FinRegLab

Modernizing Manufactured Home Financing

Data, Automation and Program Improvements to Scale Affordable Home Ownership

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About FinRegLab

FinRegLab is a nonprofit, nonpartisan innovation center that tests new technologies and data to inform public policy and drive the financial sector toward a responsible and inclusive financial marketplace. With our research insights, we facilitate discourse across the financial ecosystem to inform public policy and market practices.

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1. EXECUTIVE SUMMARY AND KEY FINDINGS

Housing experts see manufactured homes as high-quality and relatively low-cost options that can help alleviate housing supply and affordability problems across the United States. That is why government housing authorities run programs designed to help companies boost the supply of manufactured homes and affordable loans for consumers who purchase them. Because buyers often lease their home sites and for other reasons, these programs seek to make both mortgage loans and personal property (home-only) loans available.

This report explores challenges and opportunities in the personal property loan market for manufactured homes, as identified through structured interviews with about 20 lenders and other experts. In particular, it explores how the Federal Housing Administration (FHA) insurance program for personal property loans—which is governed by Title I of the National Housing Act, while Title II governs mortgage loans—could be reinvigorated to attract more lenders to the home-only loan market.

Although policy changes that took effect in early 2024 enabled FHA insurance on larger loans and eased certain capital requirements for lenders, Title I originations did not immediately restart. Our interviews suggest that attracting additional lenders to the market will depend on automating FHA underwriting processes for home-only loans, updating rules that remain out of sync with those for manufactured home mortgage loans, and addressing data gaps and other challenges that make it difficult for lenders to attract investment capital.

1.1 Key findings

1. **The manufactured home market remains sensitive to outdated perceptions of poor quality.** The quality of modern manufactured homes is high; however, perceptions of low quality from prior decades persist. This adds to the difficulties that potential lenders face in justifying business cases or attracting investment.
2. **Home-only lending has potential to grow.** Some market participants see opportunity in creating or expanding personal property loan portfolios. But they noted that this would require addressing the challenges discussed in this report.
3. **The FHA Title I personal property loan program could be modernized to attract more manufactured home lenders.** Despite recent rule updates concerning loan sizes and capital requirements by the Department of Housing and Urban Development (HUD) and Ginnie Mae, the home-only loan program has not rebounded.

- **Title I is hobbled by paper-based procedures and manual underwriting requirements.** Whereas the Title II mortgage loan program has an automated underwriting scorecard, known as TOTAL, Title I requires manual underwriting to determine if a loan qualifies for FHA insurance. This discourages lender participation due to concerns about costs, errors, and legal or compliance risks. A related concern is the program's heavy reliance on paper or PDF files for loan documentation.
- **Many interviewed experts felt that development of an automated application scorecard should be complemented with a broader alignment of Title I (home-only) and Title II (mortgage) rules.** While there are real differences between the two types of loans when it comes to repossession and foreclosure, lenders expressed frustration that minor upfront requirements concerning such topics as loan documentation and allowable fees differed between the programs, creating complications and disincentives to participate in the home-only market.

4. **Potential market participants need help accessing loan performance data and addressing capital challenges.**
    - **Lack of modern home-only loan performance data creates a chicken-and-egg problem.** In part because of low volume in the FHA Title I program during recent years, new market entrants lack access to performance data on recent loans. This chills new participation in the market by making it difficult for lenders to assess risk, set loan terms, and attract investment sufficient to launch new products.
    - **A secondary market that scales up access to affordable personal property loans is possible—if HUD/FHA, Ginnie Mae, and the government sponsored entities help.** While there is interest among lenders in expanding the secondary market for home-only loans, experts had different views about how to do it. Some felt that FHA should act first to help generate loan performance data, while others thought Ginnie Mae and the government sponsored entities that support the secondary market (the GSEs, Fannie Mae and Freddie Mac) should act first to encourage pilot investment projects. They generally agreed that coordinated action from these organizations is important.

1.2 Conclusions and possible steps forward

Expanding access to manufactured home ownership depends in significant part on the expanded availability of affordable home-only loans. Policymakers support this goal, in large part, by providing insurance to lenders through the FHA Title I program. Yet many of the program's rules, parameters, and procedures remain outdated or inconsistent with the mainstream home loan market. If manufactured homes are truly part of the government's affordable homeownership strategy, policymakers should consider modernizing programs for personal property loans as follows:

1. **Prioritizing resources to automate loan application processing and modernize FHA rules and procedures.** This would include finishing work on an automated underwriting scorecard, which could be complemented by a broader harmonization of Title I and Title II program rules. It may also include allowing more automated loan documentation (as opposed to paper or PDF files) and embracing cash-flow underwriting or other modern techniques for assessing applicants' ability to repay loans.

2. **Helping lenders build modern loan performance data and attract investor support.** This may include supporting development of new pools of home-only loan performance data (through facilitating pilot projects or research using data from private lenders or credit bureaus) and issuing guidance or safe harbors to ease lender concerns about legal and compliance risk. Activating the GSEs could also help expand the home-only loan market.

3. **Communicating confidence in manufactured homes.** Policymakers can communicate strategically to help dispel misperceptions about the quality of manufactured homes and riskiness of borrowers and to boost investor willingness to support pilot or demonstration efforts. This may include calming fears of regulatory neglect and compliance or reputational risk by signalling confidence in the market and communicating clearly about steps the government is taking to support it.

The overarching conclusion from this research is that, if the FHA Title I program were modernized to enable more underwriting automation and to function more like the Title II program, a scalable market for personal property loans would become much more likely. Consumer demand for affordable housing, investor interest in the home-only market, and bipartisan recognition of the importance of manufactured housing over the last two Administrations strongly suggest that more should be done to prioritize and provide resources for modernizing the Title I program with standardization and automation in mind. These efforts would be well complemented by support for pilot or demonstration projects from Fannie Mae and Freddie Mac to encourage the creation of additional data and generally facilitate growth in secondary markets.

2. BACKGROUND: MANUFACTURED HOME FINANCING

The United States is facing a shortage of housing in the millions of units, putting a particular strain on potential buyers who seek lower-cost or more affordable options.[1] Experts widely acknowledge that modern manufactured homes have potential to help address the housing crisis in communities across the country, providing high-quality housing that can save homebuyers at least $50,000 to $100,000 over the cost of comparable site-built homes.[2] Accordingly, manufactured housing has attracted bipartisan support in recent years, including calls for HUD to elevate manufactured housing as a priority and modernize FHA technology as part of broader efforts to improve financing options for this type of affordable housing.[3] Although annual shipments of manufactured homes have fluctuated over time and are substantially smaller now than they once were, they have generally been increasing since 2010. (See Box 1, "Manufactured Home Market Contraction and Expansion.") How to promote healthy growth in the manufactured home market is an important question for policymakers to address as part of the overall solution to the housing crisis.

One important facet of this challenge is improving access to affordable financing to purchase manufactured homes.[4] Unlike site-built homes, it is possible to own a manufactured home while leasing the land beneath it. Most states only allow a manufactured home to be titled or registered as real estate if the owner also owns the land on which it is sited; otherwise, it is considered personal property, or "chattel." Approximately three-quarters of new manufactured homes are categorized as personal property.[5] Buyers who do not own a site must either purchase manufactured home units outright or finance them with a personal property loan, also known as a home-only loan (as opposed to a mortgage loan that is secured by real property).

Although personal property loans tend to be more expensive because they are not secured by real estate as well as the home, buyers who do own land sometimes also choose to use a personal property loan instead of a mortgage if, for example, they wish to avoid liens on that land or because closing processes tend to be cheaper and faster.[6] Among all loans to purchase a manufactured home (new or used), around 42 percent are personal property loans, and for the majority of these loans (72 percent of home-only loans), the borrower does not own the land and would not be eligible for a mortgage.[7] For these reasons, personal property loans play a critical role in this part of the housing market.

The federal government attempts to increase the availability of personal property loans to finance manufactured homes primarily through the FHA Title I Manufactured Home Loan Program (which we also refer to as the Title I personal property loan program). Among other things, the Title I program offers insurance to private lenders originating home-only loans for purchasing manufactured homes. By covering 90 percent of losses, the program seeks to enable lenders to extend repayment periods and lower rates on personal property loans and, more generally, increase the availability of loans to

buyers, particularly those with limited or poor credit history.[8] A similar but much larger program, the FHA Title II program, offers federally backed insurance of up to 100 percent of losses on mortgage loans, including qualified loans for manufactured homes titled as real property.[9]

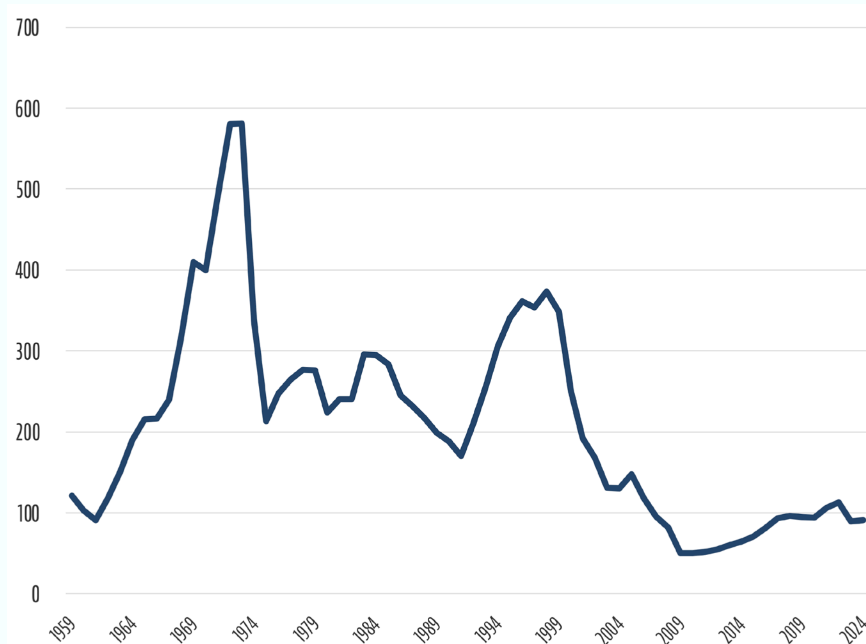
BOX 1 MANUFACTURED HOME MARKET CONTRACTION AND EXPANSION

In prior decades, "mobile homes" suffered from a reputation for low quality, which was due in part to the lack of an applicable federal housing code.[10] However, regulatory and production standards have improved greatly over the last 50 years. The introduction of federal quality standards (the HUD code) in the late 1970s and further engineering and code improvements since the 1990s have transformed manufactured homes into a modern, high-quality housing option. While manufactured homes are often assumed to depreciate in value after purchase, much like a car, analyses of mortgage data suggest that in certain circumstances modern versions can actually appreciate similar to site-built homes.[11]

Nevertheless, the market for manufactured homes is smaller than it once was. Starting in the 1960s, it boomed to the point where half of all single family home starts were manufactured homes in 1973. But when the broader housing market collapsed in response to high inflation and interest rates later in that decade, manufactured home shipments fell by over 50 percent and remained relatively low until the 1990s, when lax credit standards contributed to another boom and bust cycle in the industry.[12] Since hitting a 70-year low in 2010, manufactured home shipments have experienced slow but relatively steady growth. Despite declines in 2020 and 2022 triggered by the pandemic and rising interest rates, shipments surged 16 percent in the first nine months of 2024 as sales on Amazon and Facebook Marketplace went viral among people looking for affordable housing.[13] (See Figure 1.)

