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Ms. Marcea Barringer

Federal Housing Finance Agency

400 7th Street, S.W.

Washington, D.C. 20219

Re: Duty to Serve 2025-2027 RFI

To Whom it May Concern,

Thank you for the opportunity to comment on Fannie Mae and Freddie Mac's (the Enterprises') proposed 2025-2027 Duty to Serve Plans—with a specific focus on manufactured housing.

We write on behalf of The Pew Charitable Trusts, a global, non-governmental research and public policy organization dedicated to serving the public. The Pew Charitable Trusts' housing policy initiative studies ways that policymakers can increase housing availability and access to safe and affordable home financing. Specifically, Pew examines opportunities to improve access to small mortgages (those under $150,000), expand financing options for manufactured home buyers, and strengthen consumer protections on alternative home financing arrangements.[1]

Today, housing supply in the United States is at historically low levels and housing costs and housing cost burden are near all-time highs. In 2023, the country had just 1.1 million homes for sale, which was down 35% compared to 2019 when 1.7 million homes were available. High housing costs are a function of the housing shortage that is estimated at four to seven million units.[2] Years of underbuilding compounded by the rise of interest rates in recent years has led to historic lows for home sales, which have dropped to a nearly 30-year low, putting homeownership out of reach for many Americans. Renting offers little reprieve, as roughly half of the nation's renters were cost-burdened in 2022.[3]

Part of the solution involves expanding the availability and use of manufactured housing. As the largest source of unsubsidized affordable housing in the country, manufactured homes provide low-cost, high-

[1] The Pew Charitable Trusts, "Project: Housing Policy Initiative," https://www.pewtrusts.org/en/projects/housing-policy-initiative.
[2] A. Horowitz and T. Kansal. "Survey Finds Large Majorities Favor Policies to Enable More Housing." The Pew Charitable Trusts, 2023; Up For Growth, "2023 Housing Underproduction in the U.S." (2023), https://upforgrowth.org/apply-the-vision/2023-housing-underproduction/.
[3] Joint Center for Housing Studies of Harvard University, "The State of the Nation's Housing 2023" (2024), 14, https://www.jchs.harvard.edu/sites/default/files/reports/files/Harvard_JCHS_The_State_of_the_Nations_Housing_2023.pdf.

quality homeownership opportunities for low- and moderate-income Americans.[4] However, many buyers struggle to obtain financing for manufactured homes, which limits the potential of this housing. For example, between 2018-2021, lenders denied about 40% of completed mortgage applications and 64% of completed personal property (also known as “home only” or “chattel”) loan applications.[5] Research shows that manufactured home mortgage and personal property loan applicants are held to higher credit standards and many who are denied could meet criteria set by federal programs.[6] Yet, in the absence of access to mortgages or personal property loans, many manufactured home buyers turn to riskier rent-to-own or land contract arrangements.[7]

The Enterprises, through their Duty to Serve Plans, have done a commendable job of working to expand access to manufactured home loans. However, more can be done to ensure that financing for these homes remains accessible to qualified borrowers. For example, in their plans, neither of the Enterprises commits to purchasing safe and affordable personal property loans even though these loans make up more than 40% of lending for manufactured homes.[8] In addition, the Enterprises could research the efficacy of tenant site-lease protections for buyers living in manufactured home communities and consider developing new loan products for credit-ready homebuyers. In terms of manufactured home mortgages, the proposed purchase targets are too low and do not reflect rising demand for low-cost homes. As a result, the Enterprises would not purchase a comparable market share of manufactured home mortgages as they do for other single-family home loans. In addition, there is an opportunity to help personal property loan borrowers who could be eligible for mortgages to refinance into one of the Enterprises’ products. Lastly, the Enterprises currently have beneficial mortgage products and appraisal guidelines for double-section or larger homes that meet certain standards of quality and efficiency. These guidelines could be expanded to single-section homes that meet the same criteria to help improve access to lower-cost, high-quality housing supply for homebuyers.

