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OF LAND POLICY

September 26, 2022

Office of the President
Ginnie Mae
425 3rd Street SW, Suite 500
Washington, DC 20024

Office of the Assistant Secretary for Housing – Federal Housing Commissioner
U.S. Department of Housing and Urban Development
451 7th Street SW
Washington, DC 20410

Re: Request for Input: FHA and Ginnie Mae Title I Manufactured Housing Programs

Dear President McCargo and Commissioner Gordon:

On behalf of the I'm HOME Network convened by the Lincoln Institute of Land Policy, and:
- Center for Community Progress
- National Association for Latino Community Asset Builders
- National Community Stabilization Trust
- National Housing Law Project
- National Housing Resource Center
- National Manufactured Housing Owners Association
- Next Step
- ROC USA*; and*
- UNIDOS

I am pleased to submit a response to the Ginnie Mae Request for Input (RFI) regarding FHA and Ginnie Mae Manufactured Housing (MH) Programs. We thank Recursion for providing data and analytics support for this response. This is a voluntary response provided to HUD in response to an RFI. This is not a required submission for participation in a federal program. Our response follows the topics suggested in your RFI.

In summary, we strongly support modernizing and enhancing the Ginnie Mae MH and FHA Title I programs. Throughout our comments, we suggest steps to make the Title I program commercially viable and call for the Title I program to generally mirror the Title II program. In addition, FHA must impose strong consumer protections, encourage better consumer education, and to the extent possible incent adopting standard tenant pad/ground lease protections. As part of this effort, we call on HUD to convene stakeholders and align consumer and lender interests through a standardized and scalable ground lease. While there is much work to be done, we are ready to work with HUD on this ambitious effort.

We appreciate being asked for our views. If you have questions or would like us to elaborate on anything in this response, you may contact Maya Hamberg, maya.hamberg@lincolninst.edu or me.

Sincerely,
Jim Gray
Jim Gray
Senior Fellow
Lincoln Institute of Land Policy

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Response to Request for Input:
FHA and Ginnie Mae Title I Manufactured Housing Programs

September 26, 2022

Topic 1: Current Environment

Question 1: What information can you provide about current manufactured housing financing options and structures? What are the factors that drive the status quo?

Before addressing your question, we want to call attention to statutory constraints on loan terms that will require congressional action to change and make Title 1 viable. Even lawyers have a difficult time deciphering the relevant statute, but after conferring with knowledgeable sources, we understand that the statute currently limits the loan term to 20 years and 32 days. [1]

Our lender contacts advise us that commercially viable Title 1 product would have to have terms of at least:

- 25 years for home-only loans; and
- 30 years for land + home loans.

Revising the statute to permit HUD to offer commercially viable Title 1 program parameters must be addressed if this worthwhile effort is to succeed.

Second, the current manufactured housing (MH) financing options are heavily reliant on the private finance market. Personal property or chattel loans are almost completely in the private finance market. After largely exiting the MH market in the early 2000s, a number of lenders have re-entered. Now, the market is dominated by two Berkshire Hathaway affiliates, Vanderbilt and 21st Mortgage Corporation, with Cascade, Triad and Credit Human rounding out the top tier of national lenders. Loans are held as portfolio loans by most lenders. Cascade has recently begun a small securitization effort. Figure 1 shows the distribution of loan types and the limited participation by Fannie Mae and Freddie Mac (the GSEs) and Ginnie Mae in MH chattel loan securitization.

Figure 1: Percentage of Issued Manufactured Home Loans in 2021 Sold to Other Entities and Held by Issuer ("Not Sold")[2]

% by loan count	FRE	FNM	GNM	PLS	AFFLIATE	BANK	CU	FAM	INS	NOT SOLD	OTHER	Grand Total
MH Mortgage	7.0%	15.3%	24.9%	0.6%	0.5%	1.7%	9.3%	0.0%	0.3%	34.9%	5.5%	100.0%
MH Chattel with Direct Land Ownership	0.8%	2.2%	5.3%	1.6%	0.3%	0.9%	3.8%	0.0%	0.2%	84.6%	0.3%	100.0%
MH Chattel without Direct Land Ownership	0.0%	0.1%	0.2%	1.6%	0.0%	0.6%	3.2%	0.0%	0.2%	78.1%	15.8%	100.0%
Exempt	2.4%	1.1%	0.0%	0.1%	0.1%	0.3%	1.6%	0.0%	0.0%	92.7%	1.8%	100.0%

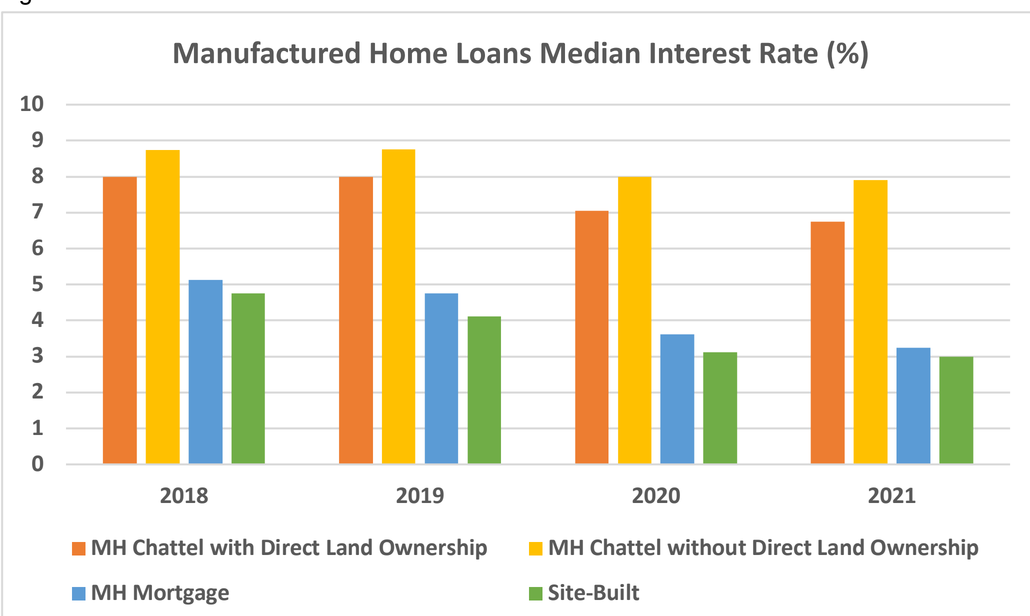
[1] See 12 USC 1703. https://www.law.cornell.edu/uscode/text/12/1703.
[2] Data includes all loan purposes.

