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On behalf of the

Manufactured Housing Institute (MHI)

Before the:

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Expanding Choice and Increasing Supply: Housing Innovation in America

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Thank you, Chairman Flood, Ranking Member Cleaver, and Members of the Subcommittee, for the opportunity to testify today about our industry's commitment to revolutionizing housing innovation and expanding attainable homeownership. As Chairman of the Manufactured Housing Institute (MHI), I am excited to share how manufactured housing is uniquely positioned to address our nation's housing supply challenges with high-quality, affordable homes that are within reach for many Americans who are struggling to achieve the dream of homeownership.

In my testimony, I highlight opportunities that exist to boost the production of affordable housing and explain how our industry is poised and ready to have a critical role in achieving that shared objective. There are simple, bi-partisan, steps policymakers can take to unleash our workers and factories to help meet America's housing supply shortage, which can be achieved without subsidies. Specifically, MHI supports: clarifying HUD's regulatory authority over all federal construction standards for manufactured housing; removing an outdated "chassis requirement" that is inhibiting more innovative and attractive designs Americans want; federal engagement with state and local authorities to allow more Americans to take advantage of the cost advantages manufactured housing offers; and tweaking federal financing programs to further expand access to this most affordable and high quality home ownership option, which is built to a federal standard.

My name is Bill Boor and I am the Chief Executive Officer of Cavco Industries, a public company engaged in the production of factory-built homes. Our company was founded in 1965 in Phoenix and today we operate 31 manufactured housing factories across the country, 79 company-owned retail stores, a manufactured housing lending business, and an insurance company. Our workforce is approximately 6,500 people strong across the United States. In 2024, we produced 18,976 factory-built homes, doing our part to help alleviate our country's critical housing shortage and combat rising housing costs.

At Cavco, we are focused on delivering the high-quality, safe, reliable, and affordable housing our customers desire in a way that benefits all our stakeholders - from our valued employees and suppliers to our investors and ultimately the communities in which we operate and deliver our homes. We have embraced robust compliance and quality assurance regulations that are in many instances more stringent than those for traditional site-built homes. Our customers and our values inform our mission and define our success.

Manufactured Housing Institute (MHI)

I appear before you today on behalf of the Manufactured Housing Institute (MHI) where I serve as the Chairman of the Board of Directors. MHI is the only national trade association that represents every segment of the factory-built housing industry. Our members include builders, suppliers, retail sellers, lenders, installers, community owners, community managers, and others who serve our industry, as well as 48 affiliated state organizations. MHI members represent over 90 percent of all manufactured homes constructed today. I am thus pleased to offer this testimony on behalf of the entire manufactured housing industry.

Many people may not realize that our industry is on track to build more than 100,000 homes this year, accounting for about 10 percent of new single-family home starts. These homes are produced by 38 American companies with 152 manufacturing facilities across the country.

Manufactured housing stands out as the most affordable homeownership option for American families. Last year, the average price of a manufactured home was \$124,300, significantly lower than the \$409,000 average price of a site-built home (excluding land). This is due to greater supply-chain flexibility, regulatory consistency, and lower on-site labor costs. Additionally, the average income for a manufactured home buyer was about \$61,000, compared to over \$136,000 for a site-built home buyer. Our home builders offer stylish manufactured homes at affordable price points, providing affordable options without compromising on quality or features.

However, our industry is poised to do more. We are pleased that there exists a growing consensus among stakeholders and policymakers that a concerted focus is needed to boost the production of affordable housing options for both ownership and rental. My testimony will highlight the critical role that manufactured housing – the nation’s most affordable homeownership option – can have in achieving those objectives. Importantly, we are not here today asking for subsidies. Rather, we believe there are simple steps governments can take – at the federal, state, and local levels – that can unleash our workers and factories to ramp up production and help meet America’s affordable housing challenge.

Manufactured Housing Elevates Housing Innovation and Expands Attainable Homeownership

Manufactured housing offers affordability and quality to consumers by leveraging technological advancements and efficiencies associated with the factory-built process. This approach helps contain costs, improve energy efficiency, enhance safety, and deliver quality homes at affordable prices that our customers consistently report they love. Manufactured housing is unique in that it is the only type of housing constructed to a federal residential building code, regulated by HUD.

