

Just the Facts: Setting the Record Straight on Manufactured Housing

FACT: Manufactured housing is a critical source of sustainable and affordable housing especially in rural and underserved areas. CFPB's data reinforces MHI's long-held position that manufactured housing not only serves as an affordable and sustainable option for millions of Americans, its safety and reliability is on par with site-built housing. Specifically:

- **More than six percent of the nation's housing stock is**—and more than 8.4 million American families reside in—manufactured housing¹
- **In 2013, manufactured homes comprised more than 70 percent of new single-family homes sales under \$125,000**
- **Recent Insurance Institute for Business & Home Safety (IBHS) tests show manufactured homes outperforming site-built homes** in key hurricane wind tests²
- **Two-thirds of all manufactured homes are located in rural areas** and represent 14 percent of all homes in rural communities

The CFPB also states “the ownership costs of manufactured housing are lower than an average site-built home in metro and non-metro areas. Typical all-in housing costs for manufactured homeowners in non-metropolitan areas were over a third less than the costs for households that owned a site-built home in a non-metro area...and the gap is even wider for those residing in metro areas.”³

FACT: Manufactured home loans (including personal property loans) perform just as well as or better than site-built mortgages. Recent surveys by the American Bankers Association (ABA) and the Mortgage Bankers Association (MBA) indicate that delinquencies for manufactured home loans are currently half of that in the larger mortgage market (3.75% vs. 6.39%).⁴

FACT: Manufactured home loans, including those secured by personal property, offer consumers the same protection as loans on site-built housing. Manufactured home loans are fixed rate, fixed term and fully amortized—they do not possess ANY of the characteristics of those loans that caused the recent housing market downturn and played no role in the housing market collapse. The list of consumer protection regulations, rules and guidelines to which manufactured home loans must comply is substantial and includes, but is not limited to: Truth in Lending Act (TILA), Real Estate Settlement Procedures Act (RESPA)⁵, CFPB Ability-to-Repay/Qualified Mortgage rules, Higher-Priced Mortgage Loan rules (which includes escrow requirements), Equal Credit Opportunity Act (ECOA), Fair Debt Collection Practices Act (FDCPA), Fair Credit Reporting Act (FCRA), Fair Housing Act, SAFE Act, Depository Institutions Deregulation and Monetary Control Act, CFPB servicing rules, CFPB examination and enforcement authority, Federal Trade Commission (FTC) credit practices and holder rules, and numerous other state laws and regulations.

¹ U.S. Census Bureau, 2013 American Community Survey

² <http://www.today.com/video/today/55705369#55705369>

³ *Manufactured-housing consumer finance in the United States*, Consumer Financial Protection Bureau (CFPB), September 2014, Pg. 21

⁴ <http://www.aba.com/Press/Pages/0409144Q2013DelinquencyBulletin.aspx#video> & <http://www.mbaa.org/NewsandMedia/PressCenter/87218.htm>

⁵ For transactions involving real estate

FACT: Manufactured home loans secured by personal property typically have higher rates than conforming site-built mortgages eligible for GSE support, but for economic realities that are beyond lender control. First, the inability of the secondary market (i.e., Fannie Mae and Freddie Mac) to provide access for the vast majority of manufactured home loans has left a dearth of options for lenders to securitize their loans. Lenders must then hold these loans in their portfolio and incur higher costs and lose critical access to capital which could then be used to enhance lending options for worthy buyers.

Next, the predominance of smaller sized loans—the average manufactured home loan size in 2012 was \$67,000 versus \$220,000 for a site-built home⁶—means that fixed costs of origination and servicing (which do not vary by loan size) have a greater impact on the APR of a small-sized manufactured home loan compared to the larger site-built home loan.

Finally, manufactured homes often serve as an affordable housing option for many low- and moderate-income families that typically have lower credit scores and possess less of a down payment. In 2012, the average income of borrowers purchasing a manufactured home was \$50,000, compared with \$95,000 for those borrowing to buy a site-built home.⁷ Lenders, all of whom must hold chattel loans in their portfolio, have to price for the higher risk associated with originating loans for low-credit consumers or face unsustainable losses in their mortgage portfolio.

Also, there are no prepayment penalties associated with manufactured home loans and consumers always have the option—just like on a site-built home—to refinance their loan to secure a lower interest rate. In 2012, more than 40 percent of all manufactured home loans were refinance loans.⁸

FACT: CFPB's claim that two-thirds of manufactured homebuyers that receive a personal property loan could qualify for a real estate loan is an unsupported estimate. If the borrower does not own the land underneath the home, securing a real estate mortgage is not possible. Initial lender research indicates that the instances where the borrower that receives a chattel loan ALSO owns the land on which the home is placed, is significantly lower than Bureau estimates. When financing a manufactured home purchase, the disposition of the land underneath the home determines how the home is titled and if the borrower is eligible to receive a mortgage secured by real property or personal property. Contrary to the CFPB's report, the lender plays no role and has essentially no ability in determining how a home will be titled. It is a function of the consumer's choice and if land is involved in the financing. There is no incentive at all for a lender to unnecessarily guide a consumer into a personal property loan.

With only five lenders comprising more than 50 percent of manufactured home lending⁹, it is clear that most banks, credit unions, mortgage lenders and community banks are **NOT** willing to take on the challenge of originating smaller-sized manufactured home personal property mortgages (chattel) that must then be held in portfolio. It is critical that the regulations do not reduce access to financing for low- to moderate-income borrowers, particularly those in rural areas that are currently being served by this small subset of the housing financing market.

⁶ Federal Reserve Bulletin, *Mortgage Market Conditions and Borrower Outcomes: Evidence from the 2012 HMDA Data and Matched HMDA–Credit Record Data*, Pg. 11 (http://www.federalreserve.gov/pubs/bulletin/2013/pdf/2012_HMDA.pdf)

⁷ *IBID*

⁸ *IBID*

⁹ *Manufactured-housing consumer finance in the United States*, Consumer Financial Protection Bureau (CFPB), September 2014, Pg. 30