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September 26, 2022

Office of the President  
Ginnie Mae  
425 3rd Street SW, Suite 500  
Washington, DC 20024

Office of the Assistant Secretary for Housing – Federal Housing Commissioner  
U.S. Department of Housing and Urban Development  
451 7th Street SW  
Washington, DC 20410

**Re: Request for Input: FHA and Ginnie Mae Title I Manufactured Housing Programs**

President McCargo and Commissioner Gordon:

Thank you for the opportunity to submit comments to the Federal Housing Administration (FHA) and Ginnie Mae regarding Title I manufactured housing programs. We write on behalf of The Pew Charitable Trusts, a non-governmental research and public policy organization dedicated to serving the public. In July 2020, Pew launched its Home Financing project to study the dearth of small mortgages relative to the availability of low-cost site-built and manufactured homes, and the alternative arrangements some people use instead to purchase homes when mortgages are not accessible, such as personal property loans, also called “chattel” loans, and lease-purchase arrangements.<sup>1</sup>

FHA home loan insurance programs have been critical in expanding access to homeownership and increasing the affordability of home financing by allowing buyers to make smaller down payments, pay lower closing costs, and secure financing with lower credit scores.<sup>2</sup> FHA has two insurance programs for loans to finance a home purchase: (1) the Title I program for manufactured homes, covering personal property loans for the home only (the focus of our letter), as well as loans to buy a lot on which to place a manufactured home and loans to purchase a manufactured home and lot together; and (2) the Title II program for mortgages, available both for site-built and manufactured homes. Other federal programs that have also helped both site-built and manufactured home buyers finance home purchases include

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<sup>1</sup> The Pew Charitable Trusts, “Home Financing,” accessed Feb. 25, 2022, <https://www.pewtrusts.org/en/projects/home-financing>.

<sup>2</sup> U.S. Department of Housing and Urban Development, “Let FHA Loans Help You,” accessed Sept. 12, 2022, <https://www.hud.gov/buying/loans>.

the U.S. Department of Veterans Affairs (VA) guaranty programs and the U.S. Department of Agriculture (USDA) home loan programs.

The existing FHA Title II mortgage program increases access to credit for many families who could not otherwise obtain financing through conventional lending, i.e., loans that are not federally insured or guaranteed by FHA, VA, or USDA programs. In particular, FHA Title II mortgages provide an important source of financing for manufactured home buyers, who tend to have lower incomes and are more likely to live in financially underserved rural areas. Between 2018 and 2021, around 35% of manufactured home mortgages were insured through the FHA Title II program.<sup>3</sup>

However, unlike for mortgages where robust federal intervention helps lenders provide safe and affordable financing for homebuyers, personal property loans, which account for 42% of financing for manufactured homes, have almost no federal support.<sup>4</sup> As a result, in 2021, 99% of personal property loans were originated as conventional loans compared to just three FHA Title I-insured personal property loans.<sup>5</sup> Without federal backing, there are very few lenders that have the capacity to make personal property loans at scale, since lenders must generally keep conventional personal property loans on portfolio, carrying the full risk of loss if a borrower defaults.

Disparities in the use of personal property loans versus mortgages to purchase manufactured homes mean some homebuyers are more likely than others to be negatively affected by the lack of federal support for that type of financing. Specifically, research has shown that personal property loans are used more by manufactured home buyers of color and lower-income families.<sup>6</sup> In the absence of federal engagement, these loans tend to have much higher interest rates and fewer consumer protections than mortgages.<sup>7</sup>

Further, evidence indicates that obtaining any kind of financing to buy a manufactured home is difficult, particularly loans without federal government support.<sup>8</sup> Notably, in 2021, 64% of completed applications for conventional personal property loans—which comprise nearly all personal property loans—were denied.<sup>9</sup> Denial rates for conventional manufactured home mortgages in 2021 were also

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<sup>3</sup> K. Kaul and D. Pang, “The Role of Manufactured Housing in Increasing the Supply of Affordable Housing” (Urban Institute; Housing Finance Policy Center, 2022), 15, <https://www.urban.org/research/publication/role-manufactured-housing-increasing-supply-affordable-housing>.

<sup>4</sup> Consumer Financial Protection Bureau, “Manufactured Housing Finance: New Insights from the Home Mortgage Disclosure Act Data” (2021), 4, 23, [https://files.consumerfinance.gov/f/documents/cfpb\\_manufactured-housing-finance-new-insights-hmda\\_report\\_2021-05.pdf](https://files.consumerfinance.gov/f/documents/cfpb_manufactured-housing-finance-new-insights-hmda_report_2021-05.pdf).

<sup>5</sup> Ginnie Mae, “Request for Input: FHA and Ginnie Mae Title I Manufactured Housing Programs” (6, [https://www.ginniemae.gov/newsroom/publications/Documents/title1\\_manufactured\\_housing\\_programs\\_rfi.pdf](https://www.ginniemae.gov/newsroom/publications/Documents/title1_manufactured_housing_programs_rfi.pdf)).

<sup>6</sup> Consumer Financial Protection Bureau, “Manufactured Housing Finance,” 3.

<sup>7</sup> Ibid.

<sup>8</sup> S. Riley, A. Freeman, and J. Dorrance, “Lenders Deny More Than Half of Loan Applications for the Purchase of Manufactured Homes” (The University of North Carolina at Chapel Hill, 2021), <https://www.pewtrusts.org/en/research-and-analysis/white-papers/2022/02/lenders-deny-more-than-half-of-loan-applications-for-the-purchase-of-manufactured-homes>; Consumer Financial Protection Bureau, “Manufactured Housing Finance,” 15-17.

<sup>9</sup> Federal Financial Institutions Examination Council, Home Mortgage Disclosure Act, 2021, accessed July, 2022, <https://ffiec.cfpb.gov/data-browser/data/2021>; Riley, Freeman, and Dorrance, “Lenders Deny Applications for the Purchase of Manufactured Homes,” 84. Pew’s denial rate calculations use 2021 Home Mortgage Disclosure Act

high, at 52%. Comparatively, denials for Title II manufactured home mortgages were nearly four times lower at just 14%.<sup>10</sup> With updates and improvements to increase uptake, the FHA Title I program for personal property loans could play a similarly important role as Title II does for mortgages, likely with far lower denial rates than conventional personal property loans and the possibility of improving both safety and affordability for borrowers as well.

The mission of the Title I program is to increase “the availability of affordable financing and mortgages for buyers of manufactured homes...at a longer term and lower interest rates than with conventional loans.”<sup>11</sup> This comment letter will focus on three significant barriers that our research has determined are preventing the Title I program from succeeding:

1. The current credit access landscape for manufactured home financing—in particular, a higher reliance on personal property than mortgage financing by manufactured home buyers of color, with nearly all personal property financing in the form of conventional rather than FHA loans, and higher denial rates for conventional loans compared to FHA loans.
2. Challenges and misalignments in the Title I personal property loan program relative to the more widely utilized Title II mortgage program—in particular, outdated and unindexed loan limits, burdensome and costly underwriting processes, shorter loan terms, and a cap on insurance claims filed by lenders.
3. Broad differences in issuer requirements for participation in Ginnie Mae’s Manufactured Housing Program for Title I loans compared to its Single-Family Program for Title II loans.