Some lenders exited the manufactured home market as it contracted both before and during the 2008 financial crisis. Today, the market for personal property loans for purchasing manufactured homes is dominated by a few large, specialized lenders with extensive experience and servicing infrastructure. Many of these lenders are affiliated with retailers or manufacturers of the homes.[14] Participation in the FHA Title I home-only loan program has also collapsed from annual origination levels between 15,000 and 25,000 loans in the 1980s and early 1990s down to zero in 2021.[15] Despite rule changes from HUD and Ginnie Mae, which took effect in March 2024, the Title I program has not yet rebounded.

FIGURE 1 TOTAL ANNUAL SHIPMENTS OF NEW MANUFACTURED HOMES: THOUSANDS



Data Source: U.S. Census Bureau, Total Shipments of New Manufactured Homes: Total Homes in the United States [SHTSAUS], retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/SHTSAUS, October 29, 2024.

However, the Title I personal property loan program has struggled to attract lenders in recent years. According to analysts, this is due to several factors, including increasingly outdated loan size limits, "antiquated paper-based program procedures" such as manual underwriting and use of paper case binders, and special requirements that have impeded the development of a secondary market.[16] While annual originations in the Title I program fluctuated between 15,000 and 25,000 loans per year in the 1980s and early 1990s, the program collapsed after the 2008 financial crisis.[17]

HUD has attempted to revitalize the Title I personal property loan program over the past few years, in part to make more affordable loans available to more borrowers. Early in 2024, it began allowing larger loans to be eligible for federally backed insurance, to better reflect the increase in house prices since the last time the loan limits were updated in 2009, and announced that it would index loan size limits to inflation going forward. In November 2024, FHA proposed to eliminate Title I-specific application forms in favor of the Uniform Residential Loan Application (URLA), which is commonly used among mortgage lenders.[18] Ginnie Mae (the government corporation within HUD that supports financing for government-insured or government-guaranteed home loans) also amended its rules early in 2024 to make lending on manufactured homes easier, including loosening a key capital requirement for Title I lenders.[19] Despite these recent reforms, the FHA Title I personal property loan program remains heavily reliant on manual or paper-based procedures and has not yet shown signs of growth, even as it remains a prominent part of the mix of policies to spur the manufactured home finance market.[20]

Aside from HUD/FHA rules, participants in the manufactured home market face other challenges, which this report also explores. These challenges include:

- Perception remains a problem. It is common for investors and lenders who lack recent experience in the market to associate manufactured homes with the low-quality "mobile homes" from the mid-20th century, in ways that those with recent experience in the market often describe as unjustified.[21]
- More fundamentally, manufactured home lenders face high fixed origination and servicing costs relative to loan size, which is smaller on average than site-built home loans.[22] This makes lenders particularly sensitive to process efficiency considerations and compliance costs.
- Personal property loans pose unique challenges to lenders, including the lack of a significant secondary market: In practice, lenders keep about 80 percent of loans on portfolio, which can constrain capital and discourage lenders from entering the market, stifling growth.[23] By comparison, Ginnie Mae securitizes 98 percent of all FHA single family mortgage loans (both site-built and manufactured homes).[24]

These headwinds mean that consumers—even those with strong financial capability and access to high-quality housing stock—can struggle to obtain loans to purchase manufactured homes.[25] (See Box 2, "Who Are Manufactured Home Borrowers and Home-Only Borrowers?") But these challenges are not intractable.

Some housing experts and advocates are focusing on strategies to make it easier to obtain mortgages on manufactured homes by, for example, changing state requirements so that it becomes easier to title the homes as real property.[26] However, making changes across multiple states is not easy or quick. And it must be acknowledged that some buyers prefer personal property loans over conventional mortgages, even when they have a choice between them, because home-only loans do not entail putting a lien against the buyer's land, they can be faster or less expensive to close, or other reasons.[27]

BOX 2 WHO ARE MANUFACTURED HOME BORROWERS AND HOME-ONLY BORROWERS?

Manufactured home borrowers in general tend to have lower median incomes and credit scores than mortgage borrowers with site-built homes. (See Table 1.) Roughly 40 percent of manufactured home borrowers are under age 25 or age 55 or older, compared to about 25 percent of site-built borrowers. Patterns with regard to race and ethnicity tend to correspond to differences in the demographic makeup of rural areas, where manufactured housing is more common.[28]

Analyses of home-only borrowers find similar median incomes ($52,000 vs. $53,000, as of 2019) but somewhat lower median credit scores (676 vs 691) than borrowers with manufactured home mortgages. Home-only borrowers also include an even higher percentage of owners aged below 25 or over 55.[29]

Among home-only borrowers who own their home sites, median credit scores are similar and median incomes are actually slightly higher (688 and $55,000, respectively) than borrowers with manufactured home mortgages. Among the universe of consumers who own their home sites, the percentage who choose home-only loans is highest among borrowers aged 45 to 74.[30]

Surveys suggest that the decision between home-only and mortgage loans for consumers who own their sites is often driven by a desire to not encumber the land and for some subpopulations by differences in closing times, but that consumers' decisions are complex and may vary somewhat depending on information sources and shopping channels they use.[31]

TABLE 1 BORROWER CHARACTERISTICS OF SITE-BUILT AND MANUFACTURED HOUSING HOME PURCHASE ORIGINATION BY SECURED PROPERTY TYPE

CHARACTERISTIC (MEDIAN)	MANUFACTURED HOUSING: CHATTEL LOANS	MANUFACTURED HOUSING: MORTGAGE LOANS	SITE-BUILT
CREDIT SCORE	676	691	739
INCOME	$52,000	$53,000	$83,000

Data Source: Consumer Financial Protection Bureau's Offices of Research and Mortgage Markets, "Manufactured Housing Finance: New Insights from the Home Mortgage Disclosure Act Data," Consumer Financial Protection Bureau, May 2021.

Accordingly, improving the the personal property loan market is also a critical strategy to increase access to manufactured home ownership in the near-term. Reviving the FHA Title I home-only loan program is a promising approach to improving access to manufactured home ownership, particularly for the group of lenders that are already familiar with issuing FHA-insured manufactured housing mortgages in the Title II program. Although the recent rule changes have not sparked immediate changes in the program or broader home-only market, federal housing regulators and the GSEs could potentially take additional steps to make the program more appealing.

One of the greatest remaining barriers to entry for lenders in the Title I personal property loan program is the fact that the program continues to lack an automated scorecard for determining if a loan application qualifies for FHA insurance. This is a stark difference from FHA's similar, more vibrant program for mortgage loans (FHA Title II), which does offer an automated scorecard, known as the Technology Open to Approved Lenders Mortgage Scorecard (TOTAL Scorecard). Without an automated scorecard in the Title I personal property loan program, lenders must use manual underwriting processes to determine if a loan qualifies for federally backed insurance. Although lenders may use automated processes and predictive models for their own internal risk assessments, at a minimum this requires maintenance of two sets of processes.[32] As explained further below, many lenders strongly disfavor or avoid manual underwriting due to concerns about both costs and legal or compliance risks. Although FHA has begun developing an automated scorecard for Title I transactions, there is no published timeframe for its deployment.[33] This report discusses experts' views of this and other difficulties that continue to chill lender participation in Title I.[34]

3. EXPERT VIEWS: CHALLENGES AND OPPORTUNITIES IN HOME-ONLY LENDING

In 2024, The Pew Charitable Trusts provided a grant to FinRegLab to conduct a qualitative study to explore the potential market impacts and practical challenges of implementing an automated underwriting system as a next step for reviving the Title I insurance program, in light of FinRegLab's focus on the implications of data and technology innovations on financial inclusion. FinRegLab structured and conducted the research independently and is the sole author of its findings.

To conduct the study, FinRegLab conducted a series of structured interviews with experts in the manufactured home financing market, via videoconference, between June and August of 2024. About 20 experts participated, representing eight organizations, including six finance market participants. Most participants had direct consumer lending experience, typically at very senior levels, while others came from a research or policy background. All lender participants had experience in originating and servicing mortgages, including in the FHA Title II program, which usually extended 15 years or more. Most participants also had experience in the home-only loan market, although some participating lenders did not.

Because of the diversity of experiences and views among interview participants, both those that are currently engaged in home-only lending and those that are not, we believed it was helpful in this section to provide extensive direct quotations to illustrate the breadth of responses and points of both agreement and disagreement, before presenting our analyses of key findings and potential paths forward in Section 4 and Section 5.[35] Consistent with FinRegLab's general practice, the interviews were conducted under Chatham House rules, such that information from the interviews is reported without attribution and participants and their organizations remain anonymous.

The animating questions behind the structured interviews were:

- **Will the FHA Title I personal property loan program attract lenders, in light of recent HUD and Ginnie Mae rule updates and apparently strong demand for personal property loans? and**
- **Given apparent low response from lenders so far, would enabling automated underwriting help to reinvigorate participation in the Title I program or expand access to affordable personal property loans to purchase manufactured homes?**

The participants' answer to the two questions was yes, the Title I program has potential to attract lenders, especially if automated underwriting and loan origination is enabled, with important caveats discussed below.

As reflected in this section, our interview questionnaire was designed to explore participants' views on the broader markets for manufactured home financing and home-only loans in particular, before turning to the Title I program specifically. Many participants highlighted not only the importance of upgrading technological infrastructure for the FHA Title I program to attract additional lenders into the market, but of harmonizing other aspects of the program with Title II (mortgage lending) requirements and processes and of addressing underlying gaps in data about the performance of recent loan originations for purposes of expanding secondary markets. Although broader rule harmonization and secondary market issues were not the primary focus of our study, this section provides a cross-section of those comments as well because participants frequently linked them to data and technology adoption and broader market expansion.

