



Conventional Mortgage Financing

INTRODUCTION

For the past few generations, homeownership has been the bedrock of household financial assets. Even during the recent periods of instability in the housing market, homeownership has remained the primary source of wealth for many Americans and continues to be the centerpiece of the American Dream.

For 17 million Americans, the path to the American Dream includes a manufactured home. Today's manufactured housing market offers a high-quality and affordable asset for many families. The average cost of a new manufactured home in 2008 was \$64,000.¹ This low price (an average of \$41.34/sq. ft.) is less than half the cost of a site-built home (\$88.55/sq. ft. on average)² and reveals how manufactured housing can help more families buy an affordable home. Obstacles in obtaining conventional mortgage financing,³ unfortunately, create a huge roadblock. In most cases these homes – though as permanent as homes built on-site – are treated by lenders more like automobiles than homes, preventing owners from realizing the many benefits of homeownership.

CFED's I'M HOME (Innovations in Manufactured Homes) initiative works to address these challenges and to help ensure that all homeowners – including owners of manufactured housing – have equal access to the asset-building opportunities of homeownership. The goal of this guide is to provide an overview of the manufactured housing finance and policy landscape to improve access to fair and competitive financing for buyers of manufactured homes.

About This Resource Guide

This guide is a resource for policy makers, advocates and industry stakeholders interested in ways to expand the availability of better and less expensive conventional mortgage financing for buyers of manufactured homes, especially low- and moderate-income buyers. This guide:

- Lays out the different methods of titling manufactured housing and the implications for home financing;
- Discusses manufactured housing finance;
- Outlines challenges in accessing conventional mortgage financing for manufactured housing; and
- Offers policy recommendations for increasing access to conventional mortgage financing for manufactured housing.

FORMS OF HOMEOWNERSHIP TITLE

Ownership of a manufactured home is represented by a title, and how a home is titled affects the homeowner's financing options. There are two different ways that manufactured homes may be titled. Some are titled as personal property (also known as chattel) – like motor vehicles. Others are titled as real property (or real estate) – like site-built homes. How a home is titled largely depends on the state it is located in since titling is dictated by state law.⁴ For historical reasons, most manufactured homes are initially titled as personal property, though a growing number of states allow conversion to a real property title, typically after the home has been sited on real property owned by the owner of the home. According to the U.S. Census Bureau, approximately 79,000 new manufactured homes were placed in locations around the country in 2008. Of these, the majority – 50,000 – were titled as personal property and another 22,000 were titled as real property.⁵ Three-quarters were placed on private land.⁶

In addition to how a home is titled, whether the homeowner leases or owns the land beneath the manufactured home is also a critical issue. Residents of manufactured home communities (or land-lease communities) usually lease the land beneath their homes, regardless of how they can title their homes. On the other hand, most owners of manufactured homes do not live in land-lease communities, but rather place their home on land they own.

A manufactured home can provide a number of advantages over a site-built home. Manufactured homes offer high-quality housing at a lower cost, faster construction and, for those in manufactured home communities, a population density

that permits more community amenities at a lower price. A poor selection of financing options, however, has historically been a primary disadvantage of manufactured housing. Most site-built homes are financed with conventional mortgages. In contrast, most manufactured homes sited in land-lease communities are financed with chattel loans. Even when the homeowner also owns the land beneath the home, it can still be difficult to obtain a conventional mortgage for reasons explored in this guide.

HOW MANUFACTURED HOUSING FINANCE WORKS

Housing lenders typically do not finance manufactured homes with traditional mortgages but with chattel mortgages, a distinction that has broad implications and is important to discuss thoroughly.

A. Terminology

Purchase money mortgage loans are secured by an asset, usually the item being purchased. Purchase money mortgage loans may be financed by the owner of the property being sold, by a retail merchant, by a bank or other financial institution. If the borrower cannot repay the loan, the lender can seize the asset and use it to repay the debt. Because the generic term “mortgage” can refer to different types of secured loans, this guide will refer to “chattel mortgages” and “conventional mortgages”⁷ for clarity.

Chattel is the legal term for personal property, as opposed to real property, which generally includes land and the structures attached to the land. Site-built homes are normally considered real property. Chattel mortgages differ in many respects from conventional mortgages and, in fact, more closely resemble auto loans. The key disadvantages to chattel financing for homes compared with conventional financing include:

- Shorter loan terms (typically 20 years instead of 30);
- Higher interest rates (at least two to five percentage points higher)
- Fewer rights when in default; and
- A more limited pool of lenders (including the common practice of in-house financing by manufactured home retailers), which reduces a consumer’s opportunity to shop for competitive loans and affects home resale values.

Conventional mortgages are similar to chattel mortgages in that both are secured by a lien on the home that the borrower purchases. Conventional mortgage loans have long been used to purchase site-built homes and almost always include the land beneath the home. There are a large number of conventional mortgage lenders nationwide providing ample opportunity for homebuyers to comparison shop for the best loan terms prior to purchasing a home. In fact, for buyers of site-built homes, there are two distinct steps: loan shopping and home shopping. This is not the case for many buyers of manufactured homes.

B. The Role of the Secondary Market and GSEs

The secondary market plays an important role in both chattel and conventional mortgage lending. The secondary market is a resale market for loans. When a lender originates a loan, it is documented in a promissory note, which the lender may subsequently sell. The payment received for the note provides capital for the lender to make more loans.

Loans purchased in the secondary market are often pooled in a process called securitization that culminates in the issuance of mortgage-backed and asset-backed securities, which are sold to a variety of investors to generate more money for lending. The investors receive income from payments made on the underlying loans. Mortgage-backed securities are based on real estate mortgages. Asset-backed securities are similar but are based on chattel loans and other forms of debt.⁹

The Dealer Trap: In-House Financing

Buying and financing a manufactured home are intertwined. Buyers of site-built homes face a two-step process: shopping for a home and shopping for a mortgage. Buyers of manufactured homes have fewer options and often finance their home through the same dealer who sells them the home. This practice, known as in-house financing, may be more convenient to the buyer and seller, however it may also be more costly to the buyer because it eliminates the homebuyer’s opportunity to shop for better loan terms. According to a 2002 study by Consumers Union, consumer complaints regarding in-house financing for manufactured homes have included allegations of fraud and misrepresentation of the terms, price or home.⁸

Not all in-house financing is predatory, but homebuyers are best advised to shop around for financing before deciding on a home. Community banks and credit unions are good places to start shopping for a loan.

Three major government sponsored entities (GSEs), Fannie Mae, Freddie Mac and Ginnie Mae, play an important role in the secondary market. The GSEs purchase and securitize millions of loans to free up lending capital. Each GSE establishes guidelines for the loans it will purchase. The guidelines include requirements ranging from the method of appraising properties to the terms of the promissory note and security instrument. Lenders must adhere to these guidelines, or the GSEs will refuse to purchase their loans.