There is a strong need to align federal rules to address each of these barriers and develop a standardized and scalable solution to financing homes that cannot currently use real estate mortgages, such as those owned by land renters, located in manufactured housing communities, or situated on tribal lands. This would improve the financial security of homeowners in manufactured housing communities and better support the needs of borrowers in this more-affordable segment of the homeownership market.

Pew’s responses to several of the questions from FHA and Ginnie Mae appear in the following pages. Thank you again for the opportunity to comment on this request for input and for undertaking this essential work.

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(HMDA) data to update an analysis of completed applications for first-lien, closed-end, forward loans used to purchase owner-occupied manufactured housing. These methods were described by Riley, Freeman, and Dorrance in their paper.

<sup>10</sup> Ibid.

<sup>11</sup> U.S. Department of Housing and Urban Development, “Manufactured Home Loan Program (Title I),” [https://www.hud.gov/program\\_offices/housing/sfh/title/manuf14](https://www.hud.gov/program_offices/housing/sfh/title/manuf14).

Sincerely,

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## Topic 1: Current Environment

- What information can you provide about current manufactured housing financing options and structures? What are the factors that drive the status quo?

Manufactured homes represent an important source of low-cost housing in the U.S. but obtaining financing to purchase them remains much more challenging compared with financing for site-built homes. While some manufactured home buyers finance with mortgages (around 35% of which are insured by the FHA Title II program), other borrowers take out personal property loans (almost none of which are insured by the FHA Title I program).<sup>12</sup>

As noted earlier, personal property loans provide a source of financing for 42% of manufactured home buyers, but, compared to mortgages, these products typically have higher interest rates at the medians and contain fewer consumer protections. They are also more commonly used among some demographic groups, with evidence showing that Black, Hispanic, and Indigenous manufactured home buyers are more likely to use personal property loans than mortgages, even when accounting for differences in landownership.<sup>13</sup>

Further, nearly all personal property loans are conventional loans, for which it can be very difficult to be approved. Denial rates on completed conventional loan applications are incredibly high—54% for manufactured home mortgages and 64% for personal property loans. Conversely, completed applications for FHA or VA mortgages are more likely to be approved, with denial rates of just 14% and 13% respectively, reinforcing the importance of federal programs to help manufactured home mortgage borrowers access financing.<sup>14</sup>

In this section, we detail who lives in manufactured homes; how buyers purchase manufactured homes; racial and ethnic disparities in manufactured home financing; current federal engagement in manufactured home financing; and denial rates by loan type.

### Manufactured homes are a key source of low-cost housing

Manufactured homes make up 6% of the nation's housing stock and represent an important supply of low-cost housing.<sup>15</sup> Excluding the price of land, new manufactured homes cost about half as much per square foot as site-built homes.<sup>16</sup> Further, manufactured homes overall account for more than half of owner-occupied units valued under \$50,000, with the majority of manufactured homes valued at

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<sup>12</sup> Kaul and Pang, "The Role of Manufactured Housing in Increasing the Supply of Affordable Housing," 14-15.

<sup>13</sup> Consumer Financial Protection Bureau, "Manufactured Housing Finance," 5.

<sup>14</sup> Federal Financial Institutions Examination Council, Home Mortgage Disclosure Act; Riley, Freeman, and Dorrance, "Lenders Deny Applications for the Purchase of Manufactured Homes," 84. Pew's denial rate calculations use 2021 HMDA data to update an analysis of completed applications for first-lien, closed-end, forward loans used to purchase owner-occupied manufactured housing. These methods were described by Riley, Freeman, and Dorrance in their paper.

<sup>15</sup> U.S. Census Bureau, American Community Survey, Table B25024 - Units in Structure, 2016-2020 5-year estimates.

<sup>16</sup> Kaul and Pang, "The Role of Manufactured Housing in Increasing the Supply of Affordable Housing," 9.

\$100,000 or less.<sup>17</sup> Research commissioned by Pew conducted by the University of North Carolina (UNC) Center for Community Capital found that manufactured homes represent 12% of owner-occupied housing units valued at \$250,000 or less.<sup>18</sup>

The Pew-UNC research also found that manufactured housing is more important for some households than others. For example, among homeowners earning under \$75,000 annually, 16% live in manufactured homes.<sup>19</sup> Looking at race and ethnicity at a national level, White (12%), Hispanic (14%), and Indigenous (29%) families are more likely to own a manufactured home than are Black (7%) or Asian (4%) families.<sup>20</sup> However, in rural areas, where manufactured housing is more common, these homes serve as an especially important source of homeownership for Black and Indigenous households: 30% of Black and 45% of Indigenous homeowners in non-metropolitan areas live in a manufactured home, compared with 17% of White and 16% of Hispanic homeowners in those locations.<sup>21</sup>

### Options for manufactured home financing are more complex than for site-built units

Manufactured home buyers often have more complicated decisions to make than those who purchase site-built houses, in terms of whether they or someone else will own the land beneath their home; how the home and land are titled (as real estate or personal property); and what financing they can access. Buyers who finance their purchases typically use either mortgages, covering both the home and land beneath it titled together as real estate, or personal property loans, covering just the home titled as personal property. In general, homebuyers who do not own their land must finance their homes with personal property loans, while those who own the land may use either mortgages or personal property loans. Among those who finance their purchase, about 42% use personal property loans to buy the home only and 58% use mortgages that include both the home and land.<sup>22</sup>

However, research has shown that small mortgages under \$150,000 are in short supply because they are more difficult for lenders to make profitably than larger mortgages.<sup>23</sup> The small mortgage shortage makes it harder for prospective homebuyers to purchase an affordable home, and, as a result, the share of low-cost home purchases that are financed with mortgages is significantly lower than the share among higher-priced homes.<sup>24</sup> The lack of small mortgages may also partially explain why, among manufactured home buyers who also own their land, 17% use personal property loans instead of mortgages for financing, even though personal property loans have fewer consumer protections, especially in default, and interest rates that are double at the median relative to manufactured home mortgages (in 2021, 7.8% vs. 3.5%).<sup>25</sup>

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<sup>17</sup> K.A. Park, “Real and Personal: The Effect of Land in Manufactured Housing Loan Default Risk” (U.S. Department of Housing and Urban Development, 2021), 2, 19, [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=4003575](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4003575).

<sup>18</sup> S. Riley, A. Freeman, and J. Dorrance, “Alternatives to Mortgage Financing for Manufactured Housing” (The University of North Carolina Center for Community Capital, 2021), 29.

<sup>19</sup> *Ibid.*, 38-39.

<sup>20</sup> *Ibid.*

<sup>21</sup> *Ibid.*

<sup>22</sup> Consumer Financial Protection Bureau, “Manufactured Housing Finance,” 4.

<sup>23</sup> A. McCargo et al., “Small-Dollar Mortgages for Single-Family Residential Properties” (Urban Institute, 2018), 24, <https://www.urban.org/research/publication/small-dollar-mortgages-single-family-residential-properties>.