Not Applicable	3.3%	13.7%	16.9%	0.2%	0.1%	8.7%	9.8%	0.0%	17.5%	22.7%	7.1%	100.0%
Grand Total	4.6%	9.9%	16.1%	0.8%	0.4%	1.4%	7.0%	0.0%	0.5%	52.3%	6.9%	100.0%

Source: CFPB, Recursion

Consumers continue to face disproportionately higher rates, especially for personal property, or chattel, loans. According to 2021 Home Mortgage Disclosure Act (HMDA) data analysis by researchers at Recursion shown in Figure 2, the median interest rate on chattel loans with and without direct ownership of land were 6.8% and 7.9%, respectively, compared to 3.3% for MH mortgages and 3.0% for site-built homes. Chattel financing is the dominant method for MH financing, even when borrowers own the land the home is sited on.

Figure 2: Manufactured Home Loans Median Interest Rate 2018-2021[3]

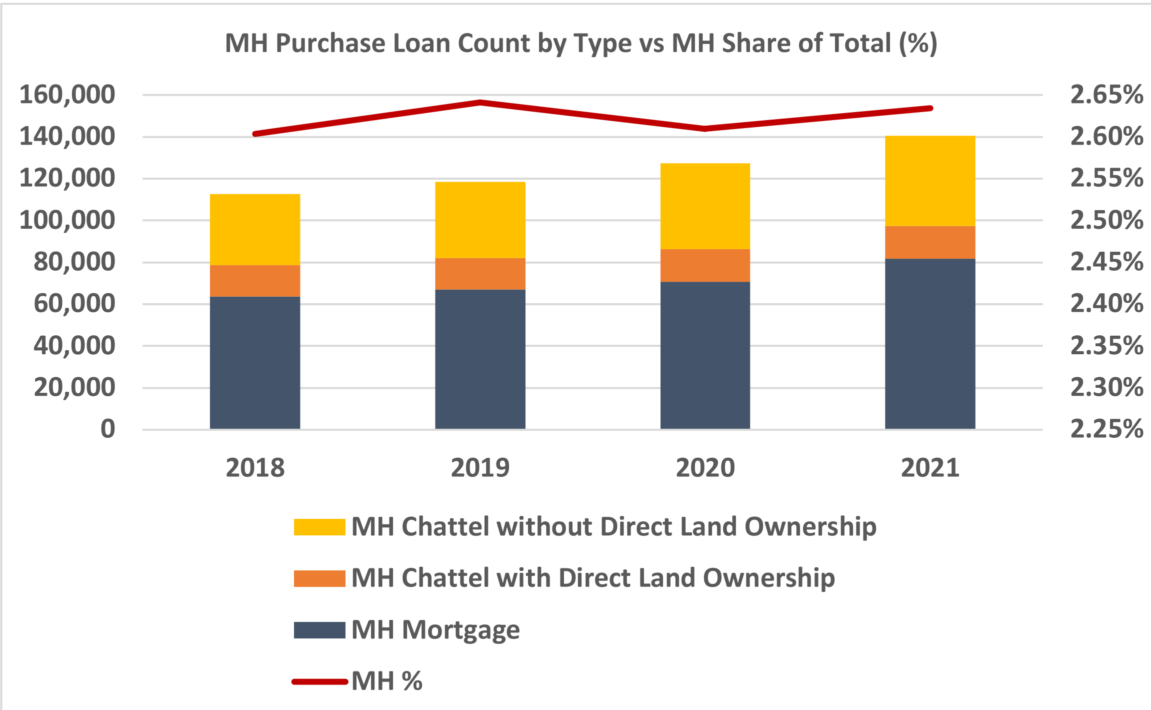


Source: CFPB, Recursion

HMDA analysis by Recursion shown in Figure 3 indicates that in 2021, MH loan volume increased, and the MH share of total home loans recovered from a dip in 2020. This suggests that a properly revitalized Title I program is timely and could help to bring MH lending into line with the rest of the market.

[3] Data includes all loan purposes.

Figure 3: Manufactured Home Loans by Type as a Share of Total Purchase Home Loans 2018-2021



Source: CFPB, Recursion

MH mortgage loans drove the increase, with a 15% increase in mortgage loans compared to only a 4% increase in chattel loans. Further analysis of rural and non-rural areas, as shown in Figure 4, shows differences between the share of mortgages and chattel loans in rural and non-rural areas, and indicates that the share of rural loans held steady while the share of non-rural loans increased slightly. Non-rural MH loans increasing at a faster rate than rural MH loans is consistent with the general trend of an increasing proportion of MH in non-rural areas.

