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Via Federal Express & Website Submission (http://www.regulations.gov)

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Robert E. Feldman, Executive Secretary Attention: Comments/Legal ESS Federal Deposit Insurance Corporation 550 17th Street NW Washington, DC 20429	Alfred M. Pollard, General Counsel Attention: Comments/RIN 2590-AA58 Federal Housing Finance Agency, Eighth Floor 400 Seventh Street, SW Washington, DC 20024
Mary Rupp, Secretary of the Board Attention: RIN 3133-AE21 National Credit Union Administration 1775 Duke Street Alexandria, VA 22314-3428	Legislative and Regulatory Activities Division Attention: ID OCC-2013-0009 Office of the Comptroller of the Currency 400 7th Street, SW, Suite 3E-218, Mail Stop 9W-11 Washington DC 20219

Re: Appraisals for Higher-Priced Mortgage Loans – Supplemental Proposal
Truth in Lending Act (TILA) & Regulation Z

Board: Docket No. R-1443, RIN 7100-AD90	Bureau: Docket No. CFPB-2013-0020, RIN 3170-AA11
FDIC: Truth in Lending Act (Regulation Z)	FHFA: RIN 2590-AA58
NCUA: RIN 3133-AE21	OCC: Appraisals for Higher-Priced Mortgage Loans – Supplemental Proposal Docket ID OCC-2013-0009

Dear Ladies and Gentlemen:

Vanderbilt Mortgage and Finance, Inc. ("Vanderbilt") is writing to comment on the "Appraisals for Higher-Priced Mortgage Loans – Supplemental Proposal" identified above. The Supplemental Proposal has been jointly issued by the Board of Governors of the Federal Reserve System, the Bureau of Consumer Financial Protection ("the CFPB"), the Federal Deposit Insurance Corporation, the Federal Housing Finance Agency, the National Credit Union Administration, and the Office of the Comptroller of the Currency (collectively "the Agencies"). Vanderbilt's comments are addressed to the CFPB's version of the Supplemental Proposal, which was issued on July 10, 2013.

Vanderbilt specializes in the financing of factory-built housing, primarily manufactured homes ("MHs"). Vanderbilt makes both "home only" loans (secured solely by the manufactured home as personal property, also known as "chattel" loans), and "land home" loans (secured both by the manufactured home and the land on which it is located). Vanderbilt is a member of the Clayton Homes family of companies. Clayton Homes is one of the nation's largest home builders.

The factory-built housing industry is a key provider of jobs and affordable housing in the United States. The industry includes about 2,500 retailer locations, over 120 manufacturing locations, plus thousands of manufactured home community locations and related component and supply providers. In 2012, according to the Manufactured Housing Institute ("MHI"), the industry accounted for over 60,000 jobs. According to 2007-2011 Census Bureau data, there were 8.6 million manufactured homes in the country, which comprised 6.6% of the nation's total housing units and 9.7% of the nation's total single family units (both detached and attached). According to the US Census Bureau, manufactured housing represented nearly 16 percent of all new single-family housing sold in 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.

In 2012, Vanderbilt's loans have been 56.3% home only (5,393 loans) and 43.7% land home (4,186 loans). Our average home only loan amount has been $46,882, with an average Beacon score of 653 (excluding zero scores). Our average land home loan amount has been $74,051, with an average Beacon score of 638 (again excluding zero scores).

In the Supplemental Proposal, the Agencies propose to exempt transactions secured solely by an existing (used) manufactured home from the HPML appraisal requirements, but seek comment on whether an alternative valuation type should be required.

The Agencies also propose to retain coverage of loans secured by existing manufactured homes and land. In addition, the Agencies propose to retain the exemption for transactions secured by new manufactured homes, but are seeking further comment on the scope of this exemption and whether certain conditions on the exemption might be appropriate.

In its October 12, 2012 comment letter to the Agencies in response to the Appraisals for Higher Risk Mortgage Loans proposed rule, Vanderbilt set out its reasons as to why the Agencies should exempt all manufactured home loans; both home only and land home, from the HPML appraisal rule. Vanderbilt commends the Agencies for exempting in the final rule all transactions secured by a new manufactured home from the HPML appraisal rule. However, Vanderbilt continues to urge the Agencies to not modify or add any conditions to that exemption. Vanderbilt is still of the opinion that all manufactured home loans – new and existing - should be exempt from the HPML appraisal rule. The comments that Vanderbilt set out in its October 12, 2012 comment letter on this point bear repeating.

The prohibitive problems with requiring traditional appraisals for manufactured home loans result from 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. Thus the very same reasons why traditional appraisals won't work for home only loans will also apply with equal force to the great majority of land home loans, as follows:

1. <u>Lack of sufficient qualified appraisers</u>

   Certified or licensed appraisers are typically trained to perform site-built and land only appraisals. For the most part, they are neither trained nor experienced with appraising manufactured homes, either by themselves or along with the land. Most appraisers, for example, are not familiar with (and physically cannot find) the HUD seals and data sheets that are located on every manufactured home unit. These HUD seals and data sheets contain compliance certifications and manufactured housing specifications that are critical for determining value. A manufactured home appraisal cannot be performed without examining these items, regardless of whether the appraisal will cover just the manufactured home itself or both the manufactured home and the land. In addition, those appraisers who are qualified by training and experience to perform manufactured home appraisals, unfortunately, are very few and far between. In many rural areas, where the majority of manufactured homes are located, there are literally no qualified manufactured home appraisers who are available to do the job, regardless of whether the job is for a home only or land home transaction.