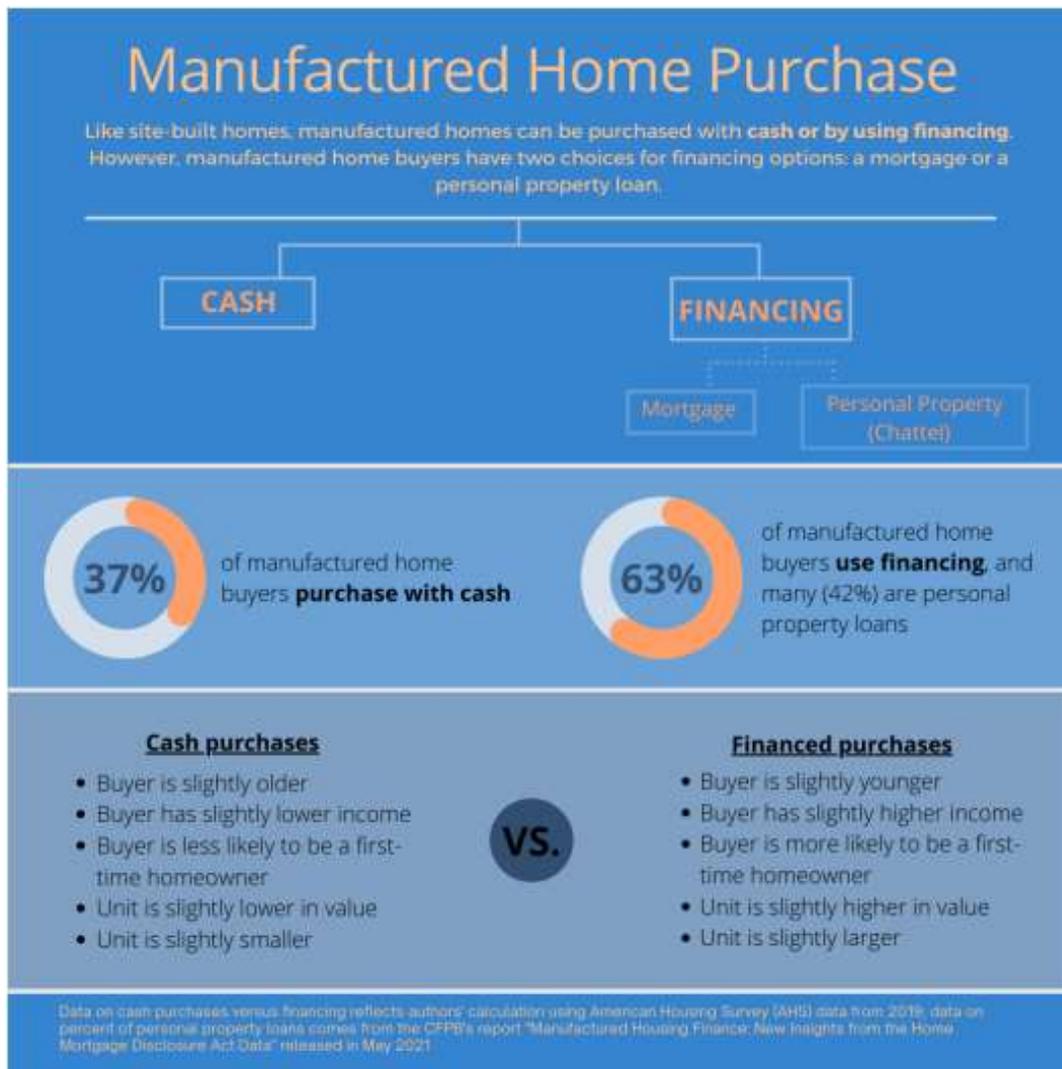
<sup>24</sup> *Ibid.*, 4.

<sup>25</sup> Consumer Financial Protection Bureau, “Manufactured Housing Finance,” 3, 5; Kaul and Pang, “The Role of Manufactured Housing in Increasing the Supply of Affordable Housing,” 13.

Manufactured homes are also more likely than site-built homes to be purchased by cash. Pew-UNC research found that about 37% of manufactured homes are purchased with cash instead of loans, compared with just 11% of site-built homes.<sup>26</sup> Cash buyers were slightly more likely to be older, have lower incomes, and purchase smaller and older homes than those who purchased with financing. Rather than merely reflecting buyers’ preferences, the higher use of cash for manufactured home purchases is likely due, in part, to challenges buyers face securing financing.<sup>27</sup> (See Figure 1.)

Figure 1

## More Than a Third of Manufactured Home Buyers Purchase with Cash Instead of Financing



Source: S. Riley, A. Freeman, and J. Dorrance, “Alternatives to Mortgage Financing for Manufactured Housing” (2021), 14.

<sup>26</sup> Riley, Freeman, and Dorrance, “Alternatives to Mortgage Financing for Manufactured Housing,” 29.

<sup>27</sup> Ibid., 4.

### Borrowers of color are more likely to use personal property loans than mortgages

Personal property loans help borrowers who cannot obtain mortgages secure financing to purchase their homes; however, applications for these loans are often denied, and originated personal property loans come with relatively higher interest rates and fewer consumer protections than mortgages.<sup>28</sup> As a result, when possible, mortgages may be preferable. However, federally backed or insured personal property loans with enhanced consumer protections could also improve the quality of loan options for homebuyers who do not obtain mortgages.

Using data from 2019, the Consumer Financial Protection Bureau (CFPB) noted that Black, Hispanic White, and Indigenous manufactured home buyers who used financing were more likely than non-Hispanic White borrowers to use personal property loans, even after accounting for differences in landownership.<sup>29</sup> And overall in 2021, the Urban Institute found that about 64% of Black and 56% of Hispanic manufactured home buyers used a personal property loan to make their purchase, compared to around 37% of White manufactured home buyers.<sup>30</sup> This research clearly demonstrates the challenges to accessing safe, affordable financing that Black homebuyers face in particular. In general, the disproportionately high use of personal property loans among Black, Hispanic, and Indigenous manufactured housing borrowers emphasizes the importance of this opportunity for FHA to consider expanding its presence in the personal property loan market.

### Unlike personal property loans, manufactured home mortgages have federal backing

A unique aspect of manufactured home financing is the limited role of the secondary market. Typically, conforming mortgages for site-built homes can be sold into the secondary market, creating liquidity for lenders to originate more loans. If lenders were unable to sell their loans, they would have to keep originated loans on portfolio, which restricts how much money they have to lend to borrowers, therefore limiting the supply of loans. But in the manufactured housing market, historically, the Government-Sponsored Enterprises (GSEs) have not purchased either manufactured home mortgages or personal property loans, so lenders have been unable to sell their loans and typically keep them on portfolio.

Today, the GSEs actively purchase manufactured home mortgages to fulfill their Duty to Serve requirements; however, neither Fannie Mae nor Freddie Mac currently buys personal property loans, which remain an important source of financing for many homebuyers. Similarly, no federal insurance or guaranty programs serve personal property lending in a meaningful way.