3.1 The manufactured home market remains sensitive to outdated perceptions of poor quality

In the manufactured home market today, the mix of available financing options must include both mortgages and personal property (home-only) loans. To this end, we explored interview participants' views about the general prospects for growth in the manufactured home market and what, at a high level, are the major headwinds against it.

In general, participants were optimistic about the prospects for manufactured homes and their financing. Even though views differed about whether the manufactured homes market is *thriving*, participants expressed confidence in manufactured housing as an important part of the solution to the affordable housing crisis and agreed that there is potential for it to expand. As one lender commented: "Macroeconomic factors pending, we are bullish."

Yet most participants volunteered concerns about perception, which in one way or another continues to plague the manufactured housing market. On one hand, interview participants uniformly praised the quality of modern manufactured homes, which they characterized as meeting or exceeding the quality of new, site-built homes. Yet they noted that there are lingering (and undeserved) perceptions among the uninitiated that the quality of the housing stock is poor and that the riskiness of borrowers is disproportionate.[36] The perception problem, they explained, makes it harder for manufacturers and lenders to attract investors, business partners, or the support of government or community groups.

> "There is a concern about manufactured homes being higher-risk properties still. This may be fair for older manufactured homes but not for newer homes."
>
> "Stigma about MH [manufactured housing] is still an issue, even though quality is very good now … The negative biases and stereotypes are still a major headwind for the industry."

Personal property loans suffer from their own distinct perception issues, which range from past challenges in the market to current government policies.

> "Even Fannie and Freddie are afraid of this stuff [home-only lending], so that tells us something about the risk of it."
>
> "I think the perception that borrowers [of personal property loans] are paying the highest interest rates leads to the perception that they're borrowers of last resort that will be the first to default. [Or that they] are going down this path because they're being taken advantage of, or they've been bounced out of other loan programs. I disagree with the view, but I understand the perception."
>
> "A lot of companies think that manual underwriting [as required by the FHA Title I personal property loan program] is saying this is a loan you probably shouldn't do. It's like saying, are you sure you want to make this loan? This loan is much more likely to default or for there to be some error found in the origination process. There is a negative perception around the quality of manually underwritten loans."

Proponents of manufactured housing widely understand the perception problem. Yet in the context of manufactured home financing, participants made a novel observation about how government rules and procedures may reinforce outdated stereotypes. In this view, when government rules or regulations establish tougher thresholds or higher rates of scrutiny for certain manufactured home loans, it sends a signal that deters investors and new market entrants. In particular, participants noted that the relatively stricter rules of the Title I personal property loan program, compared to corresponding rules for mortgage loans in the Title II program, sends a negative signal. At a fundamental level, they believed this dynamic discourages even experienced manufactured home *mortgage* lenders from engaging in the *home-only* loan market.[37]

3.2 Home-only lending has potential to grow

As experts in manufactured housing, participants all expressed confidence in the role it plays in helping to solve the country's housing crisis in many communities across the country. (A representative comment: "If you are talking about affordable housing, then manufactured housing needs to be an integral part.") When asked specifically about personal property lending, participants generally agreed that it has potential to be a bigger part of the solution to the housing crisis.[38] The interviews suggested two key themes about the potential for the home-only market to grow.

One theme was that having experience in manufactured home mortgage lending is a likely precondition to offering home-only loans because lenders without such experience are likely to view both the economics of smaller loan sizes and differences in lending processes as compared to site-built homes as particularly daunting. As one lender commented: "It is certainly the case that small loans are very difficult to make the economics work … We also have inflation as a [challenge], but the lack of tools that make lending efficient on small loans, the [significant] rules and regulations … " Having prior experience navigating these challenges helps lenders gain confidence in attempting to offer new types of loans in the manufactured home space.

> "There are probably a lot of lenders out there going through the learning curve of getting an LOS [loan operating system], getting the right licenses, getting the right paperwork, how to train underwriters and LOs [loan officers]. So, there's a big checklist of what you have to do before you can get into the MH market really. We've already got all that as a MH lender, though."
>
> "Manufactured home borrowers [are] a little more resistant to technology. It's been hard to get traction. … [We] launched a digital application, but it's still not great. We're trying to make a digital application that every retailer can use to bring down costs. This then all goes into a PDF."
>
> "In a lot of cases, the people purchasing homes are still picking out their kitchen, accessories, etc. So, there is a lot more back and forth between a customer and a lender, and the process is inherently high touch in that sense. A custom home builder has many varied options and packages. This is quite different from site-built [homes]."
>
> "Applications we receive are seldom complete, unlike site-built [homes] where the consumer is more sophisticated and has been coached by a realtor, etc."

In this view, the more confidence a lender has in navigating the unique requirements of the mainstream part of the manufactured home market (i.e. mortgage lending), the more likely they would be to enter the more niche part of this market (personal property lending). Participants also noted that there are aspects of manufactured home lending that are inherently challenging due to the fundamental difficulty of achieving profitability on small loans due to relatively high fixed costs and other factors.[39]

The second, related key theme about the prospects for the personal property loan market is that at least some lenders see opportunity in the market and could be enticed to enter it. Among the interviewed lenders—all of whom were experienced manufactured home mortgage lenders—all but one expressed strong interest in creating new or expanding existing personal property loan portfolios. (The other lender implied a "wait and see" approach regarding many of the challenges discussed in this report.)

> "People get personal property loans because it's more convenient or serves their needs. If you want to subsidize home ownership but don't [support] personal property loans, which is [almost half] of the manufactured home loan market, that doesn't make any sense."[40]
>
> "If you look at national median household income, the [problem] is getting so large from an affordability standpoint that personal property loans will be the vehicle for [many] people trying to attain home ownership."
>
> "Chattel home lending is very important for flexibility [and] speed, and it gives a pathway to home ownership for people who couldn't otherwise. It can be a need but is also sometimes something consumers seek out because they don't want to tie up property."

> "We've got the distributions right now, we have [many] retailers signed up ... The servicing is there. We have experience servicing chattel and Ginnie loans. The two things we are waiting on is the finalization of the Title I program, and we don't know how to price these loans. Once we get those, we are prepared to be a major player."[41]

The positive outlook for personal property lending was generally expressed alongside an important caveat: the home-only market can only grow if policymakers take steps to stimulate it. In addition to automating underwriting processes, participants cited a general need to harmonize the rules of personal property lending with those of mortgage lending in this market, which would simplify the operations and risk management challenges when lenders create home-only loan offerings. More specifically, several participants noted that the FHA Title I personal property loan program could, if improved, help lenders learn the market and demonstrate success to investors (for example: "If Title I could help us figure out the whole model, that would be extremely helpful.") These views are explored in the following subsection.

3.3 The FHA's Title I program could be reinvigorated

When asked about the following observation from a 2022 research paper, participants agreed or strongly agreed: "The Title I program has gradually suffocated from the lack of a secondary market, failure to increase loan limits with the rising cost of manufactured homes, and antiquated paper-based program procedures."[42] While HUD updated the Title I loan limits and Ginnie Mae updated its rules to ease lenders' access to securitization opportunities in 2024, participation has not recovered. (See Section 2, "Background.") The following subsections focus on the interviewed experts' perceptions about why lenders have continued to stay away from the Title I program and what would help jumpstart participation.

We note that the interviews reflected a strong sense that a "chicken and egg" problem exists: Title I is supposed to help lenders enter the personal property loans market and generate data that helps them adjust risk models, calibrate pricing, and attract investment so that they can achieve scale; but without a clear pathway into a secondary market that supports a scaled business model, some lenders feel they cannot justify the expense or risk of creating a program that complies with the unique requirements of Title I. The following observations demonstrate this challenge. Later sections discuss how to solve it.

In March 2024, new rules took effect in the Title I program, which increased the maximum value of personal property loans eligible for FHA insurance and indexed future loan amounts to inflation (for example, the maximum loan size on a multi-section manufactured home is now about $195,000).[43] (See Section 2, "Background.") When asked about the new loan size limits, participants generally agreed that they are a material improvement, though some feel they are still too low or are concerned that they will not actually increase with inflation as planned. Some questioned whether a loan size limit is even needed. As noted earlier, several suggested that having such unique rules for personal property loans puts a drag on uptake by reinforcing negative perceptions (that the loans are disproportionately risky or should be avoided) or adding costs and burdens that discourage investment in personal property loan programs.

More generally, several lenders said that the increase in loan size limits was insufficient, by itself, to warrant entering the program. They offered diverse views about other enhancements they thought would be important or necessary.

> "That [new loan size] is about right for us. The only question is how much they'll actually go up with inflation."
>
> "These limits are on the low side."
>
> "I don't see why there has to be a loan size limit. It takes out part of the country ... I don't see why it's any different than Title II. Make it simple."
>
> "We got out of [Title I before] due to the loan limits. The other issues [lack of secondary market and 'antiquated paper-based procedures'] are challenges but didn't suffocate the program like the [prior] inaction on raising loan limits."
>
> "They raised loan limits recently and indexed [them] with inflation, so that should allow for more volume there. But I'm not sure it's going to do a lot."
>
> "Our biggest issue is the cap on the invoice [i.e., rules that limit loan size relative to the invoice for purchasing the manufactured home, which restrict the amounts available for improving a homesite or transporting the home]. If you think about the improvements to land needed to put a manufactured home on it and there's a cap of 130 percent of the invoice amount of the loan ... We want it to be 140 percent."[44]
>
> "As we think about the Title I program, you need three conditions [to succeed]: (1) The economics have to work ... ; (2) it has to be commercially competitive with what's out there in the market; (3) it has to be a [loan] product that performs well. I don't think any of those conditions are currently met."

3.4 Title I is hobbled by paper-based procedures and manual underwriting

As noted above, there was general agreement with the assertion that "antiquated paper-based program procedures" are a key reason why lenders have avoided the Title I program. When asked to comment further about this, lenders discussed challenges to both the loan application process and how loans are underwritten. And they expressed a desire for HUD to address these challenges.

With respect to loan application and documentation, participants noted FHA's heavy reliance on paper (or PDF) files. Several suggested how shifting to more electronic or automated application processing procedures could improve FHA programs.[45]

> "FHA generally operates on mailing paper documents or working in PDFs that have limited ability to extract information from them."
>
> "Loan documentation is a major hurdle. One- or two-hundred page PDFs are burdensome and not very useful ... One major improvement would be to give better tools, like FormFree, for any applicant who uses their bank account or credit card to pay their bills. This would also enable cash-flow underwriting."

> "At a minimum you need to have a more electronic assessment of income even if the underwriting itself is manual."