2. Lack of sufficient comparable sales

Other than in California, which has a limited data base of resale prices for home only transactions, there is virtually no comparable sales transaction data available for use when performing appraisals for manufactured home loans, whether they be home only or land home. Without sufficient comparable sales transactions, appraisers will not be able to develop accurate valuations for manufactured home loans, for either home only or land home transactions. This lack of comparable sales is especially severe in rural areas where new and used manufactured home sales and loans tend to be concentrated.

a. Home only

Sufficient comparable sales data for home only transactions simply don't exist anywhere other than in California. Home only transactions generally are not listed on MLS services. Consequently, there is no broadly available database of any of the home only sales that are made by manufactured home retailers or manufacturers, by manufactured home communities, or by individual manufactured home owners (selling direct to buyers).

b. Land home

Traditional appraisals – where both the home and the land are appraised together – typically are performed only for FHA Title II land home manufactured home loans, and also for those FHA Title I land home loans that have a used manufactured home that is already located on the land. Traditional appraisals typically ***are not*** performed for conventional (i.e., non-GSE) land home manufactured home loans, or for FHA Title I land home loans that finance the purchase of a new manufactured home. Thus Vanderbilt infers that the Agencies' understanding that traditional appraisals "are feasible" for land home manufactured home loans must be based on these certain FHA loan types, which typically represent a very small fraction of all land home manufactured home loans. At Vanderbilt, for example, 6.3% of its land home manufactured home loans originated in 2012 were FHA loans (265 out of 4,186).

i. FHA Title I and II Lending

Even for FHA land home loans, traditional appraisals are difficult to obtain and are prone to a high failure rate (i.e., when the appraised value is less than the sale price). The main reason for these problems is that HUD guidelines require the use of manufactured home comparable sales for FHA land home loans. Site built comparable sales cannot be used. Manufactured home comparable sales, especially in rural areas, tend to be unavailable or inadequate because they are too few in number, or they are located at greater distances from the customer's site (e.g., over 25 miles away), or they are too much older than the manufactured home that will secure the new loan, or they consist of foreclosed manufactured homes that were re-sold at reduced prices. According to an informal MHI survey conducted in 2012, traditional appraisals on FHA land home loans fail around 20% of the time, due to the lack of inadequacy of comparable sales. At Vanderbilt, the failure rate has been even higher, around 30%.

ii. Conventional Lending

The industry's experience with FHA land home loans should be both instructive and sobering. The 20% to 30% failure rate of traditional appraisals on FHA land home loans is due to the collateral type (manufactured homes), not the loan type (home only, land-secured, FHA). Thus if the HPML appraisal rule were to take effect as proposed, we should expect that this 20% to 30% failure rate will also apply to conventional land home loans. For Vanderbilt, a 30% failure rate for appraisals on our 3,921 conventional land home loans originated in 2012 would have eliminated 1,176 loans, thereby denying affordable housing to several thousand people (assuming the typical loan represents a family in need of housing as opposed to single occupancy purchasers).

3. Manufactured homes typically are not available for appraisal

The new or used manufactured homes that will secure a home only or land home manufactured home loan typically will not be available for a physical inspection of the interior of the manufactured home until after the closing of the loan, much less when the appraisal is ordered. Thus it will be physically impossible for nearly all new and most used manufactured home loans to comply with the proposed requirement for the lender to obtain, prior to consummation, a written appraisal that includes "a physical visit of the interior of the property that will secure the transaction." Moreover, even if the interior visit requirement were to be removed, a traditional appraisal for most new or used manufactured home loans will still be physically impossible due to the unavailability of the manufactured home for appraisal, and the resulting inability of the appraiser to examine the HUD seals and data sheets (see #1. above).

a. New manufactured homes

Typically the manufactured home will not be delivered and installed at the customer's site, and in many cases not even manufactured, until after the home only or land home manufactured home loan has closed. The appraisal, of course, must be obtained well before closing. Thus the new manufactured home literally will not be available for inspection at the customer's site when the appraisal is ordered – regardless of whether the loan is a home only or land-secured loan. Even in those cases when a retailer already has a suitable new manufactured home in inventory at its sales lot, the manufactured home still will not be delivered and installed until after closing. Thus again, the new manufactured home will not be available for an on-site inspection when the appraisal is ordered. As with construction loans, on-site interior inspections of new manufactured homes that will secure home only and land home manufactured home loans are not feasible because new manufactured homes are still in the process of being manufactured and/or delivered and installed when appraisals are ordered. For essentially this same reason, the Agencies initially proposed and did in the Final Rule exclude construction loans from the HPML appraisal rule: "In construction loan transactions, an interior visit of the property securing the loan is generally not feasible because construction loans provide financing for homes that are proposed to be built or are in the process of being built." The Agencies should apply this same logic so as to exclude all manufactured home transactions from the HPML appraisal rule.

b. Existing (Used) manufactured homes

A used manufactured home, by definition, has been previously occupied. Used manufactured homes typically become available for re-sale either by the original owners trading them in on new manufactured home purchases or by the lenders' recovery of the used manufactured home from the original owners after default. Under either of these circumstances, the used manufactured home typically is relocated to a retailer's sales lot for re-sale. At that point, the same chronology will apply for used manufactured homes as that described above for new manufactured homes: the appraisal will be ordered well before closing of the new customer's home only or land home manufactured home loan, but the used manufactured home will not be delivered and installed, and thus will not be available for on-site inspection, until after closing. Again, as with construction loans, on-site interior inspections of the used manufactured home that will secure chattel manufactured home loans are not feasible. Thus again, the Agencies should apply this same logic so as to exclude all manufactured home transactions from the HPML appraisal rule.