Because the GSEs purchase so many loans, their standards have a major impact on loan originations and the terms of credit available. If the GSEs refuse to purchase certain types of loans, or impose onerous restrictions, the lending industry will offer consumers substantially fewer loans of that type. As we have recently seen during the foreclosure and credit crisis that began in 2006, the secondary market's refusal to purchase certain types of loans can depress entire segments of the real estate market, including manufactured housing.

Fannie Mae and Freddie Mac are regulated by the Federal Housing Finance Agency (FHFA). Section 1129 of the Housing and Economic Recovery Act of 2008 amended the Federal Housing Enterprises Financial Safety and Soundness Act of 1992 to establish a duty for Fannie Mae and Freddie Mac to serve three underserved markets – manufactured housing, affordable housing preservation, and rural areas – in order to increase the liquidity of mortgage investments and improve the distribution of investment capital available for mortgage financing in those markets. Proposed rules were issued in June 2010, with final rules expected later in 2010.

C. The Role of Federal Loan and Loan Guarantee Programs

Federal loan and loan guarantee programs from the Federal Housing Administration (FHA) and Rural Housing Services (RHS) are also important to the availability of mortgage financing for owners of manufactured homes.¹⁰ The secondary market buyer for these government-backed loans is most often Ginnie Mae.

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. Title II insures loans on manufactured homes placed on a permanent foundation that are classified as real estate. Although the FHA has been insuring loans on manufactured homes under Title I since 1969, the program has been relatively underused in this decade, with fewer than 2,000 loans per year made from 2003 to 2006, down from a high of 30,000 loans per year in the early 1990s. Structural barriers, including low loan limits, an outdated insurance structure, a circumscribed secondary market for the insured loans, and limited lender participation, among other factors, were cited by industry officials for the program's atrophy. After passage of the FHA Manufactured Housing Loan Modernization Act of 2008, HUD amended some of the program's guidelines to address these barriers, the impact of which remains unclear due to limited activity.¹¹ The Title II program is a good, reliable loan program for manufactured home mortgages for many buyers who can qualify for and afford market rate mortgages and in 2007 financed just over 50,000 manufactured homes titled as real estate.

RHS's Rural Development (RD) Section 502 Program offers both direct loans and loan guarantees to help low- and moderate-income home buyers in rural areas and can be used for manufactured housing. RD 502 direct loans help low- and very low-income borrowers with downpayment assistance and below-market financing for homes permanently installed and purchased from an RHS-approved dealer or contractor. The RD 502 loan guarantee program guarantees loans made by private lenders who lend on homes permanently installed and purchased from an RHS-approved dealer or contractor. In 2008, the RD 502 Guarantee Program financed 61,300 homes of which just 462 were manufactured and the RD 502 Direct Loan program financed 10,361 homes of which just 182 were manufactured. Until very recently, these programs have had extremely low usage, especially given the preponderance of manufactured homes located in rural areas. State offices have significant control and their willingness to facilitate this type of finance varies state-by-state.

A BRIEF HISTORY OF THE MANUFACTURED HOUSING FINANCE MARKET

Before 1995, there were a relatively small number of lenders for manufactured housing, and they were primarily engaged in chattel lending. After 1995, as manufactured home sales increased, the number of chattel lenders increased and real property mortgage lenders entered the market more aggressively. During the second half of the 1990s, the number of securities backed by manufactured home loans (primarily chattel loans) doubled in the secondary market. Like the recent crash in the site-built home mortgage market, however, the drive to increase manufactured home sales and lending led to poor underwriting practices, resulting in high default rates and declining profits.

By 2002, the number of lenders making loans in the manufactured housing market decreased significantly, with some major lenders entering bankruptcy and others simply withdrawing from the manufactured housing market. The failure of asset-backed

securities issuers led Ginnie Mae to issue a moratorium on its secondary-market purchases of manufactured home loans. Fannie Mae and Freddie Mac also scaled back their involvement in the manufactured housing secondary market. As a result of this boom and bust, lenders became wary of all manufactured home lending, but real estate mortgage lending for manufactured homes was especially affected and curtailed. This, combined with the economic turmoil that began in 2006, have had a major impact on sales. Shipments of new manufactured homes in 2008 dropped to their lowest level since record-keeping began in 1959.¹² In 2008 manufacturers shipped a seasonally adjusted monthly average of 81,600 new homes, down from 373,500 homes in 1998 and 580,800 in 1973.¹³

Fannie Mae planned an expansion of its real estate mortgage lending on manufactured homes in 2008 with the MH Select program. Through MH Select, Fannie Mae agreed to purchase real estate mortgages secured by manufactured housing only where the home was built and installed in accordance with strict guidelines. Initially, the program was open only to a small group of lenders that met additional requirements regarding loan terms and servicing. The program would also refinance existing loans and finance the purchase of existing homes, as long as the home met MH Select's construction guidelines. Lack of broad lender participation and the absence of private mortgage insurance providers due to the housing market collapse has stalled implementation; Fannie Mae has had no deliveries but continues to offer the product.

DEPRECIATION AND APPRAISALS: THEIR IMPACT ON MANUFACTURED HOME FINANCING

The recent plummet in sales and turmoil in the economy explain some of the difficulty would-be home buyers have in obtaining good financing to purchase a manufactured home. Two entrenched factors, however, have a significant impact on the availability of conventional financing: first, the dispute over whether *today's* manufactured homes can appreciate in value like site-built homes, and second, the question of how to appraise a manufactured home.

A. Manufactured Housing and the Depreciation Myth

A major barrier to increasing conventional mortgage lending for manufactured homes is the widely debated belief that – as collateral - manufactured homes are inferior to site-built homes. Collateral for any secured loan should not only last at least as long as the loan, but should also maintain sufficient value to enable the creditor or the owner to resell the collateral for enough to pay off the debt. If a homeowner defaults on a conventional or chattel loan, the mortgage holder will not be able to recoup its loss on the debt if the value of the home has depreciated below the remaining balance due on the loan. Concerns about depreciation are also directly related to whether manufactured housing can help low-income families build wealth. It is impossible to build equity in a home if the value goes down over time.

1. Concerns about Quality

Chattel mortgage lenders address the risk of depreciation by offering loans with shorter terms and higher interest rates than conventional mortgage lenders typically offer for site-built homes. In this regard, manufactured homes are still treated more like cars than site-built homes. This is due, in part, to outdated comparisons to travel trailers and pre-1976 homes¹⁴ which depreciated in value because they were of lower quality compared to today's manufactured homes.

