



September 26, 2022

The Honorable Alanna McCargo
President
Ginnie Mae
451 Seventh Street, Room B-133
Washington, DC 20410

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

Dear President McCargo,

The Manufactured Housing Institute and the National Association of REALTORS® are pleased to respond to Ginnie Mae's Request for Information on potential policy enhancements for FHA's Title I Manufactured Home Loan Program.

The original goals of the Federal Housing Administration (FHA) were to stimulate housing construction, broaden opportunities for homeownership, and ensure an adequate and balanced flow of mortgage credit. It has done a commendable job, ensuring that qualified borrowers have access to mortgage financing. However, the program is currently failing many families who wish to purchase a manufactured home.

FHA's Title I program that insures personal property (also sometimes referred to as chattel) manufactured housing loans. In 2021, only five FHA Title I loans were insured with a total volume of only \$101,500. This is despite the fact that today, three-quarters of all manufactured home loans are personal property loans. A significant number of purchasers of manufactured homes own or partially own their land and have chosen not to encumber that land. For others, the cost of land is too prohibitive, so they chose to own their home and lease the land.

In November of 2021, FHA implemented initial changes to the Title I program. But these were insufficient and had no impact on the availability of FHA financing for personal property loans. Instead, wholesale updates are needed. Below are some of the changes we suggest:

- **Increase the Title I Loan Limits** – we are pleased to see that FHA will be proposing changes to the Title I Loan Limits through upcoming rulemaking. Construction costs have increased dramatically since the last update in 2018.
- **Update the Lender Origination Fee Cap** – FHA currently has a cap of two percent for origination/underwriting fees for Title I loans. The low dollar value of manufactured homes means that the fees lenders are allowed to charge are not enough to cover the costs of underwriting. We urge FHA to adjust the cap to the greater of two percent or \$2,000, in order to ensure this allowance is sufficient.
- **Ensure Consistent Definitions** – The FHA handbook uses definitions that are not consistent with the Manufactured Home Construction and Safety Standards Act and in the HUD Code. Ensuring consistency with the terms in the law would eliminate confusion.
- **Create Parity with Title II Loans** – a number of requirements under Title I are significantly more restrictive than provided for Title II borrowers. These include the financing of closing costs, guidelines on gifted funds, DTI Ratios, and bankruptcy requirements. These guidelines should mirror the Title II programs, and not create inequities for Title I borrowers.

Today, manufactured home lenders are profitably originating personal property loans every day. But without a secondary market, either through Ginnie Mae, Freddie Mac or Fannie Mae, this market cannot grow and flourish. We also strongly encourage Ginnie Mae to reconsider their overly stringent financial requirements for issuers of FHA Title I manufactured home loan securities. While we understand that the risk sharing rules of Title I are a contributing factor to these requirements, we urge Ginnie Mae to review and revise their requirements so that they are set no higher than is necessary to protect itself against counterparty risk of loss in Title I loans.

FHA is designed to ensure access to homeownership for qualified low and moderate-income families. The Title I program is not meeting this goal. Significant changes are needed to make the program operational, and to ensure families can obtain the appropriate financing for their home. We urge Ginnie Mae to work with FHA to create a functioning Title I personal property loan program, as well as a sustainable securitization program for these loans.

Sincerely,

Manufactured Housing Institute
National Association of REALTORS®

Voluntary response provided to HUD in response to an RFI. This is not a required submission for participation in a federal program.