Manual underwriting emerged as the major challenge with the loan origination process. Interviewed experts noted a major distinction between the FHA Title II mortgage loan program, which offers participating lenders an automated scorecard for determining a loan application's eligibility for FHA insurance, and the FHA Title I program, which does not. All interview participants had experience with the TOTAL scorecard used in the Title II mortgage insurance program, and described it as important or very important to manufactured home mortgage lending (either to their business specifically or to the market in general). They expressed broad comfort or satisfaction with the TOTAL scorecard as used in the Title II mortgage program.[46]

> "I like the scorecard for FHA because it tells you what you're looking for and is straightforward."
>
> "The TOTAL scorecard is absolutely critical. Title I has a huge barrier by not having an automated underwriting program ... That risk score [TOTAL scorecard approval] is huge for us because it gives you liability protection."[47]
>
> "It's extremely important. AUS [automated underwriting systems] in general do a good job of layering risk [and] help standardize the process for equal treatment. So, from a fair lending perspective, it's also advantageous."

Because the Title I personal property loan program does not offer lenders an automated scorecard, lenders must manually underwrite all loan applications to determine eligibility for FHA insurance. That is, a loan officer must manually check all aspects of a loan application against the program's lending criteria. (By comparison, according to interviewed experts, the TOTAL scorecard produces an automated "approve" message for the vast majority of loan applications submitted in practice, referring only a small portion of applications for manual review.) Manual underwriting comes with costs, complications, and risks that are generally higher compared to automated underwriting. Most interviewed lenders expressed a strong desire to avoid manual underwriting.

The requirement to use exclusively manual underwriting to determine insurance eligibility in the Title I program clearly is a deterrent to participating in it. Aside from the added costs associated with manual loan origination procedures, the lack of an automated scorecard can trigger concerns about heightened regulatory scrutiny or legal risk. For example, several participants noted that any time loan officers manually assess applications, rather than using automated predictive models, there may be greater risk of violating or appearing to violate fair lending laws. Although lenders can use automated underwriting techniques in other aspects of the loan origination process for internal purposes, it is unlikely that maintaining dual systems could overcome these concerns. One key reason is that determining eligibility for FHA loan insurance would often be the first or most important determination a lender makes regarding a given loan application, how to price it, and whether to approve it.

> "We don't like to do manually underwritten loans because it's more expensive and more [human] judgment has to be factored in, and that creates issues for compliance."
>
> "The paperwork and risk of manual underwriting is so large that if it's a referral to manual [underwriting], we are likely to cut it off. If you don't get an approval with TOTAL, you have the ability to manually underwrite and then you're stuck in lots of paperwork [and the] borrower has to pay more upfront."[48]
>
> "There is also a compliance advantage [to using TOTAL] because we don't have to be worried about disparate treatment."
>
> "There is a negative perception around the quality of manually underwritten loans."
>
> "Any time you have to slow down and do something manually, it really increases costs while every other product is getting faster."
>
> "They could make a separate TOTAL scorecard for it. The manual underwriting is the largest remaining barrier on the Title I side, I think."
>
> "I challenge the notion that they have to be inherently manual. It's not apparent to me why they're manual and not using TOTAL."
>
> "The lenders that don't really understand the manufactured home market will need automated underwriting. The lenders that do understand it don't need it. It depends on the lender, their knowledge, what their goals are, and who they are trying to reach. [But even for us, an experienced lender], if we roll this out in 50 states, it would have to be automated."

By not providing an automated scorecard and requiring participants to use manual underwriting techniques for determining FHA insurance eligibility, the design of the FHA Title I Program inherently discourages lenders from participating in it. Conversely, all participants agreed that introducing an automated scorecard to Title I would yield benefits and, in general, felt this would be the only path to expanding the program significantly.

3.5 Lenders called for an automated scorecard and realignment of Title I and Title II rules

When asked how HUD could improve the Title I program or stimulate more participation in it, participants emphasized the importance of pairing development of an automated scorecard with realigning the processes and requirements for Title I with Title II. All but one of the lenders interviewed that were not already participating in the home-only loan market expressed that these improvements would make their participation in Title I much more likely and predicted that other lenders would be much more likely to enter the program as well. (The other lender expressed a "wait and see" approach.)

In addition to the efficiency and compliance benefits (see Section 3.4), most participants felt that automation or use of predictive scorecards would be risk-neutral or would *improve* risk prediction.

> "Chattel has [similarities] to indirect auto. If you look at the indirect auto environment, it's fully automated. It depends on the scorecard. If it's got good oversight of the requirements, underwriting guides, then it could make these loans perform better. What people don't understand is that the performance of personal property loans is great. They're better than Title II loans—there's hardly ever over 2-3% default rates. And so, if you get into some automation, it could increase performance even more."
>
> "I want to reiterate that these loans aren't inherently riskier; it's riskier if you don't have the expertise and can't control loss severity."
>
> "How to grow the business without growing defaults is key. Algorithms can do better than manual underwriting on this."
>
> "[In my experience,] personal property loan performance is great [but] if you get into some automation, it could increase performance even more."

When asked if they thought HUD should amend the FHA Title I program to provide an automated scorecard, like the TOTAL scorecard, all participating lenders said yes. When asked *how FHA should do this*, most participants presumed that FHA would provide a dedicated scorecard for personal property loans, but some contemplated the possibility of using a combined scorecard for both mortgages and home-only loans that would rely upon custom variables unique to home-only loans, as appropriate.

While a consensus about the benefits of introducing an automated scorecard to the Title I program was clear, an important caveat is that most participants strongly suggested that it should happen in conjunction with broader efforts to make the substantive rules of the Title I (home-only loan) program conform better to the rules of the Title II (mortgage loan) program. Proponents of this view asserted that the more that personal property loan applications could look and behave like the mortgage loan applications lenders already process, the more likely it is that lenders will begin offering home-only loans as well.

Some participants felt strongly that aligning the rules is even more important than automating the scorecard, while others did not. But the overall message from participants was clear: the more the rules and procedures of the Title I program differ from those of the (more familiar) Title II program, the less likely it is that lenders that only offer mortgages today will bridge into the home-only market. Conversely, the more Title I aligns with the Title II program rules and scorecard, the more likely it is that Title II program participants will also participate in Title I.

> "More alignment is better ... [A]ny differences in process or requirements [compared to Title II] are a strong push to go in a different direction."
>
> "Everyone knows how to do an FHA loan, so if you just made Title I use TOTAL, then everyone could do it and it would be very simplified. That would significantly improve it, but if the nuanced rules of Title I were still there then you would still have to do a lot of manual stuff, and it wouldn't work well. It's the rules behind the interface, not just the interface itself."

Participants expressed frustration about how substantive rules in Title I differed from those in Title II. In this view, basic up-front requirements concerning definitions, forms, required loan documentation, treatment of fees, and similar issues differ between the two programs in ways that complicate the process of programming loan origination systems or training staff.[49] Participants expressed a desire for a more uniform approach to *manufactured home lending generally* across FHA programs, for both mortgage and home-only loans. In general, special rules for the personal property loan program are a deterrence, due to the added difficulties of programming systems, training staff, and ensuring compliance; whereas continuity with the rules of mortgage lending would be an incentive. As demonstrated in the following quotes, participants' frustration was particularly intense if a special rule for personal property loans imposed costs or procedures but the lender could perceive little or no benefit to it. Accordingly, participants called for removing differences between the Title I and Title II programs as much as possible.

> "Our first recommendation is that Title I rules and regs get conformed to Title II. Things like the ability to finance closing costs ... flexibility for gifted funds, DTI ratios, limits on collections and bankruptcy provisions. All of these things, we want to conform to Title II. [Also] increase the loan cap to 140 percent of invoice, eliminate the three-year manufactured home land lease requirement."
>
> "Title I needs to be modernized to make it like a 'mortgage product': seller-paid closing cost doesn't work on Title I. And you can't finance those fees on Title I for example ... None of these are risk issues. They're just barriers to engagement."
>
> "Documentation requirements concerning the verification of income, employment, and assets should mirror Title II. Forms and calculations to evaluate borrower ability to repay should leverage Title II to keep origination costs low. As with Title II, up-front insurance premiums for Title I loans should not count toward the loan limit."
>
> "How do you handle down payments, what's the definition of a large deposit, every underwriting rule [should have] the same interpretation. Even if limits, etc. are different, as long as the rules and definitions behind [Title I] are the same [as Title II] then [participation] becomes much easier."
>
> "The forms Title I wants us to fill out are antiquated.... I don't know why we can't use the same forms as Title II. None of those are supported by [our] loan origination system, so it's all manual. We can scale for Title II but not for Title I, so if they were the same we can piggyback from our work on Title II."
>
> "[There] should be a clear question, whether there are pluses to maintaining some differences or not."

While HUD recently took another important step toward addressing these concerns, by proposing to eliminate the Title-I specific loan application in favor of the Uniform Residential Loan Application commonly used by mortgage lenders (See Section 2, "Background"), FHA has not made changes to its underlying analytic and technology infrastructure for home-only loans. This demonstrates another important theme among interviewees: Despite consensus for improving Title I or making it conform better with Title II, some acknowledged that incentives and resources have been a historical challenge when HUD and FHA is limited in its ability to make technological and program improvements more generally.

> "[Information technology] funding is a constant problem at FHA. It's hard to argue for the resources ... when Title I is doing nothing, whereas Title II has very high volumes."
>
> "FHA has to rely on [credit scores] because of the technological difficulty of pulling credit attributes from credit bureaus. [Their] technical capabilities are very low."

3.6 Lack of modern home-only loan performance data is a significant challenge

Most participants specifically emphasized that difficulties in accessing performance data on recently originated loans is an obstacle to growth in the home-only financing market, both for FHA in developing an automated underwriting scorecard and for potential lenders and investors more generally. Because there has been very little activity in the Title I program for over a decade, there is little publicly available data for prospective lenders and investors to use when designing new personal property loan products. Though private lenders originate personal property loans today, any publicly available data about delinquencies is to a large extent based on the Title I loans that remain outstanding from prior decades, when both home quality and credit underwriting standards were generally poorer compared to current standards. While private lenders we interviewed reported having relatively low default or repossession rates and losses, this data is generally not available publicly and identifying patterns in credit bureau data is challenging due to relatively low volumes of reported data. As one interviewee noted, "I don't know what private lenders' default rates are, that don't use FHA. It would be good to know."

Consequently, analysts attempting to assess the state of the market today sometimes refer to decades-old data, from before the Title I program collapsed. This, participants explained, creates an unjustified negative perception of the market because it reflects lower quality standards from the time. In turn, these misperceptions make it more difficult for proponents to secure resources for developing new underwriting models and to attract investors. The lack of a clear baseline also increases concerns among some potential lenders about the risk that the Consumer Financial Protection Bureau or other agencies will scrutinize and blame lenders if default rates are higher than for other markets or populations.

