REQUEST FOR INPUT:
FANNIE MAE AND FREDDIE MAC PROPOSED 2022-2024 DUTY TO SERVE PLANS

May 18, 2021

Philip W. Schulte July 6, 2021

Comments Concerning the Enterprises Duty to Serve Plans for 2022-2024

I. FHFA Questions Concerning Market Liquidity and Underserved Markets

1. Do the proposed 2022-2024 Plan activities and objectives address the most relevant obstacles to liquidity in the applicable underserved market?

2. Are the proposed Plan objectives likely to increase liquidity in the applicable underserved market segment?

A. There is No Progress toward A Secondary Market For Personal Property Manufactured Home Loans

The absence of an Enterprise secondary market for personal property manufactured home loans is the largest obstacle to increasing choice for low-moderate income consumers and increasing liquidity in the availability of credit for this underserved segment of American society. In the latest DTS plans for Underserved Markets, the Enterprises have both proposed to stop the development of a secondary market for manufactured home personal property (chattel) loans. Three quarters of the new manufactured homes are sold as personal property so increasing mortgage lending for permanent foundation manufactured home loans does not help with this underserved market.

1. Differences in Approach Between Underserved Submarkets

Also, the differences in approach between the underserved markets identified by Congress are noteworthy. For example, in the Fannie Mae plan, the Enterprise has decided to purchase about 200 Low income Housing Tax Credit (LIHTC) properties each year though partnerships with syndicators. In addition, Fannie Mae will maintain industry engagement and increase Enterprise expertise in this subject area. Evaluation of investment performance and this market along with engagement and expertise maintenance would continue in 2023-24. The same approach for manufactured housing chattel loans would help meet Congressional DTS objectives.

2. Rural High Needs Areas Mortgage and non-Mortgage Lending Gaps

Limited lender access, difficulties with the appraisal of widely scattered home sales and disinvestment limits credit access and liquidity for both mortgage and chattel loan financing in rural areas. Freddie Mac also notes in its DTS plan that Community Development Financial Institution (CDFI) mortgage loans in rural areas do not meet traditional Enterprise loan purchase standards. Freddie Mac has committed to create "a tailored solution that facilitates CDFIs origination of conventional mortgages in high-needs rural regions" while still taking into account safety and soundness considerations. Why shouldn't a similar tailored solution be pursued for chattel manufactured home lending in rural areas?

So, FHFA and/or the Enterprises are distinguishing among the Duty To Serve underserved submarkets. The question is why? Discussion of how to accommodate both objectives (a liquid manufactured home chattel market operated safely and soundly) will be the majority of these comments (see Part III).

II. **American Rescue Act Are there specific actions the Enterprises should consider adding to their Plans in response to housing provisions in the American Rescue Plan Act of 2021, such as the Rental Assistance program, the Homeowner Assistance Fund, funding for housing assistance and supportive services programs for Native Americans, or emergency assistance for rural housing?**

A. Homeownership Assistance Fund and Other Programs

Assistance to struggling low-moderate income families, including those in manufactured homes could be a great help for existing homeowners. Also, establishing an assistance program for homeowners with personal property loans can increase the Enterprise knowledge base concerning manufactured home ownership costs and credit risks.

II. Safety and Soundness and Additional Information

9. Are there any safety and soundness concerns related to the proposed Plan activities and objectives?

10. What additional information might be helpful in evaluating the proposed Plan activities and objectives?

A. More Transparency on the Part of FHFA Would Enhance the Public Participation Process

Yes, there are significant safety and soundness concerns about any type of home lending, including manufactured home personal property loans ("chattel loans"). Fannie Mae stated in its 2022-2024 DTS plan that the Enterprise would "continue to work with our regulator to understand safety and soundness considerations and the viability of a chattel loan pilot program". Freddie Mac made a more direct statement that it was "not able to work through safety and soundness considerations with FHFA for a proposed pilot and bulk loan purchasing activity".