Congress passed the Manufactured Housing Construction Safety Standards Act of 1974, designating HUD as the sole governing body over the development and enforcement of manufactured home construction standards (the HUD Code). This act vested HUD with preemptive authority to regulate the construction of manufactured housing, taking into consideration the design and factory construction techniques of manufactured homes. In 2000, Congress further enhanced this process by establishing the Manufactured Housing Consensus Committee (MHCC). This committee, composed of producers, users, and general interest and public officials, provides recommendations to the Secretary on revisions to the HUD Code, as well as related procedural and enforcement regulations.

This national, single-regulatory framework, centered at HUD, addresses both construction and installation, as well as testing, compliance, and enforcement, producing a high and uniform national standard that balance the goals of health, safety, efficiency, durability and cost to the millions of American households seeking access to manufactured homes as a critical affordable housing option.

According to a 2020 HUD report, factory-built housing has undergone significant physical changes, making it increasingly similar to, and often indistinguishable from, conventional site-built housing. In terms of style and design, factory-built homes are growing in square footage, with larger double- or multi-section units now more common than smaller single-section homes. Technological innovations and the ease of transporting modules and construction materials have enabled the construction of two-story homes in climate-controlled facilities, which are then transferred to the site for installation. Quality improvements in construction and installation practices have increased durability, making the life expectancy of factory-built housing comparable to that of site-built or onsite housing.

Manufactured housing benefits from a unique regulatory framework under the HUD Code, which establishes a single, national construction standard that preempts local building codes. This uniformity streamlines compliance, reduces permitting delays, and eliminates the costly inefficiencies that come with navigating thousands of local regulations. When combined with the cost-saving advantages of factory-based construction—such as bulk purchasing, controlled environments, and consistent labor—this regulatory efficiency significantly lowers the overall cost of delivering high-quality, affordable homes to American families.

Residents of manufactured homes pay significantly lower costs overall than those in site-built homes. A recent Fannie Mae study found, “[t]he median all-in monthly housing cost of \$925 per month for manufactured homeowners was \$675 per month less than that paid by owners of site-built homes.”¹ That is a savings of 43 percent. According to a study about zoning barriers to manufactured housing, “when structure, transport, installation, land, and site development costs are included, one study found the total purchase price of a manufactured home might be as much as 75% less than the cost of a traditional [site-built] home of comparable size and quality.”²

Actions Needed to Increase the Production of Manufactured Homes

Below, are several key actions that Congress, federal agencies, and state and local governments can take to boost the supply of manufactured homes.

1. Support Chairman Flood’s Proposal to Restore the Primacy of the HUD Code

For decades, the U.S. Department of Housing and Urban Development (HUD) has served as the sole federal regulator for the construction and safety standards of manufactured homes through the HUD Code. This system has ensured a consistent, performance-based national standard that balances safety, durability, and affordability. However, this regulatory clarity is now under threat due to conflicting standards issued by the Department of Energy (DOE) and due to state and local requirements that impede placement of HUD Code homes.

Conflicting Department of Energy Construction Standards

In May 2022, DOE finalized energy efficiency standards for manufactured homes that conflict with existing HUD regulations. These standards were developed without meaningful consultation with HUD or the Manufactured Housing Consensus Committee (MHCC)—the federal advisory body established by Congress to provide the HUD Secretary with expert input into changes to the Code for manufactured housing.

The problem traces back to the 2007 Energy Independence and Security Act (EISA), which included an amendment requiring DOE to establish standards for energy efficiency in manufactured housing based on the most recent version of the International Energy Conservation Code (IECC). This amendment bypassed regular order and this committee’s input and thereby created a separate requirement at DOE in contravention of the process established by the Congress in the 1974 and 2000 Acts. However well-intentioned, this provision disrupted the long-established role of HUD in a way that has been counterproductive to the interests of energy efficiency and housing affordability.

