TESTIMONY
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Chairman Price, Ranking Member Diaz-Balart, and members of the Subcommittee, thank you for the opportunity to discuss the vital role of manufactured homes as a source of affordable housing, and the urgent need for federal action to help overcome serious abuses and policy failures in this sector. A nonpartisan, nonprofit private operating foundation, the Lincoln Institute of Land Policy seeks to improve quality of life through the effective use, taxation, and stewardship of land. We see a healthy manufactured housing sector as a vital piece of that mission.

To address the worsening national housing affordability crisis, repairing the dysfunctional markets that serve the manufactured housing sector is a top priority. Very few researchers, practitioners, or policy makers appreciate the critical importance of manufactured housing as a component of the national housing supply. Although manufactured housing offers an excellent opportunity for everyday American families to obtain high-quality, energy-efficient homes at a lower cost than comparable site-built housing, failed policies and market practices have increasingly turned manufactured housing into unstable homes by prioritizing shelter for capital over shelter for families.

I will briefly outline the benefits of manufactured housing, current challenges in the sector, and the need for federal actions to address them.

<u>The Benefits of Manufactured Housing</u>

Importantly, manufactured housing is the largest source of unsubsidized affordable housing in the nation. The stock of manufactured housing dwarfs the national stock of subsidized housing by millions of units.[1] Manufactured housing represents 6 percent of the total U.S. housing stock, 9 percent of the single-family housing stock[2], and more than 12 percent of all new single-family homes sold last year[3]. With an average price of $108,500 in 2020, the average manufactured home costs roughly half the price per-square-foot of the average site-built home[4] and serves a population with median income of around $35,000.[5] Amid a shortage of affordable homes, this housing stock represents one of the most affordable paths to homeownership for working families. Manufactured homes disproportionately serve older residents, people who have completed only high school, households with low incomes, and households with low net worth.[6]

In contrast to the traditional home construction sector, the manufactured housing industry has seen significant innovation in recent decades. Taking advantage of the efficiencies and stable conditions offered by a factory environment—no weather-related delays or damage, for instance—manufacturers are building high-quality homes that are often indistinguishable from traditional, site-built homes. Further, manufactured home construction generates less waste than traditional construction[7], and at a time when 31 million U.S. households face high energy burdens[8], manufactured homes offer the potential to push the envelope of energy-efficiency.

<u>Challenges in the Manufactured Housing</u>

Although manufactured homes have reached the same quality as site-built homes, they hold a second-class status in our financial and legal systems, creating increasing instability for

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[1] According to the 2020 US Census, there were 4.6 million households receiving subsidized housing and 6.8 million manufactured homes in the U.S.

[2] 2019 American Housing Survey

[3] *Manufactured Home Shipments versus Single-Family, Site Building Housing Starts and Homes,* Manufactured Housing Institute, www.manufacturedhousing.org/wp-content/uploads/2020/05/3-UPDATED-MH-as-Percentage-New-SF-Site-Built-1980-2019.pdf

[4] 2022 Manufacture Housing Facts, May 2022, Manufactured Housing Institute, www.manufacturedhousing.org/wp-content/uploads/2022/04/2022-MHI-Quick-Facts-updated-05-2022-2.pdf

[5] American Community Survey, 2018

[6] *Manufactured-Housing Consumer Finance in the United States*, Consumer Finance Protection Bureau, Sept 2014, https://files.consumerfinance.gov/f/201409_cfpb_report_manufactured-housing.pdf

[7] *Sustainability in Manufactured Home Communities*, CTG Energetics, Enterprise Green Communities, & ROC USA, https://prosperitynow.org/sites/default/files/resources/Sustainability%20in%20Manufactured%20Home%20Communities%20-%20White%20Paper%5B2%5D.pdf

[8] *How High Are Household Energy Burdens?* American Council for an Energy-Efficient Economy, accessed at www.aceee.org/sites/default/files/pdfs/u2006.pdf

those who live in them—particularly for the one-third of manufactured homeowners who do not own the land beneath their homes[9].

Manufactured housing communities (MHCs), also known as mobile home parks, are now an attractive target for acquisition by private equity investors. With access to inexpensive capital, often backed by government-sponsored enterprises such as Fannie Mae and Freddie Mac, these investors are acquiring entire communities and raising the land rents charged to homeowners. Because it is almost impossible to move a used manufactured home to another rental site, the investors hold significant leverage over residents. Some investors exploit residents by raising land rents significantly while reducing maintenance of streets and other infrastructure, reaping increased profits at the expense of residents. Others raise land rents high enough to force residents out, and then resell the land for a profit. One example, among many, is the investment firm Havenpark Capital Partners. Havenpark bought the MHC of Golfview in North Liberty, Iowa, in 2019. Since then, land rents have increased by nearly 60 percent[10], forcing many homeowners to sell their homes[11]. Similar stories have been documented across the country.

This trend would be troubling in and of itself, but it's made worse because the investment by firms such as Havenpark is often subsidized with financing backed by Fannie Mae and Freddie Mac, government-sponsored enterprises with the stated purpose of providing stability and affordability in the housing market. Since July of 2014, Freddie Mac alone provided $9.6 billion in financing for the purchase of more than 950 manufactured home communities across 44 states[12]. Fannie Mae and Freddie Mac have not publicly disclosed the names and locations of the communities they finance, or the conditions under which they were financed. While this financing may be intended to preserve manufactured home communities and pay for upgrades, investors often use their investments to extract short-term profits from vulnerable homeowners.

