

January 31, 2012

The Honorable Judy Biggert  
The Honorable Robert Hurt  
The Honorable Luis Gutierrez  
Subcommittee on Insurance, Housing and Community Opportunity  
House Financial Services Committee  
Washington, DC 20515

Re: Corporation for Enterprise Development, Statement submitted for the record of the February 1, 2012 hearing on “The Implementation of the Manufactured Housing Improvement Act of 2000”

Dear Subcommittee Chairman Biggert, Vice Chairman Hurt, and Ranking Member Gutierrez:

The Corporation for Enterprise Development (CFED) appreciates the attention shown by the Subcommittee to the current state of manufactured housing and the Department of Housing and Urban Development’s implementation of the Manufactured Housing Improvement Act of 2000 (MHIA). With this written testimony we offer our opinions on the plight of owners and buyers of manufactured homes, the value of the institutions established by MHIA, and opportunities for partnership between affordable housing advocates, consumers and the manufactured housing industry in a way that alleviates the affordable housing crisis and builds the financial security of the home buyer.

CFED is a national, nonpartisan nonprofit organization that works to expand economic opportunity to all Americans by promoting asset-building activities that expand access to financial services resulting in homeownership, education and entrepreneurship. Since 2005, CFED has worked to realize the potential of manufactured homes to enable families to enjoy attractive and affordable homes, achieve financial self-reliance and build wealth through an appreciating and resalable asset. Manufactured homes can be part of the solution to an expensive housing market that requires far too many families to pay far too much for housing.

The Manufactured Housing Improvement Act of 2000, which tasked the Department of Housing and Urban Development (HUD) with modernizing the requirements laid out in the National Manufactured Housing Construction and Safety Standards of 1974, was designed with the express intent of protecting owners of manufactured homes<sup>1</sup>. Having recognized the value of manufactured housing as a prime source of affordable housing for millions of American families, Congress crafted this bill to further promote the durability, quality, safety and affordability of manufactured homes and to establish a balanced process for the development, review and interpretation of federal construction and safety regulations for manufactured homes. By establishing the Manufactured Housing Consensus

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<sup>1</sup> Public Law 106-569

Committee (MHCC), the Act effectively provided consumers of manufactured homes with an opportunity to exercise their voices and represent their interests as homeowners, which remain otherwise unheard in the federal regulatory and legislative arenas. The Congressional Manufactured Housing Caucus, for instance, pursues a set of legislative objectives shared by a constituency that includes only manufacturers, suppliers, retailers, community owners, financial services providers and other industry players. The most important constituency — owners and buyers of manufactured housing—is excluded from representation in that forum.

In addition to providing consumers with a platform and power to hold industry actors to a standard of quality and affordability, the Act also affords owners of manufactured homes a method of recourse to correct home defects for which installers, manufacturers and retailers may be responsible. The consequence of these and other important enhancements to the original standards released in 1974 heighten the material importance of effective implementation and enforcement of this Act.

## **Who lives in Manufactured Housing?**

More than 17 million Americans live in manufactured homes.<sup>2</sup> Manufactured housing is a significant portion of the housing stock: in fact, if manufactured homes were excluded, the nation's homeownership rate would fall by five percent. Eighty percent of manufactured home occupants own their home while 20% rent their home. In 2009, the median household income for those living in manufactured housing was \$30,000, compared to a national median of \$49,777. Owners of manufactured homes are older than the general population: about 20% are over age 65. Manufactured homes can be more affordable: more than half (56%) of all manufactured home residents pay between \$100 and \$499 in monthly housing costs, compared to only 23% of site-built home occupants.

Manufactured housing is a particularly important affordable housing resource in rural areas. Sixty-nine percent of the housing stock is located in rural areas, and 26% of low-income homeowners in rural areas own a manufactured home. At the same time, the experience of I'M HOME and partners such as ROC USA® demonstrates that manufactured housing communities also play an increasingly important role in providing affordable housing in high-growth or high-cost suburban areas.

