



Fannie Mae®

# Innovations in Real Property:

Manufactured Homes, Alternative Ownership Models,  
and the Availability of Mortgage Financing



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# Introduction

As part of our commitment to promote transparency regarding our Duty to Serve activities and to invite collaboration and new perspectives from a diverse range of stakeholders, Fannie Mae is sharing this document that summarizes research and industry outreach to stakeholders interested in broadening access to mortgage credit to consumers living in manufactured housing communities.

With respect to manufactured housing financing, Fannie Mae's business processes and policies require a manufactured home (MH) to be legally treated as real property. Titling a manufactured home as real property provides certain protections to a mortgage lender extending financing for the property while also offering consumer benefits in the form of potential wealth-building through home price appreciation and stronger consumer protections.<sup>1</sup> While not a requirement in all states, real property treatment of a manufactured home is generally possible when the consumer owns both the home and the land underneath in fee simple and converts the home to real property under a conversion statute specified by state law.

While the consumers' ownership of the underlying land is typically a feature of homes titled as real property, rising housing and land costs in recent years have exacerbated the housing crisis, and many consumers may not have the financial standing to own their land as a result. With manufactured housing generally understood to be the lowest-cost homeownership option, the ownership and stewardship of the underlying land by qualified entities, including private community operators, non-profit or government entities, or cooperative organizations comprised of resident shareholders, could present an opportunity to expand access to conventional financing for low-income consumers. While Fannie Mae's participation in these markets is limited, our current Duty to Serve plan for manufactured housing anticipates outreach and product development efforts to expand access to credit for homes in these scenarios, which may, in turn, serve as a catalyst for broader acceptance of these types of communities.

**Our plan is to update this document as our outreach efforts expand in this segment of the manufactured housing market through 2024.**

1. "Key Legal Distinctions between Manufactured Home Chattel Lending and Real Property Lending," Fannie Mae. Available at: <https://www.fanniemae.com/media/28481/display>



# Profiles in Unique Manufactured Homeownership Scenarios:

## 1. Resident ownership in land-home cooperatives

Most manufactured home communities in the country are multifamily properties under mom-and-pop ownership or increasingly held by institutional real estate investors. Residents of these communities pay a monthly fee to site their manufactured home in the community and typically own the manufactured home itself. Similarly, while residents of a resident-owned manufactured home community own their homes, they also buy a share membership in the cooperative corporation which owns the land.

This membership affords them the right to site their MH unit on the land and may also include access rights to any amenities in the community. **While this community ownership model is a relatively small component of the overall manufactured home community sector, residents in these communities have been found to benefit from lower lot rents and greater resale value for their homes when compared to residents living in traditional manufactured home communities.**<sup>2</sup> In addition to these economic benefits, residents benefit from the financial security and peace of mind that comes from indirectly owning the land underneath their homes.



**As discussed in the introduction, being considered real property under state law is a key condition needed to enable traditional mortgage financing for a manufactured home.**

2. Sally K. Ward, Charlie French & Kelly Giraud, "Resident Ownership in New Hampshire's 'Mobile Home Parks': A Report on Economic Outcomes" (rev. 2010). Available at: <http://scholars.unh.edu/cgi/viewcontent.cgi?article=1009&context=carsey>

## 1. Resident ownership in land-home cooperatives cont.

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While most of Fannie Mae’s real property manufactured home lending involves financing MH units sited on land that the borrower owns, Fannie Mae has long financed MH mortgages for homes sited on leased land in resident-owned cooperatives located in the state of New Hampshire through a special program.<sup>3</sup> **Importantly, New Hampshire law provides that manufactured homes placed on a site and connected to utilities are considered real estate for the purposes of transfer and are conveyed, mortgaged, and leased as real estate—regardless of whether the homeowner owns the land underneath the home.**<sup>4</sup> Numerous academic and industry trade publications have heralded New Hampshire’s approach to titling for manufactured homes as a standard-setter for enabling homeowners to access competitive mortgage financing and for garnering interest from mortgage lenders by ensuring the security of the real property designation.

As the accommodating laws in New Hampshire have provided the framework for the success of mortgage financing initiatives for homes sited in resident-owned cooperatives in the state, consumer advocates have sought to promote a national standard for title conversion, which would replace disparate state laws and simplify the process of conversion for consumers and mortgage lenders alike. The Uniform Law Commission finalized its Uniform Manufactured Housing Act (UMHA) in 2012, which proposed a straightforward way for converting a home’s legal status from personal property to real property and offered the act to the states for consideration.<sup>5</sup>

While adoption of the UMHA has been scant, there have been recent success stories as state legislatures have updated laws to allow for real property designation of certain manufactured homes.