After more than a decade of delays owing to various regulatory and legal hurdles, the DOE was eventually forced to put forth a rule by litigation in 2017. DOE subsequently issued a proposed rule in August 2021, and finalized that rule in May 2022 largely as proposed, initially setting a compliance date of 2023. In finalizing the rule, however, DOE ignored key statutory requirements, including the need to:

- Consider factory-built construction techniques;
- Provide for alternative compliance paths;
- Ensure cost-effectiveness and affordability;

¹ Multifamily Market Commentary, Manufactured Housing Landscape 2020, May 21, Fannie Mae, et al. “Manufactured Housing Landscape 2020.” Manufactured Housing Landscape 2020 | Fannie Mae Multifamily, 21 May 2020, multifamily.fanniemae.com/news-insights/multifamily-market-commentary/manufactured-housing-landscape-2020.

² The Urban Lawyer: *Zoning Barriers to Manufactured Housing*, Daniel R. Mandelker, Spring 2016, https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2828268

In 2022, the MHCC reviewed DOE's final rule and rejected it on multiple grounds. The Committee concluded that DOE:

- Circumvented the standards development process prescribed by EISA;
- Failed to consult with HUD;
- Applied standards designed for site-built homes to factory-built housing;
- Ignored the economic impact on low-income and minority homebuyers.

The MHCC warned that, if implemented, the DOE rule would significantly increase the cost of manufactured homes, reduce affordability and access to financing, and generally undermine the affordability of this vital housing option.

DOE's own analysis acknowledged that its rule would increase upfront costs by \$700 for a single-section home and \$4,100–\$4,500 for a multi-section home. However, these estimates were based on overly optimistic assumptions. Independent analysis by the Manufactured Housing Institute (MHI) and the Analysis Group found that the rule would result in a net loss of up to \$5,500 for a single-section home and up to 95% of manufactured home shipments would have a negative 10-year life cycle cost under the DOE rule. These cost increases would disqualify many potential buyers from obtaining financing due to higher debt-to-income ratios, further exacerbating the nation's affordable housing crisis.

While MHI acknowledges and appreciates the recent action taken by DOE to postpone the compliance date to allow for further stakeholder input, this merely buys time. It will not address the inherent statutory conflict and confusion that gave rise to this problematic regulation.

Barriers to the Placement of Manufactured Homes at the Local Level

Manufactured homes serve many housing needs in a wide range of communities, from rural areas where housing alternatives are few and construction labor is scarce or prohibitively expensive, to higher-cost metropolitan areas as in-fill applications. However, zoning and land planning ordinances have a profound impact on housing patterns. For example, restrictive local ordinances, which can include limitations or outright prohibitions against manufactured homes, are discriminatory barriers against affordable housing.

In its report, *In the Zone: How Manufactured Housing Can Help Close the Supply Gap*, Freddie Mac underscores that restrictive zoning laws are a major impediment to expanding access to affordable homeownership through manufactured housing. These outdated regulations—often rooted in stigma and misconceptions—prevent manufactured homes from being placed in many communities, despite their modern quality standards and affordability. As a result, millions of Americans, particularly low- and moderate-income families, are denied the opportunity to achieve stable, long-term housing simply because of where they live. Freddie Mac notes that manufactured housing is the largest source of unsubsidized affordable homes in the country and could play a pivotal role in addressing the nation's 3.8 million-unit housing shortfall. However, without federal leadership to encourage zoning reform, this potential will remain unrealized. Congress has a critical role to play in supporting policies that remove these barriers and expand access to manufactured housing as a viable, dignified path to homeownership.³

Across the country, there are countless examples of state and local zoning, planning, and development restrictions that either severely limit or outright prohibit the placement of a manufactured home. These discriminatory practices include:

³ Freddie Mac. (2021). *In the Zone: How Manufactured Housing Can Help Close the Supply Gap*. Retrieved from <https://sf.freddie-mac.com/docs/pdf/fact-sheet/statement-of-support-in-the-zone.pdf>

1. **Outright Bans** – Adoption of ordinances that eliminate or ban the placement of manufactured homes in cities, localities, or municipalities.
2. **Zoning Barriers** – Subsequent changes to zoning laws after developers have purchased the land to prevent the development of manufactured home communities.
3. **Segregated Zoning** – Banning manufactured homes as a “permitted use” in residential zones and segregating them into one special overlay zone in one area of the community. These segregated areas are usually removed from essential community services (e.g., grocery stores, schools, churches, and civic centers) or manufactured homes are used as a buffer between other “more premium” residential zones and commercial or industrial zones.
4. **Lot Size Restrictions** – Requiring a lot or tract to include a minimum number of acres for placement of a manufactured home on private land.
5. **Valuation Requirements** – Setting an arbitrary and capricious retail or appraised value requirement that a manufactured home must meet before it can be sited in the city, locality, or municipality.
6. **Home Age Restrictions** – Prohibiting placement or movement of a manufactured home based exclusively on the home’s age, notwithstanding any other factor.
7. **Contradictory Construction Requirements** - Imposing site-built construction standards to HUD Code homes.