## **Characteristics of Manufactured Homes**

The nearly 7 million owner-occupied manufactured homes in the U.S. represent 7% of the total housing stock, 11% of all housing for low- and moderate-income (LMI) families and the largest source of unsubsidized affordable housing in the country. Since 1989, manufactured housing has accounted for

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<sup>2</sup> It is difficult to estimate the total number of manufactured homes. The American Housing Survey of the U.S. Census estimates that approximately 8.6 million units exist, of which 6.8 million are occupied. The Manufactured Housing Institute, using an alternative methodology, estimates that there are more than 10 million manufactured homes.

21% of all new single-family homes sold. In 2009, manufactured housing accounted for 43% of all new homes sold for under \$150,000.

Today's new manufactured homes are similar in quality to site-built homes and have similar expected lifespans. The vast majority of manufactured homes are never moved after being installed.<sup>3</sup> Manufactured homes cost approximately half the price per square foot as site-built homes (excluding land costs), in large part because the manufacturing process provides remarkable efficiencies. Even though the same materials are used for both, manufacturing efficiencies allow faster construction and generate as much as 45% less waste than comparable site-built construction.

The modern manufactured home industry has evolved significantly since its roots back in the 1960s, when "mobile homes" intended for full-time occupancy first became popular. "Mobile homes" were wider and longer than recreational vehicles such as travel trailers. Owners frequently occupied them as permanent homes. Back then, so-called "mobile homes" were unregulated and did not meet the same standards for quality and durability as site-built homes. "Mobile homes" lacked the high-quality construction materials, adherence to safety standards, and capacity for appreciation that characterize today's manufactured homes.

The increased quality of manufactured homes results from the National Manufactured Housing Construction and Safety Standards Act of 1974. The Act effectively segmented the recreational vehicle and manufactured housing industries by defining both and regulating the construction of the latter.<sup>4</sup> Since the Act took effect in 1976, the Department of Housing and Urban Development (HUD) has regulated, monitored and enforced federal standards for manufactured homes according to its Code of Regulations for Federal Manufactured Home Construction and Safety Standards, commonly known as the HUD Code. An additional code related to energy efficiency was added in 1994.

## **The Department of Housing and Urban Development's Implementation of the Manufactured Housing Improvement Act of 2000**

- **Representation on the Manufactured Housing Consensus Committee**

In accordance with the Act, the Manufactured Housing Consensus Committee (MHCC) is made up of 21 voting members: seven represent producers or retailers of manufactured housing, seven represent

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<sup>3</sup> Various data sources find conflicting rates at which permanently set manufactured housing is relocated. Estimates range from as little as 1% to as much as 20%, but the great majority of homes are never moved.

<sup>4</sup> Modular homes, a different type of factory-built housing, are built to the local building code of the jurisdiction where they will be sited, not the HUD Code. The other critical difference between manufactured housing and modular housing is their foundations. A manufactured home is built on steel chassis that provides structural integrity even when the home is not placed on a permanent foundation. A modular home does not have this steel chassis and lacks structural integrity until it is placed on a permanent foundation.

consumers, and the remaining seven represent the general public. Each member of the MHCC serves a three-year term and may renew for one additional three year term. Per Administration policy, HUD eliminated all federally registered lobbyists from advisory boards in 2009, including the MHCC<sup>5</sup>. This Memorandum was intended to reduce the influence of special interests on the federal government and the American public. Even with this prohibition of registered lobbyists from the MHCC, industry representatives—including home builders and retailers—still account for the mandated one-third of the MHCC’s membership.

In addition to this directive issued by the President, the Manufactured Housing Improvement Act allows that the Secretary may “reject the appointment of any one or more individuals in order to ensure that there is not dominance by any single interest.” Dominance is defined as a “position or exercise of dominant authority, leadership, or influence by reason of superior leverage, strength or representation.” This provision is included for the same reasons that the June 18 Memorandum was released: to ensure that the advice to government offered by the MHCC remains open, balanced, time-limited and objective. Collective industry representatives already do, in fact, attend MHCC meetings and are given abundant opportunities to voice their positions on the issues voted on by the committee, despite the fact that they are not appointed members of the committee. Including those collective industry representatives as voting members of the committee would undoubtedly create an imbalance of influence by reason of superior leverage, strength *and* representation.

