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October 25, 2021

Federal Housing Finance Agency  
Office of the Director  
Tenth Floor, 400 Seventh Street, S.W.  
Washington, D.C. 20219

Attn: Enterprise Equitable Housing Finance Plans RFI

On behalf of Next Step, I am pleased to provide comments on the Federal Housing Finance Agency's (FHFA) request for input on Fannie Mae and Freddie Mac's (the Enterprises) Equitable Housing Finance Plans. The Enterprises play an outsized role in the U.S. housing market, and their attention to this issue is a critical component to addressing racial and ethnic gaps in sustainable homeownership.

Next Step® Network, Inc., is a national, nonprofit housing intermediary that works to promote expanded use of factory-built housing as a viable solution to address housing affordability. Our organization mobilizes a national network of mission-driven nonprofits, leaders in the manufactured housing industry and lending institutions serving home buyers and homeowners in their communities. Next Step's system—Manufactured Housing Done Right®—connects responsible financing, comprehensive homebuyer education and delivery of high-quality, ENERGY STAR® manufactured homes at scale, creating a model that brings more value to homeowners and communities.

America's promise of opportunity is built on the foundation of homeownership. For generations, the blueprint for wealth creation and equity building in this country have been predicated on the financial gains afforded by owning a home. Yet millions of households – particularly those individuals living in lower-income communities of color, on tribal lands, and in immigrant communities – have been barred from this quintessentially American path to prosperity by a lack of affordable housing choice.

Based on U.S. Census figures, just 44.6 percent of Black households and 47.5 percent of Hispanic households own their homes, compared to 74.2 percent of Non-Hispanic White



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Households.<sup>1</sup> Intrinsically tied to lower homeownership rates for households of color is a pervasive lack of housing supply and affordable housing options. Manufactured housing presents an opportunity to increase housing supply efficiently at scale for communities of color, while reducing costs of both developers and homebuyers.

*What data, information, or analyses would be helpful for the Enterprises to consider or use to support their plans?*

The Consumer Financial Protection Bureau released a new report based on 2020 Home Mortgage Disclosure Act (HMDA) data available for manufactured housing. Several key insights from this report can inform how the Enterprises incorporate manufactured housing activities into their Equitable Housing Finance Plans.

Around 42 percent of manufactured housing loans are chattel loans.<sup>2</sup> Compared to mortgages, chattel loans have higher interest rates, shorter loan terms, lower loan amounts, fewer consumers protections, and are rarely refinanced. Hispanic, Black and African American, American Indian and Alaska Native, and elderly borrowers are more likely than other consumers to take out chattel loans, even after controlling for land ownership.<sup>3</sup> Black and African American borrowers are the only racial group that are underrepresented in manufactured housing lending overall compared to site-built, but overrepresented in chattel lending compared to site-built.<sup>4</sup>

The chattel lending market is also much more concentrated compared to the traditional mortgage market, with the top five manufactured housing lenders accounting for nearly 75 percent of home purchase chattel loans recorded in HMDA.<sup>5</sup>

The Enterprises should make explicit in their plans efforts to increase awareness of their manufactured home loan products to Hispanic, Black and African American, American Indian and Alaska Native, and elderly borrowers. The inherent affordability of manufactured homes can help close the homeownership gaps in these communities, fostering improved racial equity in the housing market.

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<sup>1</sup> U.S. Census Bureau. Homeownership Rates by Race and Ethnicity: Non-Hispanic White Alone in the United States [NHWAHORUSQ156N], retrieved from FRED, Federal Reserve Bank of St. Louis. Accessed Oct. 22, 2021. <https://fred.stlouisfed.org/series/NHWAHORUSQ156N>, October 22, 2021.

<sup>2</sup> Consumer Financial Protection Bureau's Offices of Research and Mortgage Markets. Manufactured Housing Finance: New Insights from the Home Mortgage Disclosure Act Data. Accessed on Oct. 15, 2021. <https://www.consumerfinance.gov/data-research/research-reports/manufactured-housing-finance-new-insights-hmda/>.

<sup>3</sup> Ibid.

<sup>4</sup> Ibid.

<sup>5</sup> Ibid.



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As gatekeepers to the secondary market, the Enterprises also have an important role to play in driving expanded lender participation in the manufactured housing market. Larger lending institutions, such as Wells Fargo Bank and Guild Mortgage Company, offer mortgage loan options for manufactured homes, but it represents a very small percentage of their overall mortgage lending. The Enterprise should prioritize efforts to educate sellers/servicers (particularly institutions that serve Hispanic, Black and African American, American Indian and Alaska Native borrowers) about these new loan options for manufactured homes, as well as readily available tools (e.g., white papers, case studies) that show demonstrable returns on investment for lenders wanting to grow into the space.

