



June 3, 2015

MSR Task Force
Conference of State Bank Supervisors
1129 20th St. NW, 9th Floor
Washington, DC 20036

Re: Proposed Regulatory Prudential Standards for Non-Bank Mortgage Servicers

Dear Sirs:

The Ohio Manufactured Homes Association (“OMHA”) appreciates the opportunity to submit comments in response to the Conference of State Bank Supervisors’ MSR Task Force’s (“Task Force”) *Proposed Regulatory Prudential Standards for Non-Bank Mortgage Servicers* that were issued on March 25, 2015. OMHA is concerned that states may apply the Baseline Standards therein to servicers of, and the holders of servicing rights to, loans and retail installment sales contracts secured by manufactured homes, but not real estate (“chattel-only transactions”), which could threaten the viability of several lenders and servicers in the manufactured housing finance market.

OMHA’s Concerns with the Proposed Regulatory Prudential Standards

The Task Force specifically requested public comment on whether the Baseline Standards threaten the viability of a servicer. OMHA submits that if the Baseline Standards are applied to chattel-only transactions, several of the Baseline Standards will further threaten the availability of chattel-only financing in a market where few financing options are available. If chattel-only loans cannot be serviced, they will not be originated.

Specifically, the proposed Baseline Standards require non-bank mortgage servicers to have a base net worth of \$2.5 million with an escalator of 0.25 percent of the unpaid principal balance of the serviced portfolio. In addition, the proposed Baseline Standards impose a liquidity standard of 3.5 basis points of the servicing portfolio.

OMHA is concerned that the retailers, communities and their affiliates that either self-service or hold servicing rights do not and cannot meet the proposed capital and liquidity requirements. Similarly, OMHA is concerned that many of the available third-party servicers do not and cannot meet the proposed capital and liquidity requirements. These amounts are grossly disproportionate for small servicers – in fact, the smaller the servicing portfolio, the more disproportionate the burden.

The proposed Baseline Standards also will require non-bank mortgage servicers to: adopt a risk management program; meet data standards; meet data protection standards; meet corporate governance standards, including meeting Ginnie Mae reporting standards that require audited financial statements and audit reports conducted by independent public accountants. As drafted, these are the Baseline Standards that *every* non-bank mortgage servicer would need to meet, regardless of the size or



complexity of its operation and regardless of the number of loans that the entity services and regardless of whether it actually is servicing or is a passive investor that merely owns servicing rights.

OMHA is concerned that these Baseline Standards will exponentially increase the compliance and operational burdens of retailers, communities and their affiliates that either self-service or hold servicing rights and, as a result, this source of financing will become unavailable.

OMHA is also concerned that these Baseline Standards will increase further the compliance and operational burdens of third-party servicers and lenders, which could result in more lenders exiting the manufactured housing finance market. Notably, as a result of the CFPB's implementation of the Dodd-Frank Act's mortgage rules, one of the five lenders that accounted for over 52 percent of the manufactured-home purchase money mortgages has already exited the indirect lending market. OMHA is concerned that the increased compliance and operational burdens associated with the Baseline Standards will cause other portfolio lenders and servicers to exit the chattel-only lending market, a market already with few available financing sources.

Recommendation

Due to the potential impact that the Baseline Standards will have on the manufactured housing lending market, particularly chattel-only transactions, OMHA respectfully recommends that the Task Force specify that its Regulatory Prudential Standards for Non-Bank Mortgage Servicers are only meant to apply to transaction secured by real estate **and are not meant to cover chattel-only transactions.**

If the Task Force determines that its Regulatory Prudential Standards for Non-Bank Mortgage Services must extend to chattel-only transactions, OMHA recommends that the Regulatory Prudential Standards incorporate a small-servicer exemption so that stakeholders that service, or hold servicing rights to a relatively small portfolio have relief from the Baseline Standards' onerous requirements.

Thank you for your consideration.

Sincerely,

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