September 9, 2013

Mr. Robert deV. Frierson
Secretary
Attention: Docket No. CFPB-2013-0020
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551

Mr. Alfred M. Pollard
General Counsel
Attention: Comments/RIN 2590-AA58
Federal Housing Finance Agency
Eighth Floor
400 Seventh Street, SW
Washington, DC 20024

Ms. Monica Jackson
Office of the Executive Secretary
Attention: Docket No. CFPB-2013-0020
Bureau of Consumer Financial Protection
1700 G Street, NW
Washington, DC 20552

Ms. Mary Rupp
Secretary of the Board
Attention: RIN 3133-AE04
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314

Mr. Robert E. Feldman
Executive Secretary
Attention: Comments/Legal ESS
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429

Office of the Comptroller of the Currency
Attention: Docket ID OCC-2013-0009
250 E Street, SW
Mail Stop 2-3
Washington, DC 20219

Re: Appraisals for Higher-Priced Mortgage Loans—Supplemental Proposal

Dear Ladies and Gentlemen:

The Manufactured Housing Institute ("MHI") appreciates the opportunity to submit comments in response to the request for comment on the Appraisals for Higher-Priced Mortgage Loans—Supplemental Proposal ("Supplemental Proposal") published in the Federal Register on August 8, 2013[1] by the Bureau of Consumer Financial Protection, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Federal Housing Finance Agency, the National Credit Union Administration and the Office of the Comptroller of the Currency (the "Agencies"). The Supplemental Proposal augments the Appraisals for Higher-Priced Mortgage Loans; Final Rule ("Final Rule") published in the Federal Register on February 13, 2013[2].

[1] 78FR48548
[2] 78FR10368

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The following comments first provide background on the manufactured housing industry, including a description of the affordability and quality standards of manufactured homes. Our comments next describe MHI reasons in support of the Final Rule's exemption from the Higher-Price Mortgage Loan ("HPML") appraisal requirements for loans on new manufactured homes regardless of whether or not the home is attached to land. These comments also describe reasons in support of the Supplemental Proposal which would exempt loans secured solely by an existing manufactured home and not land. Finally, MHI's comments address some of the specific questions raised by the Agencies in the Supplemental Proposal.

MHI and the Manufactured Housing Industry

MHI is the national trade organization representing all segments of the factory-built housing industry. MHI members include manufactured home lenders, community owners, home builders and suppliers and other entities affiliated with the factory-built housing industry. MHI members also include more than 50 affiliated state organizations.

Manufactured housing provides quality, affordable housing for more than 22 million low- and moderate-income Americans. The median annual income of manufactured homeowners is nearly 50 percent less than that of all homeowners.[3] According to the US Census Bureau, manufactured housing comprised nearly 16 percent of all new single-family housing sold 2012. Of this, manufactured housing represented roughly 73 percent of new homes sold under $125,000; 54 percent of new homes sold under $150,000 and 31 percent of new homes sold under $200,000.

One of the many reliable features of manufactured housing is the delivery of quality and value to consumers through technological advancements and cost savings associated with the factory-built process. Based on US Census data, the cost of manufactured homes is between 10 and 35 percent less than the cost of comparable site-built homes. The affordability of manufactured homes has long made these homes the preferred housing choice for many low- and moderate-income families, such as first-time homebuyers and retirees.

Unlike site-built homes, manufactured homes are built almost entirely in a controlled manufacturing environment and transported to the home-site where they are completed in accordance with federal building codes and enforcement regulations administered by the Department of Housing and Urban Development (referred to as the "HUD Code"). The HUD Code regulates manufactured home design, construction, installation, strength, durability, fire safety, electrical systems, energy efficiency and other features of manufactured homes.

[3] According to the 2011 American Housing Survey, the median annual household income of manufactured homeowners is $30,000 versus $58,919 for all homeowners.

Manufactured homes are inspected by a HUD-approved third party during construction of the home and at the home-site to help ensure adherence to the HUD Code. The manufactured housing industry abides by a robust quality assurance program that offers strict adherence to regulatory codes and controls throughout the manufacturing and site-installation process.

