



October 30, 2023

Rural Housing Service
Rural Development
United States Department of Agriculture
1400 Independence Avenue SW
Washington, DC. 20250

**Comment Letter: Updating Manufactured Housing Provisions
7 CFR Parts 3550 and 3555
[Docket No. RHS-23-SFH-0007]**

The Manufactured Housing Institute (MHI), Mortgage Bankers Association (MBA), and Community Home Lenders of America (CHLA) are pleased to submit these joint comments in response to this Proposed Rule, which would give borrowers increased mortgage loan options under the Rural Housing Service (RHS) Section 502 Direct and the SFH Guaranteed Loan Program to finance the purchase of manufactured homes.

Manufactured housing is the nation's most affordable homeownership option. In 2022, the price for an average manufactured home was \$127,250, while the average price of site-built homes was around \$413,000. And, the average income of a manufactured home buyer was about \$35,000, while the average income of a site-built home buyer was over \$100,000.

Manufactured housing plays a particularly key role in providing attainable housing throughout rural America. According to a 2020 report from Fannie Mae, manufactured housing represents 6.3% of the nation's total housing stock. However, in rural areas manufactured housing represents about 14% of stock. MHI's own research found that five of the top ten states that lead in manufactured housing shipments have at least a 33% rural population; at least a quarter of the population lives in rural areas in eight of the top ten states. As such, manufactured housing is integral to the housing infrastructure of rural communities.

RHS provides critically important mortgage loan programs that help qualified low- and moderate-income homebuyers in rural areas purchase homes, with zero money down. The predominant RHS loan program is the Guaranteed Loan Program (GLP). This program guaranteed 71,832 loans in Fiscal Year 2022 and 37,756 loans in the just-ended Fiscal Year 2023. Unfortunately, the RHS GLP guaranteed only 146 manufactured homes in 2022 and 177 manufactured homes in 2023. Manufactured home loans constituted only a miniscule portion of RHS guaranteed loans – 0.2% of RHS guaranteed loans in 2022 and 0.5% of RHS guaranteed loans in 2023 – even though manufactured homes consistently make up around 10% of new single family home starts.

MHI, MBA, and CHLA are interested in working with RHS to explore the causes and solutions for RHS manufactured home loans so significantly trailing the ratio of manufactured home loans in the single-family home markets.

Undoubtedly one of the factors for this discrepancy is the fact that approximately 70% of manufactured homes are financed as personal property (also sometimes referred to as chattel) – where the underlying loan collateral does not include the land on which the property is located. This includes homes where the homeowner chooses not to pledge the land, and homes where the homeowner is renting the land from an individual or from a manufactured home community.

It is our understanding that the statistics above regarding RHS Direct and Guaranteed loans in 2022 and 2023 did not include any personal property manufactured home loans. This is not unusual. FHA did not insure any personal property manufactured home loans last year and Fannie Mae and Freddie Mac have not financed any for 15 years.

However, FHA and Ginnie Mae last year released a Request for Input seeking suggestions for improving both the FHA Title 1 loan program for personal property manufactured home loans and the securitization of such loans through Ginnie Mae. Similarly, Fannie Mae and Freddie Mac have included pledges to re-start the purchase of personal property manufactured home loans as part of their Duty to Serve plans. Therefore, we would be interested in working with RHS to explore opportunities for RHS to begin guaranteeing chattel loans.

However, there are other significant factors that we believe account for the extremely low percentage of RHS mortgage loans backed by manufactured homes. The proposed rule offers well thought out reforms to the RHS loan programs that we believe could significantly boost the number of RHS manufactured home loans.

The most significant reform would provide that RHS could use Direct and Guaranteed Loans for borrowers that “purchase existing manufactured homes constructed in conformance with the [Federal Manufactured Home Construction and Safety Standards (FMHCSS)] administered by HUD.” As the proposed rule notes, current RHS rules prohibit RHS financing of a manufactured home unless it is a new unit [or an existing unit and site financed with an RHS 502 loan or a RHS real estate owned (REO) property]. However, RHS has been operating a pilot to test the concept of financing existing manufactured homes, subject to certain standards and requirements. Although this pilot remains limited in scope, both the need for the pilot and its success are demonstrated by the fact that the RHS Guaranteed Loan program has guaranteed more than twice as many existing homes under the pilot as new homes in the last several years.

Regarding the appropriateness of allowing financing of existing manufactured homes using FMHCSS standards, we would note that this is the gold standard for manufactured homes. The FMHCSS homes are the only form of single-family housing with national uniform construction and safety standards, developed by professionals and ratified by the HUD Secretary.

The proposed rule also includes three constructive changes which we also believe will encourage more lenders to participate in the RHS program and result in more qualified loans:

- Update the current regulations language to meet conditions of the ownership requirements for energy efficient manufactured and modular home financing in Land Lease Communities Operating on a Nonprofit Basis pilot (and expand this to include Tribal Lands).
- Remove the administrative requirements from the regulations for review and approval of applications from manufactured housing dealers for direct loans.
- Revise the definition of “Manufactured home” in the regulations to remove reference to RHS Thermal Performance standards for Direct Loans.

MHI, MBA, and CHLA do not consider these actions “game changers” – but they are constructive, and we commend RHS for proposing them.

MHI, MBA and CHLA would also like to work with you to identify other potential impediments to the ability of RHS direct and guaranteed loans to achieve their full potential with regard to the financing manufactured home loans. In particular, we have heard concerns about the Direct Loan program regarding long approval times and requiring an on-grade frost wall foundation system (which can burden the homeowner with substantial additional unnecessary expenses) instead of manufacturer/state approval systems.

In closing, the skyrocketing mortgage rates consumers have experienced over the last 18 months are having a significant negative impact on housing affordability. It is incumbent on all federal agency mortgage loan programs to do what they can to provide more flexibility and opportunities to otherwise qualified homebuyers, including buyers of manufactured homes.

Therefore, we support these proposed rule changes and would commend RHS for taking these actions.

Sincerely,

The Manufactured Housing Institute (MHI)
Mortgage Bankers Association (MBA)
Community Home Lenders of America (CHLA)