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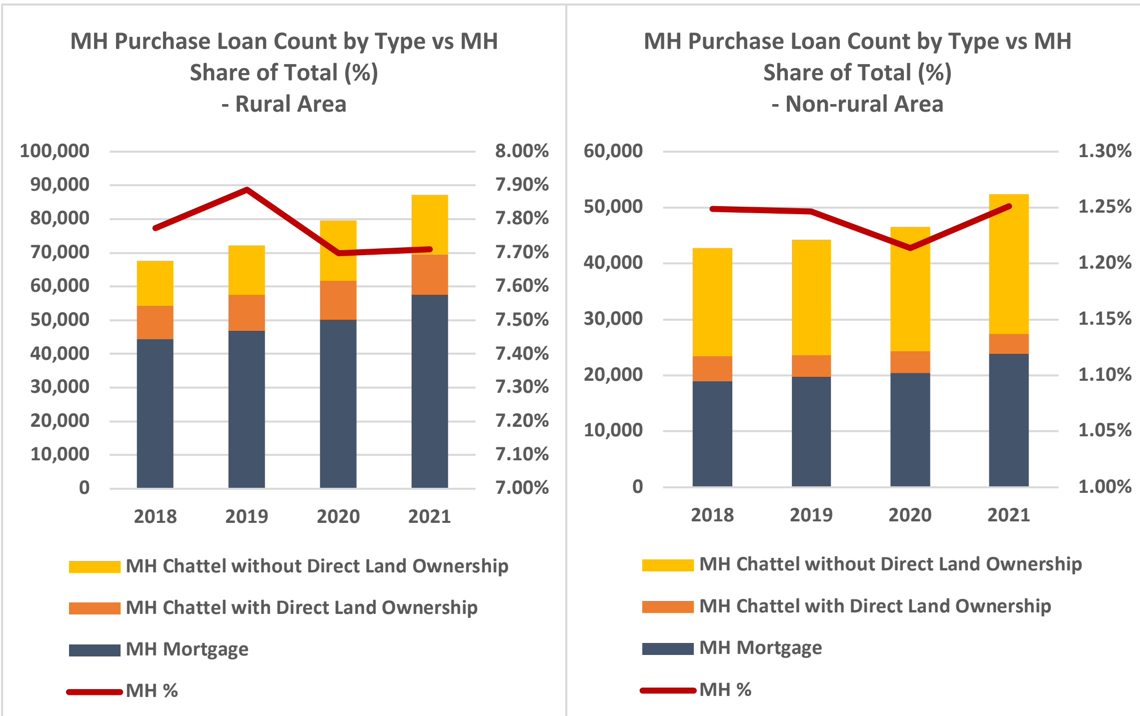
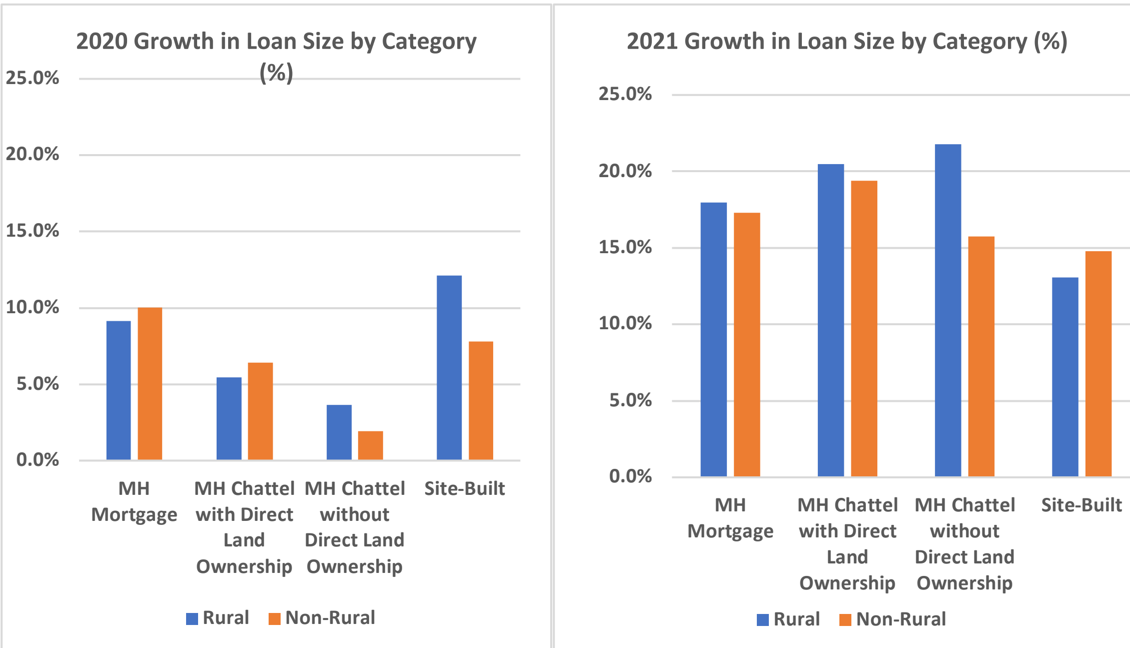
Figure 4: Comparison of Purchase Rural and Non-Rural MH Loans by Type as a Share of Total Home Loans 2018-2021



Source: CFPB, Recursion

Home prices, and thus loan size, also increased between 2020 and 2021, with the largest percentage increases reflected for chattel loans as seen in Figure 5.

Figure 5: Comparison of 2020 and 2021 Purchase Loan Size Growth for Single Family MH Chattel, MH Mortgage and Site-Built Home Loans



Source: CFPB, Recursion

One final notable feature of the chattel loan market is that the non-standard nature of most chattel lending leaves chattel borrowers generally with few opportunities to refinance their loans.[4] If HUD through Title I could help standardize chattel lending, this would likely enhance the value of the underlying collateral and give chattel borrowers more refinancing options.

Question 2: Describe the optimum role for government programs in the financing of MH sales

For manufactured housing to be part of the affordable housing solution, MH financing must be priced competitively with other similar loan products and offer consumer protections to borrowers. In the current market, government has roles to play in developing secure, affordable financing options for borrowers, and in supporting a securitization strategy that generates the capital needed to sustain an MH financing market over time.