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[4] C. Reed, “Comparing the Costs of Manufactured and Site-Built Housing” (Joint Center for Housing Studies of Harvard University, 2023), https://www.jchs.harvard.edu/blog/comparing-costs-manufactured-and-site-built-housing; The White House, “Fact Sheet: Biden-Harris Administration Announces New Actions to Boost Housing Supply and Lower Housing Costs” (2024), https://www.whitehouse.gov/briefing-room/statements-releases/2024/02/29/fact-sheet-biden-harris-administration-announces-new-actions-to-boost-housing-supply-and-lower-housing-costs/#:~:text=More%20than%2020%20million%20Americans,savings%20over%20site%2Dbuilt%20housing.

[5] L. Liang, R. Siegel, and A. Staveski, “Data Shows Lack of Manufactured Home Financing Shuts out Many Prospective Buyers” (The Pew Charitable Trusts,, 2022), https://www.pewtrusts.org/en/research-and-analysis/articles/2022/12/07/data-shows-lack-of-manufactured-home-financing-shuts-out-many-prospective-buyers.

[6] Consumer Financial Protection Bureau, “Manufactured Housing Finance: New Insights from the Home Mortgage Disclosure Act Data” (2021), https://files.consumerfinance.gov/f/documents/cfpb_manufactured-housing-finance-new-insights-hmda_report_2021-05.pdf; A. Staveski and R. Siegel, “FHA Loan Programs Do Not Reach Black Buyers of Manufactured Homes” (The Pew Charitable Trusts, 2024), https://www.pewtrusts.org/en/research-and-analysis/issue-briefs/2024/02/fha-loan-programs-do-not-reach-black-buyers-of-manufactured-homes.

[7] The Pew Charitable Trusts, “What Has Research Shown About Alternative Home Financing in the U.S.?” (2022), https://www.pewtrusts.org/en/research-and-analysis/issue-briefs/2022/04/what-has-research-shown-about-alternative-home-financing-in-the-us.

[8] Consumer Financial Protection Bureau, “Manufactured Housing Finance,” 44.

The following pages include Pew's response to several questions posed by the Federal Housing Finance Agency's (FHFA) request for information. Pew looks forward to engaging the FHFA, the Enterprises, lenders, advocates, and other stakeholders on both manufactured housing and small mortgages in the coming months and years. Thank you again for the opportunity to comment and for your efforts to improve access to manufactured home financing for millions of Americans.

Sincerely,

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Under the Duty to Serve statute, the Enterprises are required to expand liquidity in three underserved markets: manufactured housing, rural housing, and affordable housing. As part of the Duty to Serve Plans for the manufactured housing market, stakeholders have resoundingly called for the Enterprises to establish a secondary market for personal property loans—a persistent obstacle impeding the progress of manufactured housing in fulfilling the demand for lower-cost homes.[9] If lenders cannot sell these loans into the secondary market, they are generally obliged to retain them on their portfolios, which limits some from meeting the demand for loans and prevents others from providing such financing altogether. As a result, the market is largely uncompetitive with the just a handful of lenders originating most of these loans.

Pew's comments focus on manufactured homes and questions 1, 2, 5, 6, and 9 below, with an emphasis on creating a personal property loan program; increasing targets for loan purchases; expanding real estate mortgages for homebuyers and refinancing opportunities for homeowners previously excluded; expanding MH Advantage to single-section and to manufactured homes as infill housing; and considering updates to tenant site-lease protections to promote homeowner stability and improved access to safe and affordable financing.

1. Do the proposed 2025-2027 activities and objectives address the most relevant obstacles to liquidity in the applicable underserved market?
2. Are the proposed objectives likely to increase liquidity in the applicable underserved market?
5. Are there other activities and objectives the Enterprises should consider adding to their Plans for the manufactured housing and affordable housing preservation markets to address access to liquidity and other housing finance needs in those markets?
6. Should the Enterprises adjust the methodology used to set loan purchase baselines for 2025-2027, given current market conditions including elevated interest rates?
9. What additional information might be helpful in evaluating the proposed activities and objectives?

