Duty to Service Public Listening Session – Manufactured Housing Market
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I offer these comments on behalf of the National Manufactured Home Owners Association. NMHOA exists to promote the rights and interests of the 22 million people living in 7 million manufactured homes around the country, including nearly 3 million families who live on rented land in manufactured home communities. We appreciate FHFA providing this opportunity to comment on the Enterprises' manufactured housing activities as they begin preparing for the upcoming 2025 through 2027 Duty to Serve plan cycle.

Manufactured housing is a significant source of unsubsidized affordable housing for those living on modest incomes, and an accessible opportunity for home ownership. There are 22 million people living in manufactured homes, including those placed in the nation's estimated 55,000 park communities. In part, this is because of their extreme affordability. In fact, as of 2020, the median income served by manufactured home ownership was $38,087 and by manufactured home rental was $28,280, which both fall below the Multifamily Tax Subsidy Income Limit.

Since 1976, the construction standards for manufactured homes have been determined at a federal level, through the National Manufactured Housing Construction and Safety Standards Act of 1974 (the HUD code). NMHOA provided information and support for the most recent round of updates to the HUD Code, which are the largest set of changes to the Code in over two decades, and should further improve the quality and safety of manufactured home construction. In addition, the U.S. Department of Energy (DOE) published the final rule for manufactured housing energy standards in 2022, which provides the first-ever energy conservation standards for manufactured homes.

The most significant barrier facing consumers in accessing high-quality, deeply affordable housing and home ownership is adequate financing options, at the level of both the individual home buyer, and the manufactured home community.

Because the homes are classified as "personal property" rather than "real property," buyers are most often only able to receive high-cost, poor-quality chattel loans. In fact, 88% of new manufactured homes are titled as chattel even though 66% are located on privately-owned land and only 34% in manufactured home communities. In 2015, two-thirds of manufactured home loans were classified as "high cost" with rates as high as 9-10% and terms as short as 7-18 years; which makes high-cost loans for manufactured homes 7 times more likely than for site-built homes. This leads many consumers to buy cheaper, older model homes built before the HUD Code established national design, performance, and installation standards; in part, because the lower cost may allow them to buy the home for cash. Manufactured home owners are more far likely than single-family home owners to purchase their homes for cash, rather than through financing, 33% compared to 12%.

Nearly 3 million families access manufactured housing through manufactured home communities. Despite limited incomes, they are primarily home owners. The resident home owners are, however, extremely vulnerable because, while they own their homes, they only rent the land underneath them. They are a captive market, since their homes often cannot be moved due to condition, moving costs, few available alternative lots, and parks barring the move in of older homes.

The problem is only growing worse, as these communities are rapidly gobbled up by private equity firms, institutional investors, and national chains. As widely reported, park rents are rising rapidly fueled in part by private-equity firms purchasing communities with loans sponsored by Fannie Mae and Freddie Mac. Articles document the wide-spread practice of significant, immediate rent increases, which sometimes double or even triple rents.

As an example, looking at the state of Minnesota, during the last five years, 18% of manufactured home community lots changed hands and 55% of the sales were to these large-scale buyers. A year ago, 70% of sales were to these buyers. Who owns these communities has an impact. The 10 parks with the highest lot rents in the Twin Cities metro area are all owned by these buyers. On the other hand, as an editorial in the Star Tribune pointed out, residents have greatly improved the communities they own; replacing roads, upgrading water and sewer systems, building storm shelters, and adding playgrounds, while keeping rent increases to as little as $6.00 a month.

The Duty to Serve was intended to provide options for addressing these problems. However, the Enterprises are not securitizing manufactured home chattel loans, which comprise roughly 80 percent of manufactured housing financing market, despite chattel loans being specifically authorized in the Housing and Economic Recovery Act of 2008 (HERA). Chattel pilot programs have been proposed by both Fannie Mae and Freddie Mac, but these have failed to launch. The lack of a secondary market and securitization support has limited the size of the financing market, benefited the small number of lenders who dominate the market, and kept financing costs high.

In addition, the promise of increased access to financing for residents to purchase their communities has fallen short of expectations, while private equity firms and others have used Enterprise-backed financing to accelerate their consolidation of ownership within the industry. The current framework of tenant protections provide some important consumer protections for purchases of these types, but do not go far enough to resolve issues better addressed through a purchase of the community by the residents.

I urge you to listen carefully to the comments being provided today, particularly by those assisting consumers to buy their homes and communities.

Thank you very much for your time and attention.