

## Enterprise Housing Goals FHFA Listening Session 3.25.2021

By L. A. "Tony" Kovach

### **"A Pimple on an Elephant's Ass."**

That's how a Manufactured Housing Executives Council (MHEC) member described to [MHProNews](#) the comparative losses on manufactured homes to losses incurred in conventional housing during the 2008 housing-financial crisis. He compared those *trillions* in losses on houses to the far more modest losses experienced by lenders operating in HUD Code Manufactured Homes in the late 1990s into the early 2000s.

Despite that comparative pimple, Fannie Mae, Freddie Mac, and others periodically point back to that problematic so-called "[GreenSeco era](#)." That's 2 decades in the rearview mirror. How can that be an excuse for treating manufactured homes so differently than conventional housing in access to lending?

The FHFA website says that Enterprise Housing Goals are supposed to **"FOSTER competitive, liquid, efficient, and resilient (CLEAR) national housing finance markets that support sustainable homeownership and affordable rental housing..."**

Before and after passage of the Housing and Economic Recovery Act (HERA) of 2008 and the Congressional mandate of Duty to Serve (or DTS) for manufactured housing by Fannie Mae, Freddie Mac - FHFA and other regulators have paid *lip service* to supporting manufactured homes.

That negatively impacts millions. Who says?

HUD Secretary Marcia Fudge spoke recently about the tragedy of increased homelessness in America.

HUD's sad report is fascinating because James Schmitz Jr. - a researcher for the Minneapolis Fed, and three colleagues - published reports accusing HUD and builders of collusion in deliberately undermining manufactured housing.

Schmitz and those researchers argued that collusion between HUD and builders is a case of "sabotage monopoly."

They said that sabotaging collusion between HUD and builders increased homelessness, harmed minorities, and cut off the lower income class of all backgrounds from the benefits of affordable manufactured home ownership.

Schmitz and his colleagues wrote positively about the manufactured home option.

Scholastica "Gay" Cororaton's research for the National Association of Realtors also praised modern manufactured homes.

What makes Schmitz and his colleagues' charge of HUD's role in "**sabotage monopoly**" more compelling are comments from Bill Matchneer. Attorney Matchneer is the former HUD administrator for the Office of Manufactured Housing Programs (OMHP).

Matchneer said HUD's Office of General Counsel consistently failed to enforce the enhanced preemption clause made law when the Manufactured Housing Improvement Act of 2000 (MHIA or 2000 Reform law) was enacted.

Jim Gray, formerly with the FHFA Duty to Serve program, said in his exit message that FHFA and GSEs - "[W]e have not made as much progress [toward meeting the Duty to Serve mandates] as many of us would have liked; so much remains to be done to reach these [DTS] markets."

In December 2019, I made two different listening session presentations on the DTS mandates; one virtual and another live in Washington, D.C.

In both presentations, I made the evidence-based case how disgraceful it was that the FHFA and GSEs have ignored the law to the harm of millions.

GSEs and FHFA failures arguably included key corporate members of the Manufactured Housing Institute or MHI.

Several scheduled to present today are aware of the issues I'm raising. Because some worked for HUD, FHFA, GSEs, or are otherwise connected to the manufactured housing industry.

For instance. Lesli Gooch, Ph.D., with the Manufactured Housing Institute (MHI) made statements in her filed EHG comments letter that sound supportive of manufactured homes.

But upon closer examination, Ms. Gooch focused on an unproven plan that Berkshire Hathaway (BRK) owned Clayton Homes - which supports MHI - in their push for their branded CrossMod™ homes scheme.

Where was Gooch's similarly robust support for all other mainstream manufactured homes?

- Fannie calls CrossMod™ MH Advantage®.
- Freddie calls their version of CrossMod™ CHOICEHome®.
- The known data reveals that these programs are market failures.

Supposedly there have been double-digit sales nationally of CrossMod™ - under whatever name - in the last few years. That's in a market producing some 95,000 HUD Code manufactured homes annually.

Attorney and manufactured home finance veteran Marty Lavin - an MHI award winner - did consulting for Fannie Mae. Lavin told MHLivingNews that MHAdvantage® was likely to be as successful as MH Select®.

