Douglas Segars/The New York Times

What Has Research Shown About Alternative Home Financing in the U.S.?

A look at the available evidence and the persistent gaps, as well as topics for future investigation

Overview

Most people in the U.S. use a mortgage from a bank or other financial institution to finance a home purchase. But tens of millions of Americans also have used alternative financing arrangements, in which buyers make payments directly to sellers. Evidence suggests that one factor driving these borrowers to alternative financing—many of whom are sufficiently creditworthy to get a mortgage—is a lack of such mortgages, especially for amounts less than $150,000.

Sellers frequently market these options as another pathway to homeownership, but research indicates that alternative arrangements can harm homebuyers.[1] However, the extent of possible benefits and risks of alternative financing is difficult to assess because not enough is known about its outcomes, its prevalence, the costs that borrowers incur, or how many buyers ultimately end up holding clear title to their homes.

Typical alternative financing arrangements, such as land contracts, seller-financed mortgages, lease-purchase agreements, and personal property loans, differ from mortgages in important ways. For the purposes of this

analysis, a mortgage is a real estate purchase credit agreement that typically involves a third-party lender who has no prior or other interest in the property separate from the loan and must comply with federal and state regulations. In mortgage transactions, title, that is, full legal ownership of the property, transfers from seller to buyer at the same time the loan is initiated. By contrast, certain common alternative arrangements, for example, land contracts, are not subject to significant regulations, and in purchases using these types of financing, the seller—and not the buyer, as in a mortgage transaction—keeps the deed to the property for the duration of the financing term. And because many jurisdictions do not consider buyers to be homeowners if they do not officially hold title and have the deed in hand, buyers may not have clear ownership or know with certainty who is responsible for property taxes and maintenance.

Buyers of manufactured homes may encounter similar complications because they do not always own the land upon which the home sits. But no matter the home type, without the benefit of standard protections that the law gives to mainstream mortgage borrowers, consumers who use alternative financing arrangements can face steep challenges.

As a first step toward better understanding the details of alternative financing contracts, families' experiences when using them, the available evidence, and any persistent knowledge gaps, The Pew Charitable Trusts analyzed the relevant literature. As this brief summarizes, the existing research suggests that alternative arrangements are often a harmful substitute for conventional financing. However, this review also revealed that more analysis is needed to understand why some buyers enter alternative arrangements and to what extent the perceived benefits materialize.

What is alternative financing?

Buyers turn to alternative home financing for many reasons, including difficulty obtaining a mortgage because they have damaged or limited credit histories or because lenders in their area either offer few small home loans or have unattainably high underwriting standards.[2] In other instances, prospective homeowners might not want a mortgage or may have been offered the option to purchase the home while living in it as a tenant.[3] Based on Pew's analysis of relevant literature and conversations with legal experts throughout the country, the main types of alternative financing are:

- **Land contracts**. In these arrangements, also known as "contracts-for-deed" or "installment sales contracts," the buyer pays regular installments to the seller, often for an agreed upon period of time, but the deed does not transfer at the outset in most states; instead, the seller retains full ownership of the property until the final payment is made, leaving the buyer without clear rights to either the home or the equity that has accrued.[4] Among alternative financing options, land contracts have received the most attention from academics and legislators. For that reason, this review relies heavily on land contract research. However, given the similarities among alternative financing arrangements, the findings—especially those regarding the challenges for borrowers and the existing evidence gaps—are largely applicable to other types of alternative agreements.
- **Lease-purchase agreements**. Under these arrangements, commonly referred to as "rent-to-own" or "lease with option to purchase," the seller is also the landlord, and the buyer occupies the property as a tenant and typically pays an upfront fee or down payment in exchange for the option to purchase the home within a designated period. If the buyer exercises the option, a portion of the buyer's previous monthly payments, which can exceed market rent for a comparable property, may also be applied toward the down payment. Then, either the seller or a financial institution extends credit to the buyer for the balance of the purchase price, to be repaid over time, and usually the deed transfers at the time the loan is originated. However, if the buyer is unable or unwilling to finalize the transaction, the agreement may allow the seller to keep some or all of the buyer's payments.[5]

Buyers and landlords often describe lease-purchase agreements as a way for tenants to improve their credit scores, build a credit history, and save for a down payment, but little is known about how many lease-purchase buyers achieve homeownership, continue renting, or withdraw from the deal without exercising their option to buy.

- **Seller-financed mortgages**. In these arrangements, the seller is also the lender, extending credit to the buyer to purchase the home without a third-party lender involved. The deed to the home transfers to the buyer at the start of the agreement, giving the buyer full ownership rights, akin to a mortgage from a third-party lender, and the loan is repaid over time.[6] However, few states have passed laws to regulate seller-financed mortgages, and federal rules apply only to sellers who finance more than three properties per 12-month period.[7] These limited protections generally leave buyers without clear recourse if the seller has not taken steps to ensure that the home is habitable, the contract terms are fair, and the title has no competing claims.

Although these arrangements fall under the rubric of alternative financing, they often vary widely from state to state in terms of contractual provisions, terminology, and applicable consumer protections.[8]

Buyers of Manufactured Homes Also Use Alternative Financing

Throughout the U.S., 17.5 million people live in manufactured homes, the modern version of "mobile homes," and finding financing can be difficult. Many buyers who finance manufactured home purchases use something other than a mortgage.[9] In particular, in 2019, 42% of these buyers used a personal property loan, also known as a "home-only" or "chattel" loan.[10] In addition, buyers also use rent-to-own agreements to purchase manufactured homes, but more research needs to be done on how frequently they do so and on their experiences and outcomes.