As a result, nearly all personal property lenders must keep these loans on portfolio, carrying the full risk of their loans and limiting their capacity to originate more loans. The negligible secondary market and the need to keep most personal property loans on portfolio create high barriers to entry and challenges with scale for most lenders, reducing the supply of loans and competition in this market.<sup>31</sup>

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<sup>28</sup> Consumer Financial Protection Bureau, “Manufactured Housing Finance,” 9-10.

<sup>29</sup> *Ibid.*, 30-31, 40-41.

<sup>30</sup> K. Kaul and D. Pang, “Manufactured Housing Could Ease the Supply Shortage, but Stakeholders Need to Be Cognizant of Existing Inequities,” *Urban Wire* (blog), Urban Institute, Aug. 24, 2022, <https://www.urban.org/urban-wire/manufactured-housing-could-ease-supply-shortage-stakeholders-need-be-cognizant-existing>.

<sup>31</sup> Kaul and Pang, “The Role of Manufactured Housing in Increasing the Supply of Affordable Housing,” 14.

Overall, financing for personal property loans is very concentrated, with just a handful of lenders originating a large majority of loans. The top five manufactured housing lenders (by number of loans) originated 75% of all personal property loans, and the top two alone provided 56% of personal property loans.<sup>32</sup> By comparison, manufactured home mortgage lending is much less concentrated and reflects the overall mortgage market. The top five manufactured housing lenders originated 18% of mortgages for manufactured homes, while the top five for both site-built and manufactured housing were responsible for just 22% of all mortgages.<sup>33</sup>

### Denial rates for manufactured home purchases are extremely high, except for FHA and VA mortgages

Not only is manufactured home financing more difficult for homebuyers to find, but research shows that loan applications are also more likely to be denied. Pew-UNC research found that completed applications for manufactured home mortgages and personal property loans are denied at much higher rates than site-built home mortgage applications. In particular, denial rates from 2018 to 2019 were 40% for manufactured home mortgages and 64% for personal property loans, yet only 7% for site-built mortgages.<sup>34</sup> Pew has updated this research and found denial rates unchanged in 2021.<sup>35</sup> (See Figure 2.)

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<sup>32</sup> Consumer Financial Protection Bureau, “Manufactured Housing Finance,” 44.

<sup>33</sup> Note that the top five mortgage lenders overall differ from the top five manufactured housing lenders. *Ibid.*; Consumer Financial Protection Bureau, “Data Point: 2021 Mortgage Market Activity and Trends” (2022), 60, [https://files.consumerfinance.gov/f/documents/cfpb\\_data-point-mortgage-market-activity-trends\\_report\\_2022-09.pdf](https://files.consumerfinance.gov/f/documents/cfpb_data-point-mortgage-market-activity-trends_report_2022-09.pdf).

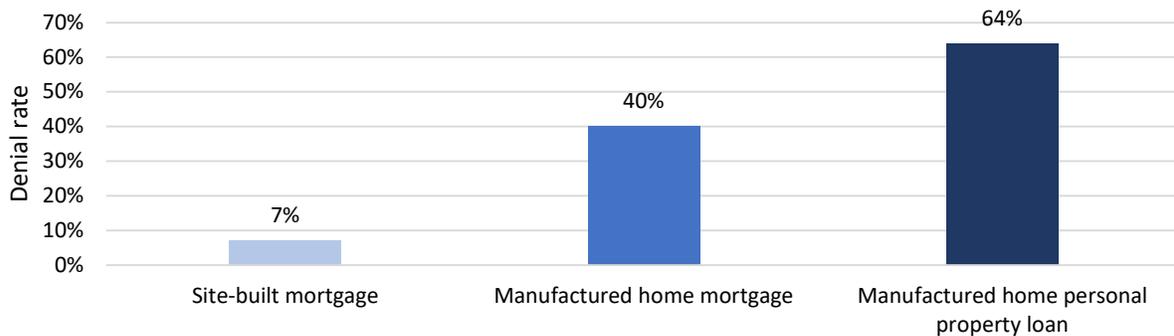
<sup>34</sup> Riley, Freeman, and Dorrance, “Lenders Deny Applications for the Purchase of Manufactured Homes,” 44.

<sup>35</sup> Federal Financial Institutions Examination Council, Home Mortgage Disclosure Act; Riley, Freeman, and Dorrance, “Lenders Deny Applications for the Purchase of Manufactured Homes,” 84. Pew’s denial rate calculations use 2021 HMDA data to update an analysis of completed applications for first-lien, closed-end, forward loans used to purchase owner-occupied manufactured housing. These methods were described by Riley, Freeman, and Dorrance in their paper.

Figure 2

## Lenders Deny Loan Applications to Buy Manufactured Homes Much More Often Than for Site-Built Structures

Denial rates by loan and housing type



Notes: Pew’s denial rate calculations use 2021 HMDA data to update an analysis of completed applications for first-lien, closed-end, forward loans used to purchase owner-occupied manufactured housing. These methods were described by Riley, Freeman, and Dorrance in their paper.

Source: Pew’s analysis of 2021 HMDA data.

However, the denial rates for manufactured home mortgages vary, as some loans are conventional mortgages without federal backing while others have federal support. Analyzing loan applications by their connection to federal insurance and guaranty programs, Pew found that lenders denied 14% of completed applications for FHA-insured Title II manufactured home mortgages, almost four times lower than the 54% denial rate for conventional mortgages that are not federally insured.<sup>36</sup> (See Figure 3.)

Further, when borrower characteristics, state of domicile, and year of application were held constant, manufactured home loan applications for FHA Title II mortgages had a 16 percentage point lower probability of being denied than applications for conventional mortgages.<sup>37</sup> For site-built homes, FHA mortgages had just a 1 percentage point lower probability of denial than conventional mortgages.<sup>38</sup> This shows that the FHA Title II mortgage program provides an extremely important source of financing for manufactured home buyers in particular. As a result, the Title II program could be a model for updating the Title I program for manufactured home buyers who own their home as personal property, given the high use of the Title II program by lenders and borrowers.

<sup>36</sup> Federal Financial Institutions Examination Council, Home Mortgage Disclosure Act; Riley, Freeman, and Dorrance, “Lenders Deny Applications for the Purchase of Manufactured Homes,” 84. Pew’s denial rate calculations use 2021 HMDA data to update an analysis of completed applications for first-lien, closed-end, forward loans used to purchase owner-occupied manufactured housing. These methods were described by Riley, Freeman, and Dorrance in their paper.

