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202-452-3819/3102

May 20, 2004

Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551

REF: Docket No. R-1186

Dear Ms. Johnson:

The Manufactured Housing Institute appreciates the opportunity to comment on the Board's proposed amendments to Regulation C of the Home Mortgage Disclosure Act (HMDA), [12 CFR Part 203] as they appear in the Federal Register, Vol. 69, No. 58, March 25, 2004.

MHI supports the Board's decision to collect loan information on manufactured housing as a separate "flag" in its reporting requirements for reasons stated in our earlier comment letter dated February 22, 2001. As the details of your proposed regulatory changes have emerged with the 3/25/04 filing, we find Tables 1 and 2 to be helpful in the level of detail specified for manufactured housing separately. In the difficult financing environment which our industry has faced the past several years, it would be helpful to have the same such breakout in Table 3. Indeed, an "ABS Working Group" at the FED provided MHI with a snapshot of Table 3 for manufactured housing some time ago, which we found very useful if dated.

In Tables 8 a separate break-out of manufactured housing would be very important. "Applicant characteristics" is a very difficult set of "industry" statistics to obtain in manufactured housing relative to other segments of the U. S. housing industry. As the industry, for example, seeks to self-regulate itself through programs such as MHI's well-received "Lender Best Practices" (LBP), the benchmarks the FED could provide would greatly aid that self-regulation and monitoring, thereby helping us to stabilize the extreme volatility in lending cycles that now exists in the absence of such industry data.

Table 9 is a step in the right direction insofar as our earlier request that manufactured housing loans be separated into home purchase loans for new homes versus home purchase loans on re-sales. MHI's resale task force has identified this market as one of

the **major** problem **areas within** the **industry**, characterized by a very **low** level of liquidity from absence of finance **sources** relative to site built housing, with concomitant **negative** implications for appreciation of the **homes**, It **would** appear **that** the FED is providing a **great** deal more **information than** MHI requested in its earlier letter, but not the critical break-out per se. **We** would respectfully ask **that** this be re-considered.

Finally, **we** believe that Table 12 may convey a mis-impression about the relationship between certain lending rates **in** **manufactured** housing **and** the cost of capital underlying those rates, relative to conforming mortgage rates and the **cost** of capital for **same**. The 3/25/04 Federal Register notice states in discussing Table 12 **that** "it appears that on average rates in **manufactured housing** lending **may** be higher **than** in other mortgage lending, such that most loans would have rate spreads **significantly in excess** of the thresholds."

Most of the capital that funds retail lending in manufactured housing does not emanate **from** the **same** capital **market** into which, for example, Fannie **Mae** or Freddie Mac pools **are** securitized. Rather, the **asset** backed securities **market (ABS)** into **which most** **manufactured housing** loans were sold **until very** recently exhibits a higher **cost** of capital structure than the mortgage backed securities market (**MBS**). **The** spreads of Table 12 **ignore** this fact, **and** **at** a minimum, some notation about the differential cost of capital underlying the spread **comparisons between** Table 12 and Tables 11 should be made, less false conclusions be drawn.

Even in the **conforming** mortgage **market** for **manufactured housing** loans, recent loan origination changes made by the GSE's will tend to **make** spreads to Treasuries **higher** **for** **manufactured housing loans** **than** for the loans reported in Tables 11. MHI does not necessarily **agree with** the market segmentation the **GSE' shave** undertaken **with** respect to conforming loans for **manufactured housing**. **Nonetheless**, the point made here **is** that one **cannot necessarily read** into such higher spreads, that will tend to occur for loans in Table 12 compared to those in Tables 11, **any** violations of HMDA.

We look **forward** to your response **to** our proposed changes, and appreciate **the** opportunity to comment on the **Board's** proposed changes to **HMDA** Regulation C.

Sincerely,



James A. Clifton

Vice - President, Housing Finance

Attachment



February 22, 2001

Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551

REF: Docket No. R-1001

Dear Ms. Johnson:

The Manufactured **Housing Institute** appreciates **the** opportunity to comment **on the Board's** proposed amendments to Regulation C of the **Home** Mortgage Disclosure Act, [65 FR, No. 242, 78656-78685, December 15, 2000].

MHI supports the **Board's** decision to collect loan information on **manufactured housing as a separate "flag"** in your reporting requirements, MHI is engaged in the development of a better **and** more timely **economic** reporting **capability**. **We** believe this capability will strengthen **our** industry and help avoid the severity of **business downturns** in the future **such as we** are now experiencing. **It is in this spirit, rather than** the Board's discussion of **subprime** lending **practices**, that **we support your data** collection effort on **manufactured housing**.

In the context of our efforts at industry stabilization **from better data collection, we respectfully** request that the **Board** modify the reporting requirement **as** follows. Under "Application or Loan Information", "Purpose", change "6-Manufactured **home"** to:

- 6-Manufactured **home-new**
- 7-Manufactured home-existing

This small change would be of great significance for **our** industry **because the** absence of data on re-sales of existing manufactured homes greatly hinders **the business** decisions that lenders, manufacturers and retailers in **this** industry must **make**. For site built **housing**, sales of **existing** homes **are reported by** the National Association of Realtors, **and this** data is important to the decision making for **site** built housing. However, **the manufactured housing industry** has **no** such corresponding **body** of data, or internal capability **to** generate such.

With **this** one **small** change in the proposed amendments to **Regulation C**, **MHI believes** we can improve **the efficiency** of **the marketplace** for manufactured housing for

consumers, lenders and others in our industry. We do not see that our proposed change would be opposed by any other party in the housing industry, rather it would help put us on a par with the market data that already exists for other segments of the housing industry.

We look forward to your response to our proposed amendment, and appreciate the opportunity to comment on the Board's proposed changes to Regulation C.

Sincerely,

Chris Stinebert
President

