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Manufactured Housing Advocates Anxiously Await Final Duty to Serve Rule



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WASHINGTON – Manufactured housing advocates are "guardedly optimistic" that the Federal Housing Finance Agency will soon issue a long-awaited final rule that they hope will expand the secondary market for what is commonly known as mobile homes.

The groups are pushing for a pilot program in a final rule by the Federal Housing Finance Agency that will let the government-sponsored enterprises invest in manufactured home loans that are not backed by real estate – otherwise known as chattel loans. Roughly 70% of manufactured homes are financed with chattel loans.



"You can do safe chattel lending," said Doug Ryan, executive director of affordable homeownership at the Center for Economic Development.

"We are optimistic it can do lots of good for manufactured home owners," said Doug Ryan, the Center for Economic Development's director of affordable homeownership.

The pilot program is expected to be part of the GSEs' "duty to serve" rule, which details how Fannie Mae and Freddie Mac should help low- and moderate-income borrowers.

"Requiring the GSEs to purchase chattel loans as part of their statutory Duty to Serve requirement is the single most important step the FHFA can take to improve access to mortgage credit for manufactured housing consumers," said Lesli Gooch, executive director of the Manufactured Housing Institute.

The Center for Responsible Lending is also encouraging FHFA to embrace such a pilot program.

"The pilot should have the explicit goal of expanding or making permanent a program to support safe chattel lending," the group said in a March comment letter.

But the idea remains a controversial one. The National Association of Home Builders and Independent Community Bankers of America have argued against the underwriting and securitizing of chattel loans, saying they are too risky.

"Chattel loans carry higher risk. We don't think it is a good idea for the GSEs to get into chattel loans," said Ron Haynie, a senior vice president at ICBA, in an interview.

In the late 1990s and early 2000s, Fannie and Freddie suffered significant losses by purchasing manufactured housing loans from finance companies like Green Tree Financial and Conseco Inc. Conseco filed for bankruptcy in 2002 due to defaults. The losses forced the GSEs to exit the manufactured housing market.

ICBA argues it would be preferable to have private mortgage insurers enter the market for manufactured home loans titled as real property.

The GSE regulator should "direct the Enterprises to work with mortgage insurers to development mortgage insurance products for manufactured housing loans," Haynie wrote in ICBA's March 17 comment letter.

The CFED's Ryan expects the chattel pilot program will focus on manufactured homes sited in manufactured housing communities owned by non-profits, state and local housing authorities and cooperatives that are stable and offer their tenants long-term leases. The major concern is that an owner of a community might suddenly sell the property to a developer and force the homeowners to move, which can be expensive.

"You can do safe chattel lending," Ryan said, if the land is preserved by non-profits or as cooperatives so the communities don't suddenly disappear overnight. "That should give comfort to a lender."

Manufactured Housing Institute officials have also been encouraged by their dialog with the GSEs about chattel lending. "We are very encouraged by their attention," Gooch said.

She also expects the Fannie and Freddie will start a pilot program where the manufactured homes are sited on land owned by the borrower, "like a farm."

But at the end of the pilot, Gooch wants to see the GSEs get into the business of purchasing chattel loans on a meaningful level.

"We think it is very important that they move ahead on the chattel side. Otherwise, the statutory Duty to Serve requirement in the manufactured housing space will not be fulfilled," she said.

There are questions, of course, about whether the Trump administration will have an impact on the duty to serve regulation if it is not issued before the president-elect takes office.

"We continue to work on a final Duty to Serve rule," FHFA spokeswoman Stefanie Johnson said in an email last week. "The rule is not yet complete so we won't be commenting on the substance of it." ##

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