In many states for the purposes of sale, the default legal view of manufactured homes is that they are personal rather than real property, and as such they are not eligible for mortgage financing. This is true even when buyers own the land—the real property—under the manufactured home. Generally, borrowers can obtain a mortgage only after the home has been placed, affixed to the land, and the title changed from personal to real property.[11] A recent report by the Consumer Financial Protection Bureau found that 17% of manufactured home buyers who also own their land used personal property loans for their purchases.[12]

Many personal property loans are issued by the home manufacturer or one of its subsidiaries, but some institutional lenders also offer them.[13] Compared with mortgages, however, most personal property loans have much higher interest rates and shorter terms, which together result in less affordable monthly payments and often more interest paid over the life of the loan.[14] In addition, personal property loans carry fewer protections, especially related to default; in many states, a home financed with a personal property loan can be almost immediately repossessed when the borrower defaults rather than being subject to the foreclosure process required for mortgages.[15]

In general, the research findings regarding alternative finance arrangements apply equally to manufactured and site-built homes, but, as previously noted, buyers of manufactured homes face some particular challenges with titling and financing.[16] For a more comprehensive review of research on financing for manufactured homes, see Freddie Mac's report, "The Loan Shopping Experiences of Manufactured Homeowners."[17]

Alternative home financing has roots in race-based redlining practices

In the early 1930s, the federal government created two programs designed to rescue the mortgage market from the fallout of the Great Depression: the Home Owners' Loan Corp. (HOLC) established in 1933 and the Federal Housing Administration (FHA) in 1934.[18] But these programs and the practices of some local-level actors in the real estate market institutionalized policies and erected barriers to acquiring credit that locked out borrowers of color and, in some instances, religious minorities from the housing market.[19]

At that time, a typical mortgage covered just half of a home's value—meaning lenders required 50% down payments—and was due in full in three to five years, ending with a final balloon payment that was much larger than the recurring monthly payments.[20] These terms proved difficult for many people still struggling with the financial effects of the Depression and put many homeowners at risk of defaulting.

To address these issues, HOLC purchased and refinanced these loans into more affordable amortized mortgages that closely resemble today's mortgage products. The program then hired local real estate developers, appraisers, and lenders to identify the level of risk for mortgage delinquencies and defaults by residential neighborhood. However, these local-level actors routinely treated Black and immigrant residents as a threat to home values and mortgage quality, and often graded those neighborhoods as "red," meaning "hazardous."[21] HOLC used these maps when servicing the refinanced mortgages and creating guidelines to help struggling homeowners weather the crisis. Additionally, the program shared the methodology behind its maps with other federal agencies, trade associations, and mortgage lenders who applied the same biased ratings to their business and regulatory practices.[22]

Similarly, the FHA, which provided mortgage insurance to reduce lenders' financial risks and encourage their participation in the struggling market, factored race into its underwriting,[23] declaring in its 1938 Underwriting Manual that "the infiltration of inharmonious racial groups ... tend to lower the levels of land values and to lessen the desirability of residential areas."[24] The mortgage industry followed the FHA's lead and often refused to make loans in Black and immigrant communities.[25] This practice, known as "redlining," prevented buyers in predominantly Black neighborhoods from obtaining mortgages and becoming homeowners.

Although researchers continue to debate whether HOLC and other entities explicitly used the maps to restrict lending to borrowers of color and to what extent they were later used by the FHA, most scholars agree that the maps played a part in perpetuating racial bias and segregation in federal housing policies and the market.[26] In the ensuing decades, people of color have been disproportionately less likely to own a home and build wealth, and today many Black and Hispanic borrowers still face barriers when seeking mortgages and are more likely than White borrowers to use alternative financing.[27]

Further, policies at the local level have and continue to keep people from obtaining housing in desirable areas, even if they can secure financing. For example, exclusionary zoning prohibits certain kinds of housing, such as multifamily units or smaller lots, in certain neighborhoods, which limits housing options. A strong body of research has found that this type of zoning, in turn, drives up home prices, effectively barring lower-income families, who are more likely to be people of color, from buying in those communities.[28]

The lack of mortgages available to Black homebuyers led to the creation of alternative financing. For example, in the early 1960s, Universal Builders and F&F Investment in Chicago sold homes to Black buyers and provided financing in the form of land contracts. But the contracts tended to feature inflated sale prices,[29] above-market interest rates, and weak consumer protections that enabled the sellers to include harmful clauses designed to trigger defaults, which, in turn, often caused buyers to lose their homes and the money they had invested.

In response, thousands of Black homebuyers formed the Chicago Buyers League, which organized grassroots campaigns against harmful land contracts and renegotiated over 200 agreements with the two companies.[30]

