AFR Americans for Financial Reform

November 30, 2017

Dear Representative,

On behalf of the undersigned community organizations and public interest groups, we ask you to oppose H.R. 1699, the so-called Preserving Access to Manufactured Housing Act of 2017. This bill poses significant dangers for consumers and homebuyers by exempting manufactured housing lenders from requirements that protect borrowers against inappropriately high-cost loans.

This bill would undermine already vulnerable homeowners by stripping away protections created by Congress and implemented by the Consumer Financial Protection Bureau (CFPB). These protections were put in place for a reason: to give manufactured-homeowners the same protections as traditional homeowners. The last housing crisis showed that loan-originator compensation and exorbitant loan pricing were particular areas of abuse. Congress and the CFPB decided to protect homeowners from those practices. However, H.R. 1699 would repeal those protections for the buyers of manufactured homes. In particular, H.R. 1699 would reverse much of this progress by:

- Raising the interest-rate trigger for protections under the high-cost mortgage protections of the Home Ownership and Equity Protection Act (HOEPA).

Under H.R. 1699, chattel loans (the type used for most manufactured homes) that are less than $75,000 and that have an interest rate close to 10 percentage points above the prime rate would no longer receive HOEPA protections. In the current market, this would permit an interest rate of more than 13% for a 15- or 20-year loan on a family's home mortgage without enhanced protections. In comparison, the going rate for traditional real-estate mortgages is around 4% or less.

- Raising the points-and-fees trigger for HOEPA protections.

Currently, borrowers who sign high-cost loans get HOEPA's protections if the loan has points and fees totaling the lesser of 8% of the loan amount or $1,000 for loans under $20,000 and 5% of the loan amount for larger loans. However, under H.R. 1699, borrowers would not be protected for chattel loans under $75,000 until the points and fees exceeded the greater of 5% or $3,000. This would weaken protections for low-income homeowners where they are needed most. This means that a homeowner with a $70,000 chattel loan could pay almost $3,500 in documents or other junk fees without getting any of the federal protections intended for such borrowers. It also suggests that every loan less than $60,000 will incur $3,000 in fees regardless of actual origination costs.

- Exempting manufactured-home retailers from the definition of mortgage originators.

This would perpetuate the conflicts of interest and steering that plague this industry and allow lenders to pass additional costs onto consumers. This provision would also stifle competition and likely discourage new entrants to the manufactured housing finance market, just as Fannie Mae and Freddie Mac begin implementing their plans to serve this sector.

Despite claims from industry lobbyists that the new protections are squelching manufactured housing lending, the data tell a different story. There was an initial dip in lending in 2014, the year the new rules went into effect. However, since then, lending volumes have started to recover. In 2015, lending volume was roughly similar to what it was before the new rules went into effect. And these loans were broadly safer, without the predatory features that were common before the new rules, and few of them had very high rates and fees. Last year, loan volume decreased slightly by about 5 percent - however, loan quality remained improved. As the industry adjusts to the new standards and as new competition enters the market, we expect loan volumes and loan quality to continue improving. Historically, failure rates for these loans have been exceedingly high. The industry wide default rate for most manufactured-home loans, those made as personal property loans, has been about 28 percent. Improved loan quality as a result of the Dodd-Frank rules should decrease this astronomical default rate.

In short, H.R. 1699 would harm homeowners through weaker consumer protections and costlier loans that are harder to repay. It would make homeownership more costly for those who can least afford it.

We strongly urge you to stand up for consumers and oppose H.R. 1699.

Sincerely,

Allied Progress
Americans for Financial Reform
Center for Responsible Lending
Consumer Action
NAACP
National Association of Consumer Advocates
National Consumer Law Center (on behalf of its low-income clients)
National Fair Housing Alliance
National Manufactured Home Owners Association
Prosperity Now (formerly CFED)
UnidosUS (formerly National Council of La Raza)
Woodstock Institute
California Coalition for Rural Housing (CA)
Housing and Economic Rights Advocates (CA)
National Housing Law Project (CA)
San Marcos Mobile Home Residents Association (CA)

The Committee to Elect Pierre Beauregard for Congress (CA)
AMISTAD (CO)
C-MOB Boulder (CO)
Orchard Grove Neighbors Association (CO)
Vista Village Homeowners' Association (CO)
Vista Village Manufactured Home Association (CO)
Honorable Al-Bey J.L.Esq. & Affiliates, LLC. (DE)
Affordable Homeownership Foundation Inc. (FL)
Jacksonville Area Legal Aid, Inc. (FL)
MHOAI (IL)
Coasap (IA)
Public Justice Center (MD)
Massachusetts Communities Action Network (MA)
All Parks Alliance for Change (MN)
Opportunity Alliance Nevada (NV)
New Hampshire Community Loan Fund (NH)
Native Community Finance (NM)
Coalition on Human Needs (C.H.N) (NY)
Friends of the North Country, Inc. (NY)
HomeSmartNY (NY)
MHAction (NY)
Mobile Manufactured Homeowners Association Suffolk Inc. (NY)
National Federation of Community Development Credit Unions, Inc. (NY)
North Carolina Justice Center (NC)
CASA of Oregon (OR)
Network for Oregon Affordable Housing (OR)
Fayette County Community Action Agency Inc. (PA)
Cantrell Legal PC (SC)
New Level Community Development Corp. (TN)
Addison County Community Trust (VT)
CVOEO Mobile Home Program (VT)
Law in the Public Interest, L3C (VT)
Helping Overcome Poverty's Existence, Inc. (VA)
Virginia Housing Alliance (VA)
H&R Properties of River Falls LLC (WI)
Metropolitan Milwaukee Fair Housing Council (WI)