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Manager, Dissemination Branch
Information Management and Services Division
Office of Thrift Supervision
1700 G Street, NW
Washington, DC 20552

June 30, 2000
VIA Email and Regular Mail

Attention Docket No. 2000-34

Dear Sir or Madam:

Laws and regulations that have been recently adopted or are now being considered to address predatory lending use interest rates or fees and points as triggers for defining the practice. We believe these measures may have the unintended result of restricting lending to borrowers who wish to purchase manufactured homes. We believe that appropriate enforcement of existing laws, including the Alternative Mortgage Transaction Parity Act administered by the Office of Thrift Supervision, is sufficient to prevent abuses. Additional laws and regulations will make compliance more difficult and more costly. These costs must inevitably be passed on to borrowers. A better effort, we believe, would be more diligent enforcement of existing laws and regulations.

The Manufactured Housing Institute (MHI) offers these comments on the Advanced Notice of Proposed Rule making referenced above on behalf of the manufactured housing industry. MHI is a national trade association representing all industry segments of the manufactured housing industry – builders; sellers; suppliers of goods and services, including financial services; community developers and operators.

Manufactured housing is a primary source of affordable housing for low- and moderate-income buyers. These buyers often have credit profiles that put them into a category generally defined as subprime lending. This includes borrowers who have not yet established credit, have some late payments, have debt to income ratios that are high, etc. In general, the risk of default is higher. For this and other reasons, interest rates on subprime loans are higher.

Lending in the manufactured housing industry is unique. Like mortgage lenders, manufactured housing lenders make loans to borrowers to buy homes that will be their primary residence. The similarity stops there, however. Unlike mortgage lenders, manufactured housing lenders loan to a much higher percentage of low- to moderate-income borrowers. These borrowers are generally cash poor, so manufactured housing lenders finance as much of the cost of originating a loan as possible. Manufactured housing lenders' cost of funds are higher. Investors, perceiving that risk is higher, demand higher rates of return. Fannie Mae and Freddie Mac do not operate a liquid secondary market for personal property manufactured housing loans. So, lenders must raise money in the private secondary market or through commercial paper or other debt instruments. Loan balances are lower on manufactured home loans than on typical mortgage loans so servicing costs as a percent of the loan balance are higher. The result is that interest rates on loans secured by manufactured homes are generally higher than for mortgages and they often include the financing of loan origination fees and points that the borrower could not afford to pay in cash.

Manufactured home loans do not meet the definition of what is typically described as predatory lending – equity stripping, financing unnecessary or unnecessarily high fees, loan flipping, refinancing with terms that leave a borrower worse off. Nevertheless, for the reasons we stated at the beginning of these comments, we are concerned that additional rules drafted in the manner we have recently seen will restrict lending to manufactured home buyers and increase the cost of credit while limiting its availability.

We appreciate the opportunity to comment. Please call me directly at 703-558-0657 or email joe@mfghome.org if you have any questions.

Sincerely,

W. Joseph Owens
Vice President
Finance