Mortgage lenders that were the most eager to enter the home-only market were less concerned about the likelihood of high defaults or regulatory blowback but also emphasized that better data would facilitate entry and expansion. For example, one interviewee contemplating entry into home-only lending explained that they expected to find that "The propensity to default, if you underwrite, is very similar between site-built and manufactured homes. The only difference is [the] cost of recovery." However, the participant acknowledged that this prediction was hard to demonstrate objectively in advance for home-only loans. Lack of data on recently originated home-only loans thus makes it more difficult to attract investors or justify the costs of developing new loan offerings. Other mortgage lenders cited lack of loan performance data as a reason why they would avoid trying to enter the home-only market, until more information becomes available (lest personal property loans turn out to be "poor performers").

> "The main reasons we aren't in it are the default rate and having to do manual underwriting. So, there is a little bit of a chicken and the egg problem in that you need data to see loan performance but you need to make loans to get data. If you have high default rates, you get more regulatory scrutiny ... If the CFPB had some safe harbor treatment for following [a] scorecard it would help ... "
>
> "The market is quite competitive for manufactured home mortgages but thin and broken for chattel loans ... "
>
> "Out of the gate, we would not be in because we don't know how the loans are going to perform ... There is such a dearth of data on Title I, and what's available [from loans originated around the time when the program collapsed in the 1990s] shows terrible performance. I have no idea what [FHA] would approve ... "
>
> "We have very little experience with personal property loans ... We can see some in the Ginnie Mae data [for older originations], and the loan performance is awful. [It's] north of 16 to 20 percent delinquency. As a servicer, it [would be] really hard to run a business when one-fifth of loans are in a state of default."

By contrast, interview participants with prior experience in home-only lending generally dismissed the perception of poor loan performance as unfounded or outdated, and they expressed confidence in the market's prospects for growth. But they, too, acknowledged the practical need to build up modern home-only loan performance data as a precondition to growing the market or attracting new lenders and investors.

> "Yes, absolutely, there is growth potential for personal property loans ... "
>
> "There are misconceptions. The assertion that home-only lending is broken is an oddity."
>
> "Old experiences and data are outdated. A lot [of investors and lenders who left this market] have muscle memory from 10 years ago when buyers of loans in the secondary market wouldn't buy any manufactured housing loans at all or, if they did, there would be a premium. This is because [these loans] had higher default rates and manufactured housing was low-quality."

In general, participants described loan performance data from vintages originated in prior decades as either disconcerting (if they had no prior experience in home-only lending) or outdated and irrelevant (if they did have experience).

Rather than seeing the lack of loan performance data as fatal, most of the interviewed experts saw it as a challenge to be overcome, so that the quality of personal property loans to purchase modern manufactured homes could be demonstrated and improved. Lack of modern loan performance data, participants agreed, discourages lenders from entering the home-only market and, if they are motivated to enter it, makes it harder for them to calibrate their underwriting to succeed. It is also

foundational to the further refinement of any FHA scorecards and the development and growth of secondary markets, as discussed further below. This observation suggests how a revitalized FHA Title I personal property loan program could help to create a virtuous cycle, even if initial scorecards are conservative due to limited data availability. To the extent that the Title I program attracts more participation, it could allow more modern loan performance data to become available, which in turn would help lenders build confidence. As discussed in the next subsection, this would also help demonstrate success to potential investors and support growth of a secondary market for home-only loans.

3.7 Addressing secondary market challenges would help lending scale

The ability to raise capital at an affordable cost is critical to a lender's ability to grow its business and essential to making loans available to home buyers at large scale. Although investors have shown some interest in home-only loans—including a private market offering that combined both mortgages and personal property loans for manufactured homes that was being prepared for the market as this report was released—lenders currently retain about 80 percent of home-only loans on portfolio.[50] The lack of a robust secondary market creates a particular challenge for non-bank lenders, which dominate the manufactured housing market, because they do not have access to deposits as a potential source of lending capital.

Nearly all interviewed experts had experience in the secondary market, which allows lenders to raise capital by selling loans to intermediaries such as the GSEs that create mortgage-backed securities for sale to investors. Though stimulating a secondary market was not the primary focus of our interviews, the lack of performance data on recently originated loans has cross-over effects and participants shared a number of other thoughts about the topic. Even though participants recognized the complexity and risks of increasing the size of the secondary market for home-only loans, they generally encouraged policymakers and investors to do more to promote it.

One reason for participants' desire for a stronger secondary market for home-only loans was to attract more capital, either to help them grow their own businesses or to improve competitiveness more generally given that the current market is extremely concentrated.[51] They also saw increasing secondary market activity as helping to solve the chicken-or-egg problem with regard to loan performance data on recent originations. A number of participants argued that more robust support from Ginnie Mae and the GSEs (Fannie Mae and Freddie Mac) could create a virtuous cycle by encouraging private investors to join the market more quickly, spurring new loan originations sufficient to generate more publicly available loan performance data that, in turn, would prompt further market growth.[52]

> "[We] specialize in manufactured home mortgage loans and [recently invested heavily in] home-only. If we had a secondary market, we could have originated much, much more ... The demand is there, we just need a secondary market that can support it."
>
> "[With] the lack of secondary market activity in the Title I program, we haven't been able to find guidance from anyone for price determination and delivery confirmation through the standard securitization avenues ... Without pricing, we can't build a loan pipeline ... We can't afford to miss the pricing and risk not qualifying the loan or the pool for delivery."

"They [HUD and other organizations that support the secondary market] are going to have to put stimulus into it [a secondary market for personal property loans], because it's basically non-existent right now. They need to do something to line up the first buyer, like 100% insurance … FHA needs to have metrics for these loans, but first we need some data to entice the secondary market."[53]

"It's a difficult trade-off between broadening the access to credit and we don't want anyone to lose their shirt in the process. Can we create a more liquid market for these loans where they transact at good prices so that originators can offer competitive interest rates, or will investors require higher spreads that will come at the expense of the consumers?"

When asked about how policymakers should address this challenge, the interviewed experts differed in whether they felt HUD/FHA should act first (to stimulate more participation in the Title I program and generate more loan performance data), or whether the GSEs should act first (to make it easier or less risky to originate new loans that can be sold into government-supported pilot programs that generate new loan performance data). But they generally agreed that coordinated action from these organizations is important and possible. Several participants mentioned the role that Fannie Mae and Freddie Mac could or should have here and the role they are "supposed" to play under their Duty to Serve requirements.[54] (See Box 3, "The Role of Ginnie Mae and the GSEs in Manufactured Home Lending.")

With respect to the FHA Title I program, a strong view among participants is that it could help generate loan performance data to underpin a functional secondary market that scales up access to home-only loans; but it would only happen if the program is improved, as discussed in this report, and if federal agencies provide sufficient support to limit losses and set loan terms appropriately.

Participants suggested that meeting this latter need (limiting losses and setting appropriate loan terms) is an area where they could use more help from Ginnie Mae, which plays a critical role in secondary markets by guaranteeing securities that are backed by FHA loans, which facilitates a flow of capital back to lenders and enables them to originate more loans. Most participants agreed that it is currently difficult to bundle home-only loans for sale in the secondary market.

BOX 3 THE ROLE OF GINNIE MAE AND THE GSEs IN MANUFACTURED HOME LENDING

Ginnie Mae guarantees securities that are backed by FHA home loans, which facilitates a flow of capital back to lenders and enables them to originate more loans. Similarly, Fannie Mae and Freddie Mac as government-sponsored entities play a similar role in securitizing privately issued loans. But unlike Ginnie Mae, the GSEs can effectuate their loan guarantee by buying defaulted loans back out of the pools that underly their mortgage-backed securities. This provides both investors and loan originators with relatively fast and easy resolution in the event of borrower default. By comparison, when FHA-insured loans default, lenders must take responsibility for resolving the loan and apply for insurance reimbursement, which can take a year or more to accomplish, during which time lenders may incur substantial servicing and other costs.[55]

Absent improvements in the FHA insurance claims process, this may lead some prospective home-only lenders to prefer to issue GSE-backed loans outside of the FHA loan programs.[56] However, GSE support for home-only loans has been lagging: In contrast to previous versions, their current, legislatively mandated Duty to Serve Underserved Markets Plans indicate little to no definite action toward supporting the development of a secondary market or increasing borrower access to affordable personal property loans.[57]

Because secondary market issues were not the primary focus of the study, we did not deeply explore participants' views of the programs available from Ginnie Mae or the other agencies that support the secondary market. But in light of past research highlighting the issue, we did ask participants' views about whether Ginnie Mae should allow personal property loans to be blended into multi-issuer pools, versus remaining in separate, single-issuer pools (as Ginnie Mae currently requires). Participants agreed that the single-issuer pools rule tends to suppress investor attention, but they had mixed views about what Ginnie Mae should do about it.[58] Here, too, participants expressed a desire for harmonized procedures (between home-only and mortgage loan markets) and policies to jumpstart the market and/or generate better loan performance data.

> "I agree [the loans should be bundled together]. My worry is [achieving] the scalability of the product into a national secondary market. [With Title I,] you're automatically going to Ginnie single-issuer pools, which investors aren't used to. With multi-issuer securities [as in the mortgage market], you can get 10+ bids immediately."
>
> "There are issues around that [bundling], but you can't credibly come up with Title I pools that will work because you need a critical mass of loans. So, they need to be pooled into Title II although the details need to align in terms of the loan requirements, which could be difficult because land appreciates, and homes depreciate."[59]
>
> "I'm ambivalent [about bundling] ... If the performance was good, there wouldn't be a need to separate them. We need actual performance data."

4. ANALYSIS

Although many housing experts and advocates view the home-only financing market with some distrust due to its consolidated nature and higher consumer costs, that market is nonetheless critical to expanding access to manufactured home ownership, particularly in the near term. Certainly, there are arguments in favor of making it easier for borrowers to obtain mortgages by, for example, simplifying the process of titling manufactured homes as real property. But given the time required to make state-by-state adjustments and the fact that the majority of home-only borrowers lease their land, there will continue to be substantial demand for personal property loans for the foreseeable future. Attracting more lenders and investors to the market can potentially increase access and help to address the nation's broader affordable housing crisis.