[4] Manufactured Housing Finance: New Insights from the Home Mortgage Disclosure Act Data; CFPB, May, 2021, p. 21. https://www.consumerfinance.gov/data-research/research-reports/manufactured-housing-finance-new-insights-hmda/

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Topic 2: FHA Title I

Question 1: What features of current Title I MH housing program have made it uncompetitive in today's market?

a. Loan Limits

Many current features of Title I MH housing program contribute to its lack of competitiveness in today's market. First, the loan limits are far too low and out of step with the current cost of purchasing and placing MH homes. The current Title I loan limit of $69,678 (for the home only, without land) is well below the average unit price of a manufactured home is in today's market. The chart in Figure 6 shows the wide gap between Title I and Title II loans limits and compares the FHA loan limits to GSE loan limits. The Title II limits are 65% of the GSE conforming loan limits in non-high-cost areas and 150% of GSE conforming loan limits in high-cost areas.[5]

Figure 6: Comparison of 2022 FHA Title I and Title II Loan Limits with GSE Limits for 1-unit dwellings

Home Loan Type	TITLE I	TITLE II	GSE Limits
MH Home-only loan	$69,678	N/A	
MH Lot-only loan	$23,226	N/A	
MH Home+Lot loan	$92,904	N/A	
Home Mortgage non-High Cost areas	N/A	$420,680	$647,200
Home Mortgage High Cost areas	N/A	$970,800	$970,800

Figure 7 illustrates how out of sync the current Title I MH loan limits are with the median chattel loan size as reflected in the 2021 HMDA data.

Figure 7: Manufactured Home Average Loan Size 2018-2021[6]

Year	MH Mortgage		MH Chattel			
			Direct Land Ownership		Non-direct Land Ownership	
	1 Section	2+ Sections	1 Section	2+ Sections	1 Section	2+ Sections
2018	117,748	109,107	81,255	136,500	58,632	72,059
2019	130,424	130,679	75,272	106,932	60,898	43,667
2020	146,257	120,720	86,106	102,911	63,594	54,091
2021	162,294	157,100	99,917	139,296	74,468	76,579

Source: CFPB, Recursion

According to data from Recursion, these limits are well below the market price of manufactured homes sold today. In 2021, the median sales price, excluding land, transportation, or setup costs, of new single-section manufactured homes was $71,000 and the 75th percentile sales price was $82,000 per the Census Bureau's Manufactured Housing

[5] Title I:https://www.hud.gov/program_offices/housing/sfh/title/repair,
Title II: https://www.hud.gov/sites/dfiles/OCHCO/documents/2021-28mlhsg.pdf
GSEs: https://www.fhfa.gov/Media/PublicAffairs/Pages/FHFA-Announces-Conforming-Loan-Limits-for-2022.aspx
[6] Data includes all loan purposes.

Survey. For double-section homes, the median and the 75th percentiles prices were $130,000 and $150,000, and for homes with three or more sections, the median and 75th percentile sales prices were $210,000 and $260,000. Further, in 2021, close to 60 percent of new shipments were multi-section homes and this share has been rising since 2017.

Other problems with the current Title I loan limits include:

1. The loan limits are not regularly updated, which is a critical mistake that HUD should address in the future.
2. The loan limits do not distinguish between single-section and multi-section homes.
3. The loan limits do not have the high-cost area adjustments that apply to Title II loans

We address what would be desirable loan limits in response to your question 2, below.

b. Loan Insurance Rates

MH Title I loan insurance rates are higher than the Title II mortgage insurance rates, both for the Upfront Mortgage Insurance Premium (UFMIP) and the annual Mortgage Insurance Premium (MIP). Figure 8 compares the rates.

Figure 8: Title I Loan and Title II Mortgage Insurance Terms

Insurance Terms	TITLE I	TITLE II
UFMIP	2.25% of base loan	1.75% of base loan
Annual MIP	1% of remaining balance	80-85 basis points of balance
Insurance Term	Life of Loan	Life of Loan
Exceptions	None	If original LTV≤90%, cancellable at 11 years

Source: CFPB, Recursion

One important measure of the pricing of Title I loans is the subsidy rate as estimated in the Office of Management and Budget's Federal Credit Supplement. The FY2022 Supplement estimates that the subsidy rate on Title I manufactured housing loans is -6.21 percent, meaning the program will likely generate a surplus or profit for the government. Notably, the FY2022 subsidy rate for Title I MH loans is more negative (profitable) than that of Title I property improvement loans (-1.69 percent), the Mutual Mortgage Insurance Program (-2.69 percent), and the MMI HECM program (-2.54 percent). While the Title I MH program experiences higher default and lower recovery rates than other FHA programs, losses are more than covered by the high fees charged. In addition, the program's subsidy rate has generally been negative in recent fiscal years.[7] This strongly suggests that the UFMIP and the Annual MIP for Title I MH are too high and should be reduced to mirror the premiums for Title II.

c. Requirements for Timing of Loan Funding

The requirements for timing of loan funding are out of step with current finance market practices. In the current market, lenders are closing the loans and enabling dealers/agents to be paid when the home is delivered and set on its foundation, but before all utilities have been hooked up and construction of in-place features such as decks is complete. Title I requires all utility hookups and in-place work to be completed before the loan can be funded. This

[7] Office of Management and Budget, "Credit Supplement: Budget of the U.S. Government FY 2023", p. 14. https://www.whitehouse.gov/wp-content/uploads/2022/04/cr_supp_fy2023.pdf.

Title I program requirement should be modified to conform to the approach taken by most lenders, which is not to require utility hook-us to be completed as a prerequisite of loan funding.