These examples reflect a growing trend whereby local jurisdictions adopt land planning ordinances and utilize code enforcement that excludes manufactured housing.

HUD has long recognized that local and state zoning issues purposely exclude manufactured homes. In 1997, under authority from the National Manufactured Housing Construction and Safety Standards Act, HUD issued its “Statement of Policy 1997-1 State and Local Zoning Determinations Involving HUD Code.”⁴ This policy statement summarizes HUD’s position concerning federal preemption and certain zoning and/or planning decisions made by state or local governments. In its statement, HUD clarifies, “if a locality is attempting to regulate and even exclude certain manufactured homes through zoning enforcement that is based solely on a construction and safety code different than that prescribed by the [National Manufactured Housing Construction and Safety Standards] Act, the locality is without authority to do so.”⁵ Following passage of the Manufactured Housing Improvement Act of 2000 (“the 2000 Act”), HUD’s preemption authority was significantly strengthened. Given that the Improvement Act expanded HUD’s authority, MHI believes it is past time for HUD to update its 1997 Policy Statement. Further, updating the statement would galvanize HUD’s pledge to facilitate the availability of affordable manufactured homes and to increase homeownership for all Americans.

MHI believes HUD must exercise its preemption authority when local construction regulations or zoning, planning, or development policies adversely affect the placement of manufactured housing. While HUD has pursued individual cases where local jurisdictions have introduced construction and safety standards that are not consistent with the HUD Code or have imposed zoning and planning requirements that exclude HUD-compliant manufactured homes, HUD must play a much greater role in this effort, and it has a congressional mandate to do so.^[1] Furthermore, HUD has jurisdictional authority to move beyond case-by-case enforcement, and it should renew its policy position opposing state and local regulatory schemes that are inconsistent with Congressional intent. If HUD is unable to do this itself, Congress should require them to do so.

⁴ 62 Fed. Reg. 24337 (May 5, 1997).

⁵ Id. at 24337.

A 2016 Law Review analysis of the zoning barriers to manufactured housing suggested how Congress can address these zoning challenges. “Congress should revise the statute to preempt restrictive zoning that applies to manufactured housing certified under the HUD Code. An obvious change is a requirement that preempts zoning regulations that provide unequal treatment for manufactured and traditional housing, such as the exclusion of manufactured, but not traditional, housing from residential zones. Congress should also require procedural protections in decision making under zoning ordinances and prohibit or restrict substantive zoning regulations that can have an exclusionary effect, such as the exclusion of manufactured housing from residential zones.”⁶ MHI believes that the statute’s language is already sufficient to cover these actions, thanks to the 2000 Act updates. However, HUD needs to align its actions and statements with the current law.

Despite the 2000 Act, unequal treatment of HUD Code manufactured homes persists in localities across the country where zoning restrictions that are applied to manufactured housing are not similarly applied to site-built homes. In the 2016 legal study, the author found that HUD Code manufactured homes:

“...face insurmountable zoning barriers in many states. These barriers, such as the unequal treatment of manufactured housing, exclusions from residential zones, the exclusionary use of aesthetic standards, and the denial of conditional use approval, are not justified. Arguments that the negative impacts of manufactured housing justify discriminatory zoning treatment are no longer true or are illegitimate. Manufactured housing requires the same treatment that zoning ordinances give to traditional housing.”⁷

This exclusion through zoning prevents many lower income and minority families from obtaining an affordable home. In a 2021 Op-Ed published in the *National Mortgage News*, MHI argued that “HUD must stop localities from excluding manufactured homes from their communities, which many have done through actions which range from exclusionary zoning restrictions to outright prohibitions against manufactured homes. The Manufactured Housing Improvement Act of 2000 specifically states that when HUD construction and safety standards are in effect, a locality does not have the authority to establish different standards. The statute explicitly states that this preemption should be “broadly and liberally construed” to avoid disparate local requirements. HUD has the authority and duty to pursue more vigorous enforcement of this provision, which clearly establishes federal supremacy for manufactured housing construction.”