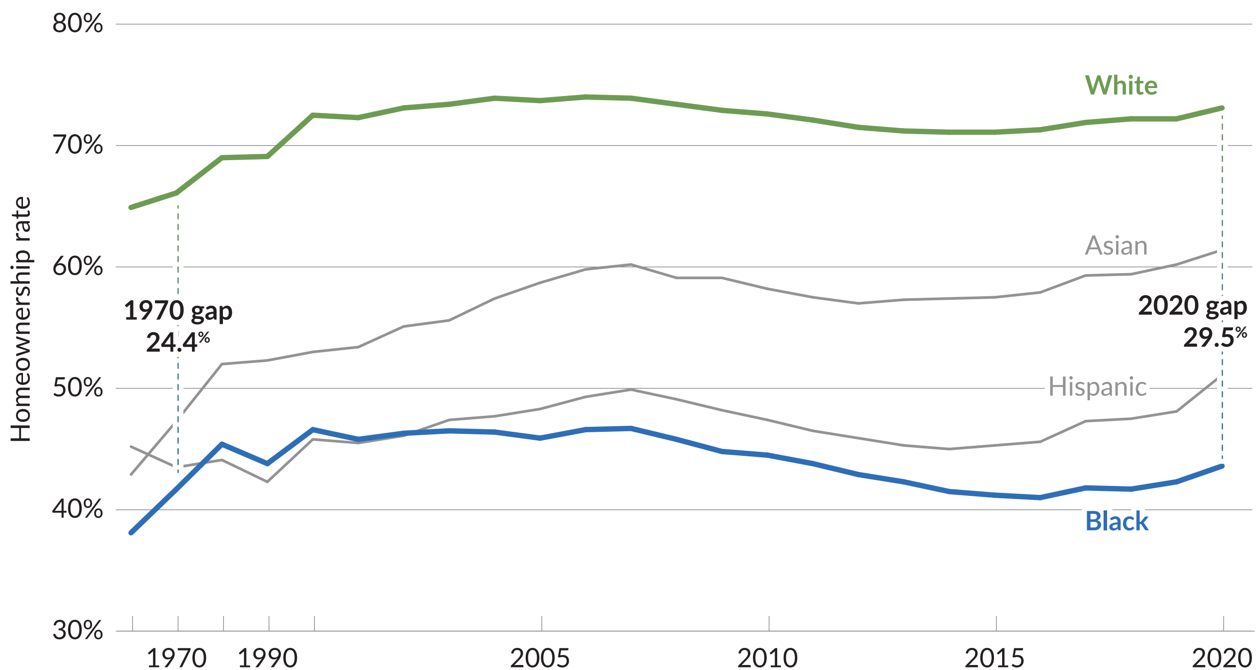
In 1968, Congress passed the Fair Housing Act, making it illegal to discriminate in home sales, rentals, or lending based on race, color, national origin, religion, sex, familial status, or disability.[31] Although this law began to unlock mortgage access for borrowers of color, lending practices were slow to change and, coupled with market forces and an inconsistent regulatory framework for alternative financing, continued to encourage sellers to offer alternative arrangements in Black communities. For instance, in the late 1970s and early 1980s as mortgage interest rates soared, the Federal Reserve Board reported an uptick in alternative agreements, primarily land contracts.[32] More recently, researchers documented an increase in land contracts from 2008 to 2013 in four southeastern cities—Atlanta; Birmingham, Alabama; Jackson, Mississippi; and Jacksonville, Florida—when mortgage credit tightened.[33] And evidence indicates that land contracts remain more common in communities of color and areas with low levels of mortgage lending.[34]

The homeownership gap between Black and White Americans is large, and homeownership among Black Americans is as low as it was when the Fair Housing Act first became law.[35] (See Figure 1.)

Figure 1

The Black-White Homeownership Gap Was Wider in 2020 Than in 1970

U.S. homeownership rates by race and ethnicity, 1970-2020



Source: Pew's analysis of U.S. Census Bureau data

© 2022 The Pew Charitable Trusts

Research has identified more harms than benefits from alternative financing

Recent studies have shown that alternative financing arrangements are associated with higher costs, less favorable terms, and increased risk of losing home equity when compared with commensurate mortgages. Further, the research suggests that a major reason these harms are seemingly so widespread is the absence or weak enforcement of consumer protections, particularly in deed recording requirements.[36]

An array of federal and state laws stipulate that mortgage information must be recorded in a national database and that related changes to property deeds or titles must be logged with the appropriate recorder of deeds. These requirements ensure that public records are updated to reflect the change of legal homeowner at the time of purchase when a mortgage is used, which, in turn, gives buyers access to more complete information about the property, including issues such as existing liens or open work permits on the home, among other things.

However, although most states make at least passing mention in statute of land contracts, only about a dozen states or localities have substantive laws or ordinances related to these arrangements, and very few mandate that they be publicly recorded.[37] Without such documentation, determining which party holds legal ownership of a property or is responsible for taxes and maintenance can be difficult. Many stakeholders have called for recording of alternative financing contracts as a first step to better ascertaining their prevalence, benefits, harms, and outcomes, and to help inform prospective buyers, policymakers, and researchers about the condition of homes bought with them.[38]

The existing research on alternative financing processes and outcomes shows that few jurisdictions require presale appraisals, disclosure of existing liens, the ability to cure a loan delinquency or default, habitability standards, or formal processes to help borrowers avoid eviction or foreclosure.[39] This lack of consumer protections can lead to a host of issues for buyers, including inflated sales prices, above-market interest rates, hidden costs or fees, substandard housing quality, and an inability to acquire the deed. Perhaps most crucially, inadequate regulatory oversight can create tenuous living arrangements for buyers who cannot prove legal ownership and financial incentives for sellers to offer the same properties to successive buyers without ever completing a transaction.

At the same time, research into benefits associated with alternative financing has been limited. This may be driven by the lack of positive experiences, missing systematic data on borrower outcomes, or a combination. The research that does exist on potential benefits explores outcomes in immigrant communities along the Texas-Mexico border and from homeownership models that nonprofit groups are testing, including rent-to-own and shared equity.[40]

Land contracts

As previously mentioned, most of the available research has examined land contracts. Yet, in discussions with Pew, academics, legal experts, legal aid counselors, housing experts, and others noted that many of these problems are also found with lease-purchase agreements, personal property loans, and other forms of alternative financing.

Land contracts are used to purchase site-built and manufactured homes. Legal aid lawyers and buyers have described—and researchers have documented—many of the same problems and negative outcomes that were observed decades ago, in particular, low standards of habitability, risk of eviction, and inflated interest rates and sales prices.[41] One recent study found a strong link between land contracts and subsequent eviction, underscoring the elevated risks associated with these contracts.[42]

Relatedly, experts are often concerned about the turnover that can occur with alternative arrangements. For example, a seller offers a home for sale using a land contract, collects a down payment plus monthly payments from the buyer, initiates an eviction immediately if the buyer falls behind on the payment, and quickly resells the home again using another alternative arrangement with a new buyer.[43] Thus, the buyer does not achieve the goal of homeownership and is unlikely to recoup the money invested.