When a retailer sells a chattel unit, they are selling it “a la carte” where the buyer is often acting as the general contractor to complete the project. With a land/home, the retailer acts as the general contractor to provide a turnkey product to the consumer, including utility hookups. While it is challenging to conceptualize, any consumer purchasing with a Title I loan, whether as chattel or land/home is required to start making payments on the MH unit once the loan closes, so they are heavily motivated to arrange utility hookups. Otherwise, the consumer is making payments on a home that they are not able to live in. The utility hookup requirement is just one more anachronism to discard.

d. Low lender Fees

Low lender origination and other fees, and challenging requirements, such as long-term physical storage for documents, and processes that are different from Title II loans, create disincentives for program participation. HUD should establish fair and straightforward origination fee requirements that adequately compensate lenders for the work they do.

e. Debt to Income Requirements

The FHA should also consider streamlining debt-to-income ratio (DTI) requirements for Title I to align with Title II. Under Title I, the maximum allowed housing DTI, including taxes and lot rent is 33%. The maximum allowed total DTI is 45%. Consistent with Title II, and mortgage lending more broadly, we suggest removing the 33 percent cap and retaining the total DTI cap. This would remove an extra underwriting step for lenders without necessarily increasing the risk of default, which is more likely to depend on total indebtedness.

Question 2: If FHA were to modify the current loan limit(s) for MH, what would be the desirable new loan limit(s) and why?

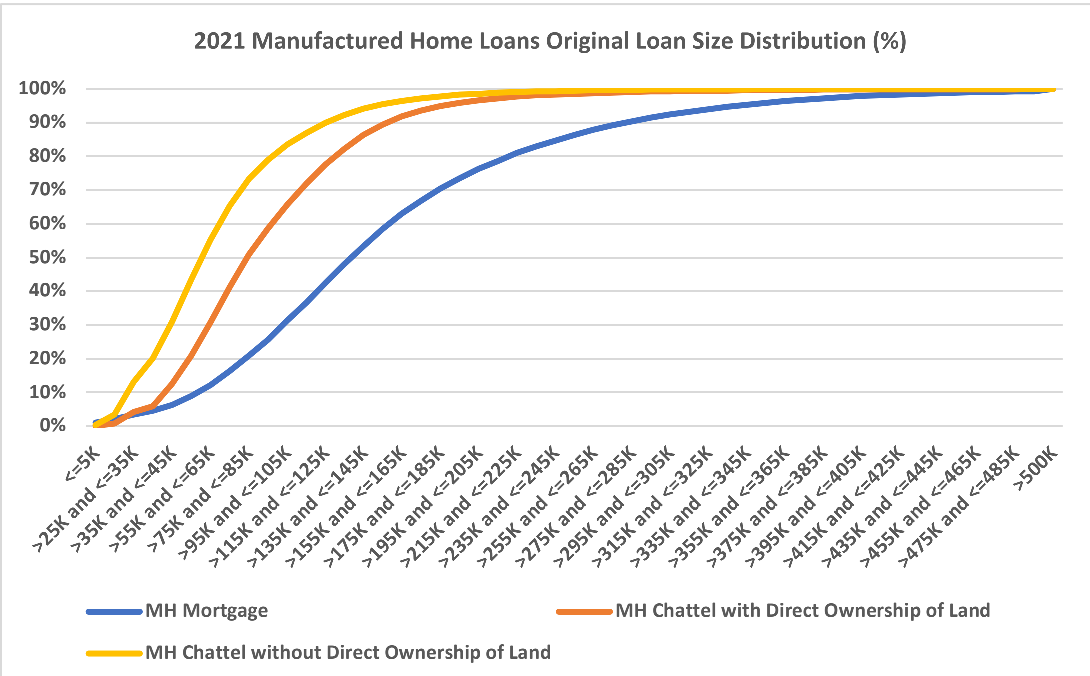
a. Degree to Which Current Title I Loan Limits Are Too Low

First, as noted above, current loan limits are out of alignment with the GSE conforming limits, with Title II limits and with current market conditions. In determining new loan limits, one policy question is whether any MH loan customers should be excluded from program participation based on home price? Currently, given the lack of market participation by Fannie and Freddie, and the lack of a functioning Title I program, borrowers have no choice except high-cost private financing. Giving all MH borrowers an option for lower-cost financing, with more consumer protections, should be a program goal.

Second, loan limits should take into account differences between single-section and multi-section homes, with higher limits for multi-section homes. And loan limits should distinguish between non-high cost and high-cost areas, in alignment with Title II. Third, new higher loan limits should be indexed, so that loan limits automatically adjust to market conditions over time.

Figure 9 illustrates the distribution of loan sizes in 2021 for MH mortgages, chattel loans for homes on owned land and chattel loans for homes only. The chart indicates that aligning the Title I limits with the Title II limits would capture almost all of the loans issued that year.

Fig. 9: 2021 Manufactured Home Loans Original Loan Size Distribution[8]



Source: CFPB, Recursion

If differentiating between loan types is desirable, based on Figure 9, the loan amounts shown in Figure 10 would capture 90% of the market for each loan type.

Figure 10: Loan Limits by Loan Type at 90th percentile of private market loans in 2021

Loan Type	90th Percentile Loan Amount
Manufactured Home Mortgage	$275,000
Chattel Loan, Home on Owned land	$155,000
Chattel Loan, Home-only	$125,000

b. Loan Limit Adjustment Process Prescribed by Law

The Title I statute authorizes HUD to develop an index “based on the manufactured housing price data collected by the United States Census Bureau … no later than 1 year after July 30, 2008.[9] This index was not established, which

[8] Data includes all loan purposes.
[9] 12 U.S.C. Section 1703. https://www.law.cornell.edu/uscode/text/12/1703

has resulted in loan limits that are well below the average sales price of a new manufactured housing unit in every state and region of the country.[10]

Figure 11 is a snapshot of the most recent Census dataset on the average sales prices for new manufactured homes.[11] This survey data identifies homes by their size and accounts for regional differences. We suggest it is appropriate for the Title I loan limits to take into account differences between single-section and multi-section homes, with higher limits for multi-section homes.

Figure 11. Average Price of New Manufactured Homes by Region from US Census Bureau in the First Quarter, 2022.