4. Land often is not available for appraisal

Not only are the manufactured homes themselves typically not available for appraisal before closing, but the land on which the manufactured home will be located oftentimes is not identified by the customer until well after the immediate post-application stage, when appraisals typically get ordered. For both home only and land home transactions, buyers often pick out their manufactured home and apply for their loan before they decide where to locate the manufactured home. This common pattern for manufactured housing transactions, of course, is fundamentally different from typical site built transactions, where both the home and the land are identified early on, before the loan application is submitted. Thus in the world of manufactured home retailing and lending, not only the manufactured home but often the land, as well, is not available for appraisal when the appraisal is ordered.

5. Prohibitive costs of traditional appraisals

As noted above, manufactured home loans typically are low balance loans. At Vanderbilt, for example, our average home only loan amount since 2012 has been $46,882. Our average land home loan amount for the same period has been $74,051. Thus in the context of manufactured home lending, the cost of a traditional appraisal will usually be prohibitive, which will result in far fewer manufactured home sales and loans being made, which will significantly reduce the availability of affordable housing in the United States and the total number of jobs provided by the factory-built housing industry.

a. Land Home

Vanderbilt's typical cost for a traditional appraisal for FHA Title I and II land home loans is in the range of $500 to $600. For these loans, the typical appraised value for the manufactured home and the land, taken together, is about $120,000, which is on the high end of Vanderbilt's range of land home loan amounts. Unfortunately, appraisal costs do not vary by loan type. An appraisal that typically costs $500 to $600 for a relatively high balance FHA land home loan will also cost $500 to $600 for a much lower balance conventional land home loan. Using Vanderbilt's $74,051 average land home loan amount since 2012, a traditional appraisal that cost $500 would have added 68 basis points of cost to the transaction. Even worse, a traditional appraisal that cost $600 would have added 81 basis points of cost.

b. Home Only

Similarly, Vanderbilt's typical cost for a traditional appraisal for FHA Title I home only loans secured by a used manufactured home is $450. Using Vanderbilt's $46,882 average home only loan amount since 2012, a traditional appraisal that cost $450 would have added 96 basis points of cost to the transaction.

In both cases – for home only and land home manufactured home loans – nearly 1% of additional cost is added for the consumer for an appraisal that, we believe, will not provide an accurate valuation of the transaction, and therefore will provide minimal benefit to the consumer.

6. Less Protected Housing Options

Our concern is that the overall effect of requiring appraisals for any manufactured home lending will be the tightening (or elimination) of access to credit for affordable housing consumers. As a result, the likely outcome is that these consumers are forced into forms of housing that provide fewer protections as compared to mortgage lending. For example, rentals and lease-purchase transactions provide very little in the way of protections for consumers in the event of default. Allowing more MH loans to be made without appraisals – as has been the predominate customer and practice in the industry – will actually provide consumers with protections that outweigh those that an appraisal could provide.

As for Vanderbilt's answers or comments to each of the specific questions regarding exemptions from the HPML Appraisal Rule that the Agencies have requested comments on in the Supplemental Proposal, they are as follows:

Question 1: The Agencies request comment on the need for a later effective date for any condition on a proposed exemption discussed in the Supplemental Proposal, and the appropriate effective date for those conditions.

Answer: Vanderbilt is very concerned with the proposal to make changes to the HPML appraisal rule adopted by the Agencies as a result of the Supplemental Proposal effective on January 18, 2014, the same date on which the Final Rule will become effective. Even if the Agencies were in a position to issue today whatever changes, if any, that the Agencies may determine will be made to the Final Rule as a result of the Supplemental Proposal manufactured home lenders will likely only have approximately three and a half months to implement and adequately test those changes. That is not sufficient time to make the changes that are likely to be required.

The primary thing that we would like the Agencies to keep in mind is that the appraisal requirements are placing a wholly new set of requirements on manufactured housing lending that have never, as a truly practical matter, been applicable (NOTE – while some government lending programs require appraisals, they do not support a sufficient portion of the affordable housing industry). Unlike many of the other mortgage rules where the industry has been familiar with the issues, and in many cases, required to apply with a similar state law requirement, the industry has not had to comply with a comprehensive appraisal requirement. As such, it is highly questionable whether 3 months or even 12 months is sufficient for the related industries and skill-sets to develop outside of the industry in order to adequately support the consumers who rely on this industry – e.g., appraiser training and policies, appraisal management companies, MLS-type databases, etc. The end result would be a further limitation of access to credit for low- to middle-income families.