FHFA has not explained the specific reasons for its conclusion that such a program cannot be operated today in a safe and sound manner. Because these objections are unstated, the public has no way to assess if there is additional information or evidence that might allay these FHFA concerns. These objections could be addressed as a critical part of the public outreach and listening sessions.

It is important to note that there are a small number of manufactured home chattel lenders who are successfully making loans (see Table Eight: Page 11 of these comments). However, a single family mortgage market consisting of mainly home builder finance companies would not be a liquid or competitive market.

B. Safety and Soundness in Lending Operations

1. Safety and Soundness Principles

FHFA established two principles for the operation of the Enterprises under conservatorship. (https://www.federalregister.gov/documents/2008/09/09/E8-20839/establishment-of-a-new-independent-agency). The first principle is that Enterprises operate prudently in a safe and sound manner (protection of the taxpayer). The second principle is operations consistent with the public interest by "foster[ing] liquid, efficient, competitive, and resilient national housing finance markets".

In fostering this public purpose, the Enterprises would allow a lesser economic return for activities dedicated to low- and moderate-income families. Implicit in this principle is that public purpose operations directed to low-moderate income Americans should not be money losing operations but a lower economic return is permissible. In addition to meeting the operational goals, the Enterprises must maintain adequate capital, internal controls and follow FHFA rules.

C. Three Key Areas in Developing Safe and Sound Personal Property Lending

Loan origination and servicing practices and controls for a manufactured home personal property secondary market must address the following areas:

1. Default risk
2. Percentage of loss due to recovery and sale of collateral
3. Deployment of effective loan underwriting, lender management and loan servicing policies

D. Default Risk

1. Key Influencers in Loan Default

Because a small number of non-bank lenders make manufactured home chattel loans and they have chosen not to share their proprietary detailed loan experience information, determining default risk has been more difficult. However, manufactured home loan defaults result from the same combination of relationship problems (divorce or death), serious illnesses, financial adverse events due to job loss or credit problems and low equity/high loan to value ratios (see Federal Reserve Bank of Minneapolis research paper article: https://www.minneapolisfed.org/article/2017/who-defaults-on-their-mortgage-and-why-policy-implications-for-reducing-mortgage-default. Therefore, the frequency of occurrence and what happens when default occurs are the key areas to evaluate.

3. Dataset of Loan Default Characteristics

There are certain factors in loan origination which can have a material impact on the default risk. In May of 2021, the FHFA published A Quarter Century of Mortgage Risk: Working Paper 19-02, a long term study of its experience in defaults both for Enterprise portfolios, government insured or guaranteed loan portfolios (FHA and VA) and for private label security portfolios. The data covered the default risk is for loans originated in 2006-2007; a period when underwriting standards, loan to value

ratios and credit scores were relaxed, thus materially increasing the default risk. This would present an adverse case scenario as default rates for this period were substantially elevated.

A loan is considered to be in default if it was ever 180 days or more delinquent or was terminated for less than the full outstanding balance of the loan. In some cases, the authors made estimates for missing data concerning Debt to Income (DTI) ratios, credit scores, Combined Loan to Value (CLTV) ratios, loan documentation status, amortization status, occupancy status, and type of refinance loan (rate-and-term) versus cash-out.

4. Examining Default Risk for Enterprise and Non-Enterprise Loans: Lower Credit Score Borrowers

There is a substantial variation in the default risk between the Enterprises, FHA, VA and private label security loans. For example, in Table One, for a standard amortization, full documentation loan with medium loan to value, debt to income ratio and lower credit scores, the default risk varies from 21.3% for VA loans to 41.8% for FHA loans. Enterprise loans performed nearly as well as the VA loans with private label securities loans closer to the FHA loan default percentage. . The relationship between Enterprise and non-Enterprise loan default risk remains the same at higher credit scores (see Table Two):

Table One: Baseline Fixed Rate, Standard Amortization, Full Documentation Loans Originated 2006-2007: Lower Credit Score