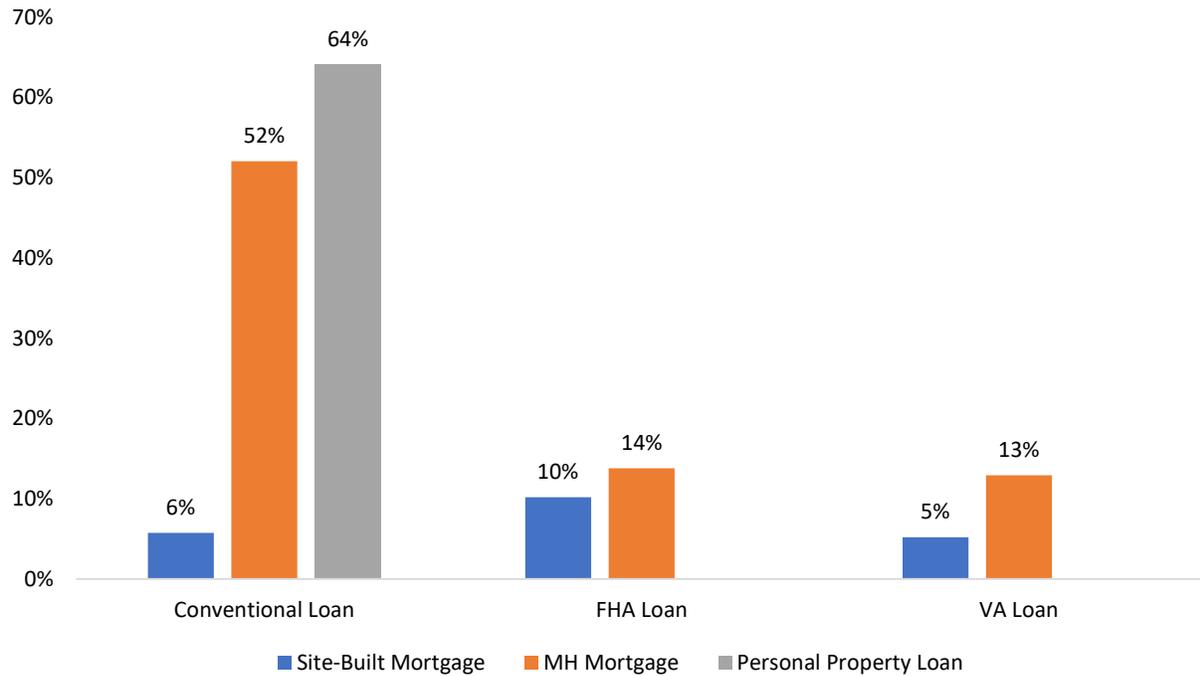
<sup>37</sup> Riley, Freeman, and Dorrance, “Lenders Deny Applications for the Purchase of Manufactured Homes,” 62.

<sup>38</sup> Ibid.

Figure 3

## Lenders Were More Likely to Deny Applications for Loans Without Government Support

*Denial rates by housing type and federal backing*



Notes: Denial rates for FHA and VA personal property loan applications are not listed because 99% of personal property loan applications were for conventional loans. Pew’s denial rate calculations use 2021 HMDA data to update an analysis of completed applications for first-lien, closed-end, forward loans used to purchase owner-occupied manufactured housing. These methods were described by Riley, Freeman, and Dorrance in their paper.

Source: Pew’s analysis of 2021 HMDA data.

The current environment of manufactured home financing presents challenges for lenders and borrowers. Manufactured homes help supply the country’s low-cost housing stock, especially for lower-income communities, White, Hispanic, and Indigenous households, and Black households in rural areas. As a result, the challenges to accessing financing are disproportionately felt by these families.

In addition, while personal property loans are a significant source of credit for homebuyers, these loans have higher interest rates and fewer protections than mortgages; lenders have difficulty making these loans; and borrowers’ loan applications are often denied. Altogether, a holistic examination is needed of the role that federal agencies (including FHA, VA, and USDA), as well as the GSEs and Ginnie Mae, could play to help alleviate some of the hurdles lenders and borrowers face.

## Topic 2: FHA Title I

- What features of the current Title I manufactured housing program have made it uncompetitive in today's market?
- If FHA were to modify the current loan limit(s) for manufactured housing, what would be the desirable new loan limit(s), and why?
- What additional changes to program requirements (such as loan features, underwriting standards, or processes) are desirable?

The data discussed in the previous section emphasize the importance of personal property financing for manufactured home ownership. It also demonstrates the benefits of the secondary market and federal government insurance in the manufactured home mortgage market that are lacking in the personal property loan market.

A functioning Title I program could not only expand the financing options available to borrowers, but also serve as a model for other federal personal property loan programs and provide additional data on the role of consumer protections in security for borrowers and lenders alike.

In this section we will address several features of the Title I manufactured home program that appear to reduce its effectiveness, including loan limits, underwriting process requirements, maximum loan terms, the cap on lenders' Title I insurance claims, and consumer protections such as site lease requirements.

### Average-priced new manufactured homes are not eligible for Title I financing

The Title II mortgage program has remained an important source of mortgage financing in part due to annual regional adjustments to loan limits, based on the Federal Housing Finance Agency (FHFA) House Price Index.<sup>39</sup> This is significant because it keeps FHA's loan limits in step with the rising cost of housing. For 2022, FHA reset limits for single-unit home purchase mortgages, with the limit floor at \$420,680 in low-cost areas and the limit ceiling at \$970,800 in high-cost areas.<sup>40</sup> While U.S. laws have enabled Title I loan limits to be adjusted annually based on a price index, as is the standard for Title II mortgages, HUD has not yet implemented annual indexing for Title I loans.

The FHA Manufactured Housing Loan Modernization Act of 2008—part of the Housing and Economic Recovery Act of 2008—states that one of its purposes is to “index [Title I manufactured home loan] limits to inflation.”<sup>41</sup> In keeping with the intention to index loan limits annually, the 2008 law instructed HUD to “develop a method of indexing in order to annually adjust the loan limits.”<sup>42</sup> Yet Title I loan limits remain unindexed today at 2008 levels.<sup>43</sup> Unadjusted from the levels that Congress set in 2008, despite

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<sup>39</sup> 12 U.S. Code § 1454 - Purchase and Sale of Mortgages; Residential Mortgages; Conventional Mortgages; Terms and Conditions of Sale or Other Disposition; Authority to Enter into, Perform, and Carry out Transactions, <https://www.law.cornell.edu/uscode/text/12/1454>.

<sup>40</sup> U.S. Department of Housing and Urban Development, 2022 Nationwide Forward Mortgage Limits, Mortgagee Letter 2021-28 (2021), <https://www.hud.gov/sites/dfiles/OCHCO/documents/2021-28mlhsg.pdf>.

<sup>41</sup> Public Law No: 110-289: Housing and Economic Recovery Act of 2008 (2008), <https://www.congress.gov/bill/110th-congress/house-bill/3221>.

<sup>42</sup> *Ibid.*, Sec. 2145. Maximum Loan Limits.

<sup>43</sup> U.S. Department of Housing and Urban Development, “Financing Manufactured (Mobile) Homes,” accessed Sept. 14, 2022, [https://www.hud.gov/program\\_offices/housing/sfh/title/repair](https://www.hud.gov/program_offices/housing/sfh/title/repair).

a statutory intention for annual indexing, Title I manufactured home loan limits are lower now than the average sales price for a new manufactured home.