2. Concerns about Mobility

Concerns about depreciation in manufactured housing, however, also arise from problems unrelated to the quality of the home. Some mistakenly believe that manufactured homes are still mobile after installation. This arises from perceptions derived from travel trailers which are intended more for temporary and vacation housing. Today's manufactured homes are generally as permanent and stationary as site-built homes. One study reported "only 1% of [manufactured homes] are ever moved during their lifetimes."¹⁶

As a result of this boom and bust, lenders became wary of all manufactured home lending, but real estate mortgage lending for manufactured homes was especially affected and curtailed.

3. Concerns about Value

Depreciation is also related to how manufactured homes are sold. Many are sold by retail dealers. It has often been noted, however, that the value of a new manufactured home decreases as soon as it leaves the dealer's lot. Self-Help Credit Union in North Carolina, for example, will only make loans on existing manufactured homes because, absent a significant downpayment, they have found that new manufactured homes purchased on credit will go "underwater" almost immediately after purchase.¹⁷ Some studies attribute this problem to deceptive practices and price inflation by manufactured home dealers who often arrange financing for the homes they sell.¹⁸ There is no, or limited, separation between shopping for a loan and shopping for a home, and for many homebuyers this is analogous to buying a home from your lender. The value of new homes can also be harmed by improper installation and – like site-built homes – poor location, poor infrastructure or construction defects.¹⁹

For homes on leased land there are numerous other factors that affect value and the ability to resell. One study has found that homes in resident owned communities are more likely to appreciate in value than homes in investor owned communities.²⁰ The length of ground leases, the condition of common facilities, and whether community rules and state laws adequately protect homeowners' rights²¹ all have an affect on the stability of the community and the value of the homes in it.

Overall, experience has demonstrated that well-built manufactured homes, properly installed on a permanent foundation, will appreciate in value in desirable locations. Some lenders recognize this by giving buyers of manufactured homes conventional mortgages where the lender has had an opportunity to pre-approve the design and location, or otherwise satisfy itself that a specific home or development project will not depreciate simply by virtue of its construction method.

B. Manufactured Housing Appraisals

The question of whether a manufactured home can appreciate in value is complicated by the difficulty in measuring the value of homes.

Site-built homes are routinely appraised using widely recognized standards and comparison to a broad database of comparable homes in the same neighborhood. Manufactured homes are appraised in one of two ways: those titled as personal property or on leased land are appraised using the National Automobile Dealer Association (NADA) Manufactured Housing Appraisal Guide, which is similar to how used cars are appraised. The NADA Guide automatically presumes that manufactured homes will lose value over time. Appraising homes titled as personal property can be affected by factors such as:

- the time remaining on the ground lease;
- whether the home can stay in the same location after a sale;
- the existence or lack of rent-control laws; and
- the impact of being located in a resident- or investor-owned

Manufactured Housing: National Quality Standards

When properly constructed and sited, manufactured housing is of comparable quality to site-built housing. Since the Manufactured Home Construction Safety and Standards (or HUD Code) were implemented in July 1976, the quality of manufactured housing has improved dramatically. In fact, manufactured housing is constructed of the same materials as site-built housing and now has a comparable lifespan. It can be designed in a variety of architectural styles to blend into almost any site-built neighborhood. The HUD Code is not a static document; it was significantly strengthened in 1994, when new standards were added place to safeguard homes placed in higher wind zones. Changes stemming from the Manufactured Housing Improvement Act of 2000 have improved installation standards and dispute resolution systems for consumers. Furthermore, the manufacturing process allows not only for increased affordability, but also for the efficient use of resources. Construction of a manufactured home generates 30 to 45% less waste than comparable site-built construction.¹⁵

There is no, or limited, separation between shopping for a loan and shopping for a home, and for many homebuyers this is analogous to buying a home from your lender.

community.

In contrast, manufactured homes titled as real property on owned land are appraised using the same method as site-built homes, but Fannie Mae appraisal guidelines call for at least one of the homes used for comparison to be another manufactured home. Additionally, appraisal standards may vary by state. The need for a comparable manufactured home sale can cause problems in communities where sales are infrequent or where transfer and tax assessment records²² do not identify whether a home is manufactured. If there are no records available to help appraisers locate comparable manufactured homes, appraisers may be limited to using homes that can be visually identified as manufactured housing. This means that manufactured homes specifically designed to blend in with the local site-built aesthetic, and which may therefore have a higher value than other manufactured homes, may be unidentifiable and therefore unavailable for comparison, leaving only less valuable homes that are obviously identifiable as manufactured to be used as comparables.

CREATING A STRONG POLICY ENVIRONMENT TO PROMOTE CONVENTIONAL FINANCING FOR MANUFACTURED HOMES

A mortgage lender's primary concern is repayment of a loan and, in the event of default, whether the resale price of the home will cover the outstanding loan balance. Interestingly, lender concerns largely coincide with homeowner concerns because homeowners also seek security and stability in the home's value.

The shortage of conventional mortgage financing for manufactured housing arises from the complicated relationship between multiple factors. Some of these factors are unique to homes on leased land, while others apply to all manufactured housing regardless of the form of ownership or titling. Generally, anything that increases the availability of financing for homes on owned land will have a positive collateral impact on homes on leased land. The degree of impact will depend on the extent to which states improve laws regarding land-lease communities.

Addressing these concerns will lay the groundwork for making conventional mortgage financing more widely available for all owners of manufactured homes. In this section we provide recommendations for how to do this.

A. Policy Objective: Make Conventional Financing More Available for Manufactured Homes Regardless of Location

To increase conventional financing opportunities for owners of manufactured homes, whether on owned land or leased land, the lending industry, policymakers, the GSEs, and all others involved in the manufactured home market should consider a number of steps:

- Classify manufactured homes as real property;
- Strengthen the resale market for manufactured homes;
- Encourage small, community lenders;
- Reconsider approaches to valuation and improve dealer price transparency;
- Promote use of conventional mortgages over chattel loans;
- Renew GSE efforts to purchase conventional mortgage loans backed by manufactured housing to meet their statutory duty to serve requirements; and
- Increase funding for and streamline the underwriting process of FHA and RHS manufactured home loan and loan guarantee programs.

1. Classify Manufactured Homes as Real Property

Classifying manufactured homes as real property improves a homeowner's financing options. While conversion to real property does not automatically permit the homeowner or buyer to obtain favorable financing terms,²³ designating a manufactured home as personal property will generally preclude favorable conventional financing terms.²⁴ For example, a home classified as personal property is titled differently and often appraised differently than a site-built home. Such a home is often not listed on a multiple listing services (MLS) by real estate agents and is subject to different procedures if the homeowner defaults on the loan, in comparison to site-built homes. For these reasons, conventional mortgage lenders generally do not engage in chattel lending.

Classifying manufactured homes as real property improves a homeowner's financing options.