This perspective is coupled with the fact that Vanderbilt, like other lenders, has been diligently working on implementing the vast number of changes that are scheduled to go into effect on various different dates in January 2014 as a result of the Final Rules that have been adopted by the CFPB and the Agencies since the beginning of this year. The work required to implement all of these changes to Vanderbilt's systems, processes and procedures is immense. Adding the new appraisal requirements to the industry in an area that is largely undeveloped – since appraisals have not been widely required on manufactured homes - would further complicate the chances of a reasonable transition into compliance with the new rules. Additionally, this does not even take into consideration that the Integrated Disclosure rules have yet to be issued – another huge endeavor for lenders like Vanderbilt.

Therefore, our recommendation to the Agencies would be to take additional time – at least 9 months – to more fully evaluate the options available for appraising and valuing manufactured homes and the associated risks to consumers. The manufactured housing industry is not fundamentally opposed to developing a legitimate and reliable appraisal program for manufactured home lending – we also believe that consumer advocates would support such a measured response from the Agencies. We just want to be mindful that the impact on mismanagement of the implementation of these requirements can and will affect real families who need affordable housing. Appraisals should serve consumer in <u>obtaining</u> mortgage credit, not <u>eliminate</u> their access to credit.

Question 2: The Agencies request comment on this proposed revision. (Expand the definition of Qualified Mortgages that are exempt from the HPML Appraisal Rule to include qualified mortgages as defined by HUD, VA, USDA and RHS.

Answer: Vanderbilt favors the proposed expansion of the definition of Qualified Mortgages. We believe that these programs aim to reach underserved consumers in lower income and credit groups – which is the same group that the conventional manufactured housing industry seeks to serve. As such, for many of the same reasons that these programs would be exempt, we believe manufactured home lending should be as well – whether for new homes or existing homes.

Question 3: As a result of additional research and outreach, the Agencies seek comment on whether consumers in these transactions would benefit by receiving from the creditor a unit value estimate from an objective third-party source, such as an independent cost guide.

Answer: Vanderbilt does not believe that requiring creditors to obtain and provide to consumers in transactions secured by a manufactured home a unit value estimate from an objective third-party source will be of any benefit to consumers. The only alternative valuation reports available for manufactured housing finance that Vanderbilt is aware of are the NADA System or Value Guide, and Datacomp.

The NADA Value Guide is used by many lenders for *pre-owned (used) homes* without real estate but not as a defining Value Assessment of the Home. Most Lenders use the NADA Guide as a general benchmark for determining the maximum loan they will make on a particular used home only transaction.

In the site built real estate world, LTV (Loan to Value) is a critical component of any real estate loan transaction. The LTV actually represents a borrower's equity position in a transaction to the actual value of the home based on a certified appraisal of the real estate and home. The site built market has a robust database that changes constantly based on market conditions and actual sales prices of homes established through the Multiple Listing Service. Critics of the Certified Appraisal System might even say appraisers are often behind the curve in determining when markets become depressed or rebound. The collapse in the housing market in 2007 and 2008 saw dramatic changes in values that appraisers were very slow to pick up. On the rebound side where many places in the country are seeing double digit increases in value, the common criticism is that appraisers are slow to pick up the increases in value or they don't give full credit to the sales prices that are actually occurring. Criticism aside, at least the site built world has the benefit of actual and robust sales data on a current basis to consider in establishing a value of a home.

In the manufactured housing world, no broadly-applicable, comparable database exists for new manufactured homes. Many lenders utilize the invoice cost of the home multiplied by some percentage (120-130%) not to determine the value of the home, but in determining the maximum loan that they will make subject to the borrower having a prescribed minimum down payment of generally 5% to 10%. This assures that (a) the borrower has true cash or land equity in the transaction and (b) the lender is allowing the seller to make a reasonable mark-up on the home to pay their overhead and expenses plus make a profit. Keep in mind that these are the maximum allowable advances and as is often the case home sellers have to accept less because the market dictates a lower selling price. So in that respect and that respect only, when the market declines and home sales drop off then generally the home prices also drop and the home sellers margins also drop just like the site built home market.

Furthermore in support of our position that the NADA value guide, while helpful to manufactured housing lenders in certain limited circumstances, does not bring much in the way of actual value to customers, the NADA says on its own web site the following:

What is the Manufactured Home Guide Book Value?

The guide book value of a manufactured home is much different than what most people think it is. The majority of people looking for the value of their manufactured, mobile, or modular home are searching for a similar value to what they would find in a car value; the value of what it would sell for based on many sale transactions. This is not what a manufactured home book value represents, and to our knowledge, <u>one like that does not exist</u>. [Emphasis added]

The guide book value for a manufactured, mobile, or modular home is considered a Depreciated Replacement Cost in Retail Dollars. The values represented in NADAguides Manufactured Housing CONNECT <u>are intended to be used as a guideline only</u>. [Emphasis added]

Datacomp Appraisal Systems, Inc. ("Datacomp") does not do USPAP appraisals. They do inspections of the property, and provide reports to their main office who then determine a "value" based on their database of information obtained as a result of having a "sister" company called MH Village that lists pre-owned homes for sale and then follow up with the listing party to obtain sales information. It is all voluntary and almost always is for home only transactions – as a result it is neither complete, nor robust enough to support an industry to home purchase and finance transactions.

Some lenders will use Datacomp to inspect the subject property to consider "improvements" or upgrades when the "book" value mentioned above is substantially different than the proposed selling price. Once again this is usually done on home only transactions and generally within manufactured home communities.

