

FRANKLY SPEAKING

AN INTERVIEW WITH CONGRESSMAN

Representative Barney Frank (D-Mass.) has long been a proponent of affordable housing, and more specifically, a champion for manufactured housing.

For instance, last year in a letter to the then Department of Housing and Urban Development (HUD) Secretary Martinez, Frank and five of his colleagues urged HUD to use its expanded legal preemption under the Manufactured Housing Improvement Act to prohibit localities from engaging in discriminatory zoning practices.

He also requested a meeting with Martinez to discuss several issues relating to manufactured housing, including Fannie Mae's underwriting changes. Additionally, pressure that Frank, along with other lawmakers, put on Fannie Mae resulted in it reinstating manufactured home loans at 30 years with 5 percent downpayments through a group of approved lenders.

Modern Homes recently asked Frank about his staunch stand on affordable housing and his feelings about the issues of importance to manufactured homes.

Q. You serve as the top Democrat on the House Financial Services Committee. From that vantage point, do you believe that

affordable housing receives its fair share of the federal economic pie?

A. Affordable housing has been one of the most under-funded aspects of the federal budget. We know from the experience of the '90s that while general prosperity in the economy is a very good thing, by itself it does not resolve problems in affordable housing—in many areas it may aggravate them. The problem with people of low- to moderate-income not being able to afford decent housing—forcing them either to live in inadequate circumstances or short-change other important parts of their budget—has gotten worse and should be addressed. Unfortunately, recent federal budgets have exacerbated the situation even further.

Q. Throughout your congressional career, you have been a strong proponent of manufactured housing. When did you first become interested in the industry and its role in providing affordable housing?

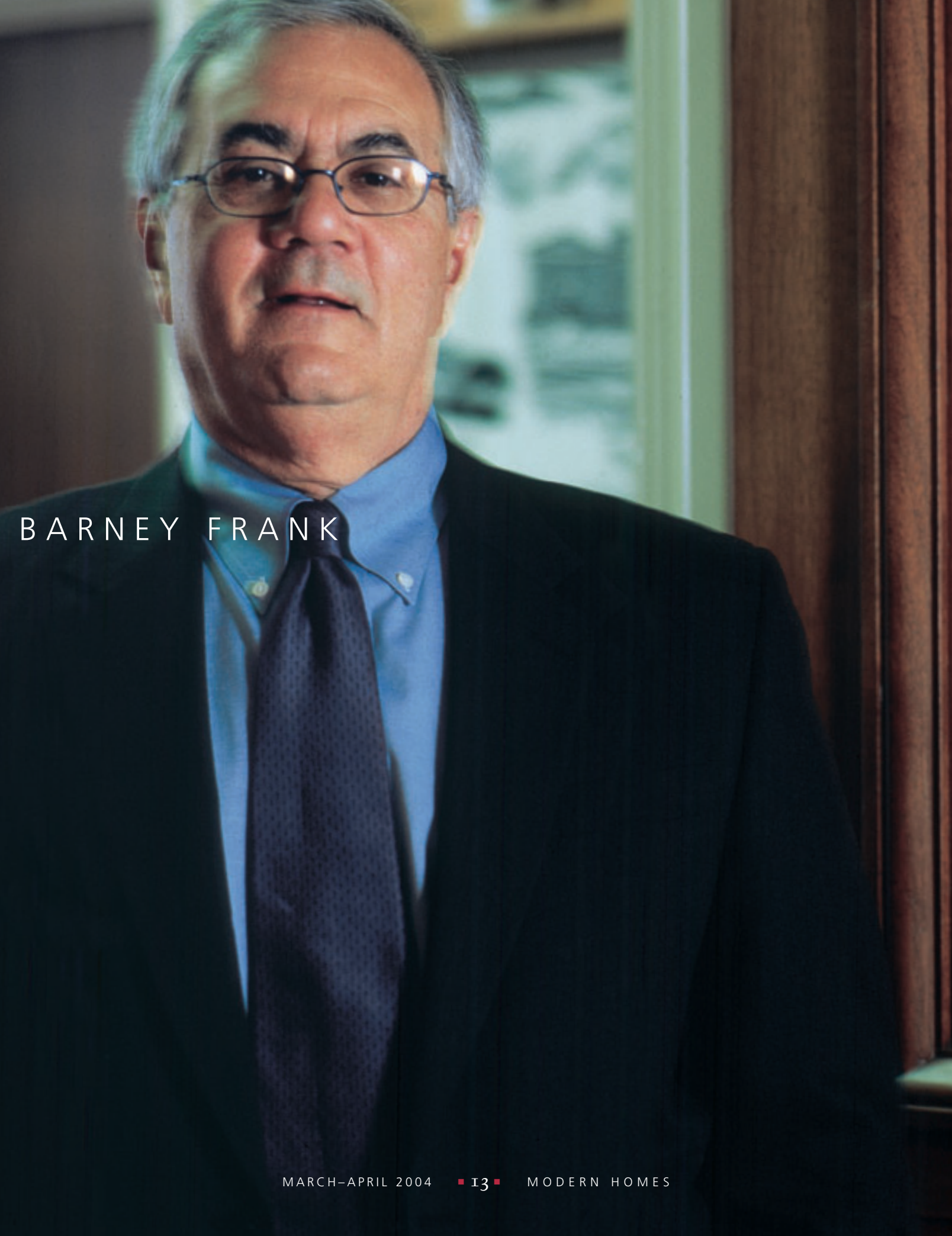
A. I first became aware of the importance of affordable housing when I served in the state legislature in Massachusetts in the '70s, and some people called to my attention the problem in Massachusetts law