Further, one National Consumer Law Center (NCLC) study found that sellers have used land contracts and similar arrangements to burden buyers with many of the responsibilities that traditionally fall to landlords, such as home repairs.[44] In such cases, the buyers are potentially increasing the homes' value, but because the buyers are not yet the homeowners, they cannot realize those gains as wealth; instead, that benefit would accrue to the sellers. By contrast, with a conventional mortgage, the buyers would generally have improved their own assets and therefore accumulated wealth through those investments. Even when buyers fulfill the alternative financing contracts, research indicates that they may still face title problems, such as unreleased liens against the property, which can obstruct their legal claim to their homes.[45] The terms and related issues of land contracts can cost families their housing and home equity and deny them opportunities to build wealth through homeownership.

Previous research has demonstrated that a lack of bank branches in low- and moderate-income neighborhoods adversely affects mortgage access,[46] but, until recently, little was known about what borrowers did instead. However, a 2019 Federal Reserve analysis helped shed light on that topic: The researchers found that low levels of mortgage lending were correlated with high levels of land contracts in Indiana, Iowa, Michigan, Minnesota, Ohio, and Wisconsin.[47] In addition, evidence from Atlanta, Birmingham, Jackson, and Jacksonville reveals that corporate sellers have issued more land contracts in neighborhoods with fewer bank branches per capita, which also tend to be low- to moderate-income areas—compared with the average in surrounding metro areas.[48]

Research further suggests that since the 1950s, real estate developers have used land contracts to sell pieces of land without basic infrastructure, such as clean water, to low-income residents in some areas of Texas along the border with Mexico.[49]

And although land contracts exist throughout the U.S., research has mainly focused on the Midwest and Southeast, where they are particularly prevalent, especially in communities of color.[50] And at least one major study has found that land contracts are disproportionately common in Black neighborhoods. Two of the largest contract sellers in the nation bought more foreclosed homes in areas with large numbers of Black residents than in predominantly White neighborhoods.[51]

Benefits of alternative home financing have received little study

Some entities that provide alternative financing argue that, despite the high costs and weak consumer safeguards, these arrangements deliver benefits, such as serving as a bridge until prospective homebuyers can obtain a mortgage. And some researchers and stakeholders have suggested that alternative financing can make it possible for people who have been excluded from mortgage lending to achieve homeownership:[52]

- In some cases, alternative financing arrangements have helped buyers overcome near-term financial barriers to a home purchase by offering a faster closing procedure, smaller down payments, and lower closing costs than mortgages from third-party financial institutions.[53]
- The nonprofit sector has tested using alternative financial arrangements to transfer the ownership of affordable homes in a reserved pool of land, such as a community land trust, to low-income families.[54]
- Several tech startups have experimented with rent-to-own models. Some startups lend families credit toward a down payment, which gives prospective homebuyers a financial boost to close on the home and reach homeownership.[55]

- Some nonprofit lenders have begun offering lease-purchase options and are advertising them as having manageable monthly payments that help prospective homeowners build equity.[56]

Ultimately, however, efforts to leverage alternative home financing and put homeownership within reach are mostly new and scattered, and researchers need more evidence to substantiate their benefits.

Policies to strengthen alternative financing safeguards mirror mortgage protections

Some legal experts, researchers, consumer advocates, and lawmakers support policies to make alternative financing function more like mortgages. One of the most discussed measures, as noted earlier, is requiring the recording of alternative financing contracts.

Various federal and state programs provide examples of the importance of recording. Several states offer a "homestead" or property tax exemption for a residence, but only the legal, recorded property owner—and not necessarily the resident—is eligible. Further, during the COVID-19 pandemic and resulting recession, homeowners who had used alternative arrangements were not explicitly covered by the loan forbearance provisions in the federal 2020 Coronavirus Aid, Relief, and Economic Security (CARES) Act, which protected millions of mortgage holders from foreclosure, or by most state relief laws or policies because their purchase contracts were not part of the public record.[57] Similar exclusions also occur after natural disasters when alternatively financed buyers are denied federal and state home repair funds because they do not the hold deed or title to their homes and so cannot demonstrate homeownership.

More recently, the U.S. Department of the Treasury in August 2021 issued guidance on the Homeowner Assistance Fund, which makes money available to eligible entities, including states, to "prevent mortgage delinquencies and defaults, foreclosures, loss of utilities or home energy services, and displacement of homeowners experiencing financial hardship after Jan. 21, 2020."[58] Treasury included as eligible any homebuyers with land contracts or loans on manufactured homes as long as the loans meet the department's guidance and the applicable state law's definition of a mortgage. Although the guidance should provide access to federal assistance for some homeowners who live in manufactured housing or bought homes using land contracts, the benefits will apply only if the relevant state, tribal, or local governments also specifically include such homeowners in their funding applications and eligibility criteria.

Other policy proposals to improve alternative financing include requiring that homes meet local habitability standards, mandating presale appraisals to assess the property value, and ensuring that sellers pay off liens before the sale.[59] In addition, some academics have suggested that states limit evictions of buyers who used land contracts and allow those financing agreements to convert to mortgages under certain conditions, such as after a predetermined number of payments are made.[60]

Advocacy groups such as NCLC have developed comprehensive policy recommendations and encouraged specific safeguards to ensure that buyers can recoup their equity, such as through a refund of payments, if a contract is breached.[61] These include disclosure of all costs and of properties' habitable conditions as well as strict penalties for noncompliance with any new recording requirements.

