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Chairman Flood, Ranking Member Cleaver, and Members of the Subcommittee, on behalf of Mountain State Justice, thank you for inviting me to testify today regarding manufactured housing. I am a Senior Attorney at Mountain State Justice, a non-profit legal services provider in West Virginia that exclusively represents low-income people at no cost to them. Since 1996, we have served thousands of homeowners of manufactured housing in danger of losing their homes or losing their homes and their land from predatory lending practices. We also represent these homeowners living in unsafe and unhealthy environments due to conditions in their homes or damage from natural disasters. This testimony is also on behalf of the National Consumer Law Center[1] and its low-income clients.

I am here today to thank Congress for prioritizing affordable housing and celebrate your interest in alternatives to stick-built homes. In West Virginia, we are proud to have the highest rate of homeownership in the nation.[2] We maintain this level of homeownership while, unfortunately, also possessing the 49th lowest average household income in the nation.[3] It is no coincidence that West Virginians occupy manufactured homes at more than twice the national average.[4] While I wish to discuss the special situation homeowners of manufactured housing occupy, and the particular risks they face, let me be very clear: manufactured housing is an essential segment of the affordable housing market, particularly for financially vulnerable, low-income homeowners, many of whom are located in rural areas.

Manufactured homes are fundamentally different from stick-built homes. Although commonly referred to as mobile homes, these homes are in fact not so mobile.[5] Once set on piers, moving these homes can be cost-prohibitive, if they can even be moved at all. Age and condition will often result in the destruction of a home if it is attempted to be moved. And of course, a homeowner must have some place to move the home. Manufactured homes are titled like a vehicle and depreciate like a vehicle despite often being sold with all the promises of homeownership. Manufactured homes have finite lifespans, and each time a home is moved, that lifespan is shortened by 3 to 5 years.[6] So, if a consumer takes a 25- or 30-year loan to purchase their home, the asset is likely to have *de minimus* value by the time the loan is paid off. Let me sum up that

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[1] Since 1969, the nonprofit National Consumer Law Center® (NCLC®) has used its expertise in consumer law and energy policy to work for consumer justice and economic security for low-income and other disadvantaged people in the United States. NCLC's expertise includes policy analysis and advocacy; consumer law and energy publications; litigation; expert witness services, and training and advice for advocates. NCLC works with nonprofit and legal services organizations, private attorneys, policymakers, and federal and state government and courts across the nation to stop exploitative practices, help financially stressed families build and retain wealth, and advance economic fairness.

[2] Map Shows US States With Highest, Lowest Homeownership - Newsweek

[3] Household Income in States and Metropolitan Areas: 2023

[4] Approximately 13% of West Virginians live in manufactured housing. Nationwide, approximately 6% of the population live in manufactured housing.

[5] The average price of a new doublewide increased 40% from 2020 to 2023; the average price singlewide homes increased 48% in the same time. Annual_AvgPrice.xlsx

[6] How Long Will A Mobile Home Last? Around 30 to 55 Years

point this way—manufactured homes are a vital source of housing, but they are not a wealth building tool.

This reality of the homeowner of manufactured housing is true whether the home sits on rented land or the homeowner owns the land on which it sits. These homeowners are overwhelmingly folks on a fixed income: the elderly, veterans, and the disabled. Those not on fixed incomes are working families struggling to make ends meet.[7] While this industry presents huge potential in fighting housing insecurity, where there is hope, there is opportunity for exploitation. Below, I discuss two groups of clients we have represented that help illustrate how the industry is ripe for exploitation. This discussion is followed by several recommendations that are necessary to protect homeowners as you look to expand manufactured housing as an affordable housing alternative.

Manufactured Housing on Leased Land: Harms from Corporate Purchases of Communities

In the leased land context, the homeowners own their homes, often at great expense, but rent the land upon which the homes sit. As discussed above, this situation creates an incredible imbalance of power between the homeowner and the landlord. These harms are exacerbated when corporate entities buy up manufactured home communities and exploit areas where there are no existing protections (and ignore rules that do apply).

Mercer County, West Virginia is a beautiful area in southern West Virginia where the mountains widen and the New River cuts its course into West Virginia just to the east. It is also in the Appalachian coal fields. The median household income is under $48,000, 5.5% of the county are veterans, 15% of the county population under 65 years old is disabled, and more than 19% of county residents live in poverty according to national guidelines. Nonetheless, in Mercer County 70% of the housing units are owner occupied.[8] Most recently, however, as I'll discuss, hedge funds and other investors have found a way to profit off of these working families and veterans living on fixed incomes, making what is always a challenging path to maintaining homeownership even harder.