which discriminated against the purchase of manufactured housing in terms of the laws governing lending. I was able to work with others to secure some improvements in this.

I must acknowledge that I did not focus a great deal on affordable housing again until 1992, twelve years after I was first elected. During that first twelve years the districts that I represented...did not include much manufactured housing. But in 1992, the state legislature changed my district and I became the Representative for a large number of people in manufactured housing.

As I met with them, I became aware of both the problems that they faced in their individual situations and of the shortcomings of public policy in general. It was at that time that I began to realize that manufactured housing represents an important potential source of housing for low- and moderate-income people, but that public policy at the federal, state and local levels interferes with our ability to let people take full advantage of this.

Q. You were very instrumental in the enactment of the Manufactured Housing Improvement Act of 2000. Overall, do you



BARNEY FRANK

enactment of the Manufactured Housing Improvement Act of 2000. Overall, do you think that HUD is doing a good job implementing the law?

A. I do not. The cornerstone of the 2000 act was the creation of a Consensus Committee, which has already approved 150 updates to our manufactured housing standards. However, HUD has delayed the authorization for the Consensus Committee's Administering Organization to hire qualified personnel to put these updates in a format acceptable for HUD consideration. HUD has not staffed up adequately to meet the significantly expanded responsibilities created by the act, including consideration of these newly proposed standards.

The 2000 act created important new consumer protections. Every state is required to develop its own installation standard and its own dispute resolution program by December 2005, which must meet or exceed standards to be established by HUD. However, HUD has not done a good job of providing guidance to the states on the impending implementation of these

new requirements. HUD even discontinued its semi-annual meetings with state representatives, a forum where such guidance could have been provided.

Ultimately, the great promise of the 2000 act depends on HUD's contribution to its prompt and effective implementation. It is now three years after the enactment of the bill and indications are that HUD is not making this the top priority that it should be.

Q. The language of the new law transforms the manufactured housing act from a consumer protection to a comprehensive affordable housing statute. The new law also expands federal preemption to include state and local zoning requirements. Armed with this new language, do you believe HUD should be doing more to discourage discriminatory zoning practices at the state and local level?