Question 4: In light of additional concerns expressed about valuations in new manufactured home chattel transactions, the Agencies request comment on whether it may be appropriate to condition the exemption from the HPML appraisal requirements on the creditor providing the consumer with a third-party estimate of the manufactured home unit cost.

Answer: Vanderbilt does not believe that conditioning the exemption from the HPML appraisal requirements on the creditor providing the consumer with a third-party estimate of the manufactured home unit cost will be of any benefit to consumers for the same reasons set out in Vanderbilt's response to Question 3 above – the valuations would like be based on incomplete and in many cases unreliable information that would serve only to confuse consumers rather than benefit them.

Question 5: If so, the Agencies also request comment on which third-party estimate(s) should be used for this purpose.

Answer: Vanderbilt does not believe that there is any provider of such third-party estimates that are of any benefit to consumers for the same reasons set out in Vanderbilt's response to Question 3 above. This is a further example of why the Agencies should take additional time to study this issue and develop an appraisal program that works for both the industry and the consumer.

Question 6: The Agencies also request comment on when this information should be required to be provided.

Answer: Vanderbilt does not believe that conditioning the exemption from the HPML appraisal requirements on the creditor providing the consumer with a third-party estimate of the manufactured home unit cost will be of any benefit to consumers for the same reasons set out in Vanderbilt's response to Question 3 above.

Question 7: The Agencies request comment on whether the consumer typically receives unit cost information in a new manufactured home chattel transaction and what, if any, cost information from an independent third party source might be reasonably available to creditors, reliable, and useful to a consumer.

Answer: Purchasers of a new manufactured home from any manufactured home retailer, including Clayton Homes, will enter into a retail purchase agreement. That agreement lists the retail price of the home that the purchaser, through negotiation with the manufactured home retailer, has agreed to pay for the home. It also will itemize and include in the total cost any options or upgrades to the particular home that the purchaser has ordered, the set-up and installation costs, the cost of any extra outside decking, the cost of any additional site landscaping over and beyond the normal site preparation costs, etc. As is the case with site built home construction, the costs for additional "extras" on the home that the purchaser contracts for with the home builder will be reflected on the sales agreement between the purchaser and the home builder. It is important to note that manufactured homes sales prices are composed of more than the manufactured home unit itself, but also the related construction costs and additional items, as outlined here – it is more of a sales <u>package</u> price. Vanderbilt is not aware of any independent third party that publishes or provides unit cost information (including a proper valuation of the package price elements) that Vanderbilt believes is accurate, reliable and of any use to consumers.

Question 8: The Agencies further request comment on the utility of third-party unit cost information to consumers in these transactions (even if the creditor is using a different method to value the home).

Answer: As indicated in Vanderbilt's answer to Question 7 above, Vanderbilt is not aware of any independent third party that publishes or provides unit cost information that Vanderbilt believes is accurate or reliable for consumers. If any such information is available from an independent third party it most likely would only provide a very rough estimate of unit cost information and, in Vanderbilt's opinion, such rough estimate of unit cost would likely create unnecessary confusion for the purchaser which would most likely be unhelpful to the purchaser and only make the entire process more difficult.

Question 9: The Agencies understand that the location of the property can impact the value of the home, even if the property on which the unit is sited is not owned by the consumer, and seek more information about the impact on home value of a unit's location and whether cost services are available that account adequately for differences in location.

Answer: If you speak with any experienced Realtor, that person will tell you that the three most important things in any transaction involving the sale and purchase of real property is: (i) location, (ii) location, and (iii) location! The exact same applies to manufactured homes. Whether it is brand new or previously owned, manufactured homes will have widely varying values depending on the unit's location. The very same factors, such as proximity to retail shopping, the quality of neighborhood public and private schools, the condition and upkeep of neighboring properties, etc., that impact the value of site built homes will also impact the value of a manufactured home. However, due to historical bias against manufactured homes expressed in most neighborhood or urban residential real property restrictive covenants and/or in local zoning restrictions or prohibitions, the majority of manufactured homes, whether located in manufactured home communities or developments, on leased land or on real property owned or purchased by the manufactured home buyer, are located in rural communities. Because of that, they typically do not have the same perceived level of value that each unit would likely have if it were located in a more urban or suburban area. Many individual appraisers will admit that they automatically will assign a lower value to any home that is built on a frame. Many of them claim that they are required to deduct from the overall value if the home can be easily moved. As previously indicated above, Vanderbilt is not aware of any readily available, reliable and accurate cost service that accounts for these differences in location

Question 10: The Agencies further request comment on whether readily-accessible, publicly-available information exists that consumers could use to determine whether their loan amount exceeds the collateral value in a new manufactured home chattel transaction, and whether consumers are generally aware of this information.

Answer: As previously indicated in Vanderbilt's responses to Questions 7 and 8 above, Vanderbilt is not aware of any readily available, reliable and accurate cost service or publicly available database of information that is available for use by consumers in connection with a loan secured by a new manufactured home chattel loan. Furthermore, it is important to note that manufactured housing serves as a primary form of affordable housing, not investment housing. As such, the primary aim of manufactured home consumers is to find a housing option that serves the needs of their families or otherwise improves their standard of living – not whether the home as a certain value. As noted in the introductory section of this letter, for a loan amount in the mid-$40,000 range, a consumer can own a new manufactured home that can be sited as their circumstances necessitate – manufactured home park, private land, etc., there is no other new home comparison for that where the value of the home is not an issue.