Yet despite the strong localized evidence of problems with alternative financing, persistent research gaps pose challenges for lawmakers seeking to enact policy solutions. For example, scant information is available on the prevalence of these arrangements or on borrower demographics, banking status, credit profiles, and general experiences and outcomes using these arrangements. Further, limited documentation of alternative arrangements and wide variation in state laws have hampered systematic evaluations of the harms that

consumers face, the costs to families, or the prevalence of contract terms that can mire borrowers in debt and legal disputes. Research that targets these information gaps could help clarify which reforms would most effectively address urgent problems.

In addition, even though many alternative home financing products have a long history, information about borrower outcomes remains limited. Despite businesses and nonprofits' renewed interest in using these models as a tool to expand access to homeownership, virtually nothing is known about the share of families that actually end up owning their homes when using these agreements. Relatedly, most of the available research compares alternative financing payments with those for mortgages but not with local rent prices. And studies have typically not focused on borrowers' experiences or preferences when exploring alternative financing options compared with those of mortgage borrowers. Lastly, most of the available research concentrates on site-built houses and excludes manufactured homes, but a recent update to national mortgage data has allowed researchers to conduct more in-depth analyses of manufactured home financing.[62]

Conclusion

The bulk of the available research demonstrates that alternative financing products are more expensive and have weaker consumer protections than mortgages. The evidence also suggests that a dearth of small mortgages may have fueled the development and growth of alternative financing.

Although the evidence clearly indicates frequent poor outcomes associated with alternative home financing and a few organizations have proposed comprehensive oversight of these arrangements, persistent research gaps related to borrowers' experiences have obscured the precise policy interventions required to improve the results. And at the same time, more research is needed to identify the circumstances, if any, under which alternative financing may provide net benefits to consumers.

External reviewers

This brief benefited from the valuable insights of Amir Befroui, managing attorney, Lone Star Legal Aid; Judith Fox, clinical professor of law, Notre Dame Law School; Dan Immergluck, professor, Georgia State University; and Eric Seymour, assistant professor, Rutgers University. Although they reviewed drafts of the brief, neither they nor their institutions necessarily endorse the findings or conclusions.

Acknowledgments

This brief was researched and written by Pew staff members Linlin Liang and Tara Roche. The project team thanks colleagues Neville Barbour, Louisa Barnes, Nick Bourke, Ryan Canavan, Erika Compart, Jennifer V. Doctors, David East, Alex Horowitz, Aesah Lew, Benny Martínez, Omar A. Martínez, Matthew McKillop, Matthew Moser, John Murphree, Tricia Olszewski, Avi Schlosburg, Rachel Siegel, Ryland Staples, Adrienne Tong, Allie Tripp, and Mark Wolff for providing important communications, creative, editorial, and research support for this work.

Endnotes

1 A. McCargo et al., "Small-Dollar Mortgages for Single-Family Residential Properties" (Urban Institute, 2018), https://www.urban.org/research/publication/small-dollar-mortgages-single-family-residential-properties; H.K. Way, "Informal Homeownership in the United States and the Law," *Saint Louis University Public Law Review* XXIX, no. 113 (2010): 113-92, https://law.utexas.edu/faculty/hway/informal-homeownership.pdf; A. Carpenter, T. George, and L. Nelson, "The American Dream or Just an Illusion? Understanding Land Contract Trends in the Midwest Pre- and Post-Crisis" (Joint Center for Housing Studies of Harvard University, 2019), https://www.jchs.harvard.edu/sites/default/files/media/imp/harvard_jchs_housing_tenure_symposium_carpenter_george_nelson.pdf.

2 Way, "Informal Homeownership in the United States"; W. Li, L. Goodman, and D. Bonsu, "The Lasting Impact of Foreclosures and Negative Public Records" (Urban Institute, 2016), https://www.urban.org/sites/default/files/publication/85356/the-lasting-impact-of-foreclosures-and-negative-public-records_0.pdf; McCargo et al., "Small-Dollar Mortgages for Single-Family Residential Properties"; E. Seymour and J. Akers, "Portfolio Solutions, Bulk Sales of Bank-Owned Properties, and the Reemergence of Racially Exploitative Land Contracts," *Cities* 89 (2019): 46-56, https://www.sciencedirect.com/science/article/pii/S0264275118308345; U.S. Department of Housing and Urban Development, "FHA Single Family Housing Policy Handbook 4000.1" (2019), https://www.hud.gov/program_offices/housing/sfh/handbook_4000-1; U.S. Department of Housing and Urban Development, "FHA Single Family Housing Policy Handbook 4000.1" (2021), https://www.hud.gov/sites/dfiles/OCHCO/documents/4000.1hsgh-072021.pdf.

3 Alternative home financing borrowers, focus group comments to The Pew Charitable Trusts, Oct. 21, 2020; N. Bourke, T. Roche, and R. Siegel, "Risky Home Financing Options Leave Millions Vulnerable," The Pew Charitable Trusts, Sept. 11, 2020, https://www.pewtrusts.org/en/research-and-analysis/articles/2020/09/11/risky-home-financing-options-leave-millions-vulnerable.

4 National Consumer Law Center, "Summary of State Land Contract Statutes" (2021), https://www.pewtrusts.org/-/media/assets/2022/02/summary-of-state-land-contract-statutes.pdf.

5 D. Williams, "Rent-to-Own Options in Housing: Move in Now, Buy Later," *The Washington Post*, March 12, 2020, https://www.washingtonpost.com/realestate/rent-to-own-options-in-housing-move-in-now-buy-later/2020/03/11/c5e15ffe-2b3d-11ea-9b60-817cc18cf173_story.html; S. Jaggia and P. Patel, "Rent-to-Own Housing Contracts Under Financial Constraints," *The Journal of Derivatives* (2015), https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2576485.