Loans Secured by New Manufactured Homes and Existing Manufactured Homes without Land

MHI supports the Agencies' Final Rule exempting several types of loan transactions from the HPML appraisal requirement, including loans secured by a new manufactured home. The exemption for new manufactured homes applies regardless of whether the transaction is also secured by the land on which it is sited. In addition, MHI supports the Agencies' decision, as outlined in the Supplemental Proposal, to exempt from HPML appraisal requirements transactions secured solely by an existing manufactured home and not land.

In general, MHI believes that traditional real estate appraisal methods are ill-suited to accurately assessing the value of manufactured homes and are unable to establish meaningful valuations that would help sustain their affordability for low- and moderate-income consumers.

Because of the unique area manufactured housing occupies in the affordable housing market and in rural areas, an exemption for all loans on new manufactured homes (regardless of whether or not the home is attached to land) and for loans on existing manufactured homes (without land) is justifiable—especially when considering the potential impact on the low- and moderate-income families residing in distressed and underserved areas that rely on manufactured homes as a reliable and sustainable housing option. For the following reasons, MHI urges the Agencies to preserve the manufactured housing exemptions outlined in both the Final Rule and the Supplemental Proposal.

First, licensed and certified real estate appraisers do not capture sales data from retail dealerships, land lease communities and home-only transactions where no real estate is involved. Without a comprehensive nationwide database of previous sales to draw upon, appraisers are unable to develop an accurate value for manufactured homes. Reliable valuations depend upon access to actual data collected from the sale of comparable properties. In addition, according to industry data, the site-built appraisal methodology fails to produce accurate manufactured home valuations more than 20 percent of the time for transactions that are secured by real estate (land).

Second, manufactured homebuyers who purchase both the manufactured home and the land to which it is attached are predominantly located in rural areas. In these areas, comparable resale or valuation data and Multiple Listing Service ("MLS") data is typically unavailable or unreliable because the identified comparable sales are often a great distance from the home that is for sale. Furthermore, manufactured homes located in rural markets can often remain available for sale for extended periods of time due to a lack of housing demand. For these reasons, manufactured home foreclosures in rural areas are often relocated to sales locations where they can be viewed by numerous prospective purchasers to improve the speed and price for resale.

Third, the manufactured housing industry's existing valuation practices best reflect home values while limiting risk to consumers and lenders, and recognizing the unique challenges faced by the manufactured housing market. The home valuation practices now utilized by the manufactured housing industry take into account a variety of factors in assessing home values, including for example, sales price as determined by the market in which the home is sold and related cost estimates of construction, such as set-up and delivery, that are unique to each particular market.

Lenders frequently determine the maximum loan amount of previously-owned manufactured homes by relying upon resources as the National Automobile Dealers Association ("NADA") Guide[4]. The dominant method of financing purchases of manufactured homes is a personal property loan.[5] Personal property lenders frequently determine the maximum loan amount of new manufactured homes using pricing data that includes information on the manufacturer's cost to the selling retailer. Each manufactured home is built to the specification of the retailer and the manufacturer certifies to the retailer the authenticity and accuracy of the wholesale cost of the home at the point of manufacture. In order to calculate a maximum loan amount, lenders rely heavily on pricing data that includes information on the manufacturer's cost.

Fourth, the Agencies should exempt all manufactured homes from the definition of higher-risk mortgage because existing valuation methods for manufactured homes cost consumers substantially less than traditional property appraisals. In most jurisdictions, existing manufactured home valuations are performed at no cost to consumers. In contrast, the likely cost of a traditional property appraisal for a manufactured home will exceed $500, which is about five percent of the loan amount for a $10,000 manufactured home loan. According to the Census Bureau, the median purchase price of the nation's existing 8.7 million manufactured homes is $30,000.[6]

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[4] HUD's Title I program uses the NADA Guide and a physical inspection to adjust for site additions and the physical condition of the home.

[5] Based on industry estimates, between 60 and 70 percent of manufactured homes loans are secured by personal property. In addition, since 1995 an average of 73 percent of all ***new manufactured home sales*** have been titled as personal property according to the U.S. Census Bureau's Manufactured Housing Survey.