Some states permit the conversion of manufactured homes from personal property to real property, but many do not allow homes on leased land to be converted. Where they do, some only allow conversion on leased land in conjunction with particular financing programs or require extended leases for the home to be converted to real property. Further, in some cases, the community owner's permission is required. Each of these policies deters homeowners from converting their homes and enjoying the many benefits of real property classification.

For the conversion process from personal to real property to appeal to lenders, states should enact policies that clearly classify the home as real property for all purposes, ensure that any personal property title is purged and preserve the priority of existing secured lenders. The conversion process should be simple, voluntary and easy to verify through public records.²⁵

2. Strengthen the Resale Market for Manufactured Homes

Unlike in the site-built market, most manufactured home underwriting guidelines currently favor new homes over existing homes. Moreover, many lenders also have close business relationships with new home dealers and manufacturers. These factors cause some to overlook the importance of reviving the existing home market. While the MH Select program permits the GSEs to purchase loans on existing MH Select homes, there are few, if any, qualifying existing homes available on the market. Without GSEs actively entering the existing manufactured home market, the resale market for manufactured housing will remain depressed. Purchasing loans on existing homes is necessary to support this market.

If there is a viable resale market for existing homes, lenders and consumers will benefit in several ways:

- Homeowners will be able to sell homes to pay off loans, either when they are ready to move or in financial distress, to avoid default.
- The ability to finance an existing home purchase will allow prices to rise where demand and quality are sufficient to support growth. As made clear by the recent credit crisis in the site-built home market, lack of access to credit or unreasonably tight credit standards can place downward pressure on home prices. If people cannot borrow money to make a purchase, they will not buy, or they will be pushed into predatory loan products.
- Lenders will benefit from a viable resale market because they will have an outlet for foreclosed homes. As shown by the current glut of site-built Real Estate Owned (REO), a healthy market for existing homes is important for lenders that need to recoup money lost on defaults.

3. Encourage Small, Community Lenders

The GSEs should develop the flexibility to purchase conventional mortgage loans secured by manufactured homes on a flow basis from experienced, small, nonprofit and private lenders and developers that have created successful, innovative programs using their local knowledge and experience. When establishing guidelines regarding a lender's experience and track record with manufactured home lending, the GSEs should be careful to avoid requirements that automatically exclude small lenders by requiring loan volumes or other measurements that are out of proportion to the size of the local markets in which such lenders may operate. Measurements should also not be biased by the weight of data collected from loans originated earlier this

Uniform Law Commission: Titling Manufactured Homes As Real Property

The Uniform Law Commission (ULC), more formally known as the National Conference of Commissioners on Uniform State Law, is an association of practicing attorneys, judges and academics. This body creates model uniform laws that are often adopted by the states. The hope is that by creating uniform laws on different subjects, statutes and rules will be more consistent from state to state.

In 2009, the ULC's Joint Editorial Board for Uniform Real Property Acts (JEB/URPA) began to study the issue of titling of manufactured housing and security interests in manufactured homes. In the fall of 2009, a stakeholders meeting was held in Washington, DC, and based in part upon that meeting JEB/URPA recommended that a drafting committee be formed to address the issue. In early 2010, ULC's Executive Committee considered this recommendation and resolved to form a drafting committee to address these specific issues:

- The appropriate characterization of manufactured housing as either personal property or real property, including in particular, the point in time at which an interest in manufactured housing converts from a personal property interest to a real property interest;
- Whether the fact that manufactured housing is located on leased land affects the characterization;
- The continued priority and appropriate characterization of security interests in manufactured housing after conversion; and
- Appropriate transition provisions from personal to real property.

decade, when unduly lax underwriting practices were common, as long as the institution under consideration has adopted safe and sound underwriting guidelines.

Community-based nonprofit and small private lenders are in a position to obtain specialized knowledge about the economic conditions relevant to lending in their communities which the GSEs and larger lenders may not be able to develop. Because these lenders work on a smaller scale than national entities, they can also develop unique underwriting guidelines and loan products that succeed because they are customized to local conditions. This type of innovative – yet safe and sound – lending should be encouraged.

4. Reconsider Approaches to Valuation and Improve Dealer Price Transparency

The lending industry should reconsider its focus on manufactured home design as the primary method of minimizing the risk of collateral depreciation. Depreciation is at the heart of the MH Select construction guidelines and appears to underlie reluctance to make land-home and real estate loans. However, there are other reasons for depreciation besides design. Taking them into account can protect lenders and note holder, while still allowing conventional mortgage lenders to finance a wide variety of existing home designs.

The Self-Help Credit Union in North Carolina, for example, makes purchase – money,²⁶ real estate mortgage loans on existing manufactured homes²⁷ – something very few other lenders will do because of concerns about depreciation. Unlike MH Select, Self-Help mitigates the depreciation risk without imposing stringent construction or design requirements. Instead, they accept a wide range of standard manufactured homes for collateral, but use carefully designed appraisal standards to insure that the collateral is in good condition, has been set up properly and is in an accessible location.

Following are the main hurdles preventing proper valuation of manufactured homes.

■ Price Transparency

Inflated retail sale prices are one cause of depreciation. New manufactured homes are often compared to new cars because the value appears to drop significantly as soon as they leave the dealer's lot. This means a loan for 100% of the retail purchase price for a new manufactured home will immediately go underwater after the purchase. This will be even more likely if the dealer has included add-ons, such as furniture, to the retail price of the home. While add-ons generally cause the retail price to increase, they are much less likely to increase the underlying value of the home as collateral for the loan. The lending industry can avoid this problem in at least two ways:

- i. Requiring an independent appraisal for all new and existing homes before the sale is consummated. The appraisal should take into account where and how the home will be sited, as well as the type of land ownership or lease duration. Conducting the appraisal before the sale is consummated will give the buyer an opportunity to use the appraisal to obtain a fair sale price and will help lenders ensure that loans are fully secured. If loans are only based on the appraised value rather than the retail price, dealers and developers will be pressured to offer prices more closely aligned with the home's actual value.
- ii. States or the federal government should enact and enforce laws to promote price transparency, such as the California Health and Safety Code § 18032, which requires each manufactured home displayed for retail sale to have a label that states the price and various features of the home. This would enable consumers to comparison shop and promote competition among retailers. Lenders could encourage price transparency by offering favorable terms on loans originated in states that enforce adequate price transparency policies.

■ Appraisal Standards

For the conversion process from personal to real property to appeal to lenders, states should enact policies that clearly classify the home as real property for all purposes, ensure that any personal property title is purged and preserve the priority of existing secured lenders.