The current makeup of the MHCC membership provides a fair and invaluable voice to several key constituencies, including key industry players. Industry associations have expressed concern that other collectively representative groups—like the Manufactured Home Owners’ Association of America—have received unwarranted preference as voting members. However, the Act is explicit in granting membership to “Users.—Seven persons representing consumer interests, such as consumer organizations, recognized consumer leaders, and owners who are residents of manufactured homes,” whereas membership for “Producers” is limited to “Seven producers or retailers of manufactured housing.” Given these considerations *and* the fact that industry representatives—both producers and retailers—are already included on the panel, the current makeup of the MHCC membership is reasonable and there is no cause for concern, in this situation, that qualified experts are being excluded from participating in the MHCC.

- **Role of the MHCC and Value for Homeowners**

The Manufactured Housing Improvement Act of 2000 provides the MHCC with the authority to advise HUD and its Office of Manufactured Housing on the adoption, revision and interpretation of the federal manufactured housing construction and safety standards. The Committee may also provide periodic recommendations to the Secretary about procedural and enforcement regulations, including

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<sup>5</sup> <http://www.whitehouse.gov/the-press-office/presidential-memorandum-lobbyists-agency-boards-and-commissions>

those specifying the allowable scope of monitoring. Accordingly, the MHCC plays a central role in leveling the playing field for consumers of manufactured homes, who are almost always placed at a disadvantage. Owners and buyers of manufactured homes do not have access to the same safe, high-quality loan products made available to those buying site-built homes. Those homeowners who then place their homes in manufactured home communities find themselves at the mercy of community owners—they deal with insecure tenure, unreasonable lot rents, unjustified rent increases and few legal protections. At the least, the MHCC affords consumers the opportunity to ensure that the quality of the homes they purchase can be held to a high standard.

- **Use of Fees in Accordance with MHIA**

Pursuant to Section 620 of the Act, HUD is authorized to establish and collect from manufactured home producers a reasonable fee to offset the expenses incurred by any of the activities for which the Secretary is responsible under this MHIA. Among those responsibilities included, the fees collected can fund inspections of manufactured home installations, the facilitation and implementation of State administrative plans, administration of the MHCC, enforcement of installation standards, and management of dispute resolution programs. Given that the fee is presumably passed along to consumers in homes' purchase prices and that it seems to be a justifiable expense—providing homeowners with essential programs that ensure home quality—the chance that the proposed fee increase for FY2012 would negatively affect production levels for the industry is unlikely.

The MHIA also assigned the MHCC the task of developing and submitting a set of proposed model standards for home installation within its first 18 months of operation. Although these Model Manufactured Home Installation Standards were issued by HUD years ago, implementation of the standards has not been consistent. It is important that HUD and the state agencies responsible for implementing the installation programs carefully monitor and enforce the issuance of high-quality design and installation instructions based on the model standards, training and licensing of manufactured home installers and inspections of manufactured home installation of those installation programs. Even twelve years after the Act's passage, based on feedback from CFED's network of partners in the field that work with manufactured housing community residents, we understand that there are still homes being installed that do not meet the model standards laid out by HUD. It is also unclear whether all states have a working dispute resolution process in place. Given HUD's oversight of these programs and the fact that fees collected under MHIA are utilized to fund the administration of state programs responsible for conducting inspections and monitoring, it is pertinent that these programs firmly enforce the model standards during inspections. As a leading voice in consumer protections in this housing segment, we encourage the members of this committee to determine why this issue persists.

