



July 18, 2022

Mr. David Benson
President and Interim Chief Executive Officer
Fannie Mae
1100 15th Street, NW
Washington, DC 20005

Mr. Michael DeVito
Chief Executive Officer
Freddie Mac
8200 Jones Branch Drive
McLean, VA 22102

RE: Needed Revisions to CrossMod Appraisal Guidelines

Dear Messrs. Benson and DeVito:

As you know, the Manufactured Housing Institute and the Mortgage Bankers Association have individually written to your organizations to ask for action on an appraisal issue with respect to the purchase of loans secured by CrossMod homes that is critically important to Fannie Mae and Freddie Mac (the Enterprises) carrying out their affordable housing missions. As industry associations focused on addressing the nation's affordable housing supply shortage, we write together today to share our aligned views on ways in which the Enterprises can address this issue in a manner that will improve outcomes for consumers and the market participants that serve them. We appreciate the recognition on the part of both of your firms that manufactured housing creates quality homeownership opportunities for families that face the greatest affordability challenges. Your support for CrossMod homes, in particular, has been a transformative step in enabling this new housing option to reach consumers seeking homeownership with the features of site-built homes at a much more affordable price point.

At the same time, Enterprise guidance to appraisers regarding comparable sales to CrossMods has unintentionally undermined this important objective. Without improved guidance, appraisers will continue to consistently undervalue CrossMod homes, which will threaten the broad adoption of CrossMods in the market – and thereby prevent CrossMod homes from achieving their full consumer potential. That is why we seek your immediate attention to address this issue.

Since CrossMods are still relatively new in the market, nearby CrossMod homes often are not available for appraisers to use as comparables for an Enterprise-backed CrossMod mortgage loan. While CrossMod homes are the best and most appropriate comparable for an appraiser to utilize for other CrossMod homes, when such comparables are not available, site-built homes, along with the appropriate adjustments that are made with any appraisal, are the most appropriate option. Despite Enterprise guidance suggesting that site-built homes can be used as comparables when no CrossMod comparables exist, in practice, appraisers instinctively are reverting to using traditional Department of Housing and Urban Development (HUD) Code manufactured homes as comparables, which is permitted by the current Enterprise guidance.

As a result, the existing Enterprise CrossMod appraisal guidance is clearly undermining the programs' intended effect as appraisals for CrossMod homes are typically inaccurate – well below true market values. This has caused the utilization of CrossMods by developers to be stymied because the artificially low appraisal values do not support the necessary loans for purchase. Developers therefore are moving away from CrossMods, as they do not want to take the risk of transactions failing to close due to faulty appraisals.

Given that the MH Advantage and CHOICEHome programs were created to facilitate manufactured housing that is specifically built to meet construction and architectural design standards that are consistent with site-built homes, it is inappropriate for the programs to be undermined because appraisers are using traditional manufactured homes as comparables. Site-built homes are more physically similar to CrossMod homes than are traditional manufactured homes. Providing clear appraisal guidelines that require the use of site-built comparables for CrossMod homes, but only when other CrossMod homes are not available, will result in clarity for appraisers to ensure they select appropriate sales comparables that are the most physically similar to the subject property. We urge you to address this problem as soon as possible by changing the language in your guidance for appraisers, as outlined in the attachment, so that they have clarity about how to value CrossMod homes.

Again, thank you and your teams for already doing the hard work to recognize that CrossMod homes are indistinguishable from site-built homes in quality and performance and create robust programs to support this outcome. Our associations are aligned in supporting attainable homeownership and we are focused on scalable solutions to increase the affordable housing supply throughout the country. To this end, clearer appraisal guidelines for CrossMod homes - calling for the use of site-built appraisal comparables for CrossMod homes when other CrossMod homes are not available, subject to the customary appropriate adjustments for the particular home - will bring more accurate sales comparables to the transactions. This, in turn, will result in more investment in this important housing innovation and increased production of high-quality, affordable homes for consumers. Without action by the Enterprises to fix this problem now, the risk is that this innovative, attainable homeownership option will die in its infancy. We look forward to working with you to correct this issue quickly.

Sincerely,



Lesli Gooch, Ph.D.
Chief Executive Officer
Manufactured Housing Institute



Pete Mills
Senior Vice President
Residential Policy and Strategic Industry Engagement
Mortgage Bankers Association

cc: The Honorable Sandra Thompson, Director, Federal Housing Finance Agency

-Attachment-

Proposed Revision to Guidance for Appraisals of CrossMod Homes

Purpose of Revision:

Clear guidance is needed to ensure appropriate sales comps and accurate valuations of CrossMod homes.

MHI/MBA Proposed Language Revisions to Enterprise Guidance:

Fannie Mae MH Advantage – For MH Advantage properties, appraisers must use other MH Advantage homes, when available, for the comparable sales. If fewer than three MH Advantage sales are available, then the appraiser must supplement with **the best and most appropriate site-built home sales**.

Freddie Mac CHOICEHome – The appraisal report for a CHOICEHome, should contain at least one comparable CHOICEHome sale. However, if there are no comparable CHOICEHome sales available, the appraiser **must use the best and most appropriate site-built housing as comparable sales**.