KEY TAKEAWAYS

1. State Housing Finance Agencies (HFAs) are expanding their footprints to serve more manufactured housing and community preservation loans. Home buyers across all housing markets need access to starter homes and fair, low-cost home loans. Residents of manufactured home communities, or mobile home parks, who generally own their homes but rent the land, face residential uncertainty due to their relationship to the land. Recognizing these issues, state HFAs are expanding their footprints in the home loan and community preservation markets. This trend is evident in the results of a recent HFA survey.

Our survey finds that 11 states have expanded or restarted programs to serve manufactured home buyers in recent years. New York State Homes and Community Renewal, for example, has launched both single-family and community preservation products. Twenty-four HFAs directly originate and/or purchase manufactured housing loans from approved originators in their states.

State HFAs are public-mission-driven entities dedicated to financing affordable housing opportunities, both single family and multifamily, for low- and moderate-income households. Support for manufactured housing lending, while a small share of their activity, is a valuable tool to help HFAs meet their missions.

State HFAs need more resources and more involvement from industry partners to expand their manufactured housing lending. HFAs cited a number of factors limiting their ability to finance manufactured housing lending. These factors include a lack of qualified appraisers, difficulty in accessing the secondary market, and overlays put in place by their master servicers.

To increase their involvement with manufactured housing lending, HFAs will need to identify and develop stronger partnerships at all stages of the loan cycle, including appraisers, lenders, and the government sponsored enterprises (GSEs). New manufactured housing product options from Fannie Mae and Freddie Mac, which the GSEs are offering as part of their Duty-to-Serve obligations, should help HFAs reach more borrowers, but some survey respondents suggested these products could be strengthened.
Manufactured home buyers have fewer financing options than buyers seeking to finance site-built homes because many lenders exclude from their programs, or avoid providing, mortgages on manufactured homes. State HFAs have the opportunity to step into this space as part of their mission to assist underserved communities.

HFAs are state-chartered housing agencies that operate in every state, the District of Columbia, New York City, Puerto Rico, and the U.S. Virgin Islands. Though they vary widely in their characteristics, including their relationship to state government, HFAs share a common mission of providing affordable housing to those in their states who need it.

State HFAs provided more than $28 billion in loan financing to help more than 150,000 households become homeowners in 2017, with more than one quarter of these loans helping minority buyers and more than half benefitting from FHA insurance. The median state HFA-assisted homeowner’s income in 2017 was $52,115 (15 percent below the national median income), and their average home price was $166,525 (13 percent below the national median home sale price).

Prosperity Now research has found that HFA manufactured home loan performance is comparable to general mortgage performance and, in some cases, outperforms general mortgage portfolios. Further, independent research found that single-family loans originated through state HFA programs perform better than similar non-HFA loans to low- and moderate-income borrowers.

The National Council of State Housing Agencies (NCSHA) conducted a survey in 2019 on HFAs’ financing options for manufactured housing; a copy of the survey can be found in the appendix. Thirty-one state HFAs completed the survey, including the state HFAs in Alaska, California, Florida, Georgia, Idaho, Illinois, Indiana, Kentucky, Maryland, Massachusetts, Michigan, Mississippi, Missouri, Nevada, New Hampshire, New York, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, Rhode Island, South Carolina, Tennessee, Utah, Vermont, Virginia, Washington, West Virginia, Wisconsin, and Wyoming.

HFA Manufactured Home Loan Activity

For the most part, HFAs do not directly originate single-family loans. Rather, they purchase loans originated by private lenders that meet HFA program standards. This largely explains why none of the state HFAs that responded to the survey directly originate chattel loans and only Virginia and West Virginia directly originate loans for manufactured housing titled as real estate.

However, most of the survey respondents do participate in the manufactured housing market. While Alaska is the only state that indirectly finances chattel loans, 24 respondent states indirectly fund real estate manufactured housing loans. Those states that do not directly or indirectly finance manufactured housing loans include Rhode Island, Ohio, Massachusetts, Illinois, Florida, Mississippi, and South Carolina. Note: Ohio and South Carolina are both looking to reenter the manufactured housing space. (Note: Maine Housing did not complete the survey but does have a chattel loan program.)