Another way the committee can take action to encourage the breaking down of zoning and other placement barriers to manufactured housing is through adoption of the “Housing Supply Frameworks Act,” a bill introduced last month by Representatives Mike Flood (R-NE) and Brittany Petterson (D-CO). This legislation directs the U.S. Department of Housing and Urban Development (HUD) to develop frameworks for best practices on zoning and land-use policies and provides local and state governments with the necessary resources to tackle barriers to housing development and construction. The frameworks would offer guidance to states and localities about how to reform local laws, ordinances, and regulations in order to bolster housing supply growth.

Importantly, in the discussion of zoning barriers, the industry is not seeking advantages, just a level playing field so that our high quality, more affordable homes that are built to a federal construction code can compete directly with other forms of housing.

⁶ The Urban Lawyer: *Zoning Barriers to Manufactured Housing*, Daniel R. Mandelker, Spring 2016, https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2828268

⁷ See *supra* note 5.

Conclusion: HUD Must Restore the Primacy of the HUD Code by Passing Chairman Flood’s Discussion Draft

MHI urges Congress to support and pass legislation along the lines of the discussion draft attached to this hearing. Clarifying HUD’s primacy and ultimate discretion with respect to regulations impacting manufactured housing is among the best ways Congress can boost the supply of affordable homes and lower housing costs for American households, while also supporting American manufacturing jobs, and ensuring the timely adoption of improved energy efficiency standards that can help keep homeowners’ energy bills in check.

2. Support Passage of Rep. Rose’s Proposed “Expansion of Attainable Homeownership through Manufactured Housing Act” to Remove the Requirement that HUD Code Manufactured Homes are Built on a Permanent Chassis

The current requirement that a manufactured home be built on a “permanent chassis” is many decades old and reflects the origins of manufactured housing in the United States. Today’s modern manufactured homes offer the potential for housing innovation that can increase the supply of homes to the market that are attainable for Americans to purchase and to own. But because the “permanent chassis” is part of the definition of a “manufactured home” in statute, the MHCC and HUD cannot authorize innovative designs that enable manufactured homes to meet more of America’s housing needs until the law is changed.

If the permanent chassis requirement were removed, creating the option for manufactured homes to be constructed with or without a permanent chassis, homes could be designed with a more desirable low-profile installation aesthetic, facilitate more multi-story HUD Code home designs, improve energy efficiency, and reduce waste (most notably the heavy steel chassis that could be recycled once the house has been delivered and permanently installed on a foundation).

Allowing manufacturers to construct homes that are designed to be removed from a permanent chassis would help remove the decades-old “stigma” from manufactured housing and help overcome zoning prohibitions that limit access to modern manufactured homes. Removing this permanent chassis requirement is another example of how Congress could act to facilitate innovation, lower costs, and allow for more desirable affordable options for aspiring homeowners.

MHI urges Congress to pass the legislative proposal attached to this hearing to strike the requirement that a “manufactured home” under the National Manufactured Housing Safety Standards Act of 1974 be built on a permanent chassis.

3. Ensure Federal Financing Programs Support Homeownership through Manufactured Housing

GSE Support for Manufactured Housing (Allow for Single-Section CrossMod Homes; Increase Volume of Land-Home Loans; Stand Up Securitization Program for Home-Only Loans)

There is more that Congress and our federal home lending programs can do to support affordable manufactured homes – through both land-home and home-only financing. Fannie Mae and Freddie Mac (the GSEs) have an important role in manufactured housing loans. In 2008 Congress created the Duty to Serve for the GSEs, making manufactured housing one of the three areas of focus in which the GSEs are required to develop flexible new loan products and serve the sector.