The Enterprises should establish a personal property loan pilot program

A crucial gap remains in the latest Duty to Serve Plans: the absence of a program to purchase personal property loans, also known as "home-only" or "chattel" loans. Industry, non-profits, advocates, and researchers agree on the need for a program and FHFA and the Enterprises should take action to remedy this omission as part of their 2025-2027 Duty to Serve Plans.[10]

The lack of government purchases, insurance, or guarantees for personal property loans creates high barriers to entry for lenders, and many forgo offering these loans altogether. For example, from 2018 to

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[9] The Federal Housing Finance Agency, "2024 Duty to Serve Public Listening Session: Manufactured Housing Market," The Federal Housing Finance Agency, accessed August 12, 2024, https://www.fhfa.gov/news/videos/2024-duty-to-serve-listening-session-manufactured-housing; Federal Housing Finance Agency, "2024 Duty to Serve Public Listening Sessions: Manufactured Housing Market," accessed Aug. 7, 2024, https://www.fhfa.gov/news/videos/2024-duty-to-serve-listening-session-manufactured-housing.
[10] Examples include Manufactured Housing Institute, Cascade Financial, New Hampshire Community Loan Fund, Next Step Network, National Manufactured Home Owners Association, and ROC USA Federal Housing Finance Agency, "2024 Duty to Serve Public Listening Sessions: Manufactured Housing Market."

2022, just five lenders issued 78% of personal property loans nationwide.[11] In contrast, the mortgage market has strong competition with thousands of lenders: 69% of manufactured home and 64% of site-built mortgages received government backing from 2018-2022.[12] With so few lenders, even credit-ready manufactured home buyers struggle to find personal property loans.[13] And, when financing is available, the lack of lender competition means that buyers may not obtain loans with the best interest rates or terms.

Personal property loans are important for borrowers not only in manufactured-home communities, but also on tribal and private land. In fact, only half of personal property loan borrowers live in designated manufactured-home communities; a quarter are on family or tribal land, nearly a quarter are on their own land, and 1-2% are in resident-owned communities.[14] While mortgages are the gold standard for home financing, for buyers with these land scenarios, state titling laws rarely allow for mortgage financing. As a result, in 2023, 76% of new manufactured homes sold and placed nationwide were titled as personal property, a categorization which makes homes ineligible for mortgage financing.[15] Unfortunately, the lack of a personal property loan program through the Duty to Serve Plans further excludes them.

Manufactured home buyers seeking personal property loans often have their loan applications denied within this uncompetitive market. Pew's research shows that denial rates for completed applications (in which the lender made a credit decision) are nearly eight times higher for manufactured home mortgages (54%) and are more than nine times higher for personal property loans (64%) than for site-built home mortgages (7%).[16] According to the Consumer Financial Protection Bureau, manufactured home buyers with excellent credit ratings (720 or higher) still face a greater chance of personal property loan denial than those buying site-built homes with poor credit scores (below 620).[17] The high denial rates for manufactured home loans indicate that the demand for manufactured housing considerably exceeds the financing options available and that manufactured housing is not reaching its potential. When buyers are unable to obtain a personal property loan, some turn to riskier, costlier alternative financing arrangements—such as land contracts or lease-purchase agreements. Others strain their household budgets to purchase their homes in cash or forgo purchasing a home entirely. These buyers would benefit from a standardized, liquid personal property loan market with stronger consumer protections than exists today.

Further, failure to serve this part of the market disproportionately impacts Black, Hispanic, and Indigenous manufactured home buyers who are more likely to apply for personal property loans than

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[11] R. Siegel, "Federal Agencies Can Improve Access to Credit for Manufactured Home Buyers; FHA, Ginnie Mae, and Freddie Mac Are Well Positioned to Expand Loan Programs for Certain Borrowers," The Pew Charitable Trusts, https://www.pewtrusts.org/en/research-and-analysis/articles/2023/10/10/federal-agencies-can-improve-access-to-credit-for-manufactured-home-buyers.

[12] Ibid.

Government backing refers to loans purchased by the Enterprises and loans insured or guaranteed by the Federal Housing Administration, U.S. Department of Veterans Affairs, or U.S. Department of Agriculture.

[13] Consumer Financial Protection Bureau, "Manufactured Housing Finance."

[14] Siegel, "Federal Agencies Can Improve Access to Credit for Manufactured Home Buyers; FHA, Ginnie Mae, and Freddie Mac Are Well Positioned to Expand Loan Programs for Certain Borrowers."

[15] United States Census Bureau, "Annual Tables of New Manufactured Homes: 2014 - 2023," accessed August 2, 2024, https://www.census.gov/programs-surveys/mhs/data/annual-data.html.

[16] Liang, Siegel, and Staveski, "Data Shows Lack of Manufactured Home Financing Shuts out Many."