6 A.L. Schwartz Jr., "Seller-Financing of Homes: A Consumer Economic Perspective," *The Journal of Consumer Affairs* 18, no. 1 (1984): 131-46, https://www.jstor.org/stable/23859464?seq=1#metadata_info_tab_contents.

7 Consumer Financial Protection Bureau, 12 CFR Part 1026 (Regulation Z) § 1026.36, Prohibited Acts or Practices and Certain Requirements for Credit Secured by a Dwelling, https://www.consumerfinance.gov/rules-policy/regulations/1026/36/; Texas Finance Code, Chapter 180. Residential Mortgage Loan Originators, Texas Secure and Fair Enforcement for Mortgage Licensing Act of 2009 (2009), https://statutes.capitol.texas.gov/Docs/FI/htm/FI.180.htm. Pew commissioned the National Consumer Law Center (NCLC) to analyze state laws, statutes, and major legal decisions governing seller-financed mortgages. The study found that only Delaware and Texas have laws specific to these loans, that Delaware's law addresses only certain processes required before closing, and that Texas' does not impose additional conditions on small-scale sellers who are exempt from federal regulation. NCLC did not find any states with seller-financed mortgage laws specifically related to recording requirements, habitability standards, or remedies upon default.

8 National Consumer Law Center, "Summary of State Land Contract Statutes."

9 J. Russell et al., "Manufactured Housing Finance: New Insights From the Home Mortgage Disclosure Act Data" (Consumer Financial Protection Bureau, 2021), https://www.consumerfinance.gov/documents/9806/cfpb_manufactured-housing-finance-new-insights-hmda_report_2021-05.pdf.

10 Ibid., 4.

11 I'M HOME: Innovations in Manufactured Homes, "Manufactured Housing Policy Brief: Titling Homes as Real Property" (National Consumer Law Center, 2014), https://www.nclc.org/images/pdf/manufactured_housing/titling-homes2.pdf.

12 Russell et al., "Manufactured Housing Finance."

13 Ibid.

14 Ibid., 24-25. Based on the CFPB data, the median interest rate for a manufactured home financed with a personal property (chattel) loan was 8.6%, while a mortgage for one of these units was just 4.9%. For a $70,000 loan over 20 years, the monthly payment for the personal property loan would be $612, compared with $458; over the life of the loan, this equates to $36,960 more paid in interest.

15 N. Bourke and R. Siegel, "Protections for Owners of Manufactured Homes Are Uncertain, Especially During Pandemic," The Pew Charitable Trusts, Sept. 11, 2020, https://www.pewtrusts.org/en/research-and-analysis/articles/2020/09/11/protections-for-owners-of-manufactured-homes-are-uncertain-especially-during-pandemic.

16 The Pew Charitable Trusts, letter to Federal Housing Finance Agency, "Pew Suggests Ways to Improve the Manufactured Housing Market," July 16, 2021, https://www.pewtrusts.org/en/research-and-analysis/speeches-and-testimony/2021/07/16/pew-suggests-ways-to-improve-the-manufactured-housing-market.

17 Freddie Mac, Center for Community Capital, and The University of North Carolina at Chapel Hill, "The Loan Shopping Experiences of Manufactured Homeowners: Survey Report" (2020), https://sf.freddiemac.com/content/_assets/resources/pdf/report/manufactured-homeowners-survey-and-report-on-loan-shopping-experiences.pdf.

18 U.S. Department of Housing and Urban Development, "The Federal Housing Administration: Our History," accessed June 20, 2021, https://www.hud.gov/program_offices/housing/fhahistory; B. Mitchell and J. Franco, "HOLC 'Redlining' Maps: The Persistent Structure of Segregation and Economic Inequality" (National Community Reinvestment Coalition, 2018), https://ncrc.org/wp-content/uploads/dlm_uploads/2018/02/NCRC-Research-HOLC-10.pdf.

19 Mitchell and Franco, "HOLC 'Redlining' Maps." After working on the HOLC maps, thousands of appraisers rejoined the private sector at local levels and carried the methodology and thinking behind the HOLC maps with them to local markets.

20 U.S. Department of Housing and Urban Development, "The Federal Housing Administration: Our History"; Mitchell and Franco, "HOLC 'Redlining' Maps."

21 University of Richmond, "Mapping Inequality: Redlining in New Deal America," accessed June 21, 2021, https://dsl.richmond.edu/panorama/redlining/#loc=10/40.015/-75.442&city=philadelphia-pa&area=D18&text=about; Federal Housing Administration, *Underwriting Manual: Underwriting and Valuation Procedure Under Title II of the National Housing Act* (Washington: U.S. Government Printing Office, 1938), https://www.huduser.gov/portal/sites/default/files/pdf/Federal-Housing-Administration-Underwriting-Manual.pdf.

22 L.C. Winling and T.M. Michney, "The Roots of Redlining: Academic, Governmental, and Professional Networks in the Making of the New Deal Lending Regime," *The Journal of American History* 108, no. 1 (2021): 42-69, https://r.jordan.im/download/racism/Redlining.pdf.

23 J. Kimble, "Insuring Inequality: The Role of the Federal Housing Administration in the Urban Ghettoization of African Americans," *Law & Social Inquiry* 32, no. 2 (2007): 399-434, https://www.cambridge.org/core/journals/law-and-social-inquiry/article/abs/insuring-inequality-the-role-of-the-federal-housing-administration-in-the-urban-ghettoization-of-african-americans/BA9383566D7714FE48812857AEF0656B#access-block.

