



August 16, 2010

The Honorable David H. Stevens
Assistant Secretary for Housing and
Federal Housing Commissioner
U.S. Department of Housing and Urban Development
451 Seventh Street, SW
Washington, DC 20410

RE: Docket No. FR-5404-N-01

Dear Commissioner Stevens:

On behalf of the Manufactured Housing Institute (MHI), please find comments in response to the July 15 Notice *Federal Housing Administration Risk Management Initiatives: Reduction of Seller Concessions and New Loan-to-Value and Credit Score Requirements*.

The Manufactured Housing Institute (MHI) is the national trade organization representing all segments of the factory-built housing industry. MHI serves its membership by providing industry research, promotion, education and government relations programs, and by building and facilitating consensus within the industry.

Manufactured housing is a key source of quality affordable housing for nearly 10 million families across the nation. Since 1989, manufactured housing has accounted for 21 percent of all new single family homes sold. Manufactured housing—at this critical time for the housing markets and for home buyers—has the potential to play an even greater role in providing quality affordable housing.

To accomplish this, MHI supports public policies that focus on:

- Promoting and preserving the affordability and customization of manufactured housing
- Preserving and expanding access to housing for all Americans
- Placing manufactured housing on a level playing field with site-built housing

Manufactured housing delivers quality and value to consumers across all income ranges. Through cost savings and technological advancements in factory-building processes, the manufactured housing industry can produce homes for 15 to 25 percent less than comparable site-built construction.

This affordability factor means that manufactured housing has long been the choice for many very low-, low- and moderate-income families, including retirees on living on fixed

incomes. In fact, the median annual income of a manufactured home buyer is under \$35,000 (73 percent of manufactured home households earn less than \$50,000 annually) while the average purchase price is under \$70,000. In addition, in 2009 manufactured housing accounted for 43 percent of all new homes sold under \$150,000 and 23 percent of all new homes sold under \$200,000.

With 30 percent of single-family mortgages now insured through the Federal Housing Administration (FHA), MHI and its members fully appreciate the increased pressure the agency is facing to balance its mission of reducing risk to mortgage lenders with supporting home ownership for underserved borrowers, while at the same time ensuring there is the least amount of exposure to U.S. taxpayers.

MHI supports proposals to ensure that the agency's risk exposure is minimized, which ultimately ensures FHA is able to continue providing borrowers access to credit in an era when capital is constrained.

In implementing specific aspects of its new risk management initiative— including: 1) reducing the amount of seller concessions in FHA-insured single-family mortgage transactions; 2) requiring a minimum credit score of 500 to qualify for FHA financing; 3) reducing the maximum loan-to-value (LTV) ratio for those with credit scores under 580; and 4) imposing stricter manual underwriting standards—MHI urges FHA to continue to fully serve the specialized and unique needs of the manufactured housing consumer, industry and market and that these initiatives be uniformly applied to site-built and factory-built housing.

In particular, MHI is deeply concerned about the proposal to reduce the amount of seller-concessions. By some industry estimates, if this proposal is put in place, the manufactured housing loan activity in this vitally important FHA program would drop by 50 percent. The manufactured housing industry can ill-afford this effect. Because of the industry's unique financing challenge, the manufactured housing market would be adversely impacted by this change.

Unlike the site-built housing market, a secondary market to securitize manufactured home loans does not exist. Lack of a secondary market limits the ability of lenders to securitize their loans thereby raising the cost of capital and reducing the overall level of liquidity in the manufactured housing market. As a result, manufactured home loans typically carry higher rates than those for site-built homes and the ability to incentivize credit worthy borrowers is limited.

An FHA-insured loan serves as, essentially, the only source manufactured home financing for loans with an LTV greater than 80 percent. The ability to provide an incentive to credit-worthy manufactured home loan borrowers, whom are primarily low-income, is an important resource. Reducing the concession essentially creates a barrier to entry for credit-worthy borrowers that may be unable to bring significant resources to the closing table.

In order for FHA to adequately manage its exposure to risk, MHI feels a reduction of the seller concession for those with riskier credit scores may be appropriate. However, for a majority of borrowers, a reduction of the credit concession may be unwarranted and unnecessary.

Based on the agency's data, MHI believes that FHA's risk would be adequately managed by maintaining the six percent seller concession for those with elevated credit scores. Maintaining the seller concession at this level would achieve a dual purpose of 1) helping better credit quality customers acquire an FHA loan; and 2) mitigating FHA's risk by ensuring it is providing concessions to borrowers that are sufficiently credit worthy.

MHI urges the agency to ensure buyers of manufactured homes continue to have full and equitable access to FHA insurance products. FHA's Title I and Title II insurance programs are vital and indispensable tools for manufactured homebuyers. The continued viability of these programs is of critical importance.

As housing and affordability problems continue and as the broader market returns to conservative lending practices that emphasize risk management, policy makers are urged to promote manufactured housing as an quality, affordable and responsible housing solution.

Thank you for your thoughtful consideration of these comments.

Sincerely,

A handwritten signature in black ink, appearing to read 'Thayer Long', written in a cursive style.

Thayer Long
Executive Vice President