Lenders and homeowners would be better served if the manufactured housing marketplace stopped using any appraisal system that presumes depreciation. Instead, appraisals should be based only on comparable home prices, as in the site-built home market, provided that retail prices should not be accepted as comparables (due to the problem of price inflation). All loans financing the purchase of a new or existing home should be underwritten based on an independent appraisal – even homes sold with a dealer’s in-house financing – just as lenders already require in the site-built home market. Appraisers should use the same methodology as used for site-built homes to the fullest extent possible. Organizations that accredit and train appraisers should develop methods to track and account for the impact of variables unique to manufactured housing, such as land tenure, rent-control laws, resident or investor ownership of communities, the right to re-sell homes in place and other factors relevant to the value of a manufactured home, but having no equivalent in the site-built home market.

■ **Installation Improvements**

The entire manufactured housing community, including lenders, manufacturers, retailers, homeowners and regulators, should insist on better enforcement of laws requiring new homes to be set up by well-trained, bonded personnel with effective post-installation inspections; states lacking such laws should consider implementing them. Doing so will help reduce depreciation related to damage during setup. The inspection report should be provided to the lender and homeowner so they may pursue insurance claims related to setup errors. States should ensure the independence of inspectors and take appropriate action on problems identified by the inspectors.

Many states have recently revised their laws regarding installation to comply with new U.S. Housing and Urban Development (HUD) standards.²⁸ In 2000, Congress gave HUD responsibility over home installation and dispute resolutions and HUD’s Manufactured Home Installation Program (effective October 20, 2008) is expected to raise standards by ensuring that states have minimum standards in place and an operating installation program.²⁹ “For states where HUD will administer the Manufactured Home Installation Program, HUD will ensure that trainers of installers planning to work in HUD-administered states are registered with HUD, and that persons planning to install homes in HUD-administered states are licensed by HUD.”³⁰ Nevertheless, high standards and installation training will only be effective if it is routinely enforced with rigorous inspections.

5. Promote Use of Conventional Mortgages over Chattel Loans

Whenever possible, every manufactured home titled as real property should be financed with a conventional mortgage loan rather than a chattel mortgage. While homes titled as real property may be financed with either type of loan, homeowners are best served by conventional financing. The current prevalence of chattel lending and its financial incentives may lead dealers or lenders to steer borrowers to chattel loans instead of conventional mortgage loans. This problem could be addressed by regulation, legislation or pressure from the secondary market.

The GSEs play an influential role in the secondary market and should be required to use that role to improve financing opportunities for buyers of manufactured homes. The Federal Housing Enterprises Financial Safety and Soundness Act of 1992 specifies that the GSEs “have an affirmative obligation to facilitate the financing of affordable housing for low- and moderate-income families.”³¹ This obligation is usually referred to as the GSE’s “duty to serve.” In 2008 Congress extended the GSEs’ existing duty to serve the affordable housing market by adding a duty to serve other underserved markets, including the market for manufactured homes.³² The Federal Housing Finance Agency (FHFA), which regulates the GSEs, should enact rules restricting the type of loans that can be used to meet the GSEs’ duty to serve requirement. Specifically, chattel loans secured by homes

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eligible for a real-property title or that have already been titled as real property should not be used to meet the duty-to-serve requirement. To influence lenders to offer affordable and sustainable manufactured home loans, the GSEs should consider guidelines that prohibit chattel-loan terms or features that create a higher risk of default. The GSEs should only purchase chattel loans meeting all of the following criteria:

- a. An APR lower than the rate for higher-priced mortgage loans as defined by the Federal Reserve Board's Regulation Z, § 226.35³³ regardless of whether the loan is subject to the Truth in Lending Act. Higher-priced mortgage loans (HPML) are a category of loans the Board has found to pose greater risk to homeowners and to require greater scrutiny. The APR trigger for HPMLs is a reasonable level to set for GSE purchases. Based on estimates of historical rates,³⁴ this cap will permit the GSEs to buy chattel loans on the lower end of the rate spectrum but will exclude more expensive loans. The ability to sell lower rate loans to the GSEs will put pressure on the market to moderate interest rates.
- b. No prepayment penalties. Not only do prepayment penalties increase the risk of default by preventing distressed homeowners from selling their home or refinancing into something more affordable, but they can also put a damper on the existing home market by forcing sellers to increase prices by enough to cover the penalty.
- c. No loans with yield spread premiums or other incentives that encourage a third party arranging the loan (such as a retail seller, loan officer, or broker) to act against the borrower's best interest.
- d. Chattel loan origination must comply with the Real Estate Settlement Procedures Act's requirements, such as disclosure of all costs and fees and the prohibition on kickbacks.
- e. Loans should never exceed 100% of the appraised value. The sale price set by a retail home dealer should not be used in calculating the loan-to-value ratio because of the proven risk that dealers will inflate the price.³⁵

6. Renew GSE Efforts to Purchase Conventional Mortgage Loans Backed by Manufactured Housing to Meet Their Statutory Duty to Serve Requirements

GSE involvement is vital to the reestablishment of a secondary market for manufactured housing mortgages. Because manufactured housing is one of the nation's most widely used, unsubsidized forms of affordable housing, the GSEs should promote the extension of conventional mortgage loans for new and existing manufactured housing based on sound, but not overly restrictive, underwriting criteria. Doing so will encourage conventional mortgage lenders to enter the market.

7. Increase Funding for and Streamline the Underwriting Process of FHA and RHS Manufactured Home Loan and Loan Guarantee Programs

We recommend streamlined, consistent standards and requirements for manufactured housing across government financing programs, especially RHS and FHA.

The RD 502 Program holds significant promise for addressing the home finance challenges faced by low-income, rural households, particularly those at less than 50% of AMI, and without significantly increasing taxpayer risk.

Leadership is needed to adapt the RD 502 Program to current market reality, with the goal of expanding the effectiveness and performance of RD 502 Program loans for owners of manufactured homes. In April 2010 RHS made significant progress by providing guidance to state RD offices on streamlining the approval of nonprofit affordable housing developers as "dealer-contractors" under the RD 502 Program. The RD 502 Program has a significant duty

to serve households at less than 50% AMI, and owners of manufactured homes are disproportionately low-income. To better reach these households, we recommend the following modifications to the RD 502 Program at the national level:

- Set standards for energy efficient, high quality single-section homes on FHA Title II foundations (or better), and allow RD 502 Program loans to qualified buyers of that housing.
- Develop a national standard for the RD 502 Program's "permanent foundation" requirements based on the FHA Title II foundation approval system in considering the RD 502 Program's requirement for "permanent foundations." Significant time, taxpayer money and energy have gone into developing, testing and refining the FHA Title II foundation requirements,

Lenders and homeowners would be better served if the manufactured housing marketplace stopped using any appraisal system that presumes depreciation.

which should be leveraged by promoting the widespread understanding and use of these standards.