HFA support for manufactured housing goes beyond stand-alone-home purchase lending. Michigan and New York offer multifamily loan participation facilities to finance manufactured home communities. New Hampshire and New York reported that they finance and provide capital for resident-owned communities (ROCs). (New Hampshire also suggested in its response that other HFAs create financing programs for those living in ROCs.) Some state HFAs, including Washington, have funded long-standing ROC programs.
In recent years, 11 HFAs, listed below, have expanded, restarted or created new manufactured home loan products.

- California
- Indiana
- Michigan
- New Hampshire
- New York
- Ohio
- South Carolina
- Utah
- Virginia
- Vermont
- Wisconsin

California, New Hampshire, Ohio, Vermont, and Wisconsin are offering Fannie Mae’s new MH Advantage products, while New Hampshire participates in Fannie Mae’s Home Preferred program for ROCs. Ohio is in the process of reinstating a Fannie Mae program that allows certain types of single-family manufactured housing.

Barriers Preventing HFAs From Offering Manufactured Housing Products

Respondents highlighted several barriers that hinder HFAs from manufactured housing lending. The most common were overlays imposed by HFAs’ master servicers. Around half of all HFAs contract with a master servicer (note: several states contract with other HFAs for their servicing), and the half either service loans in house or through a subservicer.

Of those respondents using a master servicer, six (Illinois, Indiana, Mississippi, North Carolina, Vermont, and Washington) said their servicers have overlays limiting the types of single family manufactured home loans they can purchase.

- Washington and North Carolina specified that minimum credit scores imposed by their master servicers were a barrier to offering manufactured housing products. North Carolina also cited servicer-imposed loan-to-value ratio restrictions as a challenge.
- Vermont noted its master servicer essentially sets the requirements for all loans funded through its capital markets execution. The agency has not been able to identify another source of financing that will allow it to expand its manufactured housing program to fund loans for single-width units.
- Illinois’ master servicer has imposed a ceiling of 500 manufactured home loans it will service for the agency.

Idaho, Kentucky, New Hampshire, Virginia, and Wisconsin do not have to contend with overlays from their master servicers. These HFAs either service loans in house or contract with a subservicer.

Another commonly reported barrier was lackluster lender interest in originating manufactured housing loans. Alaska noted, “None of our lending partners want to offer the product for mobile homes in parks due to risks.”
Resources Needed for HFAs to Expand into Manufactured Housing Markets

Arkansas, California, Missouri, and Wyoming said a shortage of knowledgeable appraisers restricts their manufactured housing lending. Many appraisers lack significant experience with manufactured homes. This makes it tough for underwriters to find meaningful comparisons and discourages the appraisal industry from improving their approaches and tools for manufactured housing. As Arkansas put it, “We need appraisers willing to do appraisals on manufactured housing in parks.” Fortunately, Fannie Mae and Freddie Mac are developing new manufactured home appraisal guidance as part of their obligations to support manufactured housing through the Duty to Serve rule, which could help to address this issue.

Indiana, Idaho, Mississippi, Nevada, and Tennessee said they need better pricing and secondary market access for manufactured home loans. Secondary market access, whether through Fannie Mae and Freddie Mac or other market players, is important for HFAs to increase loan volume, manage risk, and expand loan offerings.

Fannie Mae and Freddie Mac’s Duty to Serve Manufactured Housing Programs

To fulfill their Duty-to-Serve obligations, Fannie Mae (MH Advantage) and Freddie Mac (CHOICEHome) have developed new products that provide affordable financing on specifically designated manufactured homes featuring site-built characteristics, such as energy-efficient features and garages. HFA interest in the products is strong. California and Kentucky are already offering one or both of the new GSE products, and the vast majority of respondents are either studying the products or preparing to offer them in the near future. Only six states (Arkansas, Florida, Georgia, North Dakota, Rhode Island, and West Virginia) are not planning to use either product.