There are a number of manufactured housing communities in Mercer County (what some people would call "mobile home parks"). Most were for years mom and pop operations. There was, to an extent, an implied trade off with the landlords: there would be minimal money invested back into the community, but common areas would be maintained and lot rents would stay affordable and predictable (although there were certainly still issues about park conditions and lot

[7] Average median household income of owner occupied manufactured housing is $34,000 per year. [6 Remarkable Mobile Home Statistics You Need to Know – Movity](). Of the more than 3.2 million people age 60 and above living in manufactured housing, 65% have no more than a high school education and more than 70% of those households have total annual income of less than $50,000.

[8] https://www.census.gov/quickfacts/fact/table/mercercountywestvirginia/PST045224

rents). Then, beginning around early 2022, an out-of-state hedge fund started buying out the local owners of the communities in the county.[9] This firm bought five communities in Mercer County totaling over 640 individual lots.[10] After taking ownership, and without respect to existing leases, this hedge fund provided notice in late October to all 640 family homes that in 60 days, and just weeks before Christmas, the rents would be steeply increased. The impact is clear in looking at the stories of some of the community residents, for whom rent increases of several hundred dollars create an unmanageable situation.

Mr. and Mrs. P have lived in their community for six years. They cashed out their retirement savings to purchase their home for $30,000. Social Security is now their only source of income, but even with $1,700 in monthly out-of-pocket medical expenses, they lived comfortably. Their lot rent had been $300 per month since they moved in and had not increased. Now they were notified they would pay $525 per month or face eviction.

Ms. R has lived in her community for 20 years and had only had infrequent small rent increases. She lived in her own home with her daughter and husband. She and her husband operated a body shop together and averaged about $42,000 in annual income. When her community was purchased, she was paying $225 a month, a payment she could afford in even their business' slowest months. She was notified she would have to immediately pay $495 each month or be evicted.

Ms. V has lived in her community for 14 years. She is paid through the Medicaid Waiver Program to provide required care for her disabled adult son. She was notified that her rent would increase from its long-term payment of $225 each month to $525 or she and her son would face eviction.

To keep their homes where they had been located for years, these folks were being told to swallow 75%, 120%, and 133% monthly rent increases respectively.[11] In contrast, the Social Security cost-of-living-adjustment increase for this year was 2.5%.[12] An increase in lot rent necessarily means cuts in other budget items. Moreover, the rent increase would result in decreased value of the actual manufactured home at resale. This is because a leased lot and the manufactured home operate as complementary goods–that is, considering the total monthly cost of housing as one expense, when lot rent increases, the amount someone will pay a homeowner to buy a home that is sited on that lot decreases. Accordingly, the lot rent increases meant that the residents'

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[9] The venture capital firm began buying manufactured housing communities in 2021 and now is estimated to own at least 144 communities in multiple states. Home Sick: Uncovering the health harms in Homes of America's manufactured housing communities - Human Impact Partners

[10] 640 lots represents 2.6% of owner occupied homes in Mercer County. https://www.census.gov/quickfacts/fact/table/mercercountywestvirginia/PST045224

[11] Manufactured Housing Institute reports an average annual sit rent increase of 6.2%. 2023-Industry-Overview.pdf

[12] https://www.ssa.gov/cola/

homes were immediately worth less—a purchaser would either pay less to buy the home because of the cost of the lot rent or a purchaser would pay less to buy the home because of the expense of having it moved to a more affordable community.

While these investors did not follow state laws about recognizing existing leases and providing proper advanced notice about rent increases, if they had, nothing stops them from raising rents to the extent they did (or more). As a result, the homeowners have no opportunity to save their homes and the investments they made in them (which can not be recouped as they can to some extent with foreclosures of stick-built homes). Moreover, purchases by these same investors, and others like them, have resulted in a drastic decrease in physical conditions in the communities further increasing the risk of displacement. These homeowning renters faced unsafe and unsanitary conditions as the new owner allowed the communities to deteriorate. The homeowners faced sewer infrastructure failures and failure to maintain common areas.

For example, in Ms. V's community, the outdated sanitary sewer infrastructure completely failed after her community was purchased by the hedge fund. Rather than investing in updated sewer infrastructure, the landlord brought in industrial pump machines and began pumping and hauling waste out of the community. When the pumps–which were meant to be only temporary–failed, the community faced unsanitary waste on the surface of common areas and noxious odors permeated the community. Although the company was stopped from using these pumps for a period of time by the state environmental protection department, the absentee corporate landlord is again using the pump machines rather than making a proper investment in its sanitary sewer infrastructure. When a hedge fund buys a manufactured housing community, it of course hopes to make a profit. But, no matter how much it increases rents, there is little incentive to invest in the infrastructure of the community when its tenants cannot move their homes and feel trapped.