Regarding this duty, Fannie Mae and Freddie Mac created a loan purchase program for CrossMod homes, which are HUD Code manufactured homes that look, perform, finance and appraise the same as traditional site-built homes. CrossMod homes blend site-built features - such as higher roof pitch, front porch, garage or carport, and permanent foundation - with the efficiency, quality and construction speed that comes with modern manufactured homes. CrossMod homes are indistinguishable from site-built homes, but at a more attainable price point due to the efficiencies of factory-built construction. This is making a real difference in affordability.

Currently Fannie Mae and Freddie Mac only purchase loans for multi-section CrossMod homes. Fannie and Freddie can complete the process of facilitating affordable CrossMod homes by extending eligibility to include single-section CrossMod homes. There is simply no reason to exclude single-section homes from eligibility. This change holds particular promise in high density in-fill areas (which do not accommodate the size of a multi-section CrossMod home). This would create exciting new opportunities to increase housing supply through modern manufactured homes in more urban areas.

The adoption of Single-Section CrossMod into the GSE's existing CrossMod financing programs would bring new single-family housing to the market with the same features and amenities of the multi-section CrossMod homes that are currently eligible for the GSE's programs, but at about half the price. It is estimated that Single Section CrossMod will bring new homes to market in the \$190k-\$225k price range (with land) in nearly all markets.

The Duty to Serve statute specifically refers to home-only loans, where the homeowner finances the home but not the land. Although both Fannie Mae and Freddie Mac initially included the goal of significant increases in home-only loans in their Duty to Serve Plans, these goals have yet to come to fruition. MHI believes it is important for Fannie Mae and Freddie Mac to refocus their efforts on the ultimate goal of developing a flow program for purchase and securitization of personal property manufactured home loans, which make up two thirds of all loans to owner-occupants of manufactured homes. This will greatly improve access to affordable homeownership by those wishing to purchase an affordable manufactured home.

MHI believes that Fannie Mae and Freddie Mac should increase their volume of land-home loans. In addition, for non-duty to serve loans the GSEs both charge a 50-basis point LLPA for real property manufactured home loans. We appreciate that Enterprise capital standards effectively require them to charge higher premiums on riskier loans. However, we do not have the data to analyze whether this fee add-on is justified. Therefore, MHI believes the Enterprises should conduct a detailed examination of recent performance data for such loans. If the 50-basis point LLPA is not justified by such data – or is too high relative to risk –Fannie, Freddie should revise this fee as appropriate.

Improve Federal Housing Administration (FHA) Homeownership Financing Programs

The Federal Housing Administration (FHA) also has a critical role in insuring mortgages for first-time, minority, and other underserved borrowers. However, following are MHI recommendations for steps that FHA can take to modernize and improve its Title 2 program with respect to manufactured homes. All of these are common sense changes that would streamline FHA rules for financing real property manufactured homes.

Align FHA Inspection Requirements with HUD Inspection Requirements.

Manufactured homes are required to be inspected by an inspector approved by HUD's Office of Manufactured Housing Programs (OMHP) or a HUD-certified State Administrative Agency (SAA). There is no reason these required HUD inspections should not also satisfy the requirements for FHA manufactured homes. Since HUD eliminated its Inspector Roster, many lenders have struggled to find an FHA-eligible inspector. The HUD Code inspection requirements should suffice for FHA loans.

Align FHA Foundation Requirements with HUD's Installation Standards.

FHA should stop using HUD's outdated "Permanent Foundation Guide for Manufactured Housing" and instead incorporate the HUD Code's model minimum installation standards. The Permanent Foundation Guide has not been updated since September 1996 and is no longer consistent with the installation standards in the HUD Code.

Revise Requirements for Manufactured Homes in Flood Zones.

FHA should revise requirements for homes that are in special flood hazard areas and insured under the Title II program. HUD had previously approved waivers for over a decade and there is no evidence manufactured homes insured under these waivers have failed to meet minimum standards because the ground level was not elevated to the 100-year flood plain elevation. Not only should HUD expedite these revisions, but it should also resume the issuance of one-year waivers until a final rule is promulgated.

Lift Prohibition of Financing for Relocated Homes.

Manufactured homes that have been relocated from their original site placement should still be eligible for FHA insurance. The limitation on "twice-moved" homes artificially, and unnecessarily, impairs the resale value of manufactured homes.