A. Manufactured housing plays a critical role in creating homeownership opportunities for lower-income families. Yet, all too often localities undermine this role through

zoning and code rules which discriminate against the siting of manufactured homes.

The very first recommendation of the Manufactured Housing Consensus Committee would have addressed the issue of discriminatory zoning practices. Unfortunately, HUD summarily rejected this proposal.

In response, I joined with a number of my House colleagues in a letter to then Secretary Martinez expressing deep disappointment in HUD's action, and asking HUD to develop a regulation making it clear that localities may not engage in discriminatory practices with respect to the siting of manufactured homes. The letter also noted that HUD's rejection of this recommendation is inconsistent with its stated priority of eliminating local regulatory barriers to homeownership opportunities for lower-income and minority families.

Q. Fannie Mae amended its national underwriting standards for manufactured housing last year eliminating the availability of its 5 percent down, 30-year loans,

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among other changes. You have been at the forefront in criticizing Fannie Mae for these changes. Do you believe Fannie is shirking its affordable housing mission?

A. I believe that Fannie Mae's announcement last summer...was a significant failure to live up to the responsibilities that it has to provide affordable housing. I support the current legal structure which gives Fannie Mae and Freddie Mac some advantages, only so that these advantages can be used to help out housing in general, and affordable housing in particular.

Fannie Mae's announcement fell far short of this, and that is why I have been very active over the past few months in pressing Fannie Mae to reverse this decision. I am pleased that we have made some progress along these lines, and I expect that within a couple of months Fannie Mae will again be offering 5 percent down, 30-year loans on a widely-available national basis, along with efforts to protect manufactured home purchases from the excessive fees being charged to them.

Q. During 2004, Congress will again debate regulatory restructuring reforms at the federal level for Fannie Mae and Freddie Mac. What impact do you think this could have on affordable housing programs?

A. I believe we should maintain the ability of Fannie Mae and Freddie Mac to perform their affordable housing mission. That is why I oppose the notion of giving the Secretary of the Treasury significant control over these entities, and why I oppose increasing the authority of any federal agency to block housing initiatives, regardless of whether or not financial safety and soundness is threatened.

There are competitors of Fannie Mae and Freddie Mac who are seeking to curtail their activities, not because of concern over financial safety and soundness, but because they object to being at a competitive disadvantage.

It is not the business of Congress to protect competitors from the ability of Fannie Mae and Freddie Mac to offer products at a low price. What I prefer instead is to maintain their ability to generate funds to use for housing, and to strengthen the require-

ments in the law and enforcing mechanisms to make sure some of that goes to affordable housing.

I think it is very important for us to tighten up the legislation so that the goals Fannie Mae and Freddie Mac have to provide affordable housing are made more rigorous.

I am wholly unpersuaded by members of the Bush administration who argue they are motivated by a dismay that Fannie Mae and Freddie Mac have not done enough to promote affordable housing. In the three years of the Bush administration, no member of that administration has done one thing to put significant pressure on Fannie Mae and Freddie Mac to increase affordable housing.

To give an example, when I and other House Members wrote to then Secretary Martinez at our dismay about the lack of support that manufactured housing was getting, we were told by his scheduler that he was too busy to even meet with us on the subject. The administration now for the first time points to shortcomings in Fannie Mae's and Freddie Mac's affordable housing

efforts, not out of any sincere desire to increase those efforts, but rather to provide an excuse to change laws so that they will do even less in the future.

Q. What advice would you give the industry in its continuing role as the most affordable housing provider in the country?

A. I believe we will alleviate our affordable housing crisis only when all sectors of the market participate. I would hope that providers of various forms of housing would not see themselves as competitors, because there is clearly enough demand to accommodate all the output.

Rather, all of those engaged in the production of housing, especially housing which is affordable, should be working to change federal policies so that affordable housing is no longer the maltreated stepchild of the federal budget. And those in the manufactured housing industry should continue to identify for those of us in public office the specific public policies which interfere with their ability to do their part. ■

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