The Honorable Louie Gohmert
U.S. House of Representatives

2243 Rayburn House Office Building
Washington, DC, 20515-4301

Dear Representative Gohmert:

I am writing to you on behalf of the manufactured housing industry, the consumers we serve, and the 750,356 current owners of manufactured homes in Texas. Our industry faces troubling and dire consequences in January 2014 when the Dodd-Frank Act mortgage regulations come into existence.

We have an ever-narrowing window to address our issues before I fear an unintended and calamitous result will befall our industry, our future customers, access to credit for affordable housing, and all current manufactured home owners who will see the equity in their home evaporate overnight when future purchasers cannot find available financing.

In your district there are 56,150 manufactured home owners. Manufactured homes make up 18.73 percent of all housing in your district. The absence of credit in any market results in a cash only market. If after January 2014 there are not lenders willing to make loans to subsequent potential buyers of manufactured homes, the value and equity manufactured home owners have in their current home will drop precipitously to that of a cash only sale. Image for a second the tremendous impact on the traditional site-built housing market if overnight it was reduced to a cash only market. This is what we face in our market.

More broadly, access to credit for moderate to low income Texans, as well as providing affordable housing options to those who need it, are important to the overall housing market and general economy. In your district, 41.11 percent of all home owners with a mortgage have a monthly mortgage cost of $999 or less. Additionally, 47.17 percent of all owner-occupied housing in your district has a value of $99,999 or less. It is within these parameters and housing needs that manufactured housing helps serve, and why it is important to allow this market to continue to exist.

The Dodd-Frank Act and the current regulations from the Consumer Finance Protection Bureau will adversely impact our affordable housing market in two ways.

First, the limitations on interest rates set by the HOEPA provisions of the Dodd-Frank Act will result in a significant percentage of small-balanced manufactured home loans being categorized as “high-cost” or predatory loans. The few lenders in the manufactured housing industry will not originate high-cost loans effectively eliminating these loans and consumer credit access. Current rate limits are problematic because of the following facts:

- The majority of manufactured home loans are small-balance loans
- The fixed costs to originate and service a $200,000 site-built home loan are the same as a $20,000 manufactured home loan, yet the percentage relative to the cost of the entire home is dramatically different

- The starting point to establish an interest rate begins with lenders' cost of funds and is impacted by the liquidity of the loan purchase market
- The GSEs do not purchase manufactured home loans, which directly and disproportionately impacts liquidity for manufactured home lenders compared to tradition site-built lending

It is critical to stress typical manufactured home lending is comprised of essentially only private capital with no government based support, backstop or guarantee. Lenders are portfolio lenders who bear the risk for the loans they generate over the entire life of the loan. The loan structures are small-balance, fixed rate, fully amortizing loans with terms of 20 years or less. These loans are not exotic or predatory lending products. They provide much needed access to credit to consumers in need of an affordable housing option.

Second, the nature of the retail manufactured home sales process is not the same as with traditional site-built homes. The January 2014 regulations limit specific activities that lump a retail sales transaction into the same category as a site-built home sale. The result of these generalizations will be to classify many retailers as loan originators under the new law and rules for performing basic retail services.

The *Preserving Access to Manufactured Housing Act* (H.R. 1779) draws a bright line and clearly distinguishes that only when a retailer is compensated for performing loan originator activities, like a mortgage broker is on a site-built sale, would the retailer be classified as a loan originator.

It is for these reasons I ask you to consider joining the existing bi-partisan group of members co-sponsoring H.R. 1779. Without these necessary changes the existing home owners, consumers, retailers and lenders in our affordable housing industry will suffer.

To co-sponsor, please contact Erin Bays in Rep. Stephen Fincher's office at 202.225.4714 or erin.bays@mail.house.gov

Our industry is made of thousands of dedicated individuals, 11 in-state factories, over 800 licensed retailers, thousands of salespersons, along with hundreds of service and supplier vendors. We provide jobs, invest private capital, foster entrepreneurism, and small business while contributing to the economy and tax base. We do all of this to provide a quality, safe, affordable housing product to a market segment that in many cases in our absence would have few, if any, other viable housing choices.

On behalf of us all, I ask that you consider us when you return to Washington after the August recess.

Sincerely,

DJ Pendleton, J.D.

Executive Director,
Texas Manufactured Housing Association
dpendleton@texasmha.com

*All statistics and percentages from United States Census Bureau