Because of existing infrastructure, reinvigorating the FHA Title I program appears to be the most straightforward way for federal policymakers to convince lenders that are already extending manufactured housing mortgages to begin offering home-only loans. But a meaningful portion of the Title I program's processes, rules, and parameters remain outdated or inconsistent with the mortgage loan market, making it less easy and attractive for lenders that provide manufactured housing mortgages to enter the market. These lenders are already familiar with aspects of manufactured housing purchasing and financing that differ from site-built housing, but because loan sizes are generally smaller for manufactured homes, they are particularly sensitive to programmatic differences that tend to increase operating or compliance costs. Accordingly, if manufactured homes are truly part of the government's affordable homeownership strategy, it will be important to prioritize providing the resources needed to further modernize rules and programs for personal property loans.

Although increasing the size of personal property loans that are eligible for FHA insurance for the first time in 15 years and reducing capital requirements for Title I lenders were both important steps forward, the Title I program has not rebounded. Our interviews and analysis point to three key underlying problems that are continuing to affect both Title I participation and the relatively slow growth of the broader home-only loan market:

1. **The Title I Manufactured Home Loan program is unlikely to scale or succeed without a more automated loan origination process.** Lack of an automated scorecard effectively requires lenders to use manual underwriting to determine a loan application's eligibility for FHA insurance. This creates costs, legal and compliance risks, and other challenges that strongly deter participation. Heavy reliance on paper or PDF-based procedures such as those used for verifying applicants' income and expenses adds to these challenges.
2. **Other disconnects between the Title I and Title II programs also disincentivize participation in the home-only market.** Experts made it clear that the more Title I (personal property lending) rules and procedures differ from those of Title II (mortgage

lending), the less likely it is that the Title I program can succeed (and consequently, the less likely the home-only loan market is to expand meaningfully). Under current conditions, the challenges of complying with the unique requirements in Title I discourage uptake due to cost (such as software customization and staff training) and compliance considerations. This is true even among the most motivated Title II manufactured home mortgage lenders, and may be even more powerful of a discouragement to lenders without prior experience in FHA programs or manufactured home finance, who would be highly unlikely to invest in conforming to the rules of the niche market (home-only lending) before doing so for the mainstream market (mortgage lending). While some differentiation between mortgage and home-only rules is surely warranted, it would be helpful to scrutinize differences in existing processes and in building future scorecards to determine whether they truly worth the additional friction for lenders. HUD's recent proposal to adopt the Uniform Residential Loan Application is a step in the right direction, but other substantive rules about fees and documentation remain unharmonized between Title I and Title II.

3. **Lack of access to home-only loan performance data is stifling participation from both lenders and investors.** Lack of publicly available data on recent home-only loan originations, which has been exacerbated by the collapse of the Title I program over the past decade, complicates not only the creation of a home-only scorecard for FHA but also market entry by potential lenders and investors more generally. Despite apparent consumer demand for home-only loans, there is a continuing thread of uncertainty among these lenders and investors about the potential for high default rates or other outsized risks. The fact that Title I insurance does not cover as much of potential losses as Title II does for traditional mortgages and the current postures of Ginnie Mae and the GSEs with regard to securitization activity also have made lenders and investors more cautious about entering the market.

Participants emphasized that all three of these interlocking pieces are core challenges that warrant prioritization by HUD and other federal policymakers. Beyond the direct benefits to lenders and investors from greater efficiency, risk management, and capital access, some participants noted two other, broader potential benefits to tackling these issues.

The first relates to the perception problem facing manufactured housing. It was hardly surprising that participants noted how negative perception continues to hinder growth of this market. It is well known that those who lack experience in manufactured housing sometimes hold negative views of it, often based on unfounded or outdated assumptions about the quality of housing stock or riskiness of borrowers. More surprising, though, was how interview participants viewed certain rules and procedures of FHA and Ginnie Mae programs as reinforcing these negative perceptions. For example, in this view, the fact that HUD rules require every Title I loan to be underwritten manually sends a signal to lenders and investors that federal housing agencies continue to view manufactured homes (or home-only loans) as second-class or exceptionally risky. Some participants also pointed to the fact that the Title I program covers only 90 percent of the loan value for home-only loans on manufactured loans, compared to 100 percent of mortgage loans in the Title II program as another example of this dynamic. In addition to the financial impacts, lenders view this as a signal that regulators regard home-only loans as inherently more risky or subject to heightened regulatory scrutiny, compared to mortgage loans. Among the experienced FHA lenders we interviewed, the primary challenges to participating in the Title I program were the three enumerated above (lack of an automated underwriting scorecard, disjointed rules between Title I and Title II, and limited loan performance data). But eliminating the gap between FHA insurance payouts for home-only versus mortgage loans could also prompt more participation in the Title I program from FHA lenders.

The second set of broader benefits of reform relates to the potential for more automated documentation and underwriting procedures to lay the groundwork for using cash-flow underwriting techniques, which could potentially improve both the predictiveness and inclusiveness of traditional models, particularly for loan applicants with little credit history or lower credit scores.[60] One way that cash-flow underwriting helps achieve this is to allow underwriting models to look beyond traditional credit data and assess the inflows and outflows of loan applicants' bank accounts. For example: one participant, a self-described "loud proponent" of cash-flow underwriting, described finding correlations in their company's existing manufactured home loan portfolio data between default and whether take-home pay exceeded non-discretionary spending, which were stronger predictors for first time buyers than credit score.

This suggests the broader potential benefits of altering FHA procedures to encourage more rapid transition to automated processes for verifying income and expenses, across both Title I and Title II, as a stepping stone toward updating its scorecards to allow for underwriting that incorporates such data. While FHA allows lenders to rely upon electronic verification by third-party vendors, it has not provided the same level of affirmative incentive to switch to automated channels as the GSEs, which provide relief from certain representations and warranties for lenders who rely on designated vendors.[61] Particularly given FHA's historical focus on consumers who may not qualify for conventional loans due to limited or negative traditional credit history, laying the groundwork to encourage broader use of cash-flow underwriting would potentially help to further its broader mission goals.

Finally, to address the difficulty that lenders face in attracting capital and justifying the allocation of resources to building home-only loan programs, several participants expressed desire for more support from Ginnie Mae and the GSEs to strengthen the secondary market for home-only loans. At a minimum, doing more to help lenders generate loan performance data and gain experience could help them attract investor interest and fund further growth.

5. POTENTIAL STEPS FORWARD

Our interviews and supplemental research suggest that there is sufficient interest among consumers, lenders, and investors to warrant taking affirmative steps to encourage expansion of the home-only market through further improvements to the Title I program and supplemental activity to encourage the development of a more robust secondary market. In particular, we are left with the impression that mortgage lenders that already have experience in the manufactured home market are motivated to offer personal property loans, if the challenges described above are addressed or if they see other lenders achieve results. The following steps could help to scale this critical market.

5.1 Prioritize resources to automate applications and modernize FHA procedures

The FHA Title I program continues to have low participation. Despite useful but limited updates in 2024, many of the program's processes and rules have not been modernized.[62] Allocating sufficient resources for enacting these improvements as quickly as possible would help to attract lenders and increase the generation of performance data for complementary initiatives.[63]

- **Establishing an automated scorecard, such as the TOTAL scorecard, for determining eligibility for FHA insurance on home-only loans:** Work on an automated scorecard for the Title I program is apparently already underway, making it a logical place to prioritize initial efforts as both a concrete stepping stone and an important signal to lenders that are currently focused on the mortgage market. Lack of an automated scorecard for home-only loans is a deterrent for all but the most motivated lenders.
- **Making it easier for lenders to process loan applications by enabling innovation beyond paper and PDF documents:** As a complement to the scorecard adoption, HUD should consider adopting stronger incentives for lenders to use automated electronic services (including application programming interfaces—APIs—a type of software communication interface) for verifying income, debits, or assets as an alternative to supplying paper-based proof. In addition to simplifying the application process and potentially reducing costs over time, this could have the added benefit of facilitating the adoption of cash-flow underwriting techniques and, more generally, expanding access to credit among financially capable borrowers (if HUD also updates its scorecard models to accept such data).
- **Harmonizing Title I and Title II rules related to manufactured home financing:** Participants expressed a strong preference for aligning mortgage loan rules and procedures as much as possible with those for personal property loans, so that only critically necessary distinctions are preserved between the rules and procedures for the two types

of loans. While this may take staffing resources and time depending on administrative procedure requirements, interview participants repeatedly stressed the value of such changes to encourage mortgage lenders to expand into the home-only market because it would simplify their software customization, staff training, and compliance needs. More broadly, some suggested that the insurance coverage ratio should be increased to match Title II's 100% eligibility as a way of encouraging more originations and decreasing negative perceptions concerning home-only lending.

5.2 Help build loan performance data and attract investor support

Beyond Title I reforms, federal agencies and the GSEs could take other steps to increase access to performance data and encourage greater engagement by both potential lenders and investors. These strategies would also potentially benefit the Title I program over time by facilitating further improvements to the FHA insurance scorecard and participation by more market actors.

- **Facilitating access to historical performance data and encouraging greater originations activity:** Several potential strategies could be used to expedite access to and creation of loan performance data.
  - Working with credit bureaus and private lenders to pool borrower and loan data, or funding such research, could help unlock insights from data that are currently not available to prospective lenders and investors.
  - Creating pilot or demonstration programs to give investors exposure to home-only loans could encourage lenders to expand into the market and generate additional new loan performance data to support additional organic growth over time.
  - Establishing guidance, safe harbors, or regulatory sandboxes could help to signal more clearly that regulators intend to treat personal property loans as a mainstream form of manufactured home lending. By taking these steps, housing regulators and/or the Consumer Financial Protection Bureau could help ease lender concerns about legal or compliance risk and encourage participation in demonstration projects that establish new loan performance data.
- **Activating the GSEs in the effort to expand the home-only loan market:** Freddie Mac's latest Duty to Serve plan is noncommittal about personal property loans (noting only that it continues to explore a possible "initiative" with its regulators), while Fannie Mae's plan does not mention supporting them at all (focusing, instead, on converting homes to real estate and promoting use of mortgage loans). Recent investor interest in private securities backed by manufactured home loans (a majority of which are secured only by the home and not the land) shows that the GSEs could help serve a market demand.[64] Several participants expressed a strong desire for more support from Ginnie Mae and the GSEs to help strengthen the secondary market for home-only loans. At a minimum, doing more to help lenders generate loan performance data and gain experience could help them attract investor interest and fund further growth.

5.3 Communicate confidence in manufactured housing

Beyond these more concrete initiatives, policymakers' broader messaging can also have a significant impact on market dynamics.