- Leverage RD 502 Program funds with weatherization monies and other resources to replace thousands of sub-standard mobile and manufactured homes with efficient, affordable, high-quality manufactured homes for LMI households. Given the quality, value and energy efficiency that can be delivered today in single-section manufactured homes, the current RD 502 Program prohibition on single-section homes is outdated.
- Permit RD 502 Program funds to be used to finance existing manufactured homes in good condition that meet approved standards, such as those used by FHA for Title I loans. Currently, existing homes are not eligible unless RD 502 financing was used when the home was initially financed and RD financing was maintained by all subsequent owners (no break in financing). This policy greatly reduces the financing options available at resale, which has a depressing effect on manufactured housing sales prices and limits potential equity.
 - Proposed Solution 1: Create a certification program to allow RD direct & guaranteed financing products to be used for purchase of manufactured homes which were certified as “eligible for RD financing” at the time of construction, whether or not RD actually provided the financing.
 - Proposed Solution 2: Under a pilot program, allow any existing manufactured home on a permanent foundation that was financed by a FHA, Veterans Administration or government-sponsored entity real estate loan since 2007 to be deemed eligible for RD financing at the time of resale.

Forcing a homeowner to move his or her home also greatly increases the probability of default.

With critical field investments made to make quality resident ownership of manufactured home communities possible nationwide and provide resident ownership groups with on-going technical, training and networking support to help them build value and be successful over time, the time is right to expand current programs and evaluate additional programs for resident-owned communities. We further recommend that RD consider the following actions:

- Allow RD 502 Program loans to qualified buyers in resident-owned manufactured housing communities. Because the RD 502 Program can only be used to finance new manufactured homes, requires fee-simple land ownership and a permanent foundation, it cannot currently be used in resident-owned communities without RD waivers.
- Expand the Section 515 Program for rural multi-family housing development, which has provisions for rural housing cooperatives, to include the conversion of existing manufactured home communities to resident-owned cooperatives.
- Revise the Intermediary Relending Program to include lenders actively financing nonprofit cooperative resident-owned communities.
- Develop a Loan Guaranty product with nonprofit and commercial lenders interested in financing co-op manufactured home communities in order to leverage fixed rate financing on 30-40 year amortization schedules.
- Expand grant opportunities for Technical Assistance Providers to expand their capacity to serve rural communities.
- Educate RD state offices through case studies, training and guidance so that they have the national office support for extending staff time and resources in resident-owned communities.

For FHA Title I underwriting, we recommend long-term land tenure and protection from no-cause evictions and unjust or retaliatory rent increases. We also recommend prior project review to assure quality community infrastructure, maintenance and management and the right to sell the home in-place at a market rate by the homeowner or lender.

For FHA Title II, we recommend that relocated homes are not excluded from ever qualifying for Title II financing. We also recommend that FHA Title II recognize that homeowner cooperatives are eligible and that proprietary leases qualify under the leasehold provision. FHA should recognize the decreased risk of homes in cooperatives and price them appropriately, providing flexibility for these homes that cannot be classified as real estate.

Improvements have already been made to FHA Title II, including changes to the previous requirement that the home be classified and taxed as real estate. This requirement made the program useless for borrowers in states where the home was taxed as personal property, even though placed on owned land.

B. Policy Objective: Increase Availability of Conventional Financing for Manufactured Homes in Land-Lease Communities

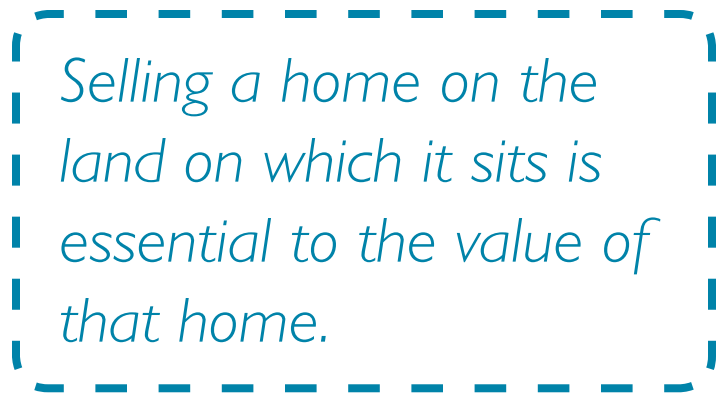
To increase conventional financing opportunities for owners of manufactured homes living in land-lease communities, states should:

- Ensure that homes and homeowners may remain in the community;
- Permit the sale of homes to new owners without requiring relocation of the home; and
- Protect lender interests.

1. Ensure That Homes and Homeowners May Remain in the Community

Being forced to move a home from its original site can be devastating – and expensive. Moving a home, regardless of whether the reason is a community closure or a steep rent increase, often totals an amount equal to more than five years' worth of equity and may permanently damage the home. It can also be very difficult, if not impossible, to find another location for the home.

Forcing a homeowner to move his or her home also greatly increases the probability of default. A homeowner forced to relocate may have little choice but to walk away from the home and stop making payments on the loan if a new location is not available or if they do not have the funds (ranging from \$5,000 to \$20,000) to move it. Protections ensuring that a home and homeowner may remain at their home-site decrease the likelihood of default. It also protects the home's value as collateral. Policies that states can consider to protect a homeowner's ability to remain in place include:



Selling a home on the land on which it sits is essential to the value of that home.

- **Laws that Promote the Opportunity for Residents to Purchase Their Community**

Such policies may provide homeowners with advance notice and a right of first refusal if the landowner wishes to sell or convert the use of the community. This way, residents may purchase the community themselves by matching the sales price. Another important aspect of such a policy is to place a duty on the community owner to consider any reasonable offer made by the homeowners and to negotiate in good faith with them.³⁶

- **Tax and Zoning Incentives that Encourage Landowners to Sell to Community Residents**

States can reduce or waive state income taxes on capital gains, transfer taxes or other tax liabilities for landowners who sell a community to residents. Limiting the rezoning of manufactured home communities for alternative uses may encourage landowners to sell to residents by discouraging speculation by real estate investors.³⁷

- **Restricting Unjust Evictions**

Without protections, homeowners are at the mercy of the community owner. Protections against unjust evictions by the landowner may include:

- i. **Good Cause Eviction:** A landowner should have “good cause,” such as failure to pay lot rent or breaking laws or community rules, for evicting a homeowner. Limits on unreasonable community rules make good cause eviction requirements effective.
- ii. **Grace Periods for Rent Payments:** Homeowners should have a reasonable grace period to catch up on late rent payments prior to the start of eviction proceedings. Similar protections include requirements that rent payments received be first applied to rent, rather than toward late or other fees.
- iii. **Right to Cure:** Homeowners should have a reasonable time period to correct, or “cure,” violations, such as overdue rent or a community rule violation.

