July 10, 2017

Honorable Melvin Watt
Director
Federal Housing Finance Agency
400 7th St SW
Washington, DC 20024

Re: Request for Public Input on Fannie Mae and Freddie Mac's Proposed Underserved Markets Plans for Duty to Serve Program

Dear Director Watt:

The Independent Community Bankers of America[1] (ICBA) appreciates the opportunity to provide comments and input regarding the Duty to Serve proposals which have been developed by Fannie Mae and Freddie Mac (the Enterprises). The Federal Housing Finance Agency (FHFA) has required the Enterprises to seek public review and input regarding their respective proposals. The Enterprises are required by the Housing and Economic Recovery Act (HERA) of 2008 to develop specific plans which detail how they will implement various provisions of their Duty to Serve obligation for certain underserved markets which are: manufactured housing; rural housing; and affordable housing preservation, that serve very low-, low- and moderate-income families. ICBA supports efforts to improve access to affordable mortgage credit, especially in rural and small town markets and appreciates the work the Enterprises and FHFA are doing in that regard.

[1] The Independent Community Bankers of America®, the nation's voice for more than 5,800 community banks of all sizes and charter types, is dedicated exclusively to representing the interests of the community banking industry and its membership through effective advocacy, best-in-class education and high-quality products and services.

With 52,000 locations nationwide, community banks employ 760,000 Americans, hold $4.7 trillion in assets, $3.7 trillion in deposits, and $3.2 trillion in loans to consumers, small businesses, and the agricultural community. For more information, visit ICBA's website at www.icba.org.

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As stated in ICBA's 2016 comment letter regarding FHFAs plans to implement the Duty to Serve requirement, we remain concerned that the Enterprises are not in a financially sound condition and are critically undercapitalized. While we support efforts to expand access to credit through various programs and new product initiatives, these types of loans in general carry a higher degree of credit risk. Additionally, in some cases these loans cannot be included in normal Enterprise mortgage-backed securities and as such the Enterprises will have to retain loans acquired through these various pilot programs in their respective portfolios which could increase their hedging costs in addition to credit costs. **ICBA urges the FHFA to end the sweep of Enterprise earnings to the U.S. Treasury and to direct the Enterprises to develop and implement plans to rebuild their capital as required by HERA.**

Rather than provide specific comments on each plan from each Enterprise, ICBA will provide the following suggestions which can be applied by the Enterprises across all the proposed Duty to Serve initiatives.

1. Increase outreach to smaller, locally based lenders as pilot programs are developed and implemented. The Enterprises should seek out increased participation by community banks who generally provide mortgage financing for manufactured housing, titled as real estate or chattel, the majority of mortgage financing in rural communities, and generally work to help preserve affordable rental housing in small towns. ICBA encourages the Enterprises to engage community bank lenders to gain knowledge regarding underwriting and servicing these types of loans based on loans retained by those institutions in their portfolios. Local institutions are well positioned in terms of understanding the local markets and are better able to respond to borrower issues when they arise. This is especially true when originating and servicing manufactured housing loans.

2. Review existing underwriting guidelines and product eligibility requirements to identify areas that inhibit the sale of manufactured housing and mortgage loans from rural communities through the Enterprises' standard programs. Adjusting various manufactured housing (MH) guidelines such as maximum LTV, TLTV, CLTV, as a well as additional fees or other requirements that would align the requirements for manufactured homes with those of stick built homes, could expand the sale of manufactured housing loans as well as loans from rural and small town markets.

3. Encourage participation by the mortgage insurance industry to develop and expand mortgage insurance products for manufactured housing for both loans titled as real estate and loans titled as chattel. ICBA still believes that the Enterprises could take a leadership role in moving more manufactured home sales to real estate. Additionally, MI's could provide the needed credit insurance for chattel loans which could help reduce the cost and risk of those loans for both the borrower and the Enterprises, and would allow more lenders to participate in that market if they wished to.

4. Decline to buy manufactured housing loans from any entity that is not subject to the SAFE act and is exempt from the CFPB mortgage originator compensation (MLO) rules. Currently, employees of manufactured housing dealerships that arrange financing are not subject to SAFE Act registration or licensing, or CFPB MLO compensation rules. Exemptions from these rules by MH dealerships creates a regulatory loophole which disadvantages both depository and non-depository mortgage loan originators. It also creates the opportunity for consumer abuses which have plagued the manufactured housing industry for years. If MH dealerships want access to the national secondary market provided by the Enterprises, they should have to comply with the same rules as all other lenders that sell and service loans for the Enterprises.

As stated earlier, ICBA fully supports the Enterprises seeking to fulfill their statutory mandate to serve all markets at all times. We have provided suggestions on how the Enterprises can accomplish those goals in a prudent manner that doesn't result in all the benefit going to a select few large national lenders, but rather can include locally based lenders which will result in better outcomes. We continue to call on the FHFA to end the destructive sweep of Enterprise earnings and capital and direct them to begin rebuilding capital to successfully implement the Duty to Serve mandate along with supporting the rest of the mortgage market in a safe and sound manner.

Thank you for the opportunity to provide comment and feedback on these proposals. We look forward to working with FHFA and the Enterprises as they move forward with this initiative.

If you have any questions regarding this letter, please contact the undersigned at ron.haynie@icba.org.

Sincerely,

/s/

Ron Haynie
Senior Vice President-Mortgage Finance Policy