Category	Credit Score	Loan to Value Ratio	Debt to Income Ratio	Default Risk
FHA	620-639	81-85	34-38	41.8%
Enterprise	620-639	81-85	34-38	25.2%
VA	620-639	81-85	34-38	21.3%
Private Label Securities (PLS)	**620-639**	**81-85**	**34-38**	**35.3%**

Table Two: Baseline Fixed Rate, Standard Amortization, Full Documentation Loans Originated 2006-2007; Higher Credit Score

Category	Credit Score	Loan to Value Ratio	Debt to Income Ratio	Default Risk
FHA	690-719	81-85	34-38	29.2%
Enterprise	690-719	81-85	34-38	10.8%
VA	690-719	81-85	34-38	10.1%
Private Label Securities (PLS)	690-719	81-85	34-38	20.2%

Private label loan portfolios statistics have been chosen for the baseline since manufactured home chattel loans are not conforming loans and therefore, the enterprise default experience on single family detached homes might understate the risk of default. The private label securities loan default risk percentages are based on CoreLogic's dataset which covers 90 % of this private label market.

5. Key Default Loan Origination Parameters

The FHFA database covers five key parameters: loan to value ratio, credit score, debt to income ratio, loan type (fixed or variable) and loan purpose (primary residence, refinancing). In addition to verification of employment and assets through proper documentation and credit validation, these factors would appear to have the greatest impact on loan default risk.

The Consumer Finance Protection Agency published the Manufactured Housing Finance: New Insights from the Home Mortgage Disclosure Act Data report in May of 2021. The Home Mortgage Disclosure Act (HMDA) data indicates a medium credit score of 676 for chattel manufactured home loans. Therefore, the credit score range of 660-689 has been used to compare the relative impact of the five default parameters on default risk.

(a). Loan to Value (LTV) Ratio

Default statistics have been selected for typical manufactured home loans (86-90% loan to value), very high LTV and low LTV (81-85%). Table Three shows that the default rate increases materially when the LTV moves above 90% but there is little change in default risk between high and the highest LTVs. Still, given the high default rates, a minimum downpayment of at least 15% would better controls risk.

Table Three: Baseline Fixed Rate, Standard Amortization, Full Documentation Private Label Security Loan to Value Ratios Loans Originated 2006-2007

Category	Credit Score	Loan to Value Ratio	Debt to Income Ratio	Default Risk
Lowest LTV	**660-689**	**81-85**	**34-38**	**25.8%**
Medium LTV	660-689	86-90	34-38	28.5%
High LTV	660-689	91-95	34-38	36.5%
Highest LTV	660-689	96+	34-38	38.2%

(b) Debt to Income Ratios

Based on the HMDA data (median chattel borrower DTI ratio of 35.5%), the base DTI range was set at 34-38% with the highest ratio (44-50%). The default risk does not change substantially regardless of debt to income ratios (see Table Four). Therefore, some latitude could be allowed for consumers, especially younger first time home buyers with high debt to income ratios at present but who will likely see income increases later in life.

Table Four: Baseline Fixed Rate, Standard Amortization, Full Documentation Private Label Security Debt to Income Ratios Loans Originated 2006-2007

Category	Credit Score	Loan to Value Ratio	Debt to Income Ratio	Default Risk
Lowest DTI	660-689	81-85	1-33	23.5%
Medium DTI	**660-689**	**81-85**	**34-38**	**25.8%**
High DTI	660-689	81-85	39-43	27.0%
Highest DTI	660-689	81-85	44-50	28.5%

(c) Credit Scores

The credit score default data is far different than the previous debt to income ratios. Moving from a credit score of 620 to a minimum of credit score of 660 cuts the default risk by a third (see Table Five). The change is similar to what occurs in downpayments.