## **Treatment of Manufactured Housing in the Current Housing Financing System**

The MHARR, an industry group representing small retailers and manufacturers, contends that manufactured home financing scarcity is attributable to HUD's treatment of manufactured housing, implementation of the MHIA and, subsequently, the GSEs' treatment of manufactured home loans on the secondary market. While CFED would argue that HUD and other federal agencies have a long way to go in assuring that manufactured housing becomes part of the national affordable housing strategy, we also acknowledge that the manufactured housing industry itself is largely responsible for creating many of the conditions that make manufactured homes difficult candidates for long-term, conventional mortgages that *could* be purchased by GSEs' on the secondary market. The majority of manufactured homes are financed with chattel loans, which are typically high-cost loans featuring weak consumer protections, as well as fewer disclosure requirements. In addition, manufactured home dealers often steer buyers toward disadvantageous chattel loans.

The ways in which manufactured homes are sold, sited, titled and appraised have great bearing on the types of financing available to home buyers. The sales and finance system inspired by the travel trailer industry and perpetuated by the current manufactured housing industry often imposes significant costs on owners of manufactured homes. A shift in industry practices to develop a better financing system for manufactured homes is absolutely critical for the long term survival and success of the industry. I'M HOME partners like the New Hampshire Community Loan Fund have proven that a home financing system that mimics the single-family, site built mortgage market can work for manufactured housing as an alternative to the current expensive chattel lending system for manufactured homes. This industry shift would need to be accompanied by changes to state policy to improve the ways manufactured homes are titled, changes to the appraisal industry to improve familiarity with more accurate manufactured home valuation techniques, and improved enforcement of siting standards.

### ***Manufactured Home Titling & Placement***

The placement and titling of manufactured homes are two fundamental issues that complicate the acceptance of manufactured homes for conventional mortgage financing. Once it leaves the factory, a manufactured home is placed either on land owned by the homebuyer ("fee simple") or in a community of multiple manufactured homes and residents ("in-community," sometimes known as "parks"). There are approximately 3.9 million manufactured homes located on "fee-simple" sites and 2.9 million manufactured homes located in approximately 56,000 communities. Manufactured home communities are generally single parcels of land owned by commercial investors who in turn rent or lease sites to homeowners. State law regulates the rental relationship between community owners and homeowners. Through the 1980s, slightly less than half of manufactured homes were placed in land-lease communities<sup>6</sup>, but the proportion has declined dramatically since then. In 2010, only 26% of new

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<sup>6</sup> George, Lance and Jann Yankausas. *Preserving Affordable Manufactured Home Communities in Rural Areas: A Case Study*. Housing Assistance Council. March 2011. Available online at [www.ruralhome.org/storage/documents/rcbi\\_manufactured.pdf](http://www.ruralhome.org/storage/documents/rcbi_manufactured.pdf).

manufactured homes were placed in land-lease communities and 74% were placed on fee-simple land owned by the homebuyer. Industry experts and housing researchers indicate that this trend is likely to continue in the future.

The laws governing personal property or real property treatment vary by state. Homes in land-lease communities are most often titled as personal property but may in some states be titled as real property. Homes placed on fee-simple land owned by the homeowners are titled either as real or personal property.<sup>7</sup> As of 2008, 63% of all manufactured homes were titled as personal property instead of as real property.<sup>8</sup> These homeowners cannot access conventional home mortgages but must rely on more expensive chattel financing which does not provide the same tax benefits or legal protections as a mortgage. CFED supports efforts by The Uniform Law Commission which is drafting a model law that will regulate the titling of manufactured homes—we are advocating for a policy that will treat more manufactured homes as real estate. However, for the near future inconsistent systems will persist at the state level.

Personal property titling generally precludes conventional mortgage financing. A home classified as personal property is appraised differently than a site-built home, using a formula similar to motor vehicle valuation, which automatically assumes depreciation of the home regardless of other relevant attributes such as land tenure. For this reason, as well as concerns over security of land tenure, mortgage lenders generally will not finance homes titled as personal property. Buyers and owners of such homes are limited to personal property loans (also called chattel loans). These loans are generally available from a relatively small number of specialized lenders, many of which are non-bank entities and often affiliated with manufactured home retailers or manufacturers. This often reduces transparency and constrains buyers' ability to shop for the most affordable and personally appropriate loans.

