July 18, 2023

Office of the Director

Federal Housing Finance Agency

Tenth Floor, 400 Seventh Street, S.W.

Washington, D.C. 20219

**Re: Future Activities in the Manufactured Housing Market**

Director Thompson:

Thank you for the opportunity to comment on the Federal Housing Finance Agency’s (FHFA) 2025-2027 Duty to Serve Underserved Markets Plans for manufactured housing. I speak on behalf of The Pew Charitable Trusts, a global, non-governmental research and public policy organization dedicated to serving the public. Since 2020, the Pew Charitable Trusts Housing Policy Initiative has been studying the financing challenges that buyers of lower cost homes confront. This includes difficulties in obtaining small mortgages of $150,000 or less; personal property “chattel” loans; and largely unregulated alternative financing arrangements people use to purchase homes such as lease-purchase or contract for deed that are often used when other forms of financing aren’t available, and we are beginning to study housing supply and zoning issues.

Manufactured housing represents an important source of lower-cost homeownership and housing supply, but research shows that financing remains a challenge. More than 40% of manufactured home buyers cannot access a small mortgage and instead use a personal property loan. However, at present there are few lenders and extremely high denial rates for such loans.[[1]](#footnote-1) Neither of the government sponsored enterprises Fannie Mae nor Freddie Mac (GSEs) purchase personal property loans, and no federal government program is currently operating to support lenders or borrowers for these loans.

Although personal property loans have higher interest rates and fewer consumer protections compared with real estate mortgages, they are an important source of financing for many manufactured home buyers. Research shows that without access to personal property loans, buyers scrape together cash to purchase smaller older manufactured homes, turn to largely unregulated alternative financing arrangements, or are simply shut out of homeownership.[[2]](#footnote-2) The GSEs have an opportunity to improve access to homebuyer education and improve standards for consumer protections required for these loans which could simultaneously improve outcomes for borrowers and reduce default risks.

Pew’s comments here will focus on current activities that should be continued and new steps the GSEs should undertake. Though we are limiting our responses to topics we have examined, we continue to research a host of related housing issues – challenges with small mortgages, homeowner use of alternative financing, and the effects of zoning on housing supply. We look forward to engaging with the FHFA, Fannie Mae, Freddie Mac, lenders, advocates, and other stakeholders on these issues in future.

As FHFA and the GSEs implement their Duty to Serve Underserved Markets Plans, we urge them to:

1. Continue to purchase manufactured home real estate mortgages and look for opportunities to expand borrower access to this form of financing. Mortgages are the gold standard for home financing with low interest rates and the most robust consumer protections. Nevertheless, many manufactured home buyers cannot obtain mortgages due to the way their land is owned or titled, rather than their credit readiness. For example, homebuyers on tribal lands or those in resident-owned communities are often not able to title their home as real estate to qualify for a mortgage but retain ownership or long-term access to the land beneath their home. Preliminary work begun by Fannie Mae and Freddie Mac should be expanded, when possible, to improve access to mortgage financing.

2. Begin purchasing personal property loans to help stimulate a well-functioning, competitive market, and support access to safe and affordable loans for the tens of thousands of buyers who cannot use real estate mortgage financing.

Both Fannie Mae and Freddie Mac have noted that their work in the Duty to Serve Underserved Markets Plans has expanded the number of lenders making mortgages for manufactured homes and increased access to safe and affordable financing.[[3]](#footnote-3) This important work should be continued. Whenever possible, a real estate mortgage is the best source of financing for homebuyers. Freddie Mac anticipates launching a product to purchase mortgages for buyers on tribal land this year.[[4]](#footnote-4) Fannie Mae has been piloting a mortgage program for buyers in resident-owned communities in a few states where titling laws allow these homes to be owned as real estate while researching opportunities to expand.[[5]](#footnote-5) To the extent that these programs are able to deliver mortgages to these underserved groups they should be continued and expanded.

However, purchasing only mortgages leaves out more than 4 in 10 of manufactured home borrowers.[[6]](#footnote-6) Currently personal property lending is contemplated by FHFA as merely “extra credit” for the GSEs. However, because these loans are used by such a large percentage of manufactured homeowners and buyers, personal property lending should be an activity undertaken by both GSEs. People in the South are more likely to use personal property loans (even when they own the land), as are Black manufactured home buyers. Not surprisingly, loans made under the Duty to Serve plans are not been prevalent in the Southern states where more than 40% of manufactured homes are shipped yearly.[[7]](#footnote-7)

FHFA’s 2017 request for input regarding personal property loan pilot programs received resounding support from nearly all stakeholders, including lenders, advocates, and the manufactured housing industry.[[8]](#footnote-8) Freddie Mac subsequently included a personal property loan pilot in their 2022-2024 plans. We encourage Freddie Mac to publish the results of this exploration, consider how to begin purchasing loans, and continue the work in the next plan cycle. Fannie Mae should include personal property lending to serve manufactured home buyers in their next plan.

Federal lending supports play a critical role in creating a competitive mortgage market made up of thousands of lenders, but nothing comparable exists for personal property loans. Without government attention to the creation of a well-functioning market, just 15 lenders make more than 80% of personal property loans.[[9]](#footnote-9) The Pew Charitable Trusts’ forthcoming analysis of Home Mortgage Disclosure Act data has found that the federal government supported 67% of mortgages in 2021. But virtually no personal property loans received similar federal support.

In the absence of loan purchases by the GSEs or other federal insurance or secondary markets, lenders must keep most of their loans in their portfolios. Therefore, they shoulder much of the risk and have less money available to originate more loans and relatively few lenders can offer personal property loans under these constraints. In the absence of adequate loan supply homebuyers have far reduced access to safe and affordable financing.