[6] 2011 American Housing Survey

Requiring appraisals with interior inspections would be extremely expensive relative to the cost of the manufactured home and could potentially result in reduced lending in the manufactured home segment of the housing market.

Finally, whether a manufactured home loan is secured solely by a residential structure or by both a residential structure and the land to which it is attached, each home is manufactured in a controlled manufacturing process in accordance with the HUD Code, which ensures the application of consistent, quality standards.

The on-site real time inspection process HUD-certified inspectors conduct on all manufactured homes provides lenders and consumers a strong guarantee to the quality assurance standards to which the exterior and interior of a manufactured home has been constructed (all manufactured homes are subject to recall if there is found to be a defect in construction after final sale). This inspection process coupled with the verified information that lenders receive from manufactured home retailers and builders on all new manufactured homes, virtually nullifies the need for a costly appraisal and interior inspection on a new manufactured home that usually is not available for one at the time the mortgage is consummated.

Comments on the Supplemental Proposal submitted September 6, 2013 by Vanderbilt Mortgage and Finance, Inc. ("Vanderbilt") provide a detailed analysis as to the problems with requiring traditional appraisals for manufactured homes. Vanderbilt emphasizes that the difficulties in applying the traditional site-built appraisal model for loans on manufactured homes arise due to the "presence of the manufactured home in the transactions, rather than from whether or not the manufactured homes happen to be sold and financed by themselves or as part of land home packages."

Vanderbilt's comments discuss reasons why the traditional appraisal method/model fails to serve manufactured housing[7], which include: lack of sufficiently qualified appraisers; insufficient comparable sales data; manufactured homes and/or the land on which they are to be sited are often not available for appraisal or physical inspection; and prohibitive costs of traditional appraisals. MHI endorses Vanderbilt's detailed comments and analysis in this regard.

In general, the Agencies have sought feedback on the appropriateness of the exemption for loans on all new manufactured homes, as outlined in the Final Rule, and for existing manufactured homes (not including land), as specified in the Supplemental Proposal.

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[7] Particularly in regard to loan transactions on new manufactured homes and existing manufactured homes without land

For the reasons outlined above, MHI urges the Agencies to retain the Final Rule's exemption from the HPML appraisal requirements for loans on new manufactured homes regardless of whether or not the home is attached to land. Also for the reasons identified above, MHI supports the proposal of the Agencies outlined in the Supplemental Proposal that would exempt loan transactions on existing manufactured homes without land to be exempted from the HPML appraisal requirements.

Responses to Specific Questions Regarding Manufactured Housing

In the Supplemental Proposal the Agencies seek feedback to a number of questions regarding manufactured housing lending and valuation practices, as well as proposed revisions to and expansion of the HPML appraisal requirements for manufactured homes promulgated in the Final Rule.

Lending on manufactured homes is a relatively small-sized market that is characterized by relatively few lenders. According to Home Mortgage Disclosure Act ("HMDA") data, there were roughly 60,000 manufactured home loans originated in 2011 with more than 60 percent of these loans coming from six lenders.

Given the specialized nature of manufactured home lending and the practices that have been developed by those in the industry to adjust for the unique nature of manufactured housing, MHI would urge the Agencies to pay special consideration to comments submitted by:

- 21st Mortgage Corporation ("21st Mortgage") on September 9, 2013;
- NADAGuides ("NADA") on August 9, 2013; and
- Vanderbilt (as mentioned above).

MHI endorses the responses provided by these organizations to the specific questions presented in the Supplemental Proposal and urges the Agencies to consider the feedback and information outlined in their comments.

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For the reasons discussed, MHI urges the Agencies to retain the Final Rule's exemption from the HPML appraisal requirement for all loan transactions involving new manufactured homes (for loans secured by personal property and real property) and to adopt the Supplemental Proposal's exemption for loans on existing manufactured homes without land. MHI believes this exemption is appropriate in order to sustain the affordability of manufactured homes for low- and moderate-income consumers and to remain a viable housing option in distressed and underserved communities.

Thank you for your consideration of our comments.

Sincerely,

Jason Boehlert
Vice President, Government Affairs