[17] Consumer Financial Protection Bureau, "Manufactured Housing Finance," 16, 17.

their White counterparts.[18] For Black buyers, in particular, this is true even when they own the land. These applicants are also more likely to be denied than White buyers.[19]

The Enterprises could bolster personal property lending in two ways:

1. Develop programs to improve lender and secondary market participation.
2. Establish standards for personal property loans to enhance consumer protections, such as required loss mitigation strategies, helping homebuyers not only access credit but also remain stably housed through financial shocks.

An Enterprise pilot program could help solve many of the challenges in the personal property loan market while providing regulators, lenders, the secondary market, and other stakeholders with important performance data. Lenders would immediately benefit from the ability to sell their personal property loans to the secondary market, gaining needed liquidity and improving their ability to make more loans. Credit-ready borrowers could benefit from lower denial rates, improved consumer protections, and more lender options. And the Enterprises would benefit from delivering on their mission to provide liquidity to the manufactured housing market.

In the past, federal policymakers have raised two concerns that could be addressed with a pilot. First, there is an open question about whether or not a personal property loan program from an Enterprise would result in lower interest rates. By enabling increased competition and more accurate risk assessment, Pew expects that the Enterprises could create personal property loan programs which could greatly improve access to safe and affordable financing for homebuyers and that the loans are likely to become less costly over time as data are collected. A pilot program could begin to evaluate this assumption.

Second, there is a question about loan performance. While the Enterprises know that manufactured home mortgages have performed similarly to site-built home mortgages over the last decade[20] some regulators have expressed uncertainty about the risk profile of personal property loans. The latest research analyzing the performance of FHA loan programs shows no significant differences in default risk between personal property loan borrowers who own their land and mortgage borrowers.[21] Based on this, it is reasonable to expect personal property loan borrowers who own their land to demonstrate similarly strong loan performance going forward. These low risks may also be true for borrowers who live rent-free on family or tribal land.[22] Thus, they may be ripe for inclusion in a personal property loan program in states where titling laws do not allow for mortgage products.[23] These questions about loan performance are well suited for testing. Existing evidence points strongly in favor of beginning a pilot

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[18] S. Riley, A. Freeman, and J. Dorrance, "Lenders Deny More Than Half of Loan Applications for the Purchase of Manufactured Homes" (The University of North Carolina at Chapel Hill, 2021), https://www.pewtrusts.org/en/research-and-analysis/white-papers/2022/02/lenders-deny-more-than-half-of-loan-applications-for-the-purchase-of-manufactured-homes.
[19] Staveski and Siegel, "FHA Loan Programs Do Not Reach Black Buyers of Manufactured Homes."
[20] Ibid.
[21] K.A. Park, "Real and Personal: The Effect of Land in Manufactured Housing Loan Default Risk" (U.S. Department of Housing and Urban Development, 2021), 357, https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4003575.
[22] Staveski and Siegel, "FHA Loan Programs Do Not Reach Black Buyers of Manufactured Homes."
[23] Freddie Mac, "Heritageone Mortgage," accessed August 5, 2024, https://sf.freddiemac.com/working-with-us/origination-underwriting/mortgage-products/heritageonesm-mortgage; Fannie Mae, "Underserved 2025-2027 Duty to Serve" (2024), 45, https://www.fhfa.gov/sites/default/files/2024-06/Attachment-A-Fannie-Mae-Proposed-2025-2027-DTS-Plan.pdf.

program to gather data and explore them further because any "safety and soundness" risks are manageable, and the potential benefits are considerable.

Finally, to further mitigate risk, some experts have suggested that the Enterprises use their credit risk transfer capabilities.[24] The Enterprises regularly package and sell credit risk securities to private investors in the site-built mortgage market and FHFA notes this is a "core part of the…single-family guarantee business."[25] FHFA and the Enterprises should evaluate whether credit risk transfer products could allow them to further reduce the risks of a pilot program while also enabling them to collect data on the performance of personal property loans in order to more fully study and understand the market as it grows.[26]

Better Tenant Site Lease Protections with potential for personal property loans

Tenants encounter challenges accessing personal property loan credit as do their counterparts on privately-owned land, though the barriers and opportunities are distinct. Freddie Mac aptly noted that these homeowners "face unique challenges that stem from a bifurcated ownership structure where residents typically own their manufactured home but rent the pad on which it sits."[27]

Today, few lenders provide financing options to residents of manufactured home communities. Lenders often hesitate to offer financing due to concerns about unforeseen increases in lot rents, which can result in delinquencies on manufactured home payments or even evictions from the community. In such a case, homeowners remain financially obligated to repay the loan on the home but are unable to continue residing in that community, creating a complex situation with risky and misaligned incentives between lenders, landowners, and homeowners.