The 22% of new manufactured homes that are titled as real property are appraised through similar methods as those used for site-built homes, and as such are more likely to appreciate in value, particularly if real estate titling is combined with secure land tenure.<sup>9</sup> This makes them more attractive to conventional mortgage lenders. Key advantages of conventional mortgage financing include longer

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<sup>7</sup> Even though most new homes are now placed on private land, in 2009 only 27% of new homes were titled as real estate.

<sup>8</sup> "Cost and Size Comparisons for New Manufactured Homes and New Single Family Site Built Homes 1995-2010."

*Manufactured Homes Survey*. Data produced by U.S. Census Bureau, sponsored by the U.S. Department of Housing and Urban Development. Available online at <http://www.census.gov/const/mhs/supplemental.html>.

<sup>9</sup> Contemporary manufactured homes have the potential to appreciate in value when they are properly installed on a high-quality foundation and on land over which the homeowner has long-term control, whether through traditional ownership, cooperative ownership or a long-term lease with built-in tenant protections. Consumers Union studied manufactured housing appreciation rates and found that "consumers can make decisions which can improve the appreciation of a manufactured home. Land ownership, location, purchase price and maintenance expenditures are among the factors that predict appreciation." See: <http://www.consumersunion.org/other/mh/overinfo.htm>.

repayment periods, lower interest rates, enhanced rights when in default and more competitive lending.

### ***Manufactured Home Loan Consumer Protections***

Apart from titling and loan options, owners of manufactured homes generally have fewer rights and benefits: for example, the Real Estate Settlement and Procedures Act (RESPA) does not require disclosure of closing costs when a manufactured home classified as personal property is financed without land. Regulators and lenders alike have expressed uncertainty as to whether disclosure is required when a manufactured home is titled as real property but not financed with land. Additionally, the Truth in Lending Act (TILA) includes exemptions for some employees of manufactured housing retailers who assist consumers with financing. Consequently, homeowners have fewer consumer protections from the moment they begin shopping for a loan. Owners of manufactured homes face steeper barriers to successful and sustainable homeownership than others because of loan steering, limited and subprime lending, limited rights when in default and higher loan costs.

Manufactured home lenders, especially those who are affiliated with retailers or manufacturers, have less incentive to engage in strong underwriting practices on chattel loans because of their interest in selling the home and related products, which produces up-front profits. This can create a vicious cycle of higher default rates which drive loan prices up which contributes to higher default rates and so on. As a result, the long-term sustainability and performance of chattel loans is far lower than that of conventional mortgages; nearly 20% of chattel loans eventually default.<sup>10</sup> The poor underwriting and performance of these loans creates the impression that well-underwritten manufactured housing mortgages are riskier than they actually are which negatively impacts an already tarnished image among potential investors in the secondary market.

Retailers and lenders have a strong incentive to steer borrowers into chattel loans, often loans that they themselves offer or that are available from affiliated entities. Chattel loans are often disadvantageous for the consumers: they are more expensive, offer fewer consumer protections, fewer disclosure requirements, and are more likely to go into default and face extremely limited capacity for refinance or resale. Consumers, however, are generally unaware of their titling options, much less how the titling impacts the types of loans they may receive. For these reasons, loan steering is a serious problem in the manufactured housing finance market.

Another unique element of the manufactured housing finance market is that nearly one-third of manufactured homes are located in communities or parks, where owners rent or lease the land on which their homes are sited. Homeowners face unique challenges related to leasing the land

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<sup>10</sup> “Federal Housing Administration: Agency Should Assess the Effects of Proposed Changes to the Manufactured Home Loan Program.” U.S. Government Accountability Office Report to Congress. GAO-07-879. August 2007.

underneath their homes. Community owners, for example, are often able to sell communities with little or no notice to home owners, leading to sharp increases in lot rents and mass evictions. The Manufactured Home Owners Association of America (MHOAA) reports cases in which homeowners in land-lease communities made on-time payments on their homes and rent payments on the land, but who were still subject to eviction if the community owners defaulted on their loans.