Table Five: Baseline Fixed Rate, Standard Amortization, Full Documentation Private Label Security High and Low Credit Scores Loans Originated 2006-2007

Category	Credit Score	Loan to Value Ratio	Debt to Income Ratio	Default Risk
Lowest Credit Score	**620-639**	**81-85**	**34-38**	**35.3%**
Low Credit Score	*640-659*	*81-85*	*34-38*	*31.2%*
Medium Credit Score	*660-689*	*81-85*	*34-38*	*25.8%*
Highest Credit Score	*690-719*	*81-85*	*34-38*	*20.2%*

(d) Loan Type (Fixed or Variable)

This parameter has not been fully profiled since the vast majority of manufactured home chattel loans are fixed rate loans. However, should adjustable rate mortgages become an option, caution should be exercised. The default rate for private label adjustable rate loans with a credit score of 660-689 and the LTV and DTI ratios shown in Table Five would be 30.3%, nearly 5 percentage points higher than standard amortization loans.

(e) Loan Purpose (Primary Residence, Refinancing)

Manufactured home buyers intend to occupy their home as their primary residence. Also, the CPFB report referenced above shows that the percentage of refinanced chattel manufactured home loans was 3.4% of the total chattel loans. Refinancing of loans is less common for a number of reasons, including the absence of lenders willing to make these loans on acceptable terms. Still, it worth noting that rate and term refinancing loans with the same parameters noted above had a default risk of 43.9% vs 25.8% for a home purchase loan.

(f) No or Low Documentation Loans

While there is data concerning these default performance of these types of loans, the default risks are so high (53% for refinanced, standard amortization loans with the same parameters) that these

loans cannot be considered as safe and sound. Any secondary market for chattel loans must operate conservatively with full lender and Enterprise controls and diligence in credit documentation.

E. Planning for Safe and Sound Loan Origination

The mortgage study data shows that default risks are more heavily influenced by the Loan to Value ratio (amount of downpayment) and the credit score. Financial data from a major lender indicates an average downpayment of 17%, which is very consistent with the 81-85% loan to value ratio. A minimum credit score of 660 with a maximum loan to value of 85% resulted in a default risk of 25.8%, a third less than the overall default risk for private label security loans at 35%. This is also very close to the Enterprise default risk for lower credit score loans shown in Table One.

F. Recovery and Resale of Repossessed Homes

1. Past Financial Losses

The second major factor is the costs of repossession and resale for repossessed manufactured homes. Historical mass default scenarios happened in the 1980s and early 2000s but the financial results are dated and may not be relevant to conditions today.

2. Financial Data from Manufactured Home Lenders

There is enough publicly available lender data (see Table Six below) concerning loss reserves and charge-offs for loan defaults. For financial statement purposes, allowances for credit losses from manufactured housing loans include estimates of losses on loans currently in foreclosure and losses on loans not currently in foreclosure. Given the length of time covered by the financial data, it is certainly possible to do modeling of loan performance and expected loan losses net of repossession recoveries.

Table Six: Manufactured Home Loan Loss and Loan Charge-offs for the Last 20 Years

Year	Percentage of Loss Reserve to Outstanding Portfolio Size	Percentage of Loan Charge-offs to Outstanding Portfolio Size
2020	4.16%	0.69%
2019	0.79%	0.85%
2018	0.96%	0.98%
2017	1.17%	1.18%
2016	1.08%	1.08%
2015	1.13%	1.35%
2014	1.34%	1.66%
2013	1.99%	2.13%
2012	2.47%	2.68%
2011	2.61%	2.49%
2010	2.54%	2.59%
2009	3.09%	2.72%
2008	2.42%	1.71%
2007	1.59%	1.77%
2006	2.12%	2.45%
2005	2.44%	1.16%
2004	1.55%	1.32%
2002	2.20%	
2001	1.80%	
2000	1.40%	
1999	1.40%	
1998	0.80%	
Median	**1.99%**	**1.66%**

Note that the loan reserve and actual loan charge-offs were very similar. Also, the data shows many of the same peaks and valleys in loan charge-offs that were experienced in other single family housing loan markets. Loan charge-offs accelerated to 2.5% of outstanding loans in 2009 and remained elevated until 2014 when they began the downtrend that continues today.