Initially, the 2008 law increased the Title I loan limit for a manufactured home from the prior 1992 level to \$69,678, which, at the time, fell between the average sales price for all new manufactured homes (\$64,700) and the average for new double-section manufactured homes (\$75,800).<sup>44</sup> Though prices began to fall after the 2008 law's enactment, average prices for new manufactured homes have been rising for several years. In 2021, the average sales price for all new manufactured homes had risen to \$108,100; the average for new double-section homes to \$132,000; and the average for new single-section homes to \$72,600.<sup>45</sup> As a result, a new manufactured home bought today at the average sales price would not be eligible for a Title I personal property loan that is limited to \$69,678.

Given rising sales prices, a growing preference for multi-section homes, and the wide disparity in loan limits between Title I and Title II, FHA could consider updating Title I loan limits to higher amounts, set in relation to the average sales price of new double-section manufactured homes or potentially higher to include manufactured homes that are more comparable to site-built homes. Census data indicates that the demand for multi-section manufactured homes has been steadily increasing, underlining the importance of a loan limit adjustment that meets the shifts in the market. In 2021, 58% of new manufactured home shipments were for multi-section homes (61,017 out of 105,772 in total), marking an increase from 50% in 2017 (46,597 out of 92,902 in total).<sup>46</sup> Additionally, a large majority of newly placed manufactured homes continue to be titled as personal property each year, elevating the importance of Title I personal property loans. In 2021, 77% of new manufactured homes were titled as personal property upon placement, roughly the same proportion over the last decade.<sup>47</sup>

However, even though Title I loan limits have remained unchanged since levels set in 2008 and the average manufactured home price now exceeds the limits, almost half of personal property loans originated last year were for an amount below the limit for Title I loans: The median loan amount for personal property loans in 2021 was \$75,000, compared to the Title I loan limit of \$69,678.<sup>48</sup> This finding suggests that outdated loan limits are only one of many barriers to using a Title I personal property loan for financing a manufactured home purchase and indicates that FHA and Ginnie Mae should more comprehensively evaluate the roles of other Title I lending challenges.

### Comparisons find Title I misaligned with more successful Title II and other federal programs

Beyond outdated and unindexed loan limits, other elements of the Title I program do not align with standards that exist in the Title II program or in other federal programs. Misalignment across programs

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<sup>44</sup> Title I also caps limits for loans financing a manufactured home lot at \$23,226 and a manufactured home and lot at \$92,904. Public Law No: 110-289: Housing and Economic Recovery Act of 2008; U.S. Census Bureau, Cost and Size Comparison for Manufactured and Site-Built Homes: 1995-2013, accessed Sept. 14, 2022, <https://www.census.gov/data/tables/time-series/econ/mhs/historical-supplemental-data.html>.

<sup>45</sup> U.S. Census Bureau, Cost and Size Comparison: New Manufactured Homes and New Single-Family Site-Built Homes, 2014-21, accessed Sept. 14, 2022, <https://www.census.gov/data/tables/time-series/econ/mhs/annual-data.html>.

<sup>46</sup> Ibid.

<sup>47</sup> Ibid.

<sup>48</sup> Kaul and Pang, "The Role of Manufactured Housing in Increasing the Supply of Affordable Housing," 14.

can add time and costs for loan applicants, manufactured home dealers, and lenders, as Pew has learned from conversations with lenders. The additional burdens and expenses can be particularly problematic and reduce profitability, in turn reducing the willingness of dealers and lenders to participate, given the small size of most personal property loans. While many details of the FHA Title I program are statutorily required, FHA could study the benefits and drawbacks related to the specifics of these Title I program elements and consider if the provisions in other programs help identify opportunities to update Title I.

#### Lack of streamlined underwriting scorecard adds time and cost

Underwriting processes are a time-intensive part of the mortgage origination process, during which a lender evaluates a borrower's qualifications and ability to repay the loan over time. Automated underwriting processes can reduce the time and cost needed to originate the loan.

The Title II mortgage program generally requires the use of an Automated Underwriting System (AUS) interfacing with FHA's Technology Open To Approved Lenders (TOTAL) Mortgage Scorecard, which evaluates a borrower's credit history and application information. The TOTAL Scorecard not only provides lenders internet-based access to determine whether FHA will insure the loan but also makes certain that all applicants are evaluated using the same process regardless of lender. Streamlined underwriting also improves FHA's ability to "assess and manage risk, monitor trends, and evaluate policy with the capture of credit and loan application data."<sup>49</sup> According to FHA's Single Family Housing Policy Handbook 4000.1, "All [Title II mortgage] transactions must be scored through TOTAL Mortgage Scorecard," with certain exceptions.<sup>50</sup> However, FHA does not extend this streamlined underwriting option to Title I personal property loans: "Title I Loans are not eligible for automated underwriting through the [TOTAL] Scorecard."<sup>51</sup>

Pew's conversations with personal property lenders indicated that processes not in alignment with other underwriting practices add time, create additional costs, and impose challenges for loan applicants, manufactured home dealers, and lenders themselves. Lenders reported that the additional burdens and costs of underwriting Title I loans were not proportional to the small sizes of the loans, leading them to prioritize conventional personal property loans instead.

FHA should consider examining the difference in practices between Title I, Title II, and other federal loan programs and, if warranted, consider steps to streamline and realign Title I processes to meet the market and borrowers where they are today.

#### Shorter loan terms make Title I less competitive

When holding loan amounts, interest rates, and loan insurance premiums constant, loans with shorter terms will have higher monthly payments than loans with longer terms. The extension of longer-term

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<sup>49</sup> U.S. Department of Housing and Urban Development, "TOTAL Scorecard," [https://www.hud.gov/program\\_offices/housing/sfh/total](https://www.hud.gov/program_offices/housing/sfh/total).

<sup>50</sup> U.S. Department of Housing and Urban Development, "FHA Single Family Housing Policy Handbook 4000.1" (2022), II. A. 4. a. Underwriting with an Automated Underwriting System, [https://www.hud.gov/program\\_offices/housing/sfh/handbook\\_4000-1](https://www.hud.gov/program_offices/housing/sfh/handbook_4000-1).

<sup>51</sup> Ibid., II. E. 4. d. Underwriting the Borrower.

FHA-insured mortgages was a key innovation in making home financing more affordable during the Great Depression, and the Title II mortgage program now sets its maximum mortgage term at 30 years.<sup>52</sup>

In contrast to mortgages, personal property loans have shorter terms on average, but the current Title I program sets a particularly short statutory cap on personal property loan terms—20 years, plus 32 days.<sup>53</sup> The FHA Title I maximum loan term is also shorter than the most common term in the overall personal property loan market (23 years) and the term that VA extends for personal property loans financing double-section homes (23 years, plus 32 days).<sup>54</sup>

FHA should consider evaluating the effect of Title I's maximum loan terms on borrowers' monthly payment costs and the affordability and competitiveness of Title I personal property loans in today's market.