Manufactured Housing on Owned Land: Financing Abuses

Purchasers of manufactured homes for placement on owned land face steep challenges when it comes to finding sustainable financing. In my practice, we have worked with thousands of homeowners of manufactured housing who have purchased their homes with loans they could not afford because the loans included hidden terms, or the loan terms were changed after the purchase was agreed to. These loans are designed to benefit the lender but not the homeowner. Unlike in the conventional mortgage market, manufactured home loans are not set up for purchase on the second market at this time and the sales and loan terms operate in a substantially different system. In West Virginia, purchasers of manufactured housing generally obtain their loan at the point of sale with funding from one of two available lenders. In these transactions, the role of salesperson and loan originator are often blurred.

For example, Mr. and Mrs. A were able to obtain the dream of home ownership after years of hard work. Mrs. A graduated high school, but never worked outside the home. Mr. A dropped out in the 11th grade, then got his GED and steadily worked manual labor. He worked maintenance at the local hospital and as a grounds person for the state parks. When I met Mr. A, he worked in an industrial supply warehouse. Mr. A. is a rare creature in this day and age: he never had a credit card and never financed a car. The only financing transaction Mr. A had engaged in was purchasing his land through a land contract, which is itself a product fraught with problems. The land had an old, dilapidated home on it where Mr. and Mrs. A actually lived for three years while they paid down the land contract.

When Mr. and Mrs. A felt comfortable enough to think about investing some money in the home to rehab it, they ran across a mobile home sales lot advertising 2.9% financing for new homes. Almost on a lark, they gave the salesman their social security numbers to run credit checks for the promotional rate. Later, Mr. A. testified, "I didn't even think we was going to get a loan because, I mean, I never had established any credit." Then a few days later, the salesman called Mr. and Mrs. A. "Congratulations you are approved!" Mr. and Mrs. A wondered if they needed to take this opportunity seriously. Was this their chance to get their dream home on a payment they could afford? They decided to return to the lot to look at the homes again and try to get their heads around the ins and out of taking this leap. And here is one fact worth noting: Mr. and Mrs. A went straight to the lower priced single wide units when they came back to the sales lot. Of course, the sales professionals quickly steered them into more expensive units, asking Mr. and Mrs. A "how it felt to be in their new home" and assuring them they would get a "deal." Mr. A. testified about his joy, that he just couldn't believe they were going to get the home they wanted.

The final terms of the deal reflect the deceptive representations made by the salesman. The deal also reflected the fact that there are far fewer financing options for manufactured homes than there are for vehicle loans, and only a small percentage of mortgage lenders will finance a manufactured home purchase. Due to the hard sell, Mr. and Mrs. A were convinced that 30-year loans were only being offered for a limited time—if they didn't act, they could only get the home if they could pay it off with a 10-year loan term. They were also told that because of the 2.9% financing promotion, their monthly payments would be between $800 and $900 a month. Further, they were told that this $96,000 home would be worth between $150,000 and $155,00 once it is placed on their land. Of course, none of these were true.

Mr. A wrote the check for the down payment, and it was a happy day. It was to be a high-water mark for Mr. and Mrs. A. The terms of their deal would worsen week by week. Mr. and Mrs. A were inexplicably told that facing the new home in a similar orientation to their existing one would require an additional $5000 to move electrical service wires and that the 2.9% interest would only be offered if they oriented the home differently to face a different street (which presumably would have required even more electrical work). They were also told without any proof that their interest rate would increase another two points because of the location of the septic tank. These excuses for increasing the credit terms were not grounded in any reality or loan requirement. Now, Mr. and Mrs. A were looking at financing the same amount but at an interest rate that ballooned to 9.49%. The monthly payment was now well over $1000.

The District Court did not take Mr. and Mrs. A's word for it. The court found this was all corroborated by the computer records of the seller. The seller and the lending institution are both subsidiaries of the same company. The seller and the lender, while two different companies, shared access to software and the salesperson could run different iterations of loan terms for Mr. and Mrs. A ultimately offering them worse and worse terms for more and more suspect reasons. But the worsening terms for Mr. and Mrs. A resulted in greater return for the salesman, the seller, and the related finance company.[13] By the time Mr. and Mrs. A signed financing documents, the monthly payment was over 35% of Mr. and Mrs. A's gross household income—before taxes or other monthly monetary obligations were factored in.[14]

The structure and practices of the specialty market of manufactured housing loans creates another barrier to consumers receiving fair terms. The salesperson told Mr. and Mrs. A that after making payments for a year they could go to any bank and refinance their loan. But as Mr. A testified, he went to three local banks and each one told him they do not finance manufactured homes. He could not find an alternative to the financing he felt trapped in. Of the five lenders that make the most manufactured housing loans, 78% of those manufactured home loans are made by two related entities: 21st Mortgage Corporation and Vanderbilt Mortgage and Finance.[15] Mortgage lenders do not yet have incentives to enter the manufactured housing space. Without competition, manufactured home purchasers cannot meaningfully shop around for a loan.