Even today, some states and some lenders offer real estate mortgages to homes with long-term leases in communities. Nevertheless, the majority of homeowners in communities are captive to the chattel financing market. These homeowners can be subject to steep lot rental increases as well as limitations on resale and limitations on their constitutional rights to due process, to assemble and to petition for grievances.

### **CFED Recommendations for Congressional Action**

CFED bases our recommendations on our success with the Innovations in Manufactured Homes (I'M HOME) initiative. I'M HOME develops, promotes and implements market- and policy-based strategies to help owners of manufactured homes gain financial security and build assets. I'M HOME's goal is to enable owners of manufactured homes to enjoy the same benefits of homeownership as those realized by owners of site-built homes. I'M HOME advocates for enhanced consumer protections, expanded access to conventional mortgage financing, resident ownership of communities and the use of high-quality, energy-efficient manufactured housing to increase and upgrade the nation's affordable housing stock.

I'M HOME and its network of national and community partners have established a robust field of nonprofit practice focused on manufactured housing as an asset-building strategy. In 2004 there were fewer than five organizations working to improve the manufactured housing space; today there are more than 30. I'M HOME has provided approximately \$4.5 million in funding, which has leveraged nearly \$12 million in match funds. I'M HOME provides an infrastructure for peer learning, networking and technical assistance for this emerging field, in addition to pursuing a manufactured housing policy agenda and supporting two social enterprises.

CFED has participated in the incubation and launch of social enterprises to take our manufactured housing strategies to scale.

- ROC USA® is an innovative social venture that is making resident ownership of manufactured housing communities possible nationwide. In its first three years, ROC USA® has preserved more than 1,996 affordable homes through the conversion of 32 communities to resident ownership.
- Next Step™ is an emerging social enterprise that is building a national network of nonprofit developers to deliver energy-efficient manufactured homes through an innovative partnership

with Clayton Homes, the nation's largest manufacturer. Next Step™ provides technical assistance and financing to replace pre-HUD code homes with ENERGY STAR manufactured homes. The Next Step™ launch builds off the experience of the I'M HOME network in siting more than 100 homes.

As successful as our efforts have been, our goals to improve the homeownership experience for buyers and owners of manufactured housing will benefit from Congressional action. CFED recommends that Congress pass legislation to implement the following policies:

- Support the replacement of outdated, pre-HUD-code homes with new, energy efficient manufactured homes by allowing owners of pre-HUD-code mobile homes to participate in federal down payment assistance programs so they can purchase a new ENERGY STAR manufactured home.
- Establish streamlined minimum standards across multiple federal agencies so that all federal housing programs support diverse, sustainable manufactured home communities and loan portfolios.
- Extend all consumer protection laws and regulations that cover owners of site-built homes to owners of manufactured homes.
- Promote community acquisitions by homeowner co-ops by supporting community financing.
- Include manufactured housing in government loan purchase, securitization and reinsurance programs and in housing finance reform legislation.

The federal government can improve the market so that homeowners are not limited to expensive financing options. Congress should require the removal of restrictions on manufactured housing as an eligible use within federal homeownership assistance programs. Congress should ensure that manufactured homebuyers receive consumer protections. Federal regulatory agencies should prevent the proliferation of predatory lending practices.

***Replace outdated, pre-HUD-code homes with new, energy efficient manufactured homes***

Congress should prioritize replacing mobile homes that were fabricated prior to the 1976 implementation of the HUD Code. As many as 1.5 million people currently live in such homes. Some are in good shape but many must be replaced. Unfortunately, their owners have few options. Pre-1976 mobile homes have virtually no resale value, so residents cannot simply sell and use the proceeds to pay for moving to new housing. The majority of these homeowners are low-income and would require assistance to pay for the disposal of their current homes and down payments on new homes. They are, however, ineligible for most federal, state and local housing assistance programs because they do not qualify as first-time homebuyers. Pre-1976 mobile homes are technically eligible for weatherization funds but for many, adding new windows or insulation is just a waste of money—it would not fix the overall dilapidation of the home, which contributes to extremely high heating and cooling costs.