- **Requiring Written Leases to Provide Certainty and Security**

A written, recorded lease on the home site informs prospective community purchasers about the status of individual homeowners. Written leases clearly outline the rights and responsibilities of both the landowner and the homeowner and may include additional lease requirements, such as the number of years of the lease and the right to renew the lease automatically.

2. Permit the Sale of Homes to New Owners Without Requiring Relocation

Owners of manufactured homes on leased land are at a disadvantage when they wish to sell or transfer ownership of their home. Unlike other personal property, such as cars, which tend to have the same value regardless of where they are situated, the value of a manufactured home (regardless if it is classified as real or personal property) is closely linked to the home's relation to the land. Because manufactured homes are difficult and expensive to move and because suitable sites are often hard to find, a manufactured home's value on a particular lot may be much higher than the appraised value of the home.³⁸ Selling a home on the land on which it sits is essential to the value of that home. However, there are many ways in which a community

owner may restrict the sale of a home in its current community.³⁹ Policies that states can consider to promote an open market place and protect a homeowner's ability to transfer a home to a new owner include:

- **Allowing the Sale of the Home in the Community**
State statutes should allow a homeowner to sell his or her home where it is sited.
- **Allowing Subleasing and Assignment of the Lease**
A homeowner should have the option of selling his her home and subleasing the lot (or assigning the lease) to the new homeowner, provided the buyer meets reasonable criteria.
- **Allowing "For Sale" Signs**
Homeowners should be allowed to post "For Sale" signs in front of their home, give access to their home to possible buyers and realtors and conduct other activities required for selling a home at a fair price in an open marketplace.
- **Limiting the Landowner's Ability to Reject New Purchasers**
Homeowners should be allowed to sell their home to any buyer (with reasonable protections for the community owner), but community owners often attempt to influence homeowners to sell to them, at a price that favors the community owner. To secure the homeowners' assets and for the homeowners to get the benefit of their lease, the community owner must be barred from exerting pressure on homeowners to sell the house to them at its NADA value, which has a built-in presumption of depreciation, like automobiles, or by dictating the value at the time of purchase.
- **Providing a Reasonable Time Period After an Eviction to Sell the Home**
In cases where an eviction is necessary, the homeowner should have a reasonable period of time to sell his or her home.

3. **Protecting Lender Interests**

Many changes that would benefit homeowners in land-lease communities would also benefit lenders by improving the value of the collateral and making home resales easier. Similarly, policies that protect the position of a secured lender also benefit homeowners by encouraging conventional financing in land-lease communities. Policies that states can consider to protect the position of a secured lender include:

- **Requiring Notice to the Lender and Right to Cure upon Default on the Ground Lease**
Just as conventional mortgage lenders pay tax or insurance charges to protect their investment, lenders for homes on leased land also need protections, such as notice when a homeowner is dangerously close to eviction, so that the lender may intercede to protect its holding.
- **Allowing the Lender to Sell the Home on Site after Foreclosure**
Lenders benefit from the ability to sell the home on site, primarily to ensure fair market value. However, a disadvantage to homeowners of this is the unusual situation in which a homeowner seeks to retain the land lease, even after foreclosure, possibly to place a new home on that site. This is a highly unlikely situation and may be resolved by providing that the lender has the right to sell the home on site unless the homeowner wishes to place another home on that site.

CONCLUSION

Chattel lenders have long dominated the world of manufactured home financing, often to the detriment of home owners. The reasons conventional, real estate lenders have avoided the manufactured home market are complex and rooted in old practices, out-dated laws, and misperceptions related to the manufactured home's origin from travel trailers. Though the market for manufactured homes and financing for all homes—both manufactured and site-built—have recently gone through great turmoil, there is great potential for making conventional financing more widely available to the owners of manufactured homes. The

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Though the market for manufactured homes and financing for all homes – both manufactured and site-built – have recently gone through great turmoil, there is great potential for making conventional financing more widely available to the owners of manufactured homes.

recommendations outlined in this guide should help reduce the barriers to giving manufactured home owners better financing and asset-building opportunities.

ENDNOTES

- 1 <http://www.census.gov/const/mhs/sitebuiltvsmh.pdf>. The average cost per square foot does not include the cost of land.
- 2 <http://www.census.gov/const/mhs/sitebuiltvsmh.pdf>. The average cost per square foot does not include the cost of land.
- 3 All references to “conventional” mortgages are generally intended to mean mortgage loans meeting Fannie Mae and Freddie’s Mac’s funding criteria for site-built homes. While there are also a number of non-traditional mortgage loan programs for site-built homes (such as interest-only loans), they are often riskier than conventional mortgages. We do not recommend non-traditional mortgage financing for any borrower.
- 4 See I’M HOME’s Resource Guide to Titling Homes as Real Property, available at http://cfed.org/programs/manufactured_housing_initiative/manufactured_housing_advocacy_center/manufactured_housing_toolkit/
- 5 The remaining 7,000 were not titled. U.S. Census Bureau, Selected Characteristics of New Manufactured Homes available at www.census.gov/const/mhs/selcharbyregion.html; www.census.gov/const/mhs/price.html (last viewed Oct. 6, 2009).
- 6 <http://www.census.gov/const/mhs/sitebuiltvsmh.pdf>.
- 7 This guide does not address the nuances of land-home and home-only financing for homes titled as real property.
- 8 In *Over Our Heads: Predatory Lending and Fraud in Manufactured Housing Sales*. Consumers Union Southwest Regional Office, Public Policy Series, Vol. 5, No. 1. 2002.
- 9 Ronald A. Wirtz, *Ginnie Mae I Buy a Manufactured Home?*, *Fedgazette* (May 2005). The term “asset-backed securities” can also be considered a more general term that includes mortgage-backed securities.
- 10 For additional information on FHA and RHS programs please see *Accessing Federal and State Resources to Promote Manufactured Housing as an Affordable Housing Strategy* available at http://cfed.org/programs/manufactured_housing_initiative/manufactured_housing_advocacy_center/manufactured_housing_toolkit/.
- 11 The FHA Manufactured Housing Loan Modernization Act of 2008, §§ 2141-2150 of the Housing and Economic Recovery Act of 2008 amended various provisions in Title I of the National Housing Act relating to the program.
- 12 www.census.gov/const/mhs/ship.html.
- 13 *Id.*
- 14 Beginning in 1976 all manufactured homes must meet standards set by the U.S. Department of Housing and Urban Development.
- 15 Grosskopf & Cutlip, *Safety, Sustainability and Public Perception of Manufactured Housing in Hot, Humid Climates*. University of Florida, 2006.
- 16 Amy Schmitz, *Promoting the Promise Manufactured Homes Provide for Affordable Housing*, 13 *J. of Affordable Housing* 384, 385 n.19 (Spr. 2004) [quoting Roger Colton & Michael Sheehan, *The Problem of Mass Evictions in Mobile Home Parks Subject to Conversion*, 8 *J. Affordable Housing & Community Dev. L.* 231, 233-34 (1999)].
- 17 A home is “underwater” when it is worth less than the amount due on the mortgage.
- 18 Mitchell, Kathy, In *Over Our Heads*, Consumers Union Southwest Regional Office Public Policy Series, Vol. 5, No. 1 (Feb. 2002); Kevin Jewell, *What’s it Worth?*, Consumers Union (Jan. 2005).
- 19 See *id.* See generally, Kevin Jewell, *Appreciation in Manufactured Housing: A Fresh Look at the Debate and the Data*, Consumers Union (Feb. 4, 2002); Kevin Jewell, *Manufactured Housing Appreciation: Stereotypes and Data*, Consumers Union (Apr. 2003); Telephone Interview with Matt Martel, Project Manager for HomeSight (June 19, 2009) (HomeSight is a nonprofit developer in Washington state focusing on first-time home buyers for low to moderate income families); Telephone Interview with Stacey Epperson, Director of Frontier Housing (July 7, 2009) (Frontier Housing is an affordable housing, nonprofit developer in Kentucky that operates *Manufactured Housing Done Right!*™); Alejandra Lopez-Fernandini, *An Empirical Study of Manufactured Housing as a Wealth Building Strategy in North Carolina* (May 16, 2007) (prepared for Ctr. for Community Self-Help, on file with National Consumer Law Ctr.); Steve Hullibarger, *California’s Urban Manufactured Homes*, *Modern Homes Development* (Spr. 2004).
- 20 Sally Ward et al., *Building Value and Security for Homeowners in “Mobile Home Parks”* (undated) available at www.nhclf.org/programs/housing/mhpp/carseyreport.pdf.
- 21 See *Protecting Fundamental Freedoms in Communities*, I’M HOME Toolkit (Sept. 2008) available at http://cfed.org/programs/manufactured_housing_initiative/manufactured_housing_advocacy_center/manufactured_housing_toolkit/.
- 22 Tax assessment methods can also compound problems where they are based on a method, like the N.A.D.A. Guide, that assumes depreciation.
- 23 Many other factors also influence a lender’s decision to extend favorable financing terms, such as borrower credit history.