- **Calming fears of regulatory or reputational risk by clearly signalling confidence in the market for manufactured home financing and in particular, home-only loans:** This could include strategically publicizing the actions that HUD, the CFPB, or other government agencies take to modernize FHA or other manufactured housing-related policies. It may also include creating programs or campaigns designed to inform and facilitate existing Title II mortgage lenders to originate home-only loans as well.
- **Signalling to investors that the government is supporting the development of a more robust market:** Observers have seen the personal property loan market get little government attention over several years. Stronger signals that the government and its agencies will help figure out the challenges of manufactured home financing and will be there to support lenders and investors as they gain experience in it could have a significant effect on their willingness to engage with personal property loans.
- **Helping improve public perception:** Policymakers' actions could also impact consumers' perceptions and willingness to consider manufactured housing as a positive option for entry-level or lower-cost dwellings.

It is worth noting that these issues are overlapping and to a certain extent reinforcing. In the absence of good data, an initial automated scorecard developed by HUD is more likely to require adjustment over time as the agency gets more experience with newer Title I loans. And to the extent that automation and rule modernization efforts are incremental, it will take more time for entering lenders to expand their programs. Accordingly, prioritizing early and iterative government action may help to create a virtuous cycle that generates increasing amounts of performance data as lenders and investors become increasingly comfortable gauging risks and expanding credit access in the home-only market.

Endnotes

1 Estimates of the housing shortage in the US vary based on methodology, but it is clear that there is an acute shortage of affordable homes. See, e.g., Kaul and Pang, "The Role of Manufactured Housing in Increasing the Supply of Affordable Housing," 2. Zillow found a housing shortage of 4.5 million units in 2022. Divounguy, "Affordability Crisis: Housing Shortage Worsened Despite Pandemic Construction Boom." Freddie Mac economists concluded in 2024 that the U.S. would need 1.5 million additional vacant homes to bring the vacancy rate back to historical averages, but also noted that this is "almost certainly a dramatic underestimate of the total housing shortage… because this metric does not account for latent housing demand." Freddie Mac, "U.S. Economic, Housing and Mortgage Market Outlook," 3. The National Low Income Housing Coalition estimates a shortage of 7.3 million affordable rental homes. "The Gap: A Shortage of Affordable Homes."

2 See The Pew Charitable Trusts, "Manufactured Homes Are a Crucial Source of Lower-Cost Housing, but Financing Is a Major Hurdle: Resources about Pew's Work on Manufactured Housing." See also Herbert et al., "Comparison of the Costs of Manufactured Housing and Site-Built Housing," 20.

3 For example, the Trump Administration created the White House Council on Eliminating Barriers to Affordable Housing Development, which emphasized the role of manufactured housing in affordable housing. HUD reports under President Trump articulated goals for the agency to "take action to address barriers to the greater adoption of manufactured housing," including harmonizing Title I (personal property loan) standards with those of HUD's core single family housing policy handbook and investing resources to modernize FHA technology. The Trump Administration also recommended loosening regulations to reduce costs and elevating the Office of Manufactured Housing within HUD. HUD, "Housing Finance Reform Plan," 22-24; see also HUD, "Eliminating Regulatory Barriers to Affordable Housing: Federal, State, Local, and Tribal Opportunities," 23-25. The Biden Administration made "supporting production and availability of manufactured housing" a key aspect of its stated plan to help close the housing supply gap and ease housing costs. White House Briefing Room, "President Biden Announces New Actions to Ease the Burden of Housing Costs." Neither of the previous administrations completed their manufactured housing goals.

4 This report focuses on the market for loans used to purchase manufactured homes. For recent discussions of zoning, titling, and other non-credit policy challenges in this space, see Herbert et al., "A Review of Barriers to Greater Use of Manufactured Housing for Entry-Level Homeownership"; Young, "Unleashing Manufactured Housing"; Louet and Rivkin, "Manufactured Homes: An Underutilized Source of Affordable Housing?"

5 Manufactured Housing Institute, "2023 Manufactured Housing Facts: Industry Overview," 7.

6 See Fannie Mae, "Duty to Serve Underserved Markets Plan for 2025-2027," 49 (estimating that 17 percent of personal property loan borrowers own their land but choose not to title it as real estate); Gerecke et al., "Manufactured Housing Personal Property Loans: Balancing Market Liquidity and Consumer Protection," 2 (estimating based on Home Mortgage Disclosure Act data that about 25 percent of personal property loan borrowers own their land).

7 Consumer Financial Protection Bureau's Offices of Research and Mortgage Markets, "Manufactured Housing Finance: New Insights from the Home Mortgage Disclosure Act Data," 48.

8 Title I's explicit purpose, according to HUD, is to "increase the availability of affordable financing … and allow[ing] buyers to finance their home purchase at a longer term and lower interest rate than with conventional loans." Title I also has a separate program for home improvement loans. HUD, "Manufactured Home Loan Program (Title I)."

9 These loans made through Title II are also called 203(b) loans. HUD, "HUD 203(b) Mortgage Insurance."

10 Herbert et al., "A Review of Barriers to Greater Use of Manufactured Housing for Entry-Level Homeownership"; Potter, "The Rise and Fall of the Manufactured Home, Part II."

11 See Goodman and Pang, "Manufactured Homes Increase in Value at the Same Pace as Site-Built Homes"; Clow, "Manufactured Homes Are Appreciating Faster Than Site-Built Homes."

12 For manufactured home shipments data, see US Census Bureau, "Total Shipments of New Manufactured Homes: Total Homes in the United States [SHTSAUS]."

13 Delouya, "Manufactured Homes Are Surging in Popularity—And You Can Order Them on Amazon or Facebook," CNN.

14 In 2022, 86.6 percent of manufactured home personal property loans were made by the 10 largest lenders. Gerecke et al., "Manufactured Housing Personal Property Loans: Balancing Market Liquidity and Consumer Protection," tbl. 1.

15 Park, "Real and Personal: The Effect of Land in Manufactured Housing Loan Default Risk," 20; GAO, "Manufactured Housing: Further HUD Action Is Needed to Increase Available Loan Products," 37.

16 Park, "Real and Personal: The Effect of Land in Manufactured Housing Loan Default Risk," 6 and 11.

17 Park, "Real and Personal: The Effect of Land in Manufactured Housing Loan Default Risk," 20.

18 HUD, "For the First Time in 15 Years, Federal Housing Administration Increases Loan Limits to Expand Financing for Manufactured Homes." See also 89 Fed. Register 14582. For example, the maximum amount for a qualifying home-only loan increased from about $70,000 to $106,000 (for a single-section manufactured home) and from about $70,000 to about $195,000 (for a multi-section manufactured home). For the proposal to introduce the Uniform Residential Loan Application (URLA), see HUD, "HUD Proposes Adoption of Industry Standard Loan Application Form for its Title I Loan Programs." For a summary of the new FHA Title I loan size limits and Ginnie Mae rules governing personal property lending and other possible changes going forward, see Roche and Siegel, "Regulatory Changes Expected to Increase Access to Financing for Manufactured Homes."

19 Ginnie Mae, "APM 24-01: Manufactured Housing Applicant and Issuer Financial Eligibility Requirements," 24.

20 Though data reflecting program activity subsequent to the most recent rule changes is not yet publicly available, wide-ranging discussions with market practitioners and government officials provides strong anecdotal evidence that participation remains very low or non-existent.

21 Herbert et al., "A Review of Barriers to Greater Use of Manufactured Housing for Entry-Level Homeownership," 12-19.

22 For a discussion of the high fixed costs for small-dollar loans, see HUD, "Financing Lower-Priced Homes: Small Mortgage Loans." A related challenge is that smaller home loans may be classified as "high-cost mortgages" under the Home Ownership and Equity Protection Act (HOEPA), a part of the Truth in Lending Act that triggers enhanced consumer protections and may disqualify the loans for sale into the secondary market. For example, Fannie Mae has maintained policies not to purchase high-cost/HOEPA loans. However, Fannie Mae has indicated that most home-only loans fall into a second category, "higher-priced mortgages," which are eligible for purchase by Fannie Mae, provided that lenders comply with relevant rules regarding appraisals and other requirements. Fannie Mae, "Key Legal Distinctions between Manufactured Home Chattel Lending and Real Property Lending."

23 Gerecke et al., "Manufactured Housing Personal Property Loans: Balancing Market Liquidity and Consumer Protection," tbl. 2.

24 Ginnie Mae (2023) Annual Report, 9.

25 Liang et al., "Data Shows Lack of Manufactured Home Financing Shuts Out Many Prospective Buyers."

26 Note, for example, that Fannie Mae's proposed Duty to Serve plan includes supporting the conversion of manufactured home titles or registrations to real property. Fannie Mae, "Duty to Serve Underserved Markets Plan for 2025-2027." For discussion of challenges faced by borrowers when titling or registering manufactured homes as real property and comparison of the consumer protection and other laws that may apply, depending on if a home is considered real property or personal property, see "Manufactured Housing Resource Guide: Titling Homes as Real Property" (National Consumer Law Center, September 2022). See also Louet and Rivkin, "Manufactured Homes: An Underutilized Source of Affordable Housing?"; see Gerecke et al, "Manufactured Housing Personal Property Loans: Balancing Market Liquidity and Consumer Protection."

27 See Fannie Mae, "Duty to Serve Underserved Markets Plan for 2025-2027," 37; Gerecke et al., "Manufactured Housing Personal Property Loans: Balancing Market Liquidity and Consumer Protection," 2.

28 Consumer Financial Protection Bureau's Offices of Research and Mortgage Markets, "Manufactured Housing Finance: New Insights from the Home Mortgage Disclosure Act Data," 30-33.

29 Consumer Financial Protection Bureau's Offices of Research and Mortgage Markets, "Manufactured Housing Finance: New Insights from the Home Mortgage Disclosure Act Data," 30-33.

30 Consumer Financial Protection Bureau's Offices of Research and Mortgage Markets, "Manufactured Housing Finance: New Insights from the Home Mortgage Disclosure Act Data," 38-41.

31 Center for Community Capital, "The Loan Shopping Experiences of Manufactured Home Owners: Survey Report," 86-105.

32 FHA provides the TOTAL scorecard to automatically screen out and approve loan applications that its model determines meet the agency's criteria for FHA insurance coverage; other loans are referred back to the lender for manual underwriting. This is a similar, but less feature-rich, tool compared to Fannie Mae's Desktop Underwriter and Freddie Mac's Loan Product Advisor systems to determine a loan's eligibility for resale in the secondary market.

33 GAO, "Manufactured Housing: Further HUD Action Is Needed to Increase Available Loan Products," 56.

34 Interviewed experts noted that accessing capital or additional risk backstops via a secondary market or the ability to sell loans to Fannie Mae or Freddie Mac are important challenges to address; these are discussed later in this report. For other analysis of related challenges and policy recommendations, see, e.g., Kaul et al., "Comment Letter to the FHA and Ginnie Mae on Title I Manufactured Housing"; Park, "Real and Personal: The Effect of Land in Manufactured Housing Loan Default Risk," 11.