Additionally, in these financing transactions, we are also observing an alarming trend of sellers misusing the E-Sign Act, 15 U.S.C. Sec. 7001, et seq., in two important ways. First, they are failing to determine whether the consumer has the ability to receive and review documents electronically. Many computer illiterate consumers or consumers without computers, some without email addresses, are being forced into electronically reviewing and signing loan documents on a tablet or computer belonging to the lender or notary without a means of reviewing those documents once they leave. Second, they are requiring the use of electronic signatures with in-person signings, with the salesperson controlling the computer. This prevents the consumer from being able to fully review documents and makes it easier for an unscrupulous salesperson to insert additional charges or provisions into the contract that disadvantage the consumer, such as arbitration provisions or changed terms.

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[13] Mr. and Mrs. A borrowed $130,993.47 at a cost of $246,498.93 in finance charges.

[14] Financing contained a notice that the lender "has come to the good faith belief that you have the capability of repaying this financing." This claim is suspect. See, the now withdrawn suit of CFPB v. Vanderbilt Mortgage and Finance, Inc. alleging a pattern of intentionally depressed monthly expenses making loans appear more affordable than reality. https://www.consumerfinance.gov/enforcement/actions/vanderbilt-mortgage-finance-inc/

[15] https://www.urban.org/urban-wire/four-ways-financing-differs-manufactured-homes

Additional Challenges for Homeowners of Manufactured Housing

Finally, a point on the vulnerability of homeowners of manufactured housing to the effects of natural disasters. These homes are secured to the ground primarily through the use of metal strapping affixed to large screw-type anchors, commonly called hurricane straps. The homes remain incredibly vulnerable to high winds that occur in hurricanes and tornadoes. These homes also are not manufactured with the same materials as stick-built homes and exposure to flood waters can render the home uninhabitable without any practical method to remediate the damage and prevent the growth of mold and other environmental toxins. Further, manufactured housing is typically completely reliant on electricity for heating and cooling, and it tends to be poorly insulated, increasing the energy use required to maintain the home in increasing cold winters or hot summers. Efforts to mitigate these risks are welcome.

Recommendations

GSE personal property (chattel) lending. An essential recommendation to protect consumers amid an expansion of manufactured housing is promoting Fannie Mae and Freddie Mac's role to expand access to manufactured home lending. These efforts should focus on steps that would create more parity between purchasers of manufactured housing, particularly in manufactured home communities, and purchasers of site-built homes. As an example, a purchaser of a $100,000 manufactured home using a personal property loan at 12.9% for a 30-year term, typical for current private-label manufactured home loans, would pay approximately $1100 per month. That same purchaser with a 6.5% mainstream mortgage loan, would have the power to purchase a $174,000 home.

Ideally, all manufactured homes, whether located on land owned by the homeowner or on leased land, would be eligible for mainstream mortgage financing, but this would depend on actions by the individual states to allow homes on leased land to be titled as real estate. The more effective route under current conditions is to improve personal property lending. The GSEs should help create a strong secondary market for personal property loans, by establishing a federally-backed personal property loan program. This work would build on initial pilot projects conducted through the Duty to Serve program, and would lead to more affordable options for manufactured home purchasers. In addition, any GSE release from conservatorship must include preservation of Duty to Serve and the focus on manufactured home lending. Manufactured housing is a key source of affordable housing in many areas of the country, especially in rural areas and particularly for veterans and the elderly.

Leased land protections. Any federal manufactured home lending program should include protections for residents of manufactured home communities, whether the loan is made to enable a family to purchase a home or to enable an investor to purchase the community. A number of protections for homeowners on leased land have been proven effective at the local and state level. These protections include giving residents the opportunity to purchase their communities when they go up for sale. A federal tax incentive for community owners who sell the community to the homeowners would also be helpful. Protections from exorbitant rent increases, such as pegging rent increases to inflation, have proven effective without resulting in less investment in communities. Homeowners in manufactured home communities should also be protected against termination or non-renewal of their leases except for good cause. This protection gives homeowners a modicum of security against arbitrary expulsion from the land and also protects the lender's security interest in the home. Protections in the sales and financing process, such as sound appraisal practices, evaluation of ability to pay, and requirements that deter bait-and-switch and other deceptive tactics, also benefit both purchasers and lenders.

Conclusion

Thank you for the opportunity to testify today. Expanding access to manufactured housing is a vital step in addressing the national need for low-cost unsubsidized housing. However, this expansion must recognize the realities of manufactured housing–that it is only a housing solution, not a wealth builder. Without proper protections, expanding manufactured housing will also expand opportunities for corporate investors and others to take advantage of these homeowners, who are disproportionately elderly, on a fixed income, and living in rural areas, in the name of the American dream of homeownership. I am happy to answer any questions.