- 24 See, e.g., Fannie Mae Announcement 07-06, “Manufactured Housing Requirements, Clarifications, and New Forms” (June 15, 2007) available at www.efanniemae.com/sf/guides/ssg/annltrs/pdf/2007/0706.pdf (detailing Fannie Mae’s standards for manufactured home loans and requiring that homes be classified as real property note that only loans secured by both the home and land are eligible for purchase by Fannie Mae).
- 25 For more information about manufactured homes as real property, please see the Resource Guide, *Titling Homes as Real Property*, available at http://cfed.org/programs/manufactured_housing_initiative/manufactured_housing_advocacy_center/manufactured_housing_toolkit/.
- 26 Lending money for the purchase of a home or product.
- 27 For homes on land owned by the homeowner.
- 28 24 C.F.R. Part 3285 (“Model Manufactured Home Installation Standards”).
- 29 <http://www.hud.gov/offices/hsg/ramh/mhs/mhcss.cfm>.
- 30 HUD Manufactured Home Installation Program web site, available at <http://www.hud.gov/offices/hsg/ramh/mhs/mhip.cfm>.
- 31 12 U.S.C. 4501(7) and notes.
- 32 12 U.S.C. § 4565; see also Pub. L. 110–289, § 1129 (Housing and Economic Development Act of 2008)
- 33 12 C.F.R. § 226.35(a) as amended by 73 Fed. Reg. 44603 (July 30, 2008) (effective Oct. 1, 2009). The definition is: “(a) Higher-priced mortgage loans —(1) For purposes of this section, a higher-priced mortgage loan is a consumer credit transaction secured by the consumer’s principal dwelling with an annual percentage rate that exceeds the average prime offer rate for a comparable transaction as of the date the interest rate is set by 1.5 or more percentage points for loans secured by a first lien on a dwelling, or by 3.5 or more percentage points for loans secured by a subordinate lien on a dwelling.”
- 34 The estimate of historical rates is based on a June 2006 article from the San Francisco Federal Reserve Bank stating: “Consider data provided by two different lenders who deal predominantly in manufactured home chattel loans. Don Glisson Jr. of Triad Financial noted that his loans start at 7 percent, but only 20 percent to 25 percent of customers receive this rate. Others pay up to 10.5 percent, which is reserved for those with the lowest credit scores who are borrowing on a single-wide unit. David Rand of Origen Financial noted that his average was 9.5 percent with a range of 7.5 percent to 15 percent.” Sean West, *Manufactured Housing Finance and the Secondary Market*, *Community Development Investment Review* 35, 36 (2006).
- 35 See generally, Kevin Jewell, *What’s it Worth?*, Consumers Union (2005).
- 36 See CFED *Manufactured Housing Resource Guide, Promoting Resident Ownership of Communities*, available at http://cfed.org/programs/manufactured_housing_initiative/manufactured_housing_advocacy_center/.
- 37 See CFED *Manufactured Housing Resource Guide, Advocating at the Local Level*, available at http://cfed.org/programs/manufactured_housing_initiative/manufactured_housing_advocacy_center/.
- 38 For a discussion of the value of a home as sited as opposed to the value of the home in isolation see *In re Valdez*, 338 B.R. 97 (Bankr. N.D. Cal. 2006) (holding that a secured creditor was entitled to the full value of the home of \$40,000 in its current location, rather than the “box value” of \$16,500 for the purpose of determining the value of the creditor’s secured claim under 11 U.S.C. § 506, because the creditor could sell the home on site under state law).
- 39 See CFED *Manufactured Housing Resource Guide, Protecting Fundamental Freedoms in Communities*, available at http://cfed.org/programs/manufactured_housing_initiative/manufactured_housing_advocacy_center/.

ABOUT I’M HOME

I’M HOME, or Innovations in Manufactured Homes, is an initiative of CFED, a national nonprofit organization dedicated to expanding economic opportunities for all Americans. The I’M HOME network includes nonprofit and for-profit, national and local partners who together work toward ensuring that all homeowners, regardless of whether their home is manufactured or site-built, enjoy the same rights and privileges of homeownership, including asset building opportunities. For more information about I’M HOME, please visit www.cfed.org/go/imhome.

ABOUT THE NATIONAL CONSUMER LAW CENTER

The National Consumer Law Center (NCLC) is the nation’s consumer law expert, helping consumers, their advocates and public policymakers use powerful and complex consumer laws on behalf of low-income and vulnerable Americans seeking economic justice. NCLC is the leading consumer legal advocate promoting legal protections for owners of manufactured homes. For more information about NCLC please visit www.consumerlaw.org.