The loan loss reserve increased substantially in 2020 due to a change in accounting rules. Specifically, the lenders adopted Accounting Standards Codification ("ASC") 326 "Financial Instruments". ASC 326 requires that expected credit losses from loans include situations where the risk of loss is probable or remote, rather than just probable as in prior guidance. Much of the increase in loss reserve was due to a charge against retained earnings for past loans.

3. Comparison of Loan Charge-off data to Delinquency Data

There are two critical factors in determining charge-offs, the percentage of delinquent loans that go to repossession and the loss recovery percentage. The percentage of loan defaults that result in a repossession is estimated at 50% and the loss percentage has been set at 50% based on data contained in Freddie Mac's The Loan Shopping Experiences of Manufactured Home Homeowners. The results are shown in Table Seven: While the default and recovery percentages may vary, a ballpark charge-off range of about .075%-1.5% is consistent with the loan experience for the past five years.

Table Seven: Loss Rate Projections Based on Lender Delinquency Data

Year	Current Loan Percentage	Estimated Charge-offs After Recoveries	Comparison with Actual Lender Data
2020	97.00%	0.75%	0.69%
2019	96.00%	1.00%	0.85%
2018	95.00%	1.25%	0.98%
2017	95.00%	1.25%	1.18%
2016	94.00%	1.50%	1.08%
2015	95.00%	1.25%	1.35%

G. Deployment of Prudent Loan Origination and Servicing Procedures

The Enterprises have developed detailed seller servicer approval procedures and manuals to prescribe the life cycle of loans. There are some differences involved in manufactured home personal property loans. For example, the involvement of manufactured home retailers in the loan transaction, differing methods for appraising collateral and the complexities involved in repossessions where the borrower does not own the land. There is also the question of enhancing consumer tenant protections and the lender's ability to resell the home without removal under certain conditions.

Still, manufactured home lenders verify the existence and duration of employment, verify the amount of the downpayment, conduct a credit examination and ensure that the loan documentation is full and complete. Most of the Enterprise practices can be applied to chattel home lenders. Also, lender capital standards, rules for repurchasing loans and other lender requirements can be adapted for manufactured home chattel loans.

H. Guaranty Pricing and Other Special Adjustments for Chattel Loans

The Enterprises publish charge-off data for their single family loan operations. When the Enterprise loss charge-off percentage is compared to the lender data shown in Table Six, it is likely that the current guaranty fee for single family home mortgages (46.4 basis points) will have to be adjusted upward.

1. Fannie Mae and Manufactured Home Lender Loss Reserves

According to Fannie Mae's 2019 financial report, the loss reserve for single family loans is .3% of the outstanding guarantee book of business. This is roughly 1/3th of the manufactured home loss reserve shown in Table Eight below.

The difference in lost reserves between Fannie Mae and the manufactured home lender narrows in the earlier years of the last decade (see Table Eight). However, the current appreciation rates in single family property values, huge refinancing volume and declining forbearance loans may point to even lower Enterprise loss reserves and percentage losses for the next few years. The precise amount of the guarantee fee and any up-front loan premium will be dependent on the Enterprise's expected minimum return for manufactured home chattel lending.

Table Eight: Losses Reserves for Fannie Mae and Manufactured Home Lenders

Year	Fannie Mae	Manufactured Home Lenders
	Single Family: Loss reserves as a percentage of guaranty book of business:	Provision for Loan Losses as Percentage of Portfolio
2020	0.30%	4.16%
2019	0.30%	0.79%
2018	0.49%	0.96%
2017	0.65%	1.17%
2016	0.83%	1.08%
2015	1.00%	1.13%
2014	1.28%	1.34%
2013	1.55%	1.99%
2012	2.08%	2.47%
2011	2.52%	2.61%
Median	0.92%	1.25%

2. Adjustment Factors For Manufactured Home Loans

Fannie Mae already has Loan Level Pricing Adjustment (LLPA) factors in place for loans like potential chattel manufactured home loans without private mortgage insurance (see LLPA Table: One: https://singlefamily.fanniemae.com/media/9391/display). Manufactured home chattel loans would have a LLPA of 2.75- 1.50% depending on whether the credit score is 660-679 or 680-699. In addition to this LLPA, there is a 50 basis point LLPA for manufactured homes (see LLPA, Table 2). These requirements would further limit Enterprise risk.