However, through the Duty to Serve Plans, some communities have adopted the Enterprises' Tenant Site-Lease Protections (TSLP); these have been a requirement of any manufactured home community loan purchased by the Enterprises since 2021.[28] Though this approach bolsters consumer protections for homeowners and residents in these communities, neither of the Enterprises nor FHFA are willing to purchase personal property loans made to homeowners in these communities. However, there is an important opportunity to study these protections, consider updates to mitigate risks for homeowners and lenders, and ultimately create a safe and affordable personal property loan pilot in communities with robust TSLP.

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[24] D. Brickman, "Credit Risk Transfers as a Catalyst for Affordable Housing Initiatives" (Urban Institute, 2022), https://www.urban.org/sites/default/files/2022-04/Credit%20Risk%20Transfers%20as%20a%20Catalyst%20for%20Affordable%20Housing%20Initiatives.pdf; Federal Housing Finance Agency, "2024 Duty to Serve Public Listening Sessions: Manufactured Housing Market."

[25] Federal Housing Finance Agency, "Credit Risk Transfer," https://www.fhfa.gov/policy/credit-risk-transfer#:~:text=The%20credit%20risk%20transfer%20%28CRT%29%20programs%20at%20Fannie,the%20Enterprises%20through%20their%20normal%20courses%20of%20business.

[26] Brickman, "Credit Risk Transfers as a Catalyst for Affordable Housing Initiatives."

[27] Freddie Mac, "Freddie Mac Duty to Serve Underserved Markets Plan for 2025-2027" (2024), 21, https://www.fhfa.gov/sites/default/files/2024-06/Attachment-B-Freddie-Mac-Proposed-2025-2027-DTS-Plan_0.pdf.

[28] Fannie Mae, "Tenant Site Lease Protections," accessed Aug. 1, 2022, https://multifamily.fanniemae.com/financing-options/specialty-financing/manufactured-housing/tenant-site-lease-protections-pricing-initiative; Freddie Mac, "Freddie Mac Multifamily Requires Tenant Protections on All Future Manufactured Home Community Transactions," news release, September 13, 2021, https://freddiemac.gcs-web.com/news-releases/news-release-details/freddie-mac-multifamily-requires-tenant-protections-all-future.

Right now, it is not clear if these protections would prevent large, unexpected changes to lot rents or evictions due to land-use changes (which could destabilize homeowners and their ability to repay personal property loans). To address challenges with rising land costs, Freddie Mac has proposed creating a new loan product in its 2025-2027 plan with better terms for financing for community borrowers who agree to maintain the affordability of a percentage of units. Whether through existing protections or through an additional product offering, sufficiently robust homeowner protections could provide personal property lenders and the secondary market with the assurance that residents are safeguarded against destabilizing changes to their payments or access to land. This, in turn, would make these residents a lower credit risk compared to those in communities lacking such protections.

Any community can adopt TSLP for its residents, and while some have, neither of the Enterprises have provided information on how adherence to TSLP is monitored or enforced when it is a requirement of their community financing. In addition, there is no available analysis that compares the benefits and risks between communities that have adopted the protections versus those without them, or any comparison of these communities to the experiences of homeowners living on their own land. This information would be useful given that borrowers on their own land are low risks for lenders similar to site-built mortgage borrowers. Conducting research on the impacts of TSLP and sharing the findings publicly could inform residents, researchers, and legal aid professionals about who is covered and what the data show about evictions and rent increases. In addition, though current TSLP do not require standard, long-term leases with predictable rent increases, these components could also be studied using existing resident-owned communities.

