

TOWARD A SUSTAINABLE AND RESPONSIBLE EXPANSION OF AFFORDABLE MORTGAGES FOR MANUFACTURED HOMES

Executive Summary

The I'M HOME Loan Data Collection Project was initiated in 2011 to collect and analyze origination and performance data for manufactured home (MH) single family loans with the goal of answering the following questions:

- To what extent and from what sources can low- and moderate-income (LMI) households obtain MH single-family loans?
- How well do manufactured housing loans perform, and how does their performance compare with that of mortgage loans for site-built homes?
- Are there products or underwriting features that are correlated with more successful loan performance?



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The Project's long-term goal is to expand access to and availability of affordable financing to low- and moderate-income (LMI) owners and buyers of manufactured homes to enhance household financial security and opportunities for wealth building. As an early step toward this goal, CFED and the Fair Mortgage Collaborative (FMC) addressed the need for more information about MH loans by collecting a large set of data about origination and performance of manufactured homes mortgage loans, totaling \$1.7 billion at origination.

We analyzed this data with the goal of identifying best practices in the finance of affordable and sustainable MH homeownership to share with lenders, investors and government insurance and loan programs with the ultimate aim of expanding high quality, affordable MH finance products and practices.

The data analysis produced the following main findings:

1. A variety of lenders and investors provide home mortgage products to owners and buyers of manufactured homes
2. Manufactured home mortgage performance is comparable to general mortgage performance and certain manufactured housing mortgage portfolios *outperform* comparable general mortgage portfolios
3. Conventional underwriting criteria such as higher FICO scores, low loan-to-value (LTV) and debt-to-income (DTI) ratios are strongly related to higher loan performance; however, certain MH products and providers demonstrate that conventional underwriting is *not necessary* for strong performance
4. Strong performance can be achieved by manual underwriting even with less restrictive downpayment and credit requirements

5. Servicing loans with “high-touch” protocols achieves the strongest performance even with low downpayments and other features perceived to involve higher risk
6. As an investor group, Housing Finance Agencies demonstrate superior performance to others with the same loan product
7. The research conducted for the project resulted in indirect evidence suggesting that homeowner education and counseling result in better loan performance, but the data obtained through the Project was inadequate to properly test this relationship
8. Data shortcomings are widespread and a serious barrier to understanding the factors that contribute to loan performance; improved and standardized data collection and reporting is an urgent need whose importance goes beyond loan underwriting and investment practices to the shape of the nation’s future affordable housing landscape

The Report contains recommendations that fall into three major categories:

- Improve the quality of data and analysis on affordable loans for manufactured homes to build the evidence base needed to attract more lenders and investment
- Promote product development and innovation among lenders and investors to generate higher volume of affordable MH loans with sustainable performance
- Mobilize a range of stakeholders to integrate the comprehensive MH value proposition – one that accounts for energy efficiency, cost savings, housing choice and more – into mainstream policies shaping the future of housing affordability in the United States

A number of specific steps to consider are described in the Report’s Section VI. “Recommendations.”