freddie Mac - Government Sponsored Enterprises or GSEs - were Gold sponsors of the most recent Manufactured Housing Institute (MHI event).

Yet, sources tell MHPProNews that very little lending is being done with the GSEs.

MHARR has said that what "precious little" GSE lending is being done, is going to primarily major MHI member operations.



It is well known that House Financial Services Committee Chairman Jeb Hensarling believes that their may be inappropriate lobbying taking place. If so in manufactured housing, a question that should be asked is this. Are the GSEs – for whatever reasons – trying to limit their lending in the manufactured housing industry space?

If so, aren't they clearly failing in their Congressionally mandated Duty to Serve manufactured housing?

Please see the report found at the page linked below, and consider all of the downloads and interrelated links as part of my submission and comments.

<http://www.MHPProNews.com/blogs/daily-business-news/fhfa-comments-on-duty-to-serve-manufactured-home-lending-due-by-midnight-tonight-with-mhpronews-regulatory-comments>



"Good bipartisanship should always be predicated on benefits for all honest members of the manufactured home industry, not just a select few power players. Good laws should always benefit consumers. The interests of consumers, businesses, and taxpayers should never be forgotten. Everyone can win, but only with good laws that are justly enforced."

- L. A. 'Tony' Kovach
Publisher of MHPProNews.com &
MHLivingNews.com, award-winning industry
expert and consultant.



Thank you, and here's to a deeper understanding of manufactured homes that leads to more home ownership, a stronger economy, and more sound lending that benefits the broadest range of society.

These comments were written this afternoon, between other duties, please forgive any typos.

Respectfully submitted,

L. A. 'Tony' Kovach
Publisher, service provider, and expert manufactured home industry consultant.

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Whether you think you can or whether you think you can't, you're right. - Henry Ford