

Dodd-Frank

In 2010, in response to the financial problems facing the nation, Congress passed Wall Street reform legislation to tighten mortgage lending standards. The law, commonly called “Dodd-Frank” is a sweeping rewrite of banking and financial services laws and affects every consumer and mortgage finance transaction.

The act significantly revises and expands the scope of existing mortgage finance and anti-predatory lending laws to include credit transactions on homes considered personal property, including manufactured homes.

Dodd-Frank establishes a new Bureau of Consumer Financial Protection (CFPB), which will bring all financial products under its jurisdiction. For example, the regulation of 18 existing laws will be moved to the CFPB on July 21.

For the manufactured housing industry, this law is expected to cause major difficulty for customers seeking to buy or refinance a manufactured home or for current residents to find financing to sell their homes.

Furthermore, both Dodd-Frank and the 2008 SAFE Act establish rules defining those that must register as mortgage loan originators. Unfortunately, the two have not been harmonized, leaving the nation in effect with two new major laws that regulate and define mortgage loan origination activities. It is unclear how these two laws will mesh. For example, while West Virginia now enjoys an exemption from mortgage loan licensing under the SAFE Act, it may not continue that exemption when Dodd-Frank becomes effective.

We need members of the House Financial Services Committee and the Senate Banking Committee to commit to sponsor legislation to reform parts of Dodd-Frank that will potentially harm the manufactured housing industry’s ability to serve homeowners and new buyers.

We urge all of our members, community owners and retailers, community residents, suppliers, lenders, lawyers and anyone affiliated with our industry to send an email or fax request to Rep. Shelley Moore Capito, R-W.Va., urging her to sponsor a reform proposal that has been developed by the Manufactured Housing Institute (MHI). Congresswoman Capito is an industry friend and holds an important position on the House Financial Services Committee.

MHI has focused on six areas of major concern that need to be changed under Dodd-Frank to help the industry. According to Jason Boehlert, vice president for government affairs at MHI, those areas are:

--For “high-cost mortgages,” Dodd-Frank creates new standards for points, fees and interest rates that unfairly affect personal property loans. It increases costs and liability for lenders and decreases the availability of financing, especially for manufactured housing owners. It will also require counseling for those seeking high-cost mortgages in rural areas. The cost is \$600 and must be borne by the consumer. One question is can this counseling even be had in rural areas? This will be especially important in our industry, where most of our loans will fall into this category since 75 percent of the loans are under \$75,000 and \$65,000 is the average price of our new homes.

--The act establishes a new definition and standard for “qualified mortgages” to provide a safe harbor (similar to an exemption) from certain portions of the bill. Most manufactured home loans will conform to the qualified mortgage definition. However, the CFPB can change the criteria defining a qualified mortgage as it sees fit, without Congressional authority. The industry wants the rules to be standardized and unchanging. In addition, Dodd-Frank provides regulators with the ability to develop a special set of rules for smaller sized loans. Given their smaller size, Congress is urged to clarify that manufactured home loans should be provided special consideration.

--Dodd-Frank broadens definitions to treat anyone assisting a customer in the financial application process as a "mortgage originator" and hence subject to licensing. Since this provision does not agree or parallel the SAFE Act, it is unclear who is being regulated and who must be licensed. The CFPB will assume jurisdiction over the SAFE Act on July 21.

--Dodd-Frank contains new requirements defining and governing "higher-risk" mortgages. The appraisal requirement methods under the law do not properly account for manufactured housing titled as personal property. Since it is already difficult to get an appraisal based on our product being personal property, the industry is seeking an exemption from this section.

--Manufactured housing is provided an exemption from the scope of the new federal agency (CFPB), but the exemption is limited. We are unsure what that means and would like to strengthen the exemption.

MHI is working closely with industry supporters in both the House and Senate on legislation amending provisions within the Dodd-Frank Act. However, support and assistance is still needed and members of the West Virginia Housing Institute Inc. are urged to contact their U.S. Senators and Representatives and ask they help champion legislation.

Letters written to Members of Congress must be sent by email. Writing a paper letter is useless since it takes months for them to arrive because of security concerns over anthrax. Forms can be obtained by logging onto www.manufacturedhousing.org or contacting MHI Vice President of Government Affairs Jason Boehlert at 703.558.0660 or jboehlert@mfghomeorg.