24 Federal Housing Administration, *Underwriting Manual*.

25 D. Aaronson, D. Hartley, and B. Mazumder, "The Effects of the 1930s HOLC 'Redlining' Maps" (working paper, Federal Reserve Bank of Chicago, 2020), 50, 64, 65, https://www.chicagofed.org/publications/working-papers/2017/wp2017-12; R. Rothstein, *The Color of Law: A Forgotten History of How Our Government Segregated America* (New York: Liveright Publishing Corp., 2017).

26 P.V. Fishback et al., "The HOLC Maps: How Race and Poverty Influenced Real Estate Professionals' Evaluation of Lending Risk in the 1930s" (working paper, National Bureau of Economic Research, Cambridge, MA, 2020), https://www.nber.org/papers/w28146.

27 Aaronson, Hartley, and Mazumder, "The Effects of the 1930s HOLC 'Redlining' Maps."

28 Rothstein, *The Color of Law*, 59-75; J.H. Choi et al., "Explaining the Black-White Homeownership Gap: A Closer Look at Disparities Across Local Markets" (Urban Institute, 2019), https://www.urban.org/sites/default/files/publication/101160/explaining_the_black-white_homeownership_gap_2.pdf.

29 Samuel DuBois Cook Center on Social Equity at Duke University, "The Plunder of Black Wealth in Chicago" (2019), https://socialequity.duke.edu/portfolio-item/the-plunder-of-black-wealth-in-chicago-new-findings-on-the-lasting-toll-of-predatory-housing-contracts/.

30 J.A. McPherson, "In My Father's House There Are Many Mansions, and I'm Going to Get Me Some of Them Too: The Story of the Contract Buyers League," *The Atlantic*, 1972, https://cdn.theatlantic.com/assets/media/pdf/2014/05/mcpherson-contract-buyers.pdf; B. Satter, *Family Properties: Race, Real Estate, and the Exploitation of Black Urban America* (New York: Macmillan, 2009), 338-90, https://books.google.com/books?hl=en&lr=&id=YxRaBAAAQBAJ&oi=fnd&pg=PP2&dq=Family+Properties+b+satter&ots=UEt2OwxdJA&sig=8I-7F7adgxV4hKz63EmI3LtdDUyw#v=onepage&q=Family%20Properties%20b%20satter&f=false; L.B. Sagalyn, "Mortgage Lending in Older Urban Neighborhoods: Lessons From Past Experience," *The Annals of the American Academy of Political and Social Science* 465 (1983): 98-108, https://www.jstor.org/stable/pdf/1044851.pdf?ab_segments=0%2Fbasic_search_gsv2%2Fcontrol&refreqid=fastly-default%3A2e9746f8d8c9bfe3eb0661f10c4b1410.

31 U.S. Department of Housing and Urban Development, "Fair Housing Rights and Obligations," accessed June 21, 2021, https://www.hud.gov/program_offices/fair_housing_equal_opp/fair_housing_rights_and_obligations.

32 G. Alexander and D. Pelletiere (interim program manager and housing adviser, D.C. Housing and Community Development), interview with The Pew Charitable Trusts, Feb. 26, 2021.

33 A. Carpenter, A. Lueders, and C. Thayer, "Informal Homeownership Issues: Tracking Contract for Deed Sales in the Southeast" (Community and Economic Development Department, Federal Reserve Bank of Atlanta, 2017), https://www.frbatlanta.org/-/media/documents/community-development/publications/discussion-papers/2017/02-informal-homeownership-issues-tracking-contract-for-deed-sales-in-the-southeast-2017-06-14.pdf; C. Custard, "Installment Land Contracts and Low-Income Homebuyers in Chicago: A Call for Legislative Reform," *DePaul Law Review* 67, no. 3 (2018): 527-56, https://core.ac.uk/download/pdf/232978485.pdf.

34 Carpenter, George, and Nelson, "The American Dream or Just an Illusion?"

35 C. Young, "These Five Facts Reveal the Current Crisis in Black Homeownership," *Urban Wire* (blog), Urban Institute, July 31, 2019, https://www.urban.org/urban-wire/these-five-facts-reveal-current-crisis-black-homeownership.

36 J. Battle Jr. et al., "Toxic Transactions: How Land Installment Contracts Once Again Threaten Communities of Color" (National Consumer Law Center, 2016), https://nclc.org/images/pdf/pr-reports/report-land-contracts.pdf; H.K. Way and L. Wood, "Contracts for Deed: Charting Risks and New Paths for Advocacy," *Journal of Affordable Housing & Community Development Law* 23, no. 1 (2014): 37-48, https://www.jstor.org/stable/26408134?seq=1.

37 S. Mancini and M. Saunders, "Land Installment Contracts: The Newest Wave of Predatory Home Lending Threatening Communities of Color" (National Consumer Law Center, 2017), https://community-wealth.org/sites/clone.community-wealth.org/files/downloads/Land%20Installment%20Contracts.pdf; Battle Jr. et al., "Toxic Transactions"; National Consumer Law Center, "Summary of State Land Contract Statutes."

38 Mancini and Saunders, "Land Installment Contracts"; P.M. Ward, H.K. Way, and L. Wood, "The Contract for Deed Prevalence Project" (University of Texas at Austin, 2012), https://www.tdhca.state.tx.us/housing-center/docs/CFD-Prevalence-Project.pdf; Carpenter, Lueders, and Thayer, "Informal Homeownership Issues"; W. Rathke and D. Butler, "A Memphis Mirage: How Home Mortgage Alternatives and Increased Equity Firm Ownership Diminish Wealth in Low-Income Communities" (The Benjamin L. Hooks Institute for Social Change, University of Memphis, 2019), https://www.memphis.edu/benhooks/programs/policypapers/policy_papers/2019policypapers.pdf.