	Average Sales Price of New Manufactured Homes by Region and Size of Home By Month of Shipment (Dollars)														
	United States			Northeast			Midwest			South			West		
	Total[1]	Single	Double	Total[1]	Single	Double	Total[1]	Single	Double	Total[1]	Single	Double	Total[1]	Single	Double
2022															
March	**129,200**	**87,300**	**156,600**	**117,900**	**97,400**	**145,300**	**118,500**	**90,000**	**154,200**	**127,400**	**85,200**	**154,400**	**156,100**	**89,800**	**171,600**
February	128,000	87,700	156,300	130,600	76,000	152,700	115,900	82,400	155,500	126,300	89,500	155,000	150,100	85,100	163,600
January	122,500	84,600	152,800	120,600	85,900	141,800	108,300	82,800	145,400	122,700	85,400	153,300	140,800	80,700	161,000

Title I manufactured housing loan limits should cover the cost of the unit, along with the cost of transportation, siting, and installation expenses that vary by geography. We describe two alternative approaches below.

Alternative 1: We recommend *at a minimum*, that the Title I loan limit be the set at the average annual cost of a new home in the most expensive region of the country, which for 2022 should be $97,400 for a single section unit (based on the average cost in the Northeast), and $171,600 for a double section unit (based on the average cost in the West).[12] However, since the Census Bureau only accounts for the unit price, to account for the bona fide and documented transportation, site preparation, and dwelling installation at the site, the actual program loan limits should be at least 20% higher than these limits. This 120% loan limit based on the average purchase price would enable purchasing most average homes across the country but not the financing of "luxury" manufactured homes. In 2022, this would result in loan limits set at $116,880 for a single section unit, and $205, 920 for a double section unit.

Alternative 2: In lieu of this conservative 120% of sales price approach – and in consideration of the absence of any other form of government-supported financing from Fannie Mae, Freddie Mac, the VA, and RHS – a higher and more inclusive loan limit could be established. Higher limits would allow for financing newer model homes, such as CrossMod homes that cost more than the average manufactured housing unit.[13] CrossMod homes have features that provide for greater exterior curb appeal and internal upgrades that make these homes an attractive alternative to site-built homes in many markets. To enable Title I borrowers to access this new class of manufactured housing, along with the bona fide and documented transportation, site preparation, and dwelling installation at the site, the actual program loan limits would need to be set at 175% of the average new home sales prices for the United States. This calculation for 2022 would set the loan limits at $152,775 for a single section unit, and $274, 050 for a double section unit.

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[10] United States Census Bureau Manufactured Housing Survey. https://www.census.gov/programs-surveys/mhs.html
[11] Id.
[12] https://www.census.gov/data/tables/time-series/econ/mhs/latest-data.html.
[13] https://www.manufacturedhousing.org/new-class-of-homes/.

Either of these alternative methodologies would permit the financing of the vast majority of the market, while still remaining significantly below the loan limits for manufactured housing under the Title II Program (in 2022, the FHA Title II loan limit "floor" is $420,680).[14]

Another consideration for setting new loan limits that is not reflected in the current limits is adjustments for higher- and high-cost locations. The GSEs and FHA publish detailed loan limit adjustment tables based on locational home price differences, up to the High-Cost Limit. The well-established methodologies for adjusting the loan sizes for these entities can and should be applied to Title I manufactured homes loans.

Finally, the loan limits do not distinguish between single-section and multi-section homes. If FHA and GNMA are concerned about the risk of higher loan limits resulting in excessive loans to single-section homes, consider applying a standardized downward loan size adjustment from a loan size limit that is reasonable for multi-section homes.

Question 3: What additional changes to program requirements are desirable?

1. General Approach

In modifying the Title I program, we recommend that, rather than spending a great deal of time reviewing the existing, outdated Title I guidance line-by-line, instead, FHA and GNMA should start from the proposition that Title I guidance should be identical to Title II guidance, except where there is a business reason why Title I guidance should be different from Title II. This approach will greatly reduce the complexity of working with FHA and GNMA, and it will result in guidance that is cheaper and easier for HUD to implement and audit. This approach will also be infinitely easier for stakeholders to follow, it will facilitate existing Title II lenders expanding into Title I without having to meet separate standards. It will be fairer to Title I stakeholders and it will likely maximize the use of the Title I program. In the bygone era when MH was much less competitive with site-built housing in quality, it made sense for a highly differentiated approach to Titles I and II. This is no longer the case, so HUD should conform the programs to the extent possible because that makes good business sense, recognizes the high quality of manufactured housing, and will greatly ease HUD's administrative burden.

Even after Congress changes the statute to give HUD flexibility on loan term, maximum loan term is one example of where Title I and Title II should differ because of the business imperative to recognize different risk profiles. Title I land/home loans should be extended to a 30-year term, but chattel home-only, or land-only loans should be limited to a 25-year term. There may well be other terms where Title I needs to differ from Title II, but in a useful, revitalized Title I program, the differing terms should be on an exception basis.

2. Consumer Protection

Fundamentally, we believe that strong consumer protections, including tenant pad lease protections, are critical in rebalancing the relationship between owners of manufactured housing titled as chattel and the private community owners from whom many lease their land. 73 percent of chattel borrowers rent the land underneath their home and therefore, unlike other homeowners, face the risk of sharp rent increases, closure of the community, or possibility of being evicted.[15] However, changes to program requirements should also be sensitive to the needs and incentives of

[14] FHA Mortgagee Letter 2021-28.
[15] Pew, "Millions of Americans Have Used Risky Financing Arrangements to Buy Homes," https://www.pewtrusts.org/en/research-and-analysis/issue-briefs/2022/04/millions-of-americans-have-used-risky-financing-arrangements-to-buy-homes (2022)

MH lenders and industry, including manufacturers, dealers/retailers and community owners/developers. While all groups must have motivations to use the program and receive benefits that align with the costs of participating, there will be some market participants that will be unwilling to adapt to a market with greater consumer protections.