Question 11: Finally, the Agencies request comment on potential burdens and costs of imposing this condition on the exemption, and any implications for consumer access to credit (again, noting that any of these loans that are qualified mortgages are exempt under the separate exemption for qualified mortgages).

Answer: The cost of any appraisal or any type of third party unit valuation will end up being charged to the purchaser of the manufactured home. In light of the suspect accuracy and reliability of appraisals and any third party unit valuation conducted on a manufactured home, the cost of performing them will add unnecessary costs to the consumer who would not otherwise be relying on the valuation for this form of affordable housing. The vast majority of consumers who purchase a manufactured home are lower income, lower credit buyers who are purchasing a manufactured home because it is the most affordable, and in many cases, the only viable option available to them to purchase and own their own home. Any additional costs imposed upon them as part of the purchase of the home can render the buyer unable to purchase the home because of the potential negative impact of that additional cost on the buyer's ability to qualify for the financing necessary to purchase any home, let alone a manufactured home. As for the burden on the access to credit if appraisals are required – or valuation conditions applied to the exemption – the likely result is that fewer lenders will be permitted to make manufactured home loans where the valuation is not sufficient – which is an imposition on manufactured home lending that does not, in large part, exist today.

Question 12: Based on this information, the Agencies request comment and information concerning whether to require USPAP-compliant appraisals with interior property inspections conducted by a state-licensed or -certified appraiser for HPMLs secured by both a new manufactured home and land.

Answer: In the section by section analysis of the Supplemental Proposal the Agencies claim that appraisers and state appraiser boards that were consulted in outreach efforts confirmed that USPAP-compliant real property appraisals with interior inspections are *possible* and are conducted with at least *some regularity* in these transactions. It was also stated that the Agencies understand that these appraisals value the land and home together as a package based upon comparable transactions that have been exposed to the open market. They also document additional value based on siting costs and the home's location. Further, the Agencies also point out that USPAP-compliant real property appraisals are regularly conducted for all transactions under federal government agency and government-sponsored enterprise manufactured home loan programs, including FHA Title II program standards. The Agencies have acknowledged that many lenders in their comments on the Proposed Rule have raised concerns that comparable sales ("comparables") on other manufactured homes can be particularly difficult to find. The Agencies seem to understand that this can be a barrier to obtaining a manufactured home appraisal, especially in certain loan programs that require appraisals of manufactured homes to use a certain number of manufactured home comparables and have other restrictions on the comparables that can be used. However, the Agencies note that USPAP does not require that manufactured home comparables be used. USPAP allows the appraiser to use site-built or other types of home construction as comparables with adjustments where necessary.

Vanderbilt would point out in response to the Agencies claims that there is a fundamental difference between having the ability to perform an appraisal on a manufactured home and the validity and reliability of that valuation of the home. As such, appraisal industry commenters and others who say that they *can* perform an appraisal should not be the controlling analysis. The purpose of any appraisal is to value an item, but the purpose of valuing a home is different than valuing other types of property. The implications of appraising a home will in many cases play a profound role in determining whether someone has a place to live. As such the physical ability to appraise a manufactured home is less relevant than the paramount importance of obtaining an accurate and reliable valuation for the manufactured home.

The manufactured housing market is materially different from the site built market. Although communities and cities are not supposed to discriminate against manufactured housing because the construction is federally regulated, the simple fact is that communities routinely "zone out" manufactured housing and prohibit their placement within higher-valued urban and suburban areas. As a result, a large percentage of manufactured homes are relegated to rural placement – 60% according to the Manufactured Housing Institute. Rural placement leads to individual home sites on larger lots or acreage and not in subdivision developments. Individual sales versus track development eliminate the ability to have multiple sales of comparable homes on comparable lots. Spec homes in rural locations are not a practical business opportunity for most home builders because of the remoteness from the builder's place of business. Therefore, virtually all new manufactured home sales transactions are contracted sales which the Appraisal Institute does not recognize or capture in sales data. Therefore, appraisers have limited data to make a viable appraisal and are limited to a "plans and spec" appraisal and have comparables of manufactured home sales that generally are much older and have little in common with the subject property. Fully certified appraisals on both new and pre-owned manufactured home loans fail up to 30% of the time because of all the restricting factors mentioned above. The Agencies claim that the federal agencies and the GSE's permit site built comparables to be used in the absence of manufactured home comparables. However, that is not what manufactured lenders experience with such loans. They may claim that such is permitted, but in practice they do not generally recognize those as legitimate comparables and almost always insist on manufactured home comparables. FHA in their Title II program will permit site built in the absence of true comparables, but only on a limited basis. Most industry lenders, Vanderbilt included, have experienced significant appraiser bias against manufactured housing which is another reason for the high failure rate on agency and GSE loans. All of this points to the need for a more measured approach by the Agencies, including more study of the issues, options, and risks to consumers.

Question 13: The Agencies also seek comment on whether some other valuation method should be required as a condition of the exemption from the HPML appraisal requirements.

Answer: As previously indicated in its Answers above, Vanderbilt is not aware of any valuation method that is readily available, accurate and reliable in connection with providing a valuation of a new or used manufactured home.