#### Cap on insurance claims shows differential treatment

Since 1954, lenders' insurance claims to FHA for losses on Title I-insured personal property loans have been restricted to 90% of the loss value, while no restriction exists for Title II-insured mortgages.<sup>55</sup> Although personal property loans are generally smaller than mortgages, meaning losses are smaller, this differential treatment may reduce lenders' willingness to participate, particularly as default risk has been found to be higher in the Title I program compared to the Title II program.<sup>56</sup>

FHA should consider studying the impact of the Title I insurance claim cap on lenders' decision to participate in Title I lending.

#### Site lease requirements differ from other federal programs

Landownership and how a manufactured home and land are titled impacts homebuyers' financing options and therefore their financial stability.<sup>57</sup> Title II mortgages are eligible for homes titled as real property only, where the home and land are owned and financed together. In contrast, Title I personal property loans can be made for manufactured homes on either owned or rented land.

Recognizing the relative instability of renting land compared to owning, the FHA Manufactured Housing Loan Modernization Act of 2008 established site lease requirements for homes financed with Title I loans that are on rented land, such as in manufactured home communities (MHCs).<sup>58</sup> For those leasing land, the Title I program requires an initial 3-year lease with 1-year renewable lease terms going forward. In addition, landlords must provide at least 180 days' notice if the homeowner must move their

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<sup>52</sup> Congressional Research Service, "FHA-Insured Home Loans: An Overview" (2022), 1-2, 5, <https://crsreports.congress.gov/product/pdf/RS/RS20530>.

<sup>53</sup> Title I also caps terms for loans financing a manufactured home lot at 15 years, plus 32 days; a single-section manufactured home and lot at 20 years, plus 32 days; and a multi-section manufactured home and lot at 25 years, plus 32 days. 12 U.S. Code § 1703 - Insurance of Financial Institutions, <https://www.law.cornell.edu/uscode/text/12/1703>.

<sup>54</sup> VA's statutory maximum personal property loan term for single-section manufactured homes is the same as FHA Title I's cap at 20 years, plus 32 days. Consumer Financial Protection Bureau, "Manufactured Housing Finance," 24; 38 U.S. Code § 3712 - Loans to Purchase Manufactured Homes and Lots, <https://www.law.cornell.edu/uscode/text/38/3712>.

<sup>55</sup> 12 U.S. Code § 1703 - Insurance of Financial Institutions.

<sup>56</sup> Park, "Real and Personal," 17, 23.

<sup>57</sup> Consumer Financial Protection Bureau, "Manufactured Housing Finance," 3.

<sup>58</sup> Public Law No: 110-289: Housing and Economic Recovery Act of 2008.

home because the landlord intends to close the MHC.<sup>59</sup> (See Table 1.) Clearly defined lease terms reduce uncertainty and unpredictability in the timing of rent increases or community closures and, as such, may reduce a personal property loan borrower's risk of default. Still, not enough is known about how common 3-year terms are among site leases in MHCs and whether homebuyers face difficulties accessing FHA financing because of a landlord's unwillingness to accommodate Title I program requirements.

While the Title I site lease requirements likely add stability for land renters, other lease provisions defined by the FHFA under Duty to Serve have also been gaining attention. As part of Duty to Serve, Fannie Mae and Freddie Mac require that all landlords must include eight Tenant Site Lease Protections (TSLPs) in their land renters' leases if they buy an MHC with money borrowed through the GSEs.<sup>60</sup> Among the TSLPs are provisions for 30 days' notice of rent increases and rights for a homeowner to sell their home, even in the event they are evicted from the community.<sup>61</sup> (See Table 1.) During the rollout of TSLPs from 2019 to 2020, the GSEs' programs provided enhanced protections for more than 18,000 leases between Fannie Mae and Freddie Mac, and the GSEs now require all MHC landlords who borrow money through them to include the eight TSLPs in all leases.<sup>62</sup>

Further, 17 Members of Congress have recommended additional consumer protections in a letter to FHFA, including public disclosure of TSLPs for the awareness of land renter homeowners and their advocates, longer terms for leases, the opportunity of land renters to cooperatively purchase their community when it is being sold, and protections against eviction.<sup>63</sup> As a result of this national momentum, there may be an opportunity to standardize lease requirements across federal programs, including FHA Title I and Duty to Serve, allowing homeowners in GSE-financed communities to more easily access Title I financing.

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<sup>59</sup> U.S. Department of Housing and Urban Development, "Handbook 4000.1," II. E. 4. c. iv. Site Lease.

<sup>60</sup> Freddie Mac refers to these as "tenant pad lease protections." Freddie Mac, "Duty to Serve Underserved Markets Plan, 2022-2024" (2022), MH4, <https://www.fhfa.gov/PolicyProgramsResearch/Programs/Documents/FreddieMac2022-24DTSPPlan-April2022.pdf>; Fannie Mae, "Duty to Serve Underserved Markets Plan 2022-2024" (2022), 15, <https://www.fhfa.gov/PolicyProgramsResearch/Programs/Documents/FannieMae2022-24DTSPPlan-April2022.pdf>.

<sup>61</sup> Fannie Mae, "Tenant Site Lease Protections," accessed Aug. 1, 2022, <https://multifamily.fanniemae.com/financing-options/specialty-financing/manufactured-housing/tenant-site-lease-protections-pricing-initiative>; Freddie Mac, "Freddie Mac Multifamily Requires Tenant Protections on All Future Manufactured Home Community Transactions," news release, September 13, 2021, <https://freddiemac.gcs-web.com/news-releases/news-release-details/freddie-mac-multifamily-requires-tenant-protections-all-future>.

<sup>62</sup> Fannie Mae, "Duty to Serve; Underserved Markets Plan 2022-2024" (2021), 25-26, <https://www.fhfa.gov/PolicyProgramsResearch/Programs/Documents/FNM-2022-24-proposed-UMP.pdf>; Freddie Mac, "Duty to Serve Underserved Markets Plan, 2022-2024," MH4.

<sup>63</sup> C. Axne, "Axne, Hickenlooper Lead Letter to Protect Manufactured Housing Community Residents," news release, August 4, 2022, <https://axne.house.gov/media/press-releases/axne-hickenlooper-lead-letter-protect-manufactured-housing-community-residents>.

Table 1

## Alignment Between Federal Programs Could Improve Consumer Protections and Access to Credit

*Lease requirements for FHA Title I compared with FHFA Duty to Serve*

<b>FHA Title I Site Lease Requirements</b>	<b>FHFA Tenant Site Lease Protections (TSLPs)</b>
Initial lease term of 3 years or longer	NA
1-year renewable lease term	1-year renewable lease term
NA	30-day notice of rent increase
NA	5-day grace period for late rent
180-day notice of planned MHC closure	60-day notice of planned MHC closure
Automatic 1-year lease renewal in event of a failure to provide timely notice of planned MHC closure	NA
NA	60-day notice of planned MHC sale
NA	Tenant right to sell home in place
NA	Tenant right to sell home in place within 45 days after eviction
NA	Tenant right to sublease or assign site lease
NA	Tenant right to post "for sale" signs

Sources: U.S. Department of Housing and Urban Development, "FHA Single Family Housing Policy Handbook 4000.1" (2019), [https://www.hud.gov/program\\_offices/housing/sfh/handbook\\_4000-1](https://www.hud.gov/program_offices/housing/sfh/handbook_4000-1); Fannie Mae Multifamily, "Tenant Site Lease Protections Pricing Incentive", <https://multifamily.fanniemae.com/financing-options/specialty-financing/manufactured-housing/tenant-site-lease-protections-pricing-initiative>

Research has shown that Title I personal property loans have a lower risk of default when borrowers own rather than rent the land, despite Title I lease provisions.<sup>64</sup> While land renters may always have increased default risks because they do not control uses of the land, further study of specific lease provisions could identify which consumer protections most effectively improve housing stability and reduce default risk, supporting the housing stability of personal property loan borrowers and reducing lenders' risks. Findings could inform Congress, FHA, and FHFA about how best to harmonize and implement consumer protections across site lease requirements in federal programs. Future Pew research will help ascertain the extent of these challenges nationwide as well as the usual length of site leases and we welcome the opportunity to work with the FHA, FHFA, GSEs, and Ginnie Mae on such topics.