One of our principal concerns about MH financing is the gap between the level of consumer protection that is provided in the site-built conventional market and the MH market, particularly the chattel market. This issue has only gotten more urgent as investors, especially private equity, have in recent years purchased a significant number of Manufactured Housing Communities with an eye towards profiting from raising the lot rents.[16] Homebuyers will benefit if the consumer protections offered to Title II and other mortgage borrowers also apply to Title I MH loans, and if MH-specific protections are built into the program.

First, we believe that what HUD accomplished for housing quality through implementing the HUD-code in June 1976 needs to be done for home-only MH chattel borrowers in 2023. Namely, we recommend that HUD convene and align stakeholders around a standardized ground lease recommended or required for use in chattel transactions HUD will support. In short, life-of-loan protections should include security of tenure and site-cost disclosures as any lessee would expect. Doing so would align consumer and lender interests around a safe and secure housing asset.

If a standardized ground lease is only recommended rather than required as condition of Title I financing, mortgages on properties in communities that meet or exceed that standard should be charged a reduced MIP fee. This and other steps may encourage adoption of the ground lease.

Further, we recommend that FHA use this opportunity to align other public sector lenders, including VA and USDA, as well as the GSEs so that whatever underlying ground lease requirements are adopted are standardized and scalable.

Working in isolation and apart from other public and quasi-public lenders risks losing the opportunity to make a difference and meeting in the President's goal for broad expansion of Manufactured Housing.

Other examples of consumer protection changes needed include:

- Require RESPA-like servicing protections: including escrow, error resolution, requests for information, and force placed insurance standards
- Require servicers to provide early intervention with delinquent borrowers; require a Single Point of Contact (SPOC); standardize a prescribed loss mitigation evaluation hierarchy; require availability of affordable loan modifications; prohibit dual modification/foreclosure tracking. Given the relatively smaller Title I loan size, if anything, Title I loans require greater early intervention with delinquent borrowers than Title II loans.
- Integrate or require pre- and post- purchase consumer education or housing counseling; Work closely with HUD's Office of Housing Counseling to improve resources on manufactured housing and their utilization.
- Tenant Protections: offer a pricing break for--or pilot focused on--properties in communities with the GSE tenant pad lease protections or in communities owned by residents or a non-profit or government entity.

[16] Sophie Kasakove, "Investors Are Buying Mobile Home Parks. Residents Are Paying a Price." *New York Times* (March 27, 2022); Associated Press, "Rents spike as big-pocketed investors buy mobile home parks" (July 25, 2022)

3. Additional Changes

Site Leases. We recommend that HUD provide borrowers with greater security of tenure by encouraging or requiring a standard ground lease, as noted above. We believe this will be a more effective approach than HUD's current requirements.

Title I currently requires that if a borrower's home is on leased land, the MH site lease must be for a minimum of three years. In addition, landlords must provide at least 180 days' notice if the homeowner must move their home because the landlord intends to close the MHC.[17] As much as we sympathize with the objective of providing borrowers with greater security of tenure, this requirement makes it impossible for chattel borrowers in MH communities to utilize the Title I program, because three-year leases are unavailable in the market. Many states only require a 30-day lease, about 20 states require a one-year lease. In some cases, the initial one-year lease may be converted to monthly after the first year. No states require three-year leases. Few, if any, communities offer them.

In addition to encouraging or requiring a standard ground lease, FHA should adopt the Urban Institute's suggestion for considering lot rent during underwriting by using an approach analogous to the CFPB's ability-to-pay rules for adjustable-rate mortgages. CFPB considers the highest amount the borrower could pay in the first 5 years, which is akin to the variable nature of chattel loan lot rent. Use of this approach would help ensure that borrowers have the financial ability to afford higher rents over time and, thus, remain in their current home.

When calculating the debt-to-income ratio for the borrower, the FHA could use a 5 percent per annum escalation rate for the rent to determine ability to repay. Lease rates have historically increased in the 2-3 percent range, so assuming a 5 percent increase seems like a conservative number to use. (This number could be reviewed and updated on an annual basis). Under this method, DTI would be calculated using maximum possible lease payment at the end of 5 years; underwriting would ensure that the borrower's income at the time of origination is sufficient to cover the highest possible lot rent in the first five years. This is another reason to eliminate the 33 percent housing DTI cap, as it would restrict access under this change. Permitting shorter-term leases in exchange for underwriting to the highest lot rent in the first 5 years should result in minimal risk increase to the FHA.

HUD should consider using the Tenant Site Lease Protections (TSLP) model pioneered in FHFA's Duty to Serve (DTS) regulation to require communities to sign contracts that include some tenant protections as well as lender rights that will increase recoveries on homes that need to be liquidated. For example, these contracts could require waiving pad rent for up to 12 months when a loan is sufficiently delinquent to be at risk of repossession of the home.[18] Other protections in the DTS model include:

- One-year renewable lease term
- Thirty-day written notice of rent increases
- Five-day grace period for rent payments and right to cure defaults
- Right to sell the unit without moving it out of the community
- Right to post "for sale" signs.[19]

[17] U.S. Department of Housing and Urban Development, "Handbook 4000.1," II. E. 4. c. iv. Site Lease.
[18] Unless a community waives its pad rent for homes near repossession, the servicer will be required to advance pad rent for delinquent borrowers creating an incentive for the community owner to direct new buyers to other units in the community. With the owner's disincentive to re-sell the unit removed, loss severities may decrease substantially.
[19] 12 CFR 1282.33(c)(4). https://www.law.cornell.edu/cfr/text/12/1282.33.

While we support each of these protections as the "floor" for a standardized ground lease, HUD and FHFA should work to strengthen the Tenant Site Lease Protections. This should include enhancing long-term security of tenure requirements and future cost increase disclosures. HUD should take input from stakeholders and rigorously assess all opportunities to enhance or better tailor the protections.