Question 14: Accordingly, the Agencies request data on the extent to which a USPAP-compliant real property appraisal with an interior property inspection would be of comparable cost to, or more or less expensive than, a USPAP-compliant appraisal of a lot combined with an invoice price for the home unit.

Answer: Vanderbilt's typical cost for a traditional appraisal for FHA Title I and II loans is in the range of $500 to $600. For these loans, the typical appraised value for the manufactured home and the land, taken together, is about $120,000, which is on the high end of Vanderbilt's range of land home loan amounts. Unfortunately, appraisal costs do not vary by loan type. An appraisal that typically costs $500 to $600 for a relatively high balance FHA land home loan will also cost $500 to $600 for a much lower balance conventional land home loan. Using Vanderbilt's $74,051 average land home loan amount since 2012, a traditional appraisal that cost $500 would have added 68 basis points of cost to the transaction. Even worse, a traditional appraisal that cost $600 would have added 81 basis points of cost.

Question 15: The Agencies also request comment on the potential burdens on creditors and consumers and any potential reduction in access to credit that might result from imposing a requirement for a USPAP-compliant appraisal with an interior property inspection on all manufactured home creditors of loans secured by both a new manufactured home and land. In this regard, the Agencies ask commenters to bear in mind that any of these transactions that are qualified mortgages are exempt from the HPML appraisal requirements under the separate exemption for qualified mortgages.

Answer: In connection with the government agency and GSE manufactured home loans that are originated by Vanderbilt fully certified appraisals on both new and pre-owned manufactured home loans fail up to 30% of the time because of all the restricting factors mentioned above. Please see Vanderbilt's response to Question 12.

Question 16: Finally, the Agencies request comment on whether and the extent to which consumers in these transactions typically receive information about the value of their land and home and, if so, what information is received.

Answer: In a loan secured by a manufactured home and land, most lenders in the industry perform an appraisal on the land only (not counting government programs where appraisals are required as stated previously). For real estate-secured loans, lenders complying with the Equal Credit Opportunity Act provide the necessary notification to the consumers concerning their right to request a copy of the appraisal. Very few consumers request this information – pointing to the fact that manufactured home buyers are not primarily concerned with the value of the collateral as they are the usefulness of the home to their families.

Question 17: The Agencies request comment on this view and approach.

Answer: In the section by section analysis to the Supplemental Proposal the Agencies claim that they believe that the barriers to producing USPAP-compliant real property appraisals with interior property inspections for manufactured homes in home-only transactions are the same regardless of whether a jurisdiction categorizes the manufactured home as personal property (chattel) or real property.

Vanderbilt is in full agreement with the Agencies on this view and approach. However, for the reasons stated above, Vanderbilt urges the Agencies to expand the exemption contained in the final rule to exempt all transaction involving a manufactured home, both new and existing (used) and regardless of whether the transaction is secured only by the home or by both the home and the land the home is located upon.

Question 18: The Agencies request comment on whether the proposed exemption should be conditioned on the creditor obtaining an alternative valuation (i.e., a valuation other than a USPAP- and FIRREA-compliant real property appraisal with an interior property inspection) that is tailored to estimating the value of an existing manufactured home without land and providing a copy of it to the consumer.

Answer: For the reasons stated above, Vanderbilt does not support applying the HPML appraisal requirement on any loan transaction that involves a manufactured home. Vanderbilt urges the Agencies to expand the exemption contained in the final rule to exempt all transaction involving a manufactured home, both new and existing (used) and regardless of whether the transaction is secured only by the home or by both the home and the land the home is located upon.

Question 19: To inform the Agencies in considering this condition, the Agencies request information on whether creditors typically obtain valuations for loans secured solely by an existing manufactured home and not land and, if so, what types of valuations they obtain.

Answer: Lenders, including Vanderbilt, do not typically obtain a valuation of the home for loans secured by the home only. For the FHA Title I program that includes home only (or chattel) lending, appraisals of the home are only required in very limited circumstances, including manufactured homes that have been traded in to the retailer or homes that are aged units. It is important to note that FHA Title I is not available for most MH buyers due to program and underwriting limitations that exclude many buyers.

Question 20: The Agencies also seek commenters' views on the efficacy and accuracy of any prevailing valuation methods used for these loans. Some of these methods they mention include:

HUD Title I, USPAP Standards 7 and 8 for personal property, NADAguides.com Value Report, available at www.nadaguides.com/Manufactured-Homes/images/forms/MHOnlineSample.pdf; see also Fannie Mae Single Family 2013 Selling Guide B5-2.2-04, Manufactured Housing Appraisal Requirements (04/01/2009) and Freddie Mac Single Family Seller/Servicer Guide, H33: Manufactured Homes / H33.6: Appraisal requirements (02/10/12) (referencing the NADA Manufactured Housing Appraisal Guide® and the Marshall & Swift® Residential Cost Handbook as resources for manufactured home cost information.

Answer: Vanderbilt currently makes both FHA Title I and FHA Title II loans. It does not make loans that are sold to Freddie Mac. This company's experience with FHA loans secured by manufactured housing is that up to 30% of them fail to close due to insufficient collateral value of the property that is to secure the loans as shown on the fully certified appraisals that FHA guidelines require on those loans. They fail to appraise for a high enough value because of all of the issues and problems with appraisals on manufactured homes, both new and pre-owned, and irrespective of whether the security for the loan also includes land, that Vanderbilt has described in its comments above.