FHA Title I Home-Only Loan Program

MHI appreciates steps HUD has taken in the last few years to rejuvenate the FHA Title I program for personal property loans – including increasing Title I loan limits and reducing Ginnie Mae issuer financial programs for Title I loans. However, despite these efforts, FHA has insured almost no Title I loans over the last five years. MHI pledges to continue to work with FHA to identify further program changes to revive this program. There is little or no risk justification for Title 1 loan underwriting requirements being less flexible than for Title 2 loans. Therefore, FHA should harmonize these two programs.

Conform Title 1 underwriting rules and requirements to Title 2 rules and requirements:

- * Ability to finance closing costs and loan fees in the loan amount.
- * Seller ability to contribute up to 6% in Interested Party Contributions (seller concessions).
- * Flexibility for gifted funds.
- * DTI ratios [Title 2 has higher DTI caps and is tiered by credit score].
- * Limits on collections.
- * Bankruptcy provisions.

Amend the lender 2% loan origination fee cap to establish a permissible floor of \$2,000.

Since FHA Title 2 loans have no origination fee cap, it is not clear why Title 1 loans should have a fee cap. However, if there is such a cap, basing it on a percentage of the loan makes it economically infeasible to originate small balance loans like Title 1 manufactured homes, particularly in light of increased regulatory compliance costs created by Dodd-Frank. An alternative minimum dollar amount permissible floor of \$2,000 is appropriate and reasonable.

Use the HUD CODE definitions of "new" and "existing" manufactured homes for Title 1 loans.

There is no reason for FHA to use a different definition than the HUD Code.

Permit FHA certified appraisers to contract with qualified inspectors.

There are only a handful of certified Title 1 personal property appraisers nationwide. Use of qualified inspectors would not compromise the program's financial integrity.

Reduce the upfront premium, from 1.75% to 1% - or reduce annual premiums.

The FY 2025 Budget projects a negative credit subsidy for the Title 1 manufactured home program of 6.7%. This would seem to leave room for an upfront reduction. Alternatively, some reduction in the annual Title 1 premium would be helpful.

Increase the 130% of invoice loan cap to 140%.

An unduly low cap (1) eliminates eligibility of many homes for Title 1 loans, (2) is redundant, because loan limits already address concerns about loan size, and (3) is not required by statute and does not exist in any other FHA programs.

Ensure that servicers have the expertise to service defaulted loans and do loss mitigation.

Title 1 loan servicing is more complicated than Title 2. HUD should have the capability, as needed, to convey repossessed homes to HUD and contract with a master servicer.

4. Support Development and Preservation of Land-Lease Communities

There are more than 43,000 land-lease manufactured housing communities in the country with almost 4.3 million home sites. About one-third of the new manufactured homes built today are placed in these land-lease communities. Homeownership in land-lease communities is often less expensive than renting an apartment, providing an affordable form of homeownership to many Americans and their families. In addition, while all forms of housing are seeing significant price increases, average manufactured housing community rent increases are substantially below the increases experienced in other forms of housing.

Demand for living in land-lease communities continues to rise because of the financial and lifestyle benefits of owning a home. Consumers are attracted to well-maintained outdoor spaces and neighborhood amenities. Professional management of land-lease communities ensures that critically needed infrastructure like water, sewers, roadways are continuously updated to protect the homeowner's investment. Capital expenditures by professionally managed community operators continue to increase annually and at faster rates than rents.

U.S. Census and MHI data consistently show that residents of land-lease communities are highly satisfied and are likely to recommend living in manufactured housing communities to others. In fact, 90 percent of people living in manufactured housing communities are satisfied with their homes—95 percent in senior-only communities and 87 percent in all-age communities report satisfaction with their homes. These satisfaction rates show that, overwhelmingly, land-lease community owners are meeting their residents' expectations.

The federal government has much more that it can do to support these important and vibrant communities. Federal affordable housing policies should encourage capital investment into land-lease communities to build, update, and preserve land-lease communities.

For example, last year, HUD expanded the 227(f) loan program to insure loans to manufactured home communities. However, HUD also indicated that, at least preliminarily, for-profit community owners would not be eligible for such loans. This makes no sense, given that the overwhelming majority of manufactured home communities nationwide are owned by for-profit entities. Therefore, HUD should immediately clarify that for-profit entities are eligible for 227(f) loans.