39 Carpenter, Lueders, and Thayer, "Informal Homeownership Issues"; Carpenter, George, and Nelson, "The American Dream or Just an Illusion?"; J. Akers et al., "Liquid Tenancy: 'Post-Crisis' Economies of Displacement, Community Organizing, and New Forms of Resistance," *Radical Housing Journal* 1, no. 1 (2019): 9-28, https://radicalhousingjournal.org/2019/liquid-tenancy/; National Consumer Law Center, "Summary of State Land Contract Statutes."

40 Way, "Informal Homeownership in the United States"; D. Immergluck and P. Schaeffing, "Responsible Lease-Purchase: A Review of the Practice and Research Literature on Nonprofit Programs" (Social Science Research Network, 2010), https://papers.ssrn.com/sol3/papers.cfm?abstract_id=1691194.

41 Battle Jr. et al., "Toxic Transactions"; Samuel DuBois Cook Center on Social Equity at Duke University, "The Plunder of Black Wealth in Chicago."

42 J. Akers and E. Seymour, "Instrumental Exploitation: Predatory Property Relations at City's End," *Geoforum* 91 (2018): 127-40, https://www.sciencedirect.com/science/article/pii/S0016718518300587; G. Hebert Fajardo, "'Owner Finance! No Banks Needed!': Consumer Protection Analysis of Seller-Financed Home Sales—A Texas Case Study," *Georgetown Journal on Poverty Law & Policy* XX, no. 3 (2013): 429-48, https://commons.stmarytx.edu/cgi/viewcontent.cgi?article=1011&context=facarticles.

43 Seymour and Akers, "Portfolio Solutions"; D. Immergluck, "Old Wine in Private Equity Bottles? The Resurgence of Contract-for-Deed Home Sales in U.S. Urban Neighborhoods," *International Journal of Urban and Regional Research* 42, no. 4 (2018): 651-65, https://www.fhcci.org/wp-content/uploads/2019/10/Immergluck-2018-International_Journal_of_Urban_and_Regional_Research.pdf.

44 Mancini and Saunders, "Land Installment Contracts."

45 Way, "Informal Homeownership in the United States."

46 Carpenter, Lueders, and Thayer, "Informal Homeownership Issues"; O.E. Ergungor, "Bank Branch Presence and Access to Credit in Low-to Moderate-Income Neighborhoods," *Journal of Money, Credit, and Banking* 42, no. 7 (2010): 1321-49, https://www.jstor.org/stable/pdf/40925690.pdf?refreqid=excelsior%3A127fbdf91acc5c1b455b61ccdbbf5ca4.

47 Carpenter, George, and Nelson, "The American Dream or Just an Illusion?"

48 Carpenter, Lueders, and Thayer, "Informal Homeownership Issues."

49 Way and Wood, "Contracts for Deed."

50 Carpenter, George, and Nelson, "The American Dream or Just an Illusion?"; Way, "Informal Homeownership in the United States."

51 Seymour and Akers, "Portfolio Solutions."

52 Way, "Informal Homeownership in the United States"; C. Barron, "Recent Developments: Are Land Contracts Preying on Low-Income Buyers or Do They Offer a Different Avenue for Home Ownership?" *University of Baltimore Journal of Land and Development* 6, no. 1 (2016), https://scholarworks.law.ubalt.edu/cgi/viewcontent.cgi?article=1058&context=ubjld; S. Purcell, "The Current Predatory Nature of Land Contracts and How to Implement Reforms," *Notre Dame Law Review* 93, no. 4 (2018): 1771-92, https://scholarship.law.nd.edu/cgi/viewcontent.cgi?article=4794&context=ndlr; K.A. Kling and E. Zwiebach, "In Good Faith: Reimagining the Use of Land Contracts" (University of Michigan, 2021), https://poverty.umich.edu/files/2021/05/PovertySolutions-Land-Contracts-PolicyBrief.pdf.

53 Way, "Informal Homeownership in the United States."

54 M. Grover, "Community Land Trusts Strive for Permanent Housing Affordability," Federal Reserve Bank of Minneapolis, July 1, 2007, https://www.minneapolisfed.org/article/2007/community-land-trusts-strive-for-permanent-housing-affordability#f3.

55 Williams, "Rent-to-Own Options in Housing."

56 Immergluck and Schaeffing, "Responsible Lease-Purchase"; Williams, "Rent-to-Own Options in Housing"; Kling and Zwiebach, "In Good Faith."

57 Bourke, Roche, and Siegel, "Risky Home Financing Options Leave Millions Vulnerable."

58 U.S. Department of the Treasury, "Homeowner Assistance Fund Guidance," Aug. 2, 2021, https://home.treasury.gov/system/files/136/HAF-Guidance.pdf.

59 National Consumer Law Center, "Policy Recommendations for a Strong State Law on Land Contracts" (2017), https://www.nclc.org/images/pdf/foreclosure_mortgage/predatory_mortgage_lending/ib-land-contracts-policy-recs.pdf.

60 Akers and Seymour, "Instrumental Exploitation"; P.M. Ward, "Land and Housing Production in the Colonias of Texas and Mexico," in *Colonias and Public Policy in Texas and Mexico: Urbanization by Stealth* (Austin, Texas: University of Texas Press, 1999).

61 Battle Jr. et al., "Toxic Transactions"; Mancini and Saunders, "Land Installment Contracts."

62 Russell et al., "Manufactured Housing Finance."

For further information, please visit:
pewtrusts.org/home-financing

Contact: Omar A. Martínez, communications officer
Email: omartinez@pewtrusts.org
Project website: pewtrusts.org/home-financing

The Pew Charitable Trusts is driven by the power of knowledge to solve today's most challenging problems. Pew applies a rigorous, analytical approach to improve public policy, inform the public, and invigorate civic life.