Pew’s research has found that about two-thirds of completed applications for a personal property loan were denied in 2021.[[10]](#footnote-10) And the Consumer Financial Protection Bureau has shown that the applicants for personal property loans with a super-prime credit score (720 or higher) have a lower chance of being approved for a loan than a subprime mortgage applicant buying a site-built home.[[11]](#footnote-11)

One concern about personal property loans noted by federal policymakers has to do with the lack of stability for manufactured homeowners who pay to rent, rather than own their land. In truth, a quarter of personal property loan borrowers own their land directly and less than half pay to rent their land. Other manufactured home buyers have stable access to their land. These include home buyers on tribal lands, in resident-owned communities, and those residing on family land. Research has shown that when a manufactured home owner also owns their land that their default risk is not significantly higher regardless of whether they use a real estate mortgage or personal property loan to purchase it.[[12]](#footnote-12) So, there are many opportunities to purchase either mortgage or personal property loans made to credit-ready homebuyers with long-term rights or direct ownership of their land.

Lastly, both GSEs require that the loans they purchase to finance manufactured home communities provide Tenant Site Lease Protections for homeowners that rent land. And both Fannie Mae and Freddie Mac receive Duty to Serve credit for this financing, even though these are largely loans made to investors and are not an underserved population. Yet little is known about whether Tenant Site Lease Protections provide adequate housing stability for homebuyers and residents. The GSEs should test whether such land lease protections provide enough housing stability for homeowners. If they do not, then thoughtful updates should be made.

FHFA and the GSEs have an important opportunity to further expand access to safe and affordable financing for manufactured home buyers. Both GSEs should build on their significant experience expanding the mortgage market and should continue. The understanding gleaned from this work could be leveraged to find new ways to improve access for the thousands of manufactured home buyers with land ownership, long-term stable land tenure, or robust land renter protections who need access to personal property loans. In the absence of such programs, the market will continue with few lenders, and many homebuyers will remain unable to purchase a home or resort to risky and largely unregulated alternatives.

Thank you again for the opportunity to comment on the Federal Housing Finance Agency’s (FHFA) 2025-2027 Duty to Serve Underserved Markets Plans regarding manufactured housing.

Sincerely,

Rachel Siegel



Senior Officer, Housing Policy Initiative

The Pew Charitable Trusts

[rsiegel@pewtrusts.org](mailto:rsiegel@pewtrusts.org) |202.540.6965

1. Consumer Financial Protection Bureau (2021). Manufactured Housing Finance: New Insights From the Home Mortgage Disclosure Act Data., The Pew Charitable Trusts (2021). "Data Shows Lack of Manufactured Home Financing Shuts Out Many Prospective Buyers; Expansion of federal loan programs could boost access to this path to homeownership." https://www.pewtrusts.org/en/research-and-analysis/articles/2022/12/07/data-shows-lack-of-manufactured-home-financing-shuts-out-many-prospective-buyers.

   [↑](#footnote-ref-1)
2. Riley, S., et al. (2021). Alternatives to Mortgage Financing for Manufactured Housing, The University of North Carolina at Chapel Hill Center for Community Capital., The Pew Charitable Trusts (2022). Millions of Americans Have Used Risky Financing Arrangements to Buy Homes.

   [↑](#footnote-ref-2)
3. Fannie Mae (2022). Manufactured Housing Loan Purchase., Freddie Mac (2022). Exhibit E: Annual Loan Purchase Narrative Reporting Template.

   [↑](#footnote-ref-3)
4. Freddie Mac (2022). Exhibit G: Annual Loan Products Narrative Reporting Template.

   [↑](#footnote-ref-4)
5. Fannie Mae (2022). 2022 Manufactured Housing Outreach.

   [↑](#footnote-ref-5)
6. Consumer Financial Protection Bureau (2021). Manufactured Housing Finance: New Insights From the Home Mortgage Disclosure Act Data.

   [↑](#footnote-ref-6)
7. Federal Housing Finance Agency (2021). "Duty to Serve 2021 Single-Family Dashboard; DTS Manufactured Housing." from https://www.fhfa.gov/DataTools/Tools/Pages/Duty-to-Serve-2021-Single-Family-Dashboard.aspx.

   The Pew Charitable Trusts calculation based on the U.S. Census Manufactured Housing Survey data by state over the last 10 years (from 2013-2022). U.S. Census Bureau (2023). Annual Totals of Shipments to States: 1994 - 2023. Manufactured Housing Survey Latest Data.

   [↑](#footnote-ref-7)
8. Based on The Pew Charitable Trusts reading of commenter input. Federal Housing Finance Agency (2017). "Duty to Serve Chattel Pilot Input Commenter List." from https://www.fhfa.gov/PolicyProgramsResearch/Programs/Pages/DTSChattelInputList.aspx.

   [↑](#footnote-ref-8)
9. Consumer Financial Protection Bureau (2021). Manufactured Housing Finance: New Insights From the Home Mortgage Disclosure Act Data.

   [↑](#footnote-ref-9)
10. The Pew Charitable Trusts (2021). "Data Shows Lack of Manufactured Home Financing Shuts Out Many Prospective Buyers; Expansion of federal loan programs could boost access to this path to homeownership." https://www.pewtrusts.org/en/research-and-analysis/articles/2022/12/07/data-shows-lack-of-manufactured-home-financing-shuts-out-many-prospective-buyers.

    [↑](#footnote-ref-10)
11. Consumer Financial Protection Bureau (2021). Manufactured Housing Finance: New Insights From the Home Mortgage Disclosure Act Data.

    [↑](#footnote-ref-11)
12. Park, K. A. (2021). Real and Personal: The Effect of Land In Manufactured Housing Loan Default Risk, U.S. Department of Housing and Urban Development.

    [↑](#footnote-ref-12)