Legislation to address this issue should:

- Authorize the Department of Energy to use its weatherization program funds to replace pre-HUD Code mobile homes with new ENERGY STAR qualified manufactured homes.
- Authorize the Department of Health and Human Services to use Assets for Independence (AFI) program funds to match the savings of current owners of pre-1976 mobile homes who are saving to purchase new manufactured homes. The Stephanie Tubbs-Jones Assets for Independence Reauthorization Act (H.R. 1623)<sup>11</sup> would accomplish this.
- Enable owners of pre-1976 mobile homes to qualify as first-time homebuyers within all federal homebuyer assistance programs.

Authorize the Department of Health and Human Services to use Low-Income Housing Energy Assistance Program (LIHEAP) funds to provide down-payment assistance for owners of pre-1976 mobile homes who are unable to afford basic heating due to the inefficiency and dilapidation of their homes. The Government Accountability Office (GAO) is currently studying the impact this proposal, at the request of Senator Bingaman, Chairman of the Senate Committee on Energy and Natural Resources.

***Establish streamlined minimum standards across multiple federal agencies:***

Congress should facilitate the creation of streamlined, consistent standards and requirements for manufactured housing across government financing programs, including down payment assistance, direct loans and loan guarantees. Currently, different rules and requirements—sometimes conflicting—govern the eligibility of manufactured housing in programs offered by the Rural Development Agency (RD) and Federal Housing Administration (FHA). For example, FHA insures manufactured housing loans made by FHA-approved lenders under the Title I and Title II programs. Title I insures loans that finance or refinance a manufactured home, the land on which a manufactured home will be placed or the combination of land and home. This includes “home only” loans in manufactured housing communities. Title II insures loans on manufactured homes placed on a permanent foundation that are classified as real estate. Title II helps buyers who can qualify for and afford market-rate mortgages to purchase manufactured homes with conventional financing. These variations are confusing to lenders and buyers.

Meanwhile, the Rural Development Section 502 Program (RD 502) offers both direct loans and loan guarantees to help low- and moderate-income home buyers in rural areas. RD 502 direct loans provide down payment assistance and below-market financing to low- and very low-income borrowers. To

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<sup>11</sup> For additional details, see: [http://cfed.org/policy/federal\\_policy\\_advocacy/AFI\\_112th\\_legislative\\_text.pdf](http://cfed.org/policy/federal_policy_advocacy/AFI_112th_legislative_text.pdf).

receive direct loans, manufactured homes must be purchased from and permanently installed by RD-approved dealers or contractors. The RD 502 guarantee program guarantees loans made by private lenders on manufactured homes purchased from and permanently installed by RD-approved dealers or contractors. Manufactured housing is an allowable use of RD 502 funds<sup>12</sup> but state office officials have, in some cases, misinterpreted regulations and excluded manufactured homes from their state's RD 502 financing activities. This is particularly troubling in light of the fact that manufactured homes represent a large proportion of the housing stock in rural areas.

Unfortunately, the eligibility of manufactured housing for federal housing funds is frequently left to the discretion of state and regional program administrators. In some areas, strong and unreasonable opposition to manufactured housing diminishes its availability as a housing option. HUD, USDA, FHFA and others can and should do more to highlight the benefits of manufactured homes in expanding the stock of affordable housing. A recent HUD report, *Regulatory Barriers to Manufactured Housing Placement in Urban Communities*, is one of many with useful case-studies and recommendations to better include manufactured homes as a solution to the affordable housing crisis.<sup>13</sup>

Congress should pass legislation directing the agencies to develop a single, unified set of minimum standards for manufactured homes to determine their eligibility for federal housing programs. This set of minimum standards should be consistent across all federal housing programs in which manufactured housing is accepted. Minimum standards should address energy efficiency, foundation quality, square footage and other characteristics of manufactured homes. Single-section homes should be eligible as long as they meet minimum standards. Federal housing programs that allow manufactured homes to participate should be able to finance loans on new manufactured homes and loans on existing homes.<sup>14</sup> Existing homes should be required to be in good condition and meet standards similar to what FHA Title I currently requires.