Measuring housing stability and financial predictability could help the Enterprises determine if their TSLP are sufficient, show the value of these protections for other policymakers, and provide lenders and secondary market participants with accurate data about the risks and benefits of TSLP in communities. Further, such research could be used to identify best practices in consumer protections and bolster TSLP so that the Enterprises and FHFA are comfortable with purchasing personal property loans made to borrowers in communities.

The Enterprises should find opportunities to reduce barriers to small mortgage lending

Freddie Mac has noted concern regarding barriers for small mortgages, specifically those under $150,000. Pew's research has shown that lenders struggle to make these mortgages and, as a result, borrowers often cannot obtain them.[29] One of the major drivers of the decrease in small mortgages is the high fixed costs to originate mortgages. As a result, smaller mortgages have less revenue and are harder for lenders to pencil.

Attention to reducing barriers for small mortgages will be especially important for the new mortgage pilots, which the Enterprises have launched, that finance only the purchase of the home and not the land as these loan amounts tend to be smaller. Examples of this include homes purchased by borrowers who live in resident-owned communities or on tribal land which started in the 2022-2024 cycle for the Duty to Serve Plans.[30] Pew suggests that Fannie Mae explicitly consider opportunities to expand access to small mortgages for manufactured homes in their work under the Duty to Serve Plans.

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[29] The Pew Charitable Trusts, "Small Mortgages Are Too Hard to Get" (2023), https://www.pewtrusts.org/en/research-and-analysis/issue-briefs/2023/06/small-mortgages-are-too-hard-to-get.
[30] Freddie Mac, "Heritageone Mortgage."; Fannie Mae, "Underserved 2025-2027 Duty to Serve."

Pew's research shows that from 2018-2022, independent mortgage companies originated most small mortgages (53%). However, small mortgages make up a relatively larger share of business at credit unions and small banks. This is due in part to where lenders are operating: From 2018 to 2022, independent mortgage companies originated the majority of all mortgages in urban areas (63%) and in rural areas (52%), but credit unions and community banks did comparatively more lending in rural communities as a share of their portfolios: These lenders accounted for 35% of all mortgages made in rural areas but just 22% in urban areas.[31]

To improve access to financing for manufactured home buyers on owned land, the Enterprises should closely examine the challenges lenders face originating small mortgages. Pew's research highlights that high fixed costs are a significant barrier, as they disproportionately affect the profitability of these loans. To address this issue, the Enterprises should actively engage with lenders to better understand these difficulties and identify strategies to reduce costs and overcome other barriers that limit the availability of small mortgages.

Pew's research also shows that the impact of fixed costs varies by lender type, each of whom faces unique challenges. For example, credit unions and small banks may find it particularly difficult to sell their mortgages for the Duty to Serve Plans. Therefore, focusing on small and rural lenders, including measures to help them meet requirements and retain their status as approved sellers or servicers, could be pivotal. This is especially important since manufactured housing is more common in non-metropolitan areas, where the majority of manufactured homeowners also own the land beneath their homes.[32]

The Enterprises should increase manufactured home mortgage purchase targets

For home purchase mortgages, Fannie Mae established goals based on the last year of performance and Freddie Mac used the average of the last three years of performance. However, in an underperforming segment of the market it is problematic to base goals on a minimal baseline. Instead, the aim should be for the Enterprises to serve at least the same share as they do in the rest of the of single-family market. Right now, market share for both Enterprises lags this benchmark so Pew suggests that they each reach 100% of that goal by 2027. (See Table 1).

Fannie Mae's proposed baseline calculation for 2025-2027 Duty to Serve Plans relies solely on the low 2023 number from the assessment of the interest rate environment, instead of the average of 2021-2023 (as Freddie Mac has done in their plan). However, given that manufactured homes are relatively more affordable than site-built homes and that demand for lower-cost homes for purchase remains high even in a high-interest rate environment, Fannie Mae should also calculate baseline off the 2021-2023 average.

