



November 25, 2008

The Honorable Henry M. Paulson, Jr.  
Secretary  
U.S. Department of the Treasury  
1500 Pennsylvania Avenue, NW  
Washington, D.C. 20220

Dear Secretary Paulson:

The Manufactured Housing Institute (MHI), a trade association representing all segments of the factory-built housing industry – including its manufacturers, suppliers, lenders, owners of land lease communities and retailers who sell homes at sales centers – applauds the leadership that the Treasury Department has shown in tackling the current credit market crisis. We are greatly encouraged by the recent announcement that resources dedicated to the Troubled Asset Relief Program (TARP) may now be tapped to stabilize non-bank lending institutions.

Until recently, these non-bank lending institutions had provided the nation's manufactured home retailers with a reliable and consistent source of inventory finance. Over the last two weeks, each of these non-bank lending institutions—which had collectively provided the majority of the industry's inventory financing—all announced that these programs for manufactured home retailers were being suspended or curtailed due to the current credit market turbulence. We fear that a prolonged period without access to inventory finance will force many of the thousands of small business owners that operate manufactured sales centers and employ tens of thousands of Americans to permanently close their doors. This response would cause significant adverse ripple effects throughout the nation's economy.

The Manufactured Housing Institute respectfully requests your immediate assistance in dealing with this looming crisis. We encourage the Treasury Department to require non-bank lending institutions which offer manufactured home inventory finance who receive TARP relief to dedicate a portion of the funds received to maintaining these programs.

Prior to the current credit crunch, manufactured home retailers endured a protracted period of declining sales – experiencing nearly a 75% decline in home shipments over the past 10 years. This decline persisted throughout the duration of the site built housing boom, as manufactured home lenders did not resort to the lax underwriting practices of the mainstream mortgage lending community to stimulate loan approvals (e.g. stated income loans, ARMs with teaser rates, zero-down payment programs, etc.). As a result of this disparity in lending practices, thousands of Americans chose to purchase more costly site-built homes financed by loans underwritten with such loan terms rather than an affordable manufactured home financed with simple, fixed-rate loan terms.

Between 2004 and 2007, it is estimated that more than one in four manufactured home retailers lost their businesses. The industry can ill afford to lose its small business retail sales force providing the most affordable housing to Americans during these trying economic times. For example, the average new home price of a manufactured home in 2007 was \$65,100, relative to \$313,600 for a site-built home.

Until recently, manufactured housing provided approximately 35% of this nation's new home sales—serving those most in need of affordable housing. That share of total new home sales has dwindled to approximately 10%, due to the lack of available credit. The ability of the industry to continue meeting this important need is contingent upon the ability of its retailers to secure financing for their inventories. Failure to secure such financing could result in a further downturn in an industry that employs over 70,000 people in its factories and retail sales centers alone.

MHI looks forward to working closely with the Treasury Department to ensure that manufactured home retailers can continue to secure inventory financing. We respectfully request a meeting with appropriate staff at the Treasury Department to discuss this matter at the earliest possible convenience. If more information is needed, please do not hesitate to contact me at 703-558-0655.

Sincerely,

Gail Cardwell  
President and Chief Executive Officer  
Manufactured Housing Institute

Cc: The Honorable Neel Kashkari, Interim Assistant Secretary of the Treasury for  
Financial Stability, U.S. Department of the Treasury  
Rawan Abdelrazek, Chief of Staff, Office of Financial Stability, U.S. Department  
of the Treasury



November 25, 2008

The Honorable Ben Bernanke  
Chairman  
Federal Reserve Board  
20<sup>th</sup> and C Streets, NW  
Washington, D.C. 20551

Dear Chairman Bernanke:

The Manufactured Housing Institute (MHI), a trade association representing all segments of the factory-built housing industry – including its manufacturers, suppliers, lenders, owners of land lease communities and retailers who sell homes at sales centers – applauds the leadership that the Federal Reserve Board has demonstrated in tackling the current credit market crisis. We are also encouraged by the recent announcement by the U.S. Treasury Department that resources dedicated to the Troubled Asset Relief Program (TARP) may now be tapped to stabilize non-bank lending institutions.

Until recently, these non-bank lending institutions had provided the nation's manufactured home retailers with a reliable and consistent source of inventory finance. Over the last two weeks, each of the non-bank lending institutions which had been significantly engaged in manufactured home inventory finance announced that these programs would be suspended or curtailed due to the turbulence in credit markets. We fear that a prolonged period without access to inventory finance will force many of the thousands of small business owners who operate manufactured sales centers and employ tens of thousands of Americans to permanently close their doors. This response would cause significant adverse ripple effects throughout the nation's economy.

The Federal Reserve's actions related to restricting the Commercial Paper Funding Facility (CPFF) to the highest rated issuers (so-called A1/P1/F1 issuers) have inadvertently prevented companies with lower ratings from gaining access to the commercial paper market at reasonable interest rates. These lower-rated issuers, in turn, have either suspended or have severely curtailed inventory lending for manufactured housing retailers.

MHI respectfully requests your immediate assistance in addressing this looming crisis. We encourage the Federal Reserve to go beyond top-rated issuers and allow other high quality issuers to participate in the CPFF program to ameliorate the artificially higher yield spreads resulting from lack of comparable access to this facility.

Prior to the current credit crunch, manufactured home retailers endured a protracted period of declining sales – over the last ten years, shipments of manufactured homes have declined by nearly 75 percent. This decline persisted throughout the duration of the recent housing boom as manufactured home lenders did not resort to the lax underwriting practices of the mainstream mortgage lending community to stimulate loan approvals

(e.g. stated income loans, ARMs with teaser rates, zero-down payment programs, etc.). As a result of this disparity in lending practices, thousands of Americans chose to purchase more costly new site-built homes, with an average price of \$313,600 financed by loans underwritten with such terms, rather than a manufactured home with an average sales price of \$65,100 financed employing simple, fixed-rate loan terms.

Between 2004 and 2007, it is estimated that more than one in four manufactured home retailers lost their businesses. The industry can ill afford further losses in its retail sales force. Until recently, manufactured housing provided approximately 35% of this nation's new home sales—serving those most in need of affordable housing. That share of total new home sales has dwindled to approximately 10%, due to the lack of available credit. The ability of the manufactured housing industry to continue meeting this critical housing need is contingent upon the ability of its retailers to secure financing for their inventories. Failure to secure such financing could result in a further downturn in an industry that employs over 70,000 people in its factories and retail sales centers alone.

We respectfully request a meeting with appropriate staff at the Federal Reserve to discuss this matter at the earliest possible convenience. If you have any questions or need further information, please do not hesitate to contact me at 703-558-0655.

Sincerely,

Gail Cardwell  
President and Chief Executive Officer  
MHI

cc: Timothy F. Geithner  
President and CEO  
Federal Reserve Bank of New York