December 19, 2022

The Honorable Julia Gordon
Assistant Secretary for Housing and Federal Housing Commissioner Federal Housing Administration U.S. Department of Housing and Urban Development
451 7th Street, S.W., Washington, DC 20410

RE: Proposed Rule - Indexing Methodology for Title I Manufactured Home Loan Limits

Dear Commissioner Gordon,

The Independent Community Bankers of America (ICBA)[1] appreciates the opportunity to comment on the Federal Housing Administration's (FHA) proposed rule that would establish an annual pricing index for future adjustments to loan limits for loans made under FHA's Title I Manufactured Home Loan Program. This approach determines loan limits based on a yearly analysis of sale prices, unit sizes, and property data collected by the Census Bureau. The overall goal is to ensure these annual adjustments remain current with housing market price fluctuations, thereby allowing more qualified borrowers access to affordable manufactured homes.

ICBA is strongly supportive of this approach and applauds FHA for continuing its mission to allow creditworthy borrowers access to manufactured homes, which we recognize is crucial to bridging the affordability and housing supply gap for many low and moderate-income Americans throughout the country. It is an admirable goal to increase access and supply in this

[1] The Independent Community Bankers of America® creates and promotes an environment where community banks flourish. ICBA is dedicated exclusively to representing the interests of the community banking industry and its membership through effective advocacy, best-in-class education, and high-quality products and services.

With nearly 50,000 locations nationwide, community banks constitute roughly 99 percent of all banks, employ nearly 700,000 Americans and are the only physical banking presence in one in three U.S. counties. Holding nearly $5.9 trillion in assets, over $4.9 trillion in deposits, and more than $3.5 trillion in loans to consumers, small businesses and the agricultural community, community banks channel local deposits into the Main Streets and neighborhoods they serve, spurring job creation, fostering innovation and fueling their customers' dreams in communities throughout America. For more information, visit ICBA's website at www.icba.org.

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space through FHA's Title I Manufactured Home Loan Program, which has shown it is feasible to lower the cost for homebuyers by introducing extensive sources of liquidity into the market.

As noted in ICBA's previous comment letter[2], Title I Manufactured Home Loan origination has trended downward for more than a decade, with only a handful of loans made in 2021 despite an increase in manufactured home production that same calendar year. It is reassuring to see that FHA is aware of these trends and are attempting to better understand and rectify any underlying issues with the program through stakeholder engagement. This proposed rule represents considerable progress in that direction.

Community banks have consistently shown that they are willing and able to make manufactured housing loans in their communities. When possible, they work with borrowers to customize loans to their unique needs. Given their loan characteristics, community banks typically choose to portfolio these loans as opposed to making loans under FHA's Title I Program is largely due to: (1) The maximum FHA loan amounts often fail to cover the cost of the units. (2) The process to become FHA Title I approved lenders is burdensome and complicated. (3) There is no viable secondary market facility that allows community banks to sell their manufactured housing loans for cash, thereby freeing up capital.

ICBA Comments and Recommendations

1. **The proposed indexing methodology will hopefully ensure FHA loan limits cover the cost of an average manufactured housing unit.** As of earlier this year, FHA-backed manufactured home loans were capped at $69,678, and the loan for a manufactured home lot is capped at $23, 226. While this is somewhat reasonable for some new and used single-wide manufactured homes, the U.S. Census Bureau reports that, as of February 2022, the average sales price of a manufactured home is $128,000,[3] far exceeding the maximum loan amounts. We hope the proposed rule's approach will help mitigate concerns that the statutory loan limits fail to keep up with increasing market prices.

2. **Streamline the approval process.** A significant reason that most community banks are not FHA-approved lenders is because they find the approval process to be overly complicated and burdensome. The minimum requirements for basic lender approval necessitates that

[2] https://www.icba.org/docs/default-source/icba/advocacy-documents/letters-to-regulators/letter-on-title-i-manufactured-homes.pdf?sfvrsn=7e5f1517_0
[3] https://www.bankrate.com/real-estate/what-is-a-manufactured-home/

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the bank meet minimum financial and operational standards relating to net worth, staffing, and liquidity; and they must have a permanent underwriter on staff as well as have five years of origination experience. Together with the mandatory submission of annual audited financial statements or call reports, these requirements are needlessly convoluted and time-consuming. ICBA recommends working with community bank stakeholders to determine the best way to simplify what is currently a burdensome process. This would represent a positive step in expanding community bank participation in FHA's Title 1 Program in particular.

3. **Create a secondary market facility allowing community banks to sell manufactured home loans for cash.** Expanding on the above request to streamline the approval process, it would be extremely beneficial if there were an option to sell Title I manufactured home loans quickly and efficiently for cash, much like the cash window at Fannie Mae and Freddie Mac for site-built homes. This secondary market option would incentivize lenders to make these loans because they would be able to quickly free up capital to further invest in their communities.

ICBA is supportive of FHA's attempt to increase the supply of manufactured housing and, by extension, increase access to homeownership for low and moderate-income borrowers currently priced out of the site-built market. To be successful, it is critical to make sure the maximum loan amounts reasonably reflect the ever-evolving manufactured housing market. We believe the indexing approach outlined in the proposed rule is promising and will help remove one of major barriers to community bank participation in this program. Additionally, we suggest FHA continue to streamline the FHA-approved lender process and work with industry stakeholders to develop a secondary market option for lenders that would rather sell approved manufactured home loans for cash.

ICBA looks forward to working FHA on this important issue. If you have any questions regarding the content of this letter, please contact the undersigned at tim.roy@icba.org.

Sincerely,

Tim Roy
AVP – Housing Finance Policy