To set a more appropriate target, Pew estimates the Enterprises' secondary market participation in the purchased manufactured home mortgage market via The Home Mortgage Disclosure Act (HMDA) data, using home purchase mortgages for borrowers with incomes below 100% of area median income (AMI) as a proxy for mortgages under the Duty to Serve Plans (see Table 1 below). To calculate the Enterprises'

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[31] A. Staveski and T. Maguze, "Independent Mortgage Companies Are Critical to Small Mortgage Access; Nonbank Lenders Dominate Home Lending, but Banks and Credit Unions Still Play an Important Role" (The Pew Charitable Trusts, 2024), https://www.pewtrusts.org/en/research-and-analysis/articles/2024/03/27/independent-mortgage-companies-are-critical-to-small-mortgage-access.
[32] Ibid.; Housing Assistance Council, "Rural Housing; Rural People and Their Homes" (https://takingstockrural.org/taking-stock/rural-housing/.

market shares, Pew divides each of their participation by the total number of manufactured home mortgages in HMDA (for home purchase borrowers with incomes below 100% AMI). The Enterprises' average market shares from 2021 to 2023 was 12% (Fannie Mae) and 10% (Freddie Mac). Using the same method, the Enterprises' site-built market shares were 19% (Fannie Mae) and 16% (Freddie Mac). Pew's proposed targets suggest that the Enterprises should achieve their 2021-2023 site-built market share in manufactured homes by 2027. This suggests targets of 8,612 (Fannie Mae) and 7,108 (Freddie Mac) relative to the annual market-wide 45,566 total manufactured home mortgages for home purchase for incomes below 100% AMI averaged between 2021-2023. This is a cautious and attainable approach given that the manufactured home mortgage market should be larger by 2027.

The goal of Duty to Serve is to find ways to remedy the underperformance of the Enterprises for manufactured home borrowers and this approach will help ensure that their participation in the market is comparable to that for other single-family homes. To accomplish the goal of reaching the same or higher single-family market share by 2027 Fannie Mae should aim to increase their market share by 2-3% per year and Freddie Mac will need a more modest 1-2% increase in market share per year.

Table 1
Align Enterprise Manufactured Home Mortgage Market Share with Single-Family Market Share

Pew's Target Calculations for Fannie Mae and Freddie Mac Manufactured Home Mortgage Purchases

	Fannie Mae	Freddie Mac
Annual manufactured home mortgage originations	45,566	
Enterprises' shares of manufactured home mortgage market	12.1%	9.7%
The Duty to Serve Plans: proposed 2027 purchase targets	7,400	6,800
The Duty to Serve Plans: proposed 2027 market shares	16.2%	14.9%
Enterprises' shares of single-family mortgage market	18.9%	15.6%
Pew's proposed 2027 purchase targets	**8,601**	**7,114**

Sources: Pew's analysis of Home Mortgage Disclosure Act data (2021-2023); Fannie Mae and Freddie Mac's proposed Underserved Market Plans for 2025-2027.

Notes: All calculations are based on annual averages from 2021-2023 for home purchase mortgages made to borrowers earning below 100% of area median income (AMI). Pew's proposed 2027 purchase target is calculated by multiplying the annual average manufactured home mortgage originations from 2021-2023 by the Enterprises' actual single-family mortgage market shares from the same years.

The Enterprises should establish refinancing goals for personal property loan borrowers

To further improve outcomes for manufactured home buyers, the Enterprises should add a goal to their Duty to Serve Plans related to the refinancing of personal property loans into real estate mortgages. About one-quarter of all personal property loan borrowers own the land beneath their home and are therefore eligible to obtain a mortgage. And yet, less than 4% of all personal property loans borrowers ever refinance.[33] A concerted effort by the Enterprises could help more personal property loan borrowers obtain lower-cost mortgages at a time when housing costs remain high.

Many homebuyers have been shut out of access to mortgages for manufactured homes in the past, and therefore able to access personal property loans only, but new programs created through the Duty to Serve Plans by the Enterprises could better serve these homeowners (such as Freddie Mac's Heritage One and Fannie Mae's resident-owned community home loan pilot).[34] Since most personal property loans have terms of 20 years or longer, this also means that at least tens of thousands of loans likely predate the lower interest environment of 2020 and 2021. Seasoned personal property loan borrowers could benefit by converting their home and land to real estate and refinancing into a mortgage—even at current 2024 interest rates—with 30-year terms and stronger consumer protections.

To facilitate personal-property-loan-to-mortgage refinancing, the Enterprises should study state titling laws and publish a report highlighting which states have laws that impede retitling homes from personal property to real property. This research could help policymakers understand what laws need to be modernized and how to make appropriate corrections. Lastly, the Enterprises should also consider creating educational information for mortgage lenders to help them understand how to convert a manufactured home from personal property to real estate. This could encourage lenders who do not currently offer manufactured home loans to enter the market.

