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September 26, 2022

Department of Housing and Urban Development
451 7th Street SW
Washington DC 20410

RE: Request for Input: FHA and GNMA Title 1 Manufactured Housing Programs

Dear sir or madam,

The Independent Community Bankers of America (ICBA)¹ appreciates the opportunity to comment on the Government National Mortgage Association (GNMA) and the Federal Housing Administration's (FHA) request for input (RFI) regarding potential policy enhancements for FHA's Title 1 Manufactured Home Loan Program. The proposed amendments seek to broaden lender participation and increase the overall effectiveness of the respective programs, with the end goal of addressing the nation's housing supply and affordability needs through manufactured housing.

ICBA recognizes and appreciates the importance of manufactured housing in 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 space through FHA's Title 1 Manufactured Home Loan Program, which has shown it is possible to lower the cost for homebuyers by introducing broad sources of liquidity into the market. Unfortunately, as noted

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.

The Nation's Voice for Community Banks.®

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in the RFI, Title 1 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 and GNMA are aware of these trends and are attempting to better understand and rectify any underlying issues with the program through stakeholder engagement.

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 tailor loans to their unique needs. Given their unique characteristics, community banks typically choose to portfolio these loans as opposed to making loans under FHA's Title 1 Program and securitizing them through GNMA. This 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, as opposed to securitizing them through GNMA. Most community banks are not GNMA issuers and do not have the resources to securitize loans.

ICBA Recommendations

- 1. Increase the maximum loan amounts to reflect the national average manufactured loan price.** Currently, Title 1 manufactured home loans are capped at \$69,678, and the loan for a manufactured home lot is capped at \$23, 226 – making the combined maximum loan amount for a chattel home and the lot to be \$92,904. 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 \$128,000,² far exceeding the maximum Title 1 loan amounts. Many community bankers report that FHA caps are often the most significant deterrent and barrier to participating in the Title 1 program.
- 2. Streamline the approval process.** Another major 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 the bank meet minimum financial and operational standards relating to

² <https://www.bankrate.com/real-estate/what-is-a-manufactured-home/>

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.** Building on the above request to streamline the approval process, it would be extremely beneficial if there were an option to sell Title 1 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 easily sell them on a single loan basis as they do other mortgage loans, and not have to pool and securitize these loans through GNMA. Most community banks are not GNMA issuers and do not have the loan production and other resources to securitize mortgage loans. One possible solution would be for FHA to collaborate with FHFA, Fannie Mae and Freddie Mac to develop a cash window capability for Title 1 Manufactured Housing Loans.

ICBA is appreciative of FHA and GNMA's endeavor 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 streamline the lender approval process while adjusting the maximum loan amounts that currently act as unnecessary barriers to participation. Additionally, we suggest FHA and GNMA work with industry stakeholders and the FHFA to develop a secondary market option for lenders that would rather sell approved manufactured home loans for cash.

ICBA looks forward to working FHA and GNMA 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

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