In summary, programmatic and statutory elements of FHA's Title I program pose challenges for manufactured housing lenders that want to participate, particularly where misalignments exist with Title II and other federal programs. For an expanded and improved Title I program to facilitate personal property lending, FHA should consider opportunities to coordinate and compare across other FHA and federal government programs and study the impact of current requirements on the effectiveness and competitiveness of Title I lending.

<sup>64</sup> Park, "Real and Personal," 17, 23.

### Topic 3: Ginnie Mae Manufactured Housing Program

- What features of the current Ginnie Mae Manufactured Housing Program have made it uncompetitive in today's market?

#### Discrepancies exist between Ginnie Mae's programs for manufactured homes and single-family housing

As previously discussed, the negligible secondary market for personal property loans forces lenders to keep most of these loans on portfolio, limiting the number of personal property loans a lender can make and creating a barrier to entry for smaller lenders.<sup>65</sup> However, improvements to the FHA Title I program, in combination with updated issuer requirements from Ginnie Mae, could expand lender participation in the personal property loan market and increase access to safer credit for more manufactured home buyers.

Ginnie Mae's lenders and servicers (which Ginnie Mae refers to as "issuers" of mortgage-backed securities that receive Ginnie Mae's credit guaranty) must adhere to certain requirements on minimums for net worth, liquidity, and capital requirements or leverage ratios. Beyond previously noted misalignments in FHA's Title I program relative to its Title II program, the wide discrepancy in Ginnie Mae's issuer requirements for its Manufactured Housing (MH) Program for Title I loans relative to its Single-Family Program for Title II mortgages likely imposes an additional barrier for lenders interested in Title I lending.

Currently, Ginnie Mae requires their MH Program participants to maintain a net worth of \$10 million plus amounts equal to 10% of all outstanding Title I obligations for manufactured home financing, while Single-Family Program participants need to maintain a net worth of only \$2.5 million plus 0.35% of outstanding Title II obligations for site-built or manufactured home financing.<sup>66</sup> Considering the much smaller size of most personal property loans relative to mortgages (median of \$75,000 vs. \$289,000), the substantially higher net worth requirements for Ginnie Mae's MH Program may preclude smaller lenders from participating in Title I lending, even if they already participate in Title II lending and the Single-Family Program.<sup>67</sup>

Further, the current net worth requirements for participation in Ginnie Mae's MH Program are inconsistent with changes to FHA Title I insurance coverage since 2008. Prior to the 2008 law, FHA insurance liability was capped at 10% of the total amount of a lender's Title I loan portfolio, compared to full coverage for the Title II program. During the manufactured housing market downturn in the early 2000s, when lenders lost more on their Title I loans than FHA insured them for because of FHA's 10% liability cap, losses were pushed onto Ginnie Mae.<sup>68</sup> During the manufactured housing market downturn in the early 2000s, when lenders lost more on their Title I loans than FHA insured them for because of

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<sup>65</sup> Kaul and Pang, "The Role of Manufactured Housing in Increasing the Supply of Affordable Housing," 14.

<sup>66</sup> Ginnie Mae, "Ginnie Mae MBS Guide" (2022), Chapter 3, Part 8, Financial Requirements, [https://www.ginniemae.gov/issuers/program\\_guidelines/Pages/MBSGuideLib.aspx](https://www.ginniemae.gov/issuers/program_guidelines/Pages/MBSGuideLib.aspx).

<sup>67</sup> Kaul and Pang, "The Role of Manufactured Housing in Increasing the Supply of Affordable Housing," 14; Consumer Financial Protection Bureau, "Data Point: 2021 Mortgage Market Activity and Trends," 25.

<sup>68</sup> Park, "Real and Personal," 5.

FHA's 10% liability cap, losses were pushed onto Ginnie Mae.<sup>69</sup> At the time, in 2007, then-Executive Vice President of Ginnie Mae, Michael J. Frenz, testified before Congress that the cap was the "most important feature" leading Ginnie Mae to suffer large losses during the market downturn.<sup>70</sup> Accordingly, in the 2008 law, Congress aimed "to modernize the FHA title I insurance program for manufactured housing loans to enhance participation by Ginnie Mae" by removing the 10% liability cap for Title I manufactured home loans.<sup>71</sup> However, despite increasing FHA's insurance liability for Title I loans to better align with the Title II program, Ginnie Mae's high net worth requirements for MH Program participants no longer reflect current FHA insurance coverage levels for Title I lenders.

These differences do not reflect the changed risk environment since the enactment of the FHA Manufactured Housing Loan Modernization Act of 2008. Ginnie Mae should consider re-evaluating how the 2008 law changed the risk environment for its MH Program relative to its Single-Family Program and, if warranted, consider updating issuer requirements based on its findings to better align the programs and better reflect today's risk environment.

## Conclusion

The minute scale of FHA and Ginnie Mae's presence in the personal property loan market is particularly unfortunate for two reasons: 1) Black, Hispanic, and Indigenous borrowers rely more on personal property loans to buy manufactured homes than White borrowers, and 2) denial rates for conventional manufactured home loans are much higher than those insured by FHA. Taken together, in the absence of a robust FHA Title I program, it is likely that thousands of credit-worthy manufactured home buyers missed an opportunity to secure more-affordable home financing or could not access financing at all.

Thank you again for the opportunity to comment on this RFI. We look forward to continuing to study and engage with all stakeholders on these important topics.

*Voluntary response provided to HUD in response to an RFI. This is not a required submission for participation in a federal program.*

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<sup>69</sup> Park, "Real and Personal," 5.

<sup>70</sup> M.J. Frenz (executive vice president and chief operating officer, Government National Mortgage Association, U.S. Department of Housing and Urban Development), testimony before the Subcommittee on Housing and Transportation; Committee on Banking, Housing, and Urban Affairs United States Senate, Senate Hearing 109-994 (April 4, 2006), <https://www.govinfo.gov/content/pkg/CHRG-109shrg37830/html/CHRG-109shrg37830.htm>.

<sup>71</sup> Public Law No: 110-289: Housing and Economic Recovery Act of 2008.