35 Quotations are reported as recorded in our notes, with only minimal editing for clarity or concision. Quotations are grouped in an effort to fairly represent the diversity or breadth of participants' responses; but out of necessity, not all individual views are quoted.

36 Participants referenced perceptions of poor quality, dating back to homes from before HUD initiated new quality standards in the late 1970s. See Herbert et al., "A Review of Barriers to Greater Use of Manufactured Housing for Entry-Level Homeownership," 13. The participants agreed that these perceptions are no longer valid but continue to chill outsiders' interest in manufactured housing. And, as discussed later in the report, they noted that lack of home-only loan performance data from loans originated in the modern era continues to hamper their efforts to challenge risk perceptions among peers or investors.

37 While participants acknowledged that whether a borrower owns the land under their manufactured home is an important consideration in default situations with regard to processes, costs, and potential recoveries, they also expressed a view, discussed further below, that some FHA Title I rules regarding up-front topics such as loan documentation and fees are different or more strict, compared to Title II rules, in ways that are not obviously related to recovery factors.

38 As one participant noted, there are differing views among housing policy advocates about the relative merits of stimulating growth of the home-only loan market, versus making it easier for borrowers to obtain mortgages on manufactured homes. Some borrowers, if given the chance to retitle or register their homes as real property, might choose to obtain a mortgage instead of a personal property loan; while others might not. See Section 2, "Background." Interview participants were generally of the view that home-only loans are and will continue to be an intrinsic part of the manufactured housing market. As discussed below, several also emphasized that growth of the home-only loan market may turn largely on whether government agencies can help foster more capital market interest in it.

39 When read the following statement, from a 2022 HUD report, participants strongly agreed—both about mortgages and personal property loans for manufactured homes: "A significant barrier to small mortgage lending is the fixed costs of loan origination and servicing, which makes smaller loans less profitable to lenders.... [I]ncreasing the number of these loans submitted for FHA insurance endorsement may require either a reduction in origination and servicing costs or the provision of additional lender or loan originator compensation...." The quote is from the following report, which discusses, among other issues, the high fixed costs of loan origination in this market: HUD, "Financing Lower-Priced Homes: Small Mortgage Loans." Analysts have discussed the challenge of achieving profitability on small-dollar home loans and suggested policies to address it. See, e.g., The Pew Charitable Trusts, "Small Mortgages Are Too Hard to Get"; Zinn et al., "Improving the Availability of Small Mortgage Loans."

40 Among all loans to purchase a manufactured home (new or used), around 42 percent are personal property loans. See Section 2, "Background."

41 When asked to clarify this comment, the experienced lender responded that their company had tried, and failed, to get guidance from participants in the secondary market about "price determination and delivery confirmation through the standard securitization avenues." The lender added, "[t]he solution is that GNMA [Ginnie Mae] needs to conduct a practice run on the secondary market to get it started. We would be glad to work with them to submit a pool but we must be guaranteed we are covered as far as being able to securitize the portfolio." The lender further explained that having a checklist of what is required in the closing package, which is tailored for securitization of manufactured home loans, would be helpful (existing check lists may be written in ways that are only relevant to mortgages or site-built homes, such as asking the lender to indicate whether a loan will be closed with a closing agent or the seller (as opposed to a manufactured home dealer).

42 Park, "Real and Personal: The Effect of Land in Manufactured Housing Loan Default Risk." The analysis was conducted as part of the author's duties as a HUD employee.

43 89 Fed. Register 14582. For example, the maximum amount for a qualifying home-only loan increased from about $70,000 to $106,000 (for a single-section manufactured home) and from about $70,000 to about $195,000 (for a multi-section manufactured home). The prior loan size limits dated back to 2009.

44 The interviewee discussed, for example, bundling costs for improving the land or moving the home into the loan amount. For discussion of how invoice caps work in the FHA Title I program, see 89 Fed. Reg. 14582 at 14585.

45 These observations are generally applicable to both Title I and Title II programs.

46 Although participants' recommendations for improving the Title II TOTAL scorecard were not the primary focus of our study it was clear that interview participants and their colleagues had many ideas. Some participants lamented the "black box" nature of the scorecard. One participant called for the system to become less reliant on credit scores, out of concern that it inherently cuts off financially capable loan applicants. Another expressed a desire for receiving more feedback from the system, such as more precise reasons for why a loan application is referred to manual underwriting.

47 The interviewee is suggesting that receiving an "approve" message from the automated TOTAL scorecard is an important part of ensuring regulatory compliance and reducing legal risk associated with manually underwriting loans. This is discussed further below.

48 The FHA TOTAL Scorecard automatically approves a loan application or sends it back to the lender with a "refer" instruction, indicating that manual underwriting is required.

49 Some participants questioned certain fee caps or requirements on substantive grounds (for example: "Insurance premiums that are charged in the Title I program seem to be more than what you would need to make the credit risk neutral.") It is not our focus to present different views about what particular rules should be, but rather to note the strongly held view that the rules and procedures of home-only and mortgage lending for manufactured homes should be identical, to the greatest extent possible.

50 See Gerecke et al., "Manufactured Housing Personal Property Loans: Balancing Market Liquidity and Consumer Protection," tbl. 2. As discussed below, Ginnie Mae rules currently prohibit multi-issuer pools for home-only loans, which constrains the growth of the secondary market. The new private market offering consists almost exclusively of new origination loans for purchasing manufactured homes, approximately 70 percent of which are home-only loans and 30 percent of which are mortgages. See FitchRatings, "Cascade MH Asset Trust 2024-MH1 (US RMBS)." The loan originator, Cascade Financial Services, is known to use automated underwriting techniques. See, e.g., The Title Report, "Cascade Implements LoanScorecard's Underwriting System."

51 In 2022, 86.6 percent of manufactured home personal property loans were made by the 10 largest lenders. Gerecke et al., "Manufactured Housing Personal Property Loans: Balancing Market Liquidity and Consumer Protection," tbl. 1.

52 It is worth noting that, while loan performance data may be of primary concern for lenders for the purpose of forecasting and managing default risk, investors have a keen interest in monitoring loan prepayment rates as a way of forecasting revenue and interest rate risk. Generating new loan performance data would help address this concern as well.

53 FHA insurance only pays 90% of the loan value in the Title I personal property loan program, compared to 100% in the Title II mortgage loan program. Some participants felt strongly that this discrepancy should be removed, so that insurance covers 100% of the loan value in both cases, based on monetary considerations but also out of concern for the negative signal that HUD appears to be sending about home-only lending. Other participants felt less strongly about it or did not view it as a top concern.

54 Some participants focused on the roles the GSEs could play in establishing pilots or otherwise directly stimulating the secondary market for home-only loans. However, some suggested that the GSEs could consider buying FHA insured home-only loans directly, as a temporary strategy for helping lenders to generate loan performance data more quickly. Unlike Ginnie Mae, the GSEs can hold loans on their own books.

55 Experts we interviewed described intrinsic (but, in their view, manageable) challenges with servicing home-only loans, versus mortgage loans, due to variances in rules and procedures when land is not securitized along with a home. But FHA and Ginnie Mae rules can compound these challenges considerably by requiring lenders to maintain sufficient capital to repurchase (from Ginnie Mae loan pools) defaulted home-only loans, restructure them or foreclose upon the property, and file an insurance claim with FHA.

56 For discussion of how GSEs and the FHA could coordinate to expand access to home financing, including personal property loans, see Alexandrov et al., "Coordinating Between the FHA and GSEs to Expand Access to Sustainable Mortgage Credit."

57 Freddie Mac's most recent proposed Duty to Serve plan for 2025-2027 states that it continues to work with its regulator "on evaluating the safety, soundness, and viability of pursuing an initiative focused on manufactured housing titled as personal property." Freddie Mac, "Duty to Serve Underserved Markets Plan for 2025-2027," 21. Fannie Mae's proposed plan mentions only an effort to facilitate converting home-only loans to mortgages. Fannie Mae, "Duty to Serve Underserved Markets Plan for 2025-2027," 51.

58 Participants were asked whether they agree or disagree with the following statement: "Ginnie Mae currently requires all Title I MH loans to be pooled separately into MBS with no possibility of a multi-issuer pool. This leads to small pools, low volume, and illiquidity. Ginnie Mae should allow Title I loans to be included in the main Ginnie Mae II multi-issuer pools." The statement and recommendation is paraphrased from an Urban Institute comment letter to the FHA. Kaul et al., "Comment Letter to the FHA and Ginnie Mae on Title I Manufactured Housing," 8.

59 As discussed in the Background section, analyses of mortgage data suggest that in some circumstances manufactured homes can appreciate in value like site-built homes. See Goodman and Pang, "Manufactured Homes Increase in Value at the Same Pace as Site-Built Homes."

60 Cash-flow underwriting can expand access to credit and improve credit risk prediction by allowing lenders to underwrite consumers with little credit history and better evaluate the repayment risk of those with non-prime credit scores. See FinRegLab, "The Use of Cash-Flow Data in Underwriting Credit: Market Context & Policy Analysis." See also Alexandrov et al., "Looking at Credit Scores Only Tells Part of the Story—Cash-Flow Data May Tell Another Part."

61 HUD, Mortgagee Letter 2019-01, "Third Party Verification Services"; Cochran et al., "Utility, Telecommunications, and Rental Data in Underwriting Credit," 67 & n.262.

62 The Trump and Biden administrations both called for modernization of HUD / FHA procedures and systems but the goals have not yet been achieved. See Note 3.

63 While we assume that modifying Title I would be the most likely path to jump-starting the home-only loan market, in theory it would also be possible to allow personal property lending within the Title II Program, with appropriate accommodations made where necessary to account for land leases or other unique characteristics of home-only lending; but not all experts interviewed during this research would agree that this is practicable.

64 For an example of private investor interest in securities backed by home-only loans, see Note 50.

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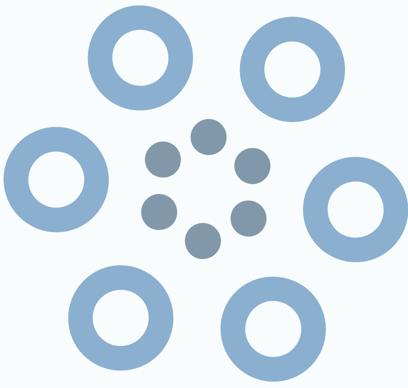

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