Lavin said MH Select® was also a virtual goose egg.

**David Dworkin**, CEO of the National Housing Conference in federal comments said that manufactured housing was necessary for affordable housing.

Dworkin was fully confident that the GSEs could successfully do manufactured home loans.

Dworkin previously worked for a GSE as a Vice President.

Edward Golding worked for HUD and the FHA.

In 2018, Golding and 3 colleagues did a post for the Urban Institute. It was entitled "Manufactured homes could ease the affordable housing crisis. So why are so few being made?"

Citing FHFA data, Golding and his co-authors in that Urban Institute report said manufactured homes appreciated in value. They said manufactured homes could appreciate even more given access to affordable sustainable GSE loans.

What that Urban Institute post didn't disclose on that specific page is that Berkshire chairman Warren Buffett is a lifetime trustee of the Urban Institute.

The applied logic of Golding, Dworkin, MHARR's Mark Weiss, and others should make it plain that the GSEs could and should be doing robust lending in manufactured housing.

Oxford Bank has made personal property loans on manufactured homes for some 2 decades. Oxford reportedly loans with credit scores that mirror those of Berkshire owned 21<sup>st</sup> Mortgage.

Oxford purportedly does so profitably and sustainably and at lower interest rates than 21<sup>st</sup>.

Given those facts and legal mandates, what possible excuse can FHFA and the GSEs give for not robustly making mainstream manufactured home loans for both personal property as well as mortgage lending?

- Why did the GSEs and MHI hold closed door meetings some years ago and never released those meeting minutes?
- How did the MHAdvantage ® CHOICEHome® and CrossMod™ magically come to be so similar?
- Why is it that MHI postures support, but has backed or tolerated plans that leave Berkshire owned 21<sup>st</sup> and Vanderbilt Mortgage and Finance as the 2 runaway largest lenders in manufactured housing?

I am consultant L.A. "Tony" Kovach. I've worked in the insurance, RV, trade show, and other professions. But all told, I have some 30 years' experience in manufactured housing retail, communities, with financial service firms, and builders of HUD Code manufactured homes.

Keep in mind that I was an MHI member for years. I was elected by my peers to sit on the MHI Suppliers Division board.

For a time, I was arguably fooled by the purported paltering and posturing of the MHI flim-flam that has undermined manufactured housing.

That paltering pattern harms millions of Americans while thousands of independent retailers, producers, and others went out of business or sold out at discount.

- Is it mere coincidence that this history fits the Warren Buffett "castle and moat" methodology that Kevin Clayton himself bragged about in a video interview?
- Have you viewed or read the transcript of Kevin Clayton saying that Buffett preaches that Moat to make it hard on Clayton's competitors?

Applying the "**Iron Triangle**" notion and Schmitz's "**Sabotage Monopoly**" principles suggest that insiders rigged the market in ways that undermine the interests of various competitors.

The late Democratic Senator William Proxmire said that in Washington, two things shed light on what occurs.

- There are no coincidences.
- The other is follow the money.

I encourage all to Google each of these topics yourself!

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For instance, Google "Sam Strommen from Knudson Law" on manufactured housing research.

Strommen's report called what is happening in manufactured housing a case of "Felony" antitrust violations with possible RICO aspects involved.

Strommen has no axe to grind in our profession.

Strommen concluded that manufactured housing was being subverted from within and mentioned Clayton, MHI, other MHI members, plus the Buffett "castle and moat" method too.

Given the degrees, evidence, and experiences of those involved, I have a hard time making the argument for incompetence causing the status quo.

The Rev. Martin Luther King Jr said:

**"He who passively accepts evil is as much involved in it as he who helps to perpetrate it. He who accepts evil without protesting against it is really cooperating with it."**

What comes next should include a full and proper implementation of federal laws that include the

- Manufactured Housing Improvement Act of 2000,
- and the Duty to Serve Manufactured Housing as part of the Enterprise Housing Goals.
- It should also include enforcing antitrust and RICO laws too.

Those good laws need to be fully and properly implemented to restore the free market and liberate millions who want affordable home ownership made possible by mainstream manufactured homes. Pax et bonum.

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