In addition, more broadly, federal policies should never give this type of preference or exclusive access to so-called resident-owned or other non-profit communities – in the process excluding eligibility by for-profit community owners. MHI recently wrote to congressional appropriators to rescind the \$225 million in PRICE grants, because the grant allocation process created an unfair bias against for-profit community owners, in which not a single for-profit entity received a grant.

Manufactured housing communities are not a policy experiment; they are a proven, high-demand solution to the housing affordability crisis. For decades these were considered “naturally occurring affordable housing.” But these communities did not just happen naturally. They were developed and managed by the private sector. “Naturally” truly means that the private sector kept communities affordable and maintained them without government subsidy. The term “Naturally Occurring Affordable Housing” is by definition rental housing that is affordable to low- and moderate-income households without direct public subsidies. These properties are privately owned and charge below-market rents but not because of government affordability mandates.

The term emerged around 2007 and gained traction in housing policy circles by 2014, as researchers and policymakers began distinguishing between subsidized affordable housing and market-rate units that happen to be affordable. While the term suggests a “natural” affordability, critics argue that affordability is shaped by complex economic, policy, and social forces—not by nature.

The economic reality today is that housing costs are up across the nation. Aging infrastructure is in need of maintenance. No matter the owner, there are costs to maintain aging infrastructure. The PRICE fund bolsters the flawed limited equity ownership model that is financially risky for residents, who often take on collective debt, fixed costs, and infrastructure liability without building real equity in the land. The PRICE program perpetuates the very thing the residents in communities are concerned about - by supporting a flawed model the PRICE fund will inadvertently lead to community deterioration and closure. MHI is committed to working with Congress to pursue housing policy that expands affordability in manufactured housing communities through inclusion, investment, and innovation.

Also, Congress should explore other ways to encourage more private investment in the construction and preservation of manufactured home communities. Though not in this committee’s jurisdiction, one proposal that MHI supports is to waive the 180-day reinvestment rule for capital gains treatment in Opportunity Zones, when the funds are invested in affordable manufactured home communities. Affordable workforce housing is critical to make Opportunity Zones work, and this change could have a significant positive impact.

Finally, though not a federal issue, MHI wants to call attention to the troubling trend of a few states and localities adopting rent control for land leased by homeowners in manufactured home communities. MHI has done substantial research showing that the overall levels of rent increases in manufactured home communities are not excessive, and in fact statistically lag recent rent increases in rental housing. Rent control can significantly harm tenants, particularly in older communities, where existing owners lack the financial capability to update aging infrastructure. In such cases, it is the residents that will suffer - as their home values languish due to deteriorating infrastructure.

Conclusion

In conclusion, the Manufactured Housing Institute (MHI) is committed to addressing the nation's affordable housing supply challenge through innovative solutions and strategic policy changes. Manufactured housing stands as a pivotal component in expanding attainable homeownership and providing high-quality, affordable housing options for American families. By leveraging technological advancements and efficiencies in the factory-built process, manufactured housing offers a unique blend of affordability, quality, and sustainability.

To fully realize the potential of manufactured housing, it is imperative that Congress, federal agencies, and state and local governments take decisive actions. Restoring the primacy of the HUD Code, removing outdated requirements such as the permanent chassis to facilitate innovation, supporting the development and preservation of land-lease communities, overcoming local zoning barriers, and expanding financing options for the range of home types available, such as CrossMod homes and duplexes, are critical steps that can significantly boost the production and accessibility of manufactured homes.

MHI urges Congress to pass the legislative proposals outlined in this testimony, which will not only enhance the supply of affordable homes but also support American manufacturing jobs and ensure the timely adoption of improved energy efficiency standards. By fostering a regulatory environment that encourages innovation and reduces barriers, we can make significant strides in addressing the affordable housing supply shortage.

MHI appreciates the opportunity to share these views and stands ready to work with the Committee and HUD to implement the legislation and initiatives identified in this testimony. Together, we can create a more inclusive and affordable housing market that meets the needs of all Americans.

Thank you for your attention and support.