IV. Additional Lender and Market Concerns For Safety and Soundness

A. Fostering Liquid and Competitive Markets

Given the limited number of manufactured home lenders, you would not expect competition to be robust. Also, market liquidity could be enhanced through the standardization of the various loan products, origination, underwriting and servicing standards for lenders. Underwriting standards and loan performance periodic reviews are crucial to maintaining asset quality, especially during economic downturns as shown from the loan charge-off data in Table Six. Prospective seller servicers must be able to show a track record of successful operations as well as the ability to monitor and control default risk. These controls will broaden the marketplace and increase investor confidence.

B. Fostering Resiliency: Successful Chattel Lending Operations Do Exist

The manufactured home market has experienced meltdowns in the past where there was a wholesale loss of lenders and the markets experienced high losses. The marketplace did not recover for many years. However, there should be no real question whether it is possible to lend money successfully to purchase manufactured homes treated as chattel (see Table Eight below).

Table Eight: Top Manufactured Home Chattel Lenders

Consumer Finance Protection Bureau Manufactured Housing Finance: New Insights from the Home Mortgage Disclosure Act Data		
2019 HMDA Data Highest Volume Manufactured Home Chattel Lenders		
Name of Lender	Number of Loans	Market Share
21st Century	17,900	46.13%
Vanderbilt	9,000	23.20%
Triad Mortgage Services	6,100	15.72%
Credit Human FCU	2,700	6.96%
Cascade Finance Services	1,300	3.35%
First Bank	800	2.06%
CountryPlace Mortgage Ltd.	400	1.03%
First Advantage Bank	600	1.55%
Total Chattel Loans	38,800	

5. Are there other activities and objectives the Enterprises should consider adding to their Plans?

V. Increasing Equity in the Availability of Credit for Manufactured Home Purchasers

A. Promoting Equity By Increasing Homeownership and Financing Opportunities

Congress has already identified manufactured home purchasers as credit disadvantaged by passing the Duty to Serve provisions. The Consumer Finance Protection Bureau noted that the credit landscape does not provide manufactured home buyers the same degree of equity in the terms for credit. Specifically, the agency concluded that:

> “Compared to mortgages, chattel loans have higher interest rates, shorter loan terms, lower loan amounts, fewer consumer protections, and are rarely refinanced.

The HMDA data shown in Table Eight shows that in essence, there are only a few lenders that offer large numbers of chattel manufactured home loans.

B. Diversity and Inclusion

In its 2021 New Insights report, the Consumer Finance Protection Bureau concluded that “Hispanic, Black and African American, American Indian and Alaska Native, and elderly borrowers are more likely than other consumers to take out chattel loans, even after controlling for land ownership”. The illiquidity of the current marketplace is offering fewer lender choices to these Americans. Also, higher interest rates increase interest costs and allow for a slower accumulation of wealth.

C. Opportunity for the American Dream and the Shortage of Affordable Housing

A companion to diversity is opportunity to become a homeowner. While about 8% of Americans live in manufactured homes, the market penetration in growth areas like the South Census Region is

greater than the national average. As noted in the Freddie Mac DTS plan, there is a significant shortfall in single family housing production with the lowest end of the market having the greatest undersupply. Also, the production shortage is coupled with the largest US generation (the Millennials) who are now in their prime first home buying period. A chattel loan market would help encourage more affordable home production.

D. Initiatives To Expand Equity and Inclusion in the Finance System

1. The Credit Reform Act List of Eligible Activities

The Community Reinvestment Act was passed more than 40 years ago to address the needs of low-moderate income borrowers who tended to be underserved. At present, eligible activities for CRA credit do not include manufactured home personal property loans. As part of its outreach to other government agencies, FHFA or the Enterprises can suggest adding this loan product to expand credit availability, increase competition and product offerings. Also, the possibility of a secondary market as an alternative to portfolio lending would be a further incentive for regulated financial institutions to participate with the Enterprises in originating personal property manufactured home loans.