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[9] *10 Facts That Show Manufactured Housing Is an Affordable Homeownership Solution*, Prosperity Now, https://prosperitynow.org/blog/10-facts-show-manufactured-housing-affordable-homeownership-solution

[10] Company that bought Waukee mobile home park also increasing rents by 58 percent in North Liberty, Des Moines Register, https://www.desmoinesregister.com/story/news/local/waukee/2019/03/29/waukee-midwest-country-estates-mobile-home-park-havenpark-capital-utah-rent-increase-north-liberty/3310162002/

[11] Deadline looms for Golfview residents as many choose to move, KGAN CBS 2, accessed at https://cbs2iowa.com/news/local/deadline-looms-for-golfview-residents-as-many-choose-to-move

[12] *Duty to Serve Underserved Markets Plan 2022-2024,* Freddie Mac, https://www.fhfa.gov/PolicyProgramsResearch/Programs/Documents/FreddieMac2022-24DTSPlan-April2022.pdf

By contrast, because many manufactured homes are titled as personal property rather than real estate, most individual manufactured homeowners can only access loans with relatively high interest rates. Moreover, the uncertainty around future increases in land rent not only injects instability into the lives of these homeowners, but it makes the homes a less reliable source of wealth-building. The risk of an increase in the land rent makes a manufactured home less attractive to a potential buyer and thus depresses its price. In addition, manufactured home buyers do not have access to the same state and local resources available to buyers of traditional site-built homes.

Finally, because MHCs were historically financed as private developments and viewed as temporary, they have not benefitted from the same level of maintenance as traditional neighborhoods, whose infrastructure is funded by property taxes and other public sources. As a result, roads, sewers, and other infrastructure in many manufactured housing communities are in disrepair.

Federal Policy Solutions

Federal policy solutions must drive toward a single goal—to provide residents of manufactured homes with the same access to housing stability, financial opportunity, and quality of life available to owners of site-built homes.

First, Fannie Mae and Freddie Mac should help preserve manufactured housing communities (MHCs) by developing new finance products to support the sale of the communities to current residents. Underwriting guidelines should be established that meet the needs of the communities without incurring additional credit risk for lenders. The model demonstrated by ROC USA, with a spotless record lending to approximately 300 communities over thirty-eight years, could be adapted for this purpose. Federal tax credits and a grant program, administered by HUD, should be created to provide incentives for owners of MHCs to sell the land to residents rather than investors.

Second, as part of the FY 2023 HUD appropriation, funds should be set aside within the Community Development Block Grant (CDBG) Program to create a federal manufactured housing infrastructure improvement grant program to finance critically needed and shovel-ready infrastructure projects in MHCs. Investments should be made in projects that meet the IRS Affordable Housing Safe Harbor and demonstrate a mechanism that ensures the MHC is preserved as long-term affordable housing, for example as a limited equity cooperative type resident owned community. Timely availability of these funds is critical to improve community resilience, energy efficiency, water conservation and safety, and to generate a return on investment through increased tax revenue, improved housing affordability, and better health and economic growth.

Third, Fannie Mae and Freddie Mac should be required to publicly disclose the details of every loan they purchase to support the sale of MHCs to private investors. In addition, each of these loans should come with the requirement that land rents remain affordable for the long term. Funding for private investors should only be provided to preserve MHCs, and not to help investors extract profits from these communities. While Tenant Site Lease Protections provided by Fannie Mae and Freddie Mac as part of Duty to Serve mandates was an important innovation, these protections are woefully inadequate.

Fourth, the government-sponsored enterprises and Department of Housing and Urban Development should develop new loan products, or improve existing products, with loan-to-value requirements and interest rates on par with traditional mortgages for site-built homes. Fannie Mae and Freddie Mac should introduce new chattel products to serve the manufactured housing market and streamline underwriting to facilitate securitization of these loans. Although HUD already provides manufactured home chattel financing, it has unnecessarily restrictive loan limits: $69,678 for home-only financing and $92,904 for home-plus-lot financing. These numbers are too low for most buyers: the average sales price of a new manufactured home without land is $87,000. HUD should not only increase the loan limits to reflect market prices but institute a process for annual increases in line with home price appreciation, as is the case for Federal Housing Administration (FHA) forward mortgages.

In addition, there are less than a handful of Title 1 issuers because Ginnie Mae requires them to have a minimum net worth of $10 million plus 10% of outstanding obligations to participate in its MH program. This compares to only $2.5 million plus 0.35 percent of outstanding obligations for Single-Family issuers. As a result of these very stringent net worth requirements, many smaller lenders find it uneconomical to offer MH financing or must do so at higher interest rates.

Finally, more stringent new energy standards should be established for manufactured homes to put manufactured housing on the leading rather than the trailing edge of housing efficiency.   A 2020 American Council for an Energy-Efficient Economy (ACEEE) study found that the median energy burden of manufactured housing residents is 71% higher than for single family households.[13] According to Next Step Housing, in 2020, only 30% of the roughly 95,000 manufactured housing units shipped were Energy Star certified. With Energy Star certification requirements and Department of Energy standard upgrades, manufactured housing could offer a lower-cost, energy efficient option for many low- and moderate-income households.

Conclusion

The federal government alone cannot address every challenge associated with manufactured housing. Only states, for example, can require sellers of MHCs to give residents an opportunity to purchase the land beneath their homes. And local governments need to remove regulatory barriers that prevent placing manufactured homes in many neighborhoods. However, the manifold challenges of preserving and promoting the most affordable homeownership option available in the U.S. marketplace cannot be solved without federal leadership.

While in truth manufactured housing represents a uniquely American innovation, the homes and the families living in them have been stigmatized for too long. And now they have become targets for exploitation. With the reforms outlined above, manufactured homes can become a growing source of opportunity for the millions of people who live in them, and for many more families who currently struggle to find affordable housing.

Thank you for the opportunity to testify, and I look forward to your questions.

[13] https://www.aceee.org/sites/default/files/pdfs/u2006.pdf