HFAs offered several suggestions for strengthening the GSEs’ loan products and increasing the GSEs’ overall support for manufactured housing lending.

- Wyoming, California, Mississippi, and Tennessee recommended the GSEs do more to promote the products to borrowers, lenders, and realtors.
- Vermont and Maryland suggested the products need to offer financial incentives for lenders and buyers to expand interest in the programs.
- Washington and Idaho both suggested that Fannie Mae should apply MH Advantage’s 97 percent maximum loan-to-value ratio to manufactured home loans originated through all of its products.
- Florida and Utah observed the products need to be simplified and more flexible on who can participate.
- North Carolina said the products’ property requirements are unrealistic and require too many site-built characteristics.

Manufactured Homes and Federal Mortgage Insurance Programs

Mortgage insurance programs administered by the Federal Housing Administration (FHA) and United States Department of Agriculture (USDA) are critical to assisting low- and moderate-income home buyers, the majority of whom are purchasing their first homes. HFAs have a long history of utilizing federal mortgage insurance to advance their affordable homeownership programs. In a given year, between 50 and 60 percent of HFA program loans are insured through either FHA and USDA.

As illustrated on the map following map, most respondents use FHA and/or USDA programs to insure manufactured housing loans.
Recommendations for Improving FHA or USDA Manufactured Housing Products

- Idaho recommended a better transition from dealers to mortgage lenders to make the process easier for borrowers.
- Tennessee suggested expanding USDA’s One-Time Close pilot, which allows a construction and a home purchase loan to be combined, and that the FHA develop a similar initiative.
- Ohio recommend FHA, USDA, Fannie Mae, and Freddie Mac better coordinate their manufactured housing programs and adopt common guidelines.

Oklahoma, Utah, and California said the FHA and USDA manufactured housing products serve them well in their current forms.

//NEXT STEPS

This survey offered an overview of the state HFAs’ current involvement in the manufactured housing sector, as well as some suggestions on how states can move forward with offering additional financing products. The survey shows that most HFAs are interested in financing manufactured housing loans, but that several obstacles are holding them back.

Looking ahead, Prosperity Now hope, with NCSHA’s and the HFAs’ help, to identify further opportunities to expand manufactured housing lending among HFAs. Prosperity Now currently works with several state HFAs to provide guidance and information to help them expand their manufactured housing loan products. We look forward to continuing these conversations.
NCSHA HFA Manufactured Housing Survey

1. Please enter the following contact information:
   - Name
   - HFA
   - Email Address

2. Does your HFA currently engage in any of the following manufactured housing related activities?:
   - Provide financing for manufactured real estate loans
   - Provide financing for manufactured chattel loans
   - Directly originate manufactured real estate loans
   - Directly originate manufactured chattel loans
   - Multifamily (community or blanket) loan participation
   - Multifamily loan purchase
   - Other (please specify)
   - None

3. In recent years, has your HFA expanded, restarted, or created a new manufactured home loan product?

4. If so, please describe the product.

5. Are there barriers preventing your HFA from offering manufactured housing products?

6. What tools or resources (i.e. mortgage insurance, appraisal improvements, secondary market access) would help your HFA expand lending into manufactured housing markets?

7. Does your HFA plan to offer or have interest in offering the new manufactured housing products developed by Fannie Mae (MH Advantage) and Freddie Mac (CHOICEHome)? Why or why not?

8. If so, what are those plans?

9. Are the manufactured housing loans your HFA finances or insured by: FHA, USDA or Neither?

10. Do you have any recommendations for improving FHA or USDA manufactured housing products?

11. Does your servicer prohibit or limit your HFA from originating or purchasing single-family manufactured home loans?

12. How can Fannie Mae’s and Freddie Mac’s Duty to Serve programs be utilized to increase lending in the manufactured housing market?

13. Would you be interested in joining a conference call with other HFAs from around the country to discuss opportunities to lend in the manufactured housing market?