



**GSE DUTY TO SERVE MANUFACTURED HOUSING:
REQUEST FHFA EXPAND GSE PERSONAL PROPERTY LENDING ACTIVITY
CONTACT FHFA AND CONGRESS IMMEDIATELY TO REQUEST MODIFICATION OF
ENTERPRISE DUTY TO SERVE UNDERSERVED MARKETS PROPOSED RULE**

BACKGROUND: Originally established to enhance the availability, efficiency and transparency of capital in targeted economic sectors, including housing, and to reduce the cost of credit in these sectors, government-sponsored enterprises (GSEs) Fannie Mae and Freddie Mac have had little involvement in financing manufactured housing. Less than one percent of GSE business comes from manufactured housing.

Congress recognized the need for GSEs to substantially increase their manufactured home loan activity. To increase the liquidity of mortgage investments and improve the distribution of investment capital available for mortgage financing, the Housing and Economic Recovery Act of 2008 (HERA; P.L. 110-289) Congress specifically established a duty for GSEs to serve underserved markets, including manufactured housing.

In implementing this “duty to serve” provision, the Federal Home Finance Agency (FHFA)—which serves as regulator and conservator of the GSEs—was given strong legislative guidance to consider loans secured by both real and personal property. HERA further directed GSEs to “develop loan products and flexible underwriting guidelines to facilitate a secondary market for manufactured housing.”

ISSUE ANALYSIS: On June 7, FHFA released a proposed rule (*Enterprise Duty to Serve Underserved Markets*; 75 FR 32099) that excludes personal property lending in the GSE duty to serve the manufactured housing market. Specifically, the proposed rule would “consider only manufactured homes titled as real property for purposes of the duty to serve the manufactured housing market...FHFA is proposing that only loans titled as real property be considered towards the Enterprise’s duty to serve.”

In the proposed rule, FHFA identifies three key reasons for declining to include personal property lending as part of the GSE duty to serve manufactured housing, including:

- **A lack of existing business activity** in purchasing personal property loans and, in order to develop a business in purchasing or guaranteeing personal property loans would require GSEs to develop operational capacities and risk management processes not currently in place
- **Extensive consumer protection requirements** would have to be developed by the GSEs in order to ensure that personal property lending was done responsibly
- **Personal property lending is inconsistent with GSE conservatorship** and would require too much effort to ensure safe and sound operations in this area

KEY TALKING POINTS: MHI opposes FHFA's proposed rule that refuses to include personal property lending in the GSE duty to serve manufactured housing requirement and urges FHFA and Congress to expand GSE activity in this area. Given the prevalence of personal property lending, FHFA's proposed rule essentially ignores the needs of both the manufactured housing industry and consumer.

- **FHFA and the GSEs have an obligation** to serve manufactured housing and the 18 million Americans currently residing in manufactured homes
- **GSEs cannot fulfill their “duty to serve” the manufactured housing by ignoring 21 percent** of the total housing market and manufactured homebuyers who are in desperate need of this source of affordable housing
- **More than 60 percent of manufactured home owners have relied on a personal property loan** in order to finance their home purchase; it is exceptionally difficult to faithfully serve any market if more than half of it is excluded from consideration
- **The charters of both Fannie Mae and Freddie Mac** have always allowed for the purchase of personal property loans and the GSE's have purchased Asset Backed Securities (ABS) collateralized by manufactured home loans and has purchased loans directly from lenders for their portfolios. Congress and HERA recognized this reality by specifying FHFA consider loans secured by both real and personal property in assuring the GSEs dutifully serve the needs of the manufactured housing market
- **Estimates indicate that personal property loans account for at least 60 percent** of manufactured housing lending. Enhanced liquidity for new homes will help expand and stabilize the existing home market
- **Industry lenders operate responsible and profitable programs for personal property lending** and follow all appropriate laws such as Truth in Lending (TILA), and the Secure and Fair Enforcement for Mortgage Licensing Act of 2008 (SAFE Act), as well as all appropriate state laws, however they have been shut out from a secondary market due to GSE policies; industry lenders can provide GSEs and the American taxpayer adequate protection from any loss

ACTION NEEDED:

1. **MHI members are asked to submit comments to FHFA** (*see attached sample comment letter*). Comments must be submitted by July 22, 2010. Submit comments via email to regcomments@fhfa.gov (*include “RIN 2590-AA27” in the subject line of the email*) **and** via mail (*see address on sample comment letter below*). Please forward copies to MHI.
2. **MHI members are asked to contact their Representatives and Senators, via fax or email, and ask** (*see attached sample letter*):
 - a. they contact FHFA directly to request the agency modify its proposed rule to require GSE's consider personal property lending in their duty to serve manufactured housing
 - b. they contact leaders of the House Financial Services and Senate Banking Committees and specifically request FHFA amend its proposed rule; Senators and Representatives serving on these committees are especially urged to make this request

For more information, contact MHI Vice President of Government Affairs Jason Boehlert at jboehlert@mfghome.org or 703.558.0660.