CFED has convened officials from all federal agencies that impact manufactured homes and is encouraging them to coordinate action and policies where possible. The final *Convening Report*<sup>15</sup> and CFED's *Action Agenda for Federal Agencies*<sup>16</sup> are available on the CFED website.

***Extend all consumer protection laws and regulations to owners of manufactured homes:***

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<sup>12</sup> RD 502 is not available for homes in communities, although another program – RD Section 504 – can be used for home improvements to homes in communities.

<sup>13</sup> [http://www.huduser.org/portal/publications/affhsg/rb\\_mhpuc.html](http://www.huduser.org/portal/publications/affhsg/rb_mhpuc.html)

<sup>14</sup> RD 502 currently does not finance single-section homes and will only refinance existing homes that were previously financed by RD 502. FHA finances both single-section and multi-section homes.

<sup>15</sup> See: [http://cfed.org/programs/manufactured\\_housing/MHConvening\\_Proceedings.pdf](http://cfed.org/programs/manufactured_housing/MHConvening_Proceedings.pdf).

<sup>16</sup> See: [http://cfed.org/programs/manufactured\\_housing/MHConvening\\_ActionAgenda.pdf](http://cfed.org/programs/manufactured_housing/MHConvening_ActionAgenda.pdf).

Loans and financing made available to buyers of manufactured homes have inadequate oversight. The enactment of the Dodd-Frank Act and the creation of the Consumer Financial Protection Bureau provide the authority to regulate disclosures that come with these loans to ensure that people understand the terms and potential risks of the financing they receive. The right loan product can help buyers avoid becoming delinquent or foreclosing due to balloon payments or placement on land where they could easily be displaced.

In addition, we look forward to the pending duty-to-serve final rule from the Federal Housing Finance Agency. The Housing and Economic Recovery Act of 2008 requires manufactured home loans be included in the GSEs' duty-to-serve requirements. CFED joined dozens of others in recommending that the preference for duty-to-serve be limited to mortgages over chattel financing. We also urged the FHFA to include loans made to resident owned cooperatives. The duty-to-serve rules can improve the financial market by requiring long-term land leases in communities, providing financing for resale of homes and financing homes in resident-owned cooperatives. Unfortunately, Acting Director DeMarco has not finalized these regulations, more than three years after Congress directed the agency to draft and implement them.

Developing a more efficient manufactured home financing market would provide substantial benefits to low- and moderate-income owners of manufactured homes. While many obstacles stand between the current system and the development of a more efficient financing system, the same was once true for site-built homes when credit was expensive and home-ownership rates were low. In the past fifty years, however, the U.S. mortgage market has developed ample capital flows and continued product innovation that has contributed to a much higher home-ownership rate. Improvements to the sales and distribution, siting, consumer protections, fundamental freedoms for homeowners in parks, titling and appraisal components of the manufactured housing industry, could transform the manufactured home industry and the asset-building potential of owning a manufactured home. The MHIA represents a critical component of that new system. It is clear in its intent to protect and empower owners of manufactured homes with a set of standards for home installation, allow both consumers and industry representatives to advise HUD on certain construction and safety standards, provide oversight for installer licensing and a establish set of procedures for resolving disputes with producers and installers.

There is much that Congress can do to ensure that the MHIA is implemented fully and most efficiently, improve the regulatory marketplace so buyers get the best possible loans, ensure that federal agencies can use their resources to help homeowners buy a quality home that they can afford, and expand protections for owners living in communities. Everyone, including those who design, build, sell, finance and buy manufactured homes should work together to improve the outcomes for buyers, and the MHCC is a clear manifestation of the value of such a collaborative effort.

Please contact me at [rhaughey@cfed.org](mailto:rhaughey@cfed.org) or 202.2070155 if you would like further information.

Sincerely,



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CC: The Honorable Spencer Bachus, Chairman  
The Honorable Barney Frank, Ranking Member  
House Financial Services Committee