E. New Loan Products and Manufactured Home Chattel Loans

The Enterprises have introduced new products such as energy efficient mortgages (Homestyle Energy mortgages, GreenChoice mortgages) where there does not appear to be long term data to fully assess credit risk and there were relatively few lenders who had the experience to give the Enterprises the information. Yet, the enterprises introduced these new products anyway, why?

Because there is a strong public purpose in fostering energy efficiency. One of Fannie Mae's Duty to Serve objectives is to fund loan purchases for energy or water efficiency improvements (see G. Regulatory Activity: Energy or water efficiency improvements on single-family, first lien properties that meet the FHFA Criteria (12 C.F.R. § 1282.34 (d) (3)), items 2 and 3). Congress has determined that there is a public purpose in making affordable manufactured homes more available.

F Fairness to all Americans and the Wealth Gap

Income inequality and the absence of the American dream of homeownership for many low to moderate income Americans is one of the most important unsolved problems in America. In fact, cheap credit has bolstered asset markets and led to prosperity for some while less wealth creation for low to moderate income Americans. Many renters are potential manufactured home owners and they are restrained only because the illiquidity of the manufactured home lending industry.

VI. Conclusions and Recommendations for the Manufactured Home Chattel Pilot Program

A. Safety and Soundness in Originating Manufactured Home Chattel Loans

The jigsaw puzzle that is manufactured home chattel lending is not fully complete but the default and loss data is sufficiently clear that loss origination and servicing could begin under safe and

sound lending terms. If the Enterprises continue to merely discuss the matter with FHFA, low-moderate income Americans will continue to be underserved as there is little indication that private capital is entering this line of business absent government action. An example of a manufactured home chattel loan pilot program is briefly described below.

C. Using the Enterprise Duty to Serve Rural Mortgage Loan Purchases as a Benchmark

Both Enterprises have stated that they will each make high needs rural area single family mortgage loans of about 11,000 – 12,000 loans in 2022. The total Enterprise investment will be approximately 3.0 billion dollars. The Enterprises could collectively consider a manufactured home chattel program of 4% of the size of the rural high need single family loan objective. This would be about ¼ of the market share of manufactured homes in these high need rural areas. That amount would be large enough to gather meaningful lending experience while still comprising a small amount of the assistance for primarily rural underserved Americans.

D. Potential Size of A Manufactured Home Chattel Loan Program

According to the 2021 Consumer Finance Protection Bureau study (The Manufactured Housing Finance: New Insights from the Home Mortgage Disclosure Act Data), the median manufactured home chattel loan amount is $56,672. The median chattel loan for landowners is $70,731. Both types of loans (ownership and leased land) should be selected to see if there is a significant difference in loan servicing and repossession. The total investment could be about $125 million per year (see Table Nine). 2,000 loans would finance 2-3% of the new manufactured homes sold each year.

Table Nine: Size of A Potential Manufactured Home Chattel Loan Pilot Program

	Leased Site Chattel Loans	Direct Ownership Chattel Loans
Median Loan Amount	$56,000	$70,731
Number of Loans Purchased	1,000	1,000
Total	$56,000,000	$70,731,000
Total Enterprise Investment	$126,731,000	
Total 2022 Enterprise Investment in	$3,000,000,000	
Percentage of MH Chattel Pilot to	4.22%	

Duty to Serve proposals to increase rural lending in high needs areas should also be extended to the financing of personal property manufactured home loans. Safety and soundness concerns can be addressed with the appropriate lender controls, sound underwriting and servicing standards to reduce the likelihood of loan defaults and guaranty pricing that would provide a reasonable economic return. Low moderate income homebuyers have been waiting to have the same finance opportunities as other Americans. A well-structured and operated manufactured home chattel lending program could promote finance choice and equity for these underserved Americans.