Expand MH Advantage and CHOICEHome mortgages to single-section manufactured homes

To help fill the housing supply shortage and make manufactured housing available to a wider range of homebuyers, the Enterprises should consider expanding their MH Advantage and CHOICEHome programs. MH Advantage and CHOICEHome are mortgage products offered by Fannie Mae and Freddie Mac, respectively, that provide more favorable appraisal underwriting terms for manufactured homes that meet certain energy efficiency or construction standards. These financing options offer better terms on par with mortgages for site-built homes, such as higher loan-to-value ratios, reduced mortgage insurance coverage requirements, improved appraisal processes, and lower pricing.[35] Together, these product innovations are helping to expand the use of double- and multi-section manufactured homes nationwide and are enabling more borrowers to qualify for manufactured home loans.[36]

However, the availability of the MH Advantage and CHOICEHome loan products is too limited. The Enterprises currently restrict these products to multi-section manufactured homes, meaning single-

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[33] Consumer Financial Protection Bureau, "Manufactured Housing Finance," 4.
[34] Freddie Mac, "Heritageone Mortgage."; Fannie Mae, "About Us: Pilot Transparency," accessed August 5, 2024, https://www.fanniemae.com/about-us/what-we-do/pilot-transparency.
[35] Fannie Mae, "B2-3-02 Special Property Eligibility and Underwriting Considerations: Factory-Built Housing; Mh Advantage Property Eligibility Requirements," accessed 2024, https://selling-guide.fanniemae.com/sel/b2-3-02/special-property-eligibility-and-underwriting-considerations-factory-built-housing#P1466. Freddie Mac, "Choicehome Mortgage," accessed 2024, https://sf.freddiemac.com/working-with-us/origination-underwriting/mortgage-products/choicehome-mortgages; Freddie Mac, "Finding the Right Freddie Mac Mortgage Product for You," accessed 2024, https://myhome.freddiemac.com/blog/homebuying/finding-right-freddie-mac-mortgage-product-you#:~:text=Freddie%20Mac%20CHOICEHome%C2%AE%20Mortgage,pitched%20roof%20and%20energy%20efficiencies.
[36] D. Hammond, "Kilpatrick Woods Neighborhood to Bring 238 Single-Family Homes to Hagerstown, Md; Leading Housing Advocates and Public Officials Gathered to Recognize the Impact of Kilpatrick Woods on Affordable Housing," *Next Step Network*, https://nextstepus.org/kilpatrick-woods-unveiled/.

section homes—which most often appeal to low- and moderate-income homebuyers seeking a smaller, more affordable manufactured home—do not qualify. To improve credit access to these homebuyers, the Enterprises should expand the MH Advantage and CHOICEHome programs to include smaller, but similarly high-quality, single-section homes.

Improving access to single-wide manufactured homes would also expand the capacity for manufactured homes to be used for infill development in urban and suburban areas. Although manufactured homes are most commonly associated with rural areas, the Harvard Joint Center for Housing Studies estimates that millions of renters live in metropolitan areas where land prices are low enough to support manufactured home ownership and development.[37] In these areas, single-wide homes are often a better option because they have narrower lot sizes and often cannot accommodate double-wide or multi-section manufactured homes.

Single-section manufactured homes are often similar in quality to double-section and multi-section manufactured homes and should be eligible for the Enterprises' manufactured home loan products. Expanding the use of these loan products would help more homebuyers in more parts of the country qualify for manufactured home loans.

Thank you again to FHFA for the opportunity to comment on Fannie Mae and Freddie Mac's proposed 2025-2027 Duty to Serve Plans. Pew looks forward to engaging on manufactured housing issues for the current Plan cycle with FHFA, the Enterprises, academics, housing advocates, and other stakeholders, and finding opportunities to better serve families in search of high-quality, affordable homes.

[37] C. Herbert and C. Reed, "Overcoming Barriers to Manufactured Housing: Promising Approaches from Five Case Studies" (Joint Center For Housing Studies of Harvard University,, 2024), 37, https://www.jchs.harvard.edu/research-areas/working-papers/overcoming-barriers-manufactured-housing-promising-approaches-five.