*How should the plans interact with Duty to Serve, Housing Goals, or other requirements?*

As a part of Duty to Serve, Next Step and our partners have had the opportunity to work with both Enterprises – in furtherance of their responsibility to serve the manufactured housing space. Our organization and partners remain firmly rooted in the belief that manufactured housing can be a primary solution to address both the supply and affordability gap. Continued and expanded participation by both Enterprises in the manufactured housing space can inform the strategies created for the forthcoming Equitable Housing Finance Plans, bringing scalable homeownership solutions to better serve communities of color and underserved communities.

Unfortunately, the Duty to Serve proposed plans for 2022 through 2024 are woefully inadequate, representing a retrenchment from the incremental progress of the first plan cycle as the affordable housing crisis and the racial wealth gap worsen. Though the development of new mortgage products for manufactured homes by both Fannie Mae and Freddie Mac have set the foundation for creating more liquidity in this market, the anemic target loan purchase volumes set forth in their 2022-2024 Plans will not adequately address liquidity in the manufactured home mortgage market. The proposed plans do little build on the momentum gained in leveraging manufactured homes as a scalable, affordable homeownership solution.

Both Enterprises must significantly increase their target loan volumes in their 2022-2024 Plans to affect a shift toward home purchases titled as mortgages, as opposed to higher-cost home-only loans. The current targets as proposed are woefully inadequate to affect this shift. In 2020, Freddie Mac purchased 6,634 single-family manufactured home loans, representing just seven percent of manufactured home shipments made that year. Fannie Mae's 8,798 loan purchases represented just nine percent of manufactured homes shipped. Yet both Enterprises have set their single-family manufactured home loan purchase volume targets for 2022 lower than the



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amount of loan purchases made in 2020. Meanwhile, the industry is already on pace to produce more homes in 2021 than in 2020.<sup>6</sup>

The ability to build home equity and increase wealth through homeownership is essential to breaking entrenched cycles of poverty in underserved communities. The MH Advantage and CHOICEHome programs are affordable mortgage initiatives developed by the Enterprises that offer financing for HUD code-manufactured homes. One of the key benefits for homes constructed to meet MH Advantage or CHOICEHome finance specifications is that the homes can be appraised in comparison to site-built homes in the same neighborhood. This allows for homeowners and families to build wealth through equity in their homes. Even though these mortgage products are relatively new to the market, there is evidence of manufactured home appreciation, which can greatly help individuals and families build wealth and equity. According to the Federal Housing Finance Agency's MH index, initial reporting indicates that the prices of manufactured homes purchased by Fannie Mae and Freddie Mac perform similarly to those of site-built properties.<sup>7</sup>

*Are there additional or different required objectives and goals that FHFA should consider for future Enterprise plans?*

In their analysis of 2020 HMDA data, the CFPB noted that Black and African American borrowers are the only racial group that are underrepresented in manufactured housing lending overall compared to site-built, but overrepresented in chattel lending compared to site-built. Chattel loans tend to be higher cost and are rarely refinanced. Additionally, borrowers miss out on the benefits provided by MH Advantage and CHOICEHome mortgage loans for manufactured homes. Both Enterprises should consider the needs of individuals seeking to purchase a manufactured home – particularly first-time homebuyers – by investing in expanded access to housing counseling services and homebuyer education. The development of pilot programs in these spaces can help determine the effectiveness in creating more sustainable homeownership leveraging counseling services and down payment assistance.

Prospective home buyers who receive education and counseling services are empowered to make the best finance and purchase decisions for themselves and their families – creating a path to wealth creation through homeownership. The Enterprises should also explore the impact of down payment assistance for manufactured home purchases to better facilitate the

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<sup>6</sup> U.S. Census Bureau. Shipments of New Manufactured Homes. Accessed on July 9, 2021:  
<https://www.census.gov/data/tables/time-series/econ/mhs/shipments.html>.

<sup>7</sup> Goodman, Laurie; Golding, Edward; Bai, Bing; and Stochak, Sarah. "New Evidence Shows Manufactured Homes Appreciate As Well as Site-Built Homes." Urban Wire: Housing and Housing Finance, Urban Institute, Sept. 13, 2018; retrieved Dec. 15, 2020, at [urban.org/urban-wire/new-evidence-shows-manufactured-homes-appreciate-well-site-built-home](http://urban.org/urban-wire/new-evidence-shows-manufactured-homes-appreciate-well-site-built-home).



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homeownership needs for American families. A down payment remains the primary obstacle for 77 percent of first-time home buyers. Our partners at Down Payment Resource report that only 26 percent of down payment assistance programs in their database allow for manufactured housing.

We thank both FHFA and the Enterprises again for the opportunity to provide input on the forthcoming Equitable Housing Finance Plans. We look forward to continuing our relationship with both Enterprises by building and supporting coalitions of housing and community-based organizations and ensuring that prospective manufactured homebuyers have access to the tools and wraparound services they need to achieve homeownership success.

Respectfully submitted,

Stacey Epperson,  
President and CEO, Next Step Network