Vanderbilt, like most other lenders that will make loans secured by manufactured homes, uses the NADA Manufactured Housing Appraisal Guide in connection with making an approximate determination of the general wholesale value of an existing manufactured home that is offered by a borrower as a trade-in on their purchase of a new manufactured home. The NADA Guide is also sometimes used by Vanderbilt's Servicing Department in connection with the recovery process on defaulted mortgage loans and as a general guide as to the potential sale price that Vanderbilt's Remarketing Group will place upon a home that has been recovered either through foreclosure or by a voluntary surrender of the collateral by a borrower in default in lieu of foreclosure. The NADA Guide <u>is not used</u> by Vanderbilt in connection with the underwriting of a mortgage loan that is for the purchase of a new or used manufactured home or to refinance an existing mortgage loan secured by a manufactured home.

Question 21: The Agencies request comment on whether, to obtain the proposed exemption from the HPML appraisal rules for HPMLs secured by an existing manufactured home without land, a creditor should have to comply with the appraisal requirements for a manufactured home classified as personal property under HUD's Title I Manufactured Home Loan Insurance Program, or similar requirements involving comparable sales.

Answer: Vanderbilt, for the reasons set out in its answer to Question 20 above, does not support a requirement that an appraisal must be obtained pursuant to the HPML appraisal rule for an existing manufactured home without land. Due to the issues involved in obtaining accurate and reliable appraisals on manufactured homes Vanderbilt urges the Agencies to extend the manufactured housing exemption from the HPML appraisal rule to include all loans secured by a manufactured home regardless of whether any land is also involved as collateral for the loan.

Question 22: In this regard, the Agencies also seek additional comment and information on the availability of: (1) comparable sales data for appraisers to use in an appraisal of a manufactured home alone, without land; and (2) state-certified or -licensed appraisers to appraise these properties.

Answer: Please see Vanderbilt's responses to all of the Questions above that have been asked by the Agencies.

Question 23: The Agencies also request comment on whether the proposed exemption would appropriately be conditioned on the creditor obtaining, and providing to the consumer, a valuation of the dwelling that uses an independently published cost guide with appropriate adjustments for factors such as home condition, accessories, location, and community features, as applicable.

Answer: For the reasons previously stated, Vanderbilt does not support conditioning any exemption for loans secured in whole or in part by a manufactured home on the creditor obtaining and providing to the consumer a valuation of the dwelling that uses an independently published cost guide. Such a guide does not existing in a reliable form today. If such a resource was developed that adequately accounted for the unique valuation issues associated with manufactured homes, Vanderbilt would be glad to participate in assisting the Agencies evaluate such a guide.

Question 24: The Agencies request comment on whether use of a cost service with adjustments generally involves a physical inspection of the property, who conducts that physical inspection, and whether any condition on the proposed exemption allowing use of a cost service estimate with adjustments should require a physical inspection of the unit.

Answer: Vanderbilt has no knowledge of the existence of any third party cost service similar to those published by NADA that involve a actual physical inspection of the property. For the reasons previously stated, Vanderbilt does not support conditioning any exemption for loans secured in whole or in part by a manufactured home on the creditor obtaining and providing to the consumer any type of cost service estimate regardless of whether it involves a physical inspection of the unit.

Question 25: In addition, the Agencies seek comment on whether an appropriate condition for an exemption from the HPML appraisal rules would be more generally that the creditor have obtained and provided to the consumer an appraisal compliant with USPAP Standards 7 and 8 for personal property. The Agencies are considering whether it would be appropriate to provide the creditor with more than one option for obtaining an alternative valuation as a condition of this exemption.

Answer: For all of the reasons previously stated, Vanderbilt does not support conditioning any exemption from the HPML appraisal rules on the creditor obtaining and providing to the consumer any kind of an appraisal or other alternative valuation. However, if the Agencies do decide to impose some sort of condition then Vanderbilt supports there being more than one option available to creditors.

Question 26: The Agencies request further comment whether to exempt these transactions and, if so, why an exemption would be in the public interest and promote the safety and soundness of creditors.

Answer: In the Supplemental Proposal the Agencies indicate that they considered also exempting transactions that are secured by both an existing manufactured home and land. However, at this stage the Agencies believe that an exemption for these transactions from the USPAP-compliant real property appraisal standards in the Final Rule would not be in the public interest and promote the safety and soundness of creditors. Vanderbilt strongly disagrees. Please see Vanderbilt's response to Question 12. Although that response was specifically directed to the question of requiring an appraisal on an HPML secured by both a new manufactured home and land, it equally applies to requiring an appraisal on an HPML secured by an existing manufactured home and land.

Vanderbilt has no concerns with and supports the Supplemental Proposal's proposed exemption from the HPML Appraisal Rule for certain refinancing with characteristics common to refinance products often referred to as "streamlined" refinances. Likewise, Vanderbilt has no concerns with and supports the Supplemental Proposal's proposed exemption from the HPML Appraisal Rule for extensions of credit of $25,000 or less.

Thank you for your consideration of Vanderbilt's comments. Please feel free to call me at 865-380-3000, (extension 5806) if you would like to discuss any aspect of our comments.

Sincerely yours,

Thomas D. Hodges

Vanderbilt Mortgage and Finance, Inc.