During initial phases from 2019 to 2020, the GSEs' programs provided enhanced protections for more than 18,000 leases between Fannie Mae and Freddie Mac, and the GSEs now require all manufactured home community landlords who borrow money through them to include the 8 TSLPs in all leases.[20]

Finally, here are several other program requirements in Title 1 that should be changed to be more consistent with the Title II approach:

- Need to convey all properties to HUD as opposed to having servicers liquidate as very few can liquidate chattel efficiently.
- Both versions of the 56001 application form (MH & Improvement) should be archived and switch to the new Uniform Residential Loan Application (URLA)
- Underwriting forms should be the same as Title II
- Underwriting Income and Assets should mirror Title II.
- "Used" vs "new" status of home should be determined by previous placement and occupancy, not 18 months from manufacture date
- Allow for on frame modulars
- Need Automated Underwriting (Total Scorecard). However, automated underwriting should be routinely tested for fair lending compliance to ensure it is not exacerbating existing disparities/

Question 4: How would the financing market improve if the proposed changes were implemented?

The financing market would improve for consumers/borrowers by providing more secure, more affordable financing options. The re-entry of FHA and Ginnie Mae into the market might also put competitive pressure on the private market to bring its products and offerings more in line with an improved Title I program.

Topic 3: Ginnie Mae Manufactured Housing Program

Question 1: What features of the current Ginnie Mae MH program have made it uncompetitive in today's market?

The dramatic difference in net worth and liquidity requirements between Title I and Title II have made Title I uncompetitive. One of the effects of the difference is that mission driven lenders are more likely to be excluded from the Title I program. Ginnie Mae requires its MH Program participants to maintain a net worth of $10 million plus 10% of all outstanding Title I obligations for manufactured home financing. By contrast, Single-Family Program participants must maintain a net worth of only $2.5 million plus 0.35% of outstanding Title II obligations for site-built or manufactured home financing.[21]

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[20] Fannie Mae, "Duty to Serve; Underserved Markets Plan 2022-2024" (2021), 25-26, Freddie Mac, "Duty to Serve Underserved Markets Plan, 2022-2024," MH4. https://www.fhfa.gov/PolicyProgramsResearch/Programs/Pages/Modified-Underserved-Markets-Plans.aspx;

[21] Ginnie Mae, "Ginnie Mae Mbs Guide" (2022), Chapter 3, Part 8, Financial Requirements, https://www.ginniemae.gov/issuers/program_guidelines/Pages/MBSGuideLib.aspx.

Most personal property loans are much smaller than mortgage loans, yet the substantially higher net worth requirements for Ginnie Mae's MH Program may preclude smaller lenders from participating in Title I lending, even if they already participate in the Title II lending and Single-Family Program.[22]

Question 2: If Ginnie Mae were to modify the current issuer eligibility requirements, what set of requirements would expand the universe of lender without presenting undue risk? What additional changes to program requirements are desirable?

The net worth requirements for Title 1 issuers should be commensurate with the Title II net worth requirements. The welcome recent alignment of single-family applicant and issuer financial eligibility requirements[23] unfortunately did not update the MH lender net worth and liquidity requirements.[24]

It is likely that Ginnie Mae's stringent MH issuer requirements are based on historical losses that were incurred long in the past under a very different program from what we are envisioning as well as much lower quality MH homes. One important factor to consider is that the 10 percent limit on FHA lender insurance coverage under Title I has long been eliminated, which better aligns the incentives of Ginnie Mae and issuers. Some might argue that net worth and liquidity requirements for Title I should be higher than for Title II to keep "bad actors" from abusing Title I and causing HUD to incur losses that would damage the re-launched program's early credibility. Instead, high net worth and liquidity requirements have the effect of being a greater barrier to entry for Community Development Financial Institutions (CDFIs) and other mission lenders, more so than for bad actors. We do not think that is the incentive structure HUD intends to create.

While we agree that it is imperative to operate Title I in a business-like manner that incurs losses not appreciably greater than the losses incurred for Title II, we suggest this would be better achieved through actively auditing the programs. At the outset of a new Title I program, with guidelines much more closely aligned with Title II guidelines, we encourage HUD to implement extra monitoring and audit, particularly of new issuers. As we indicated in our comments on FHA, we think Ginnie Mae should change the parameters to a default approach of treating Title I issuances the same way it treats Title II issuances and then make exceptions where the business imperative of appropriately managing the risk requires it.

Question 3: How would the financing market change if the proposed changes were implemented?

We need this critical HUD program to function much better if we expect to realize the President's vision of harnessing MH as a substantial part of the solution to our national affordable housing shortage. HUD would be better equipped to help the Black, Hispanic and Indigenous borrowers who rely more on personal property loans to buy MH than White borrowers.

[22] Kaul and Pang, "The Role of Manufactured Housing in Increasing the Supply of Affordable Housing," 14; Consumer Financial Protection Bureau, "Data Point: 2021 Mortgage Market Activity and Trends," 25.
[23] Ginnie Mae All Participants Memo (APM). 22-09, Aug. 17, 2022.
https://www.ginniemae.gov/issuers/program_guidelines/Pages/mbsguideapmslibdisppage.aspx?ParamID=132.
[24] See Chapter 3 Ginnie Mae Issuer Eligibility Requirements, effective Nov. 8, 2018.
https://www.ginniemae.gov/issuers/program_guidelines/Lists/MBSGuideAPMsLib/Attachments/132/Chapter_03.pdf.

In addition, better functioning Title I and Ginnie Mae MH programs could meaningfully increase the numbers of lenders offering chattel financing, giving consumers additional choices for both purchase and refinance loans, and the possibility of negotiating more competitive interest rates.

In exchange for improved government support for chattel loans, it is critical that FHA require basic servicing protections mirroring that of mortgages, encourage better consumer education, and to the extent possible incentivizes the adoption of tenant pad lease protections.

We recommend that FHA to lead a multi-agency working group of home-only lenders to develop a standardized and scalable solution to financing homes in communities. Individual and disparate actions undermine a functional market that serves consumers and industry alike. Aligning the rules will support a new category of safe and secure communities and a segment of affordable homeownership that can expand to meet the President’s vision.