**For example, Minnesota changed its titling law in 2021 to allow homes sited on land owned by cooperatives or non-profits to be treated as real property, opening up the possibility of bringing low-cost mortgage financing to hundreds of homeowners in Minnesota.**<sup>6</sup>

Our outreach to stakeholders involved in supporting cooperative ownership in Minnesota suggests that these developments are encouraging, but significant hurdles remain before this becomes the default option for owners of manufactured homes sited in communities. This is especially true of manufactured homes that are already constructed and for which the consumer has been making routine payments on their chattel loan.

**The Home Mortgage Disclosure Act (HMDA)** dataset provides some insight into loan origination trends for manufactured housing loans under various ownership scenarios, including loans under “indirect ownership”—a property characterization understood to be inclusive of loans in resident-owned cooperative communities. Of the 715 loans on manufactured homes reported as under “indirect ownership” in 2019, 263 loans (~37%) were mortgage loans.

3. Lenders interested in selling this type of loan to Fannie Mae should first engage their customer account team.

4. “Titling Requirements for Manufactured Homes,” Fannie Mae. Available at: <https://singlefamily.fanniemae.com/media/18186/display>

5. Titling Homes as Real Property. National Consumer Law Center. Available at: <https://www.nclc.org/wp-content/uploads/2022/09/cfed-titling-homes.pdf>

6. “Minnesota Legislature passes housing bill, includes big wins for manufactured homeowners,” Northcountry Cooperative Foundation. Available at: <https://northcountryfoundation.org/blog/2021/9/15/minnesotas-legislature-passes-housing-bill-includes-big-wins-for-manufactured-homeowners>

In an analysis of the resident-owned cooperative loans Fannie Mae has purchased since its New Hampshire program began,

**95%**  
of the time

**MH co-op mortgage loans** have met the statutory income requirements for Duty to Serve<sup>7</sup>

**61%**  
of the time

**Standard manufactured housing loans** have met the statutory income requirements for Duty to Serve<sup>7</sup>

These numbers highlight an opportunity to increase the utilization of mortgages by consumers living in these communities and spotlight a form of homeownership that consistently serves low- and moderate-income homebuyers, which the Duty to Serve regulation is intended to support.

## 2. Long-term leasehold communities owned by privately owned manufactured home community operators

While cooperative ownership is touted by many as an important ownership model, most manufactured housing communities are still owned by private entities whose goals for the property may be different from those of a cooperative organization comprised of community residents. In certain states, holding a recorded lease of a certain term may allow the home to be converted into real property. Allowing a real property mortgage to be recorded on a home sited on their land may be a dubious proposition for many community owners. However, institutional investors are increasingly involved in the construction and acquisition of manufactured home communities to hold in a portfolio of real estate assets with the intention of collecting cash flow from the pad rents over a long period of time. As such, a long-term lease may serve the interests of the private community owner, a borrower seeking a competitive financing arrangement, and a lender anticipating a long-term lease to serve as a component of the collateral for the mortgage loan.



7. Fannie Mae analysis of manufactured home cooperative loans delivered from 2008. Standard MH Duty to Serve criteria delivered from 2021 loan purchases only.

## In our research and outreach this year, two distinct use cases for the long-term leasehold model have become evident:



**“PURPOSE-BUILT”  
COMMUNITIES**



**TRADITIONAL “LAND/LEASE”  
COMMUNITIES**

In “purpose-built” communities, such as planned unit developments or condominiums, private manufactured home community operators may build a large community from the ground up with the intent of offering long-term leases to tenants. Large and well-respected manufactured housing community ownership companies, such as YES! Communities, are known to have been involved in the construction and ongoing management of homes sited in long-term leasehold parks outside of the greater Denver, Colorado, metropolitan statistical area.

Based on a review of loans delivered to Fannie Mae, we have purchased mortgage loans in at least two of these communities: [Antelope Ridge](#) in Colorado Springs and [Prairie Greens](#) in Frederick.

The purpose-built nature of these communities, combined with professional property and asset management by well-capitalized owners/operators, is likely to ensure the long-term success of the community and is, therefore, likely to attract interest from the mortgage lending community as well.

Conversely, our industry outreach has also uncovered scenarios under which the owner of a traditional “land/lease” manufactured home park consents to the recording of a real property mortgage onto a leasehold estate for homes sited on individual lots in their community. In a break from the traditional short-term lease model, the community operator would recognize the value of allowing a tenant to secure a low-cost mortgage loan and would replace a short-term lease with a lease of a term long enough to ensure that the home can be financed with a mortgage.

As many lenders will be looking for a lease term that extends at least five years past the maturity date of the mortgage, a practical lease term in this scenario could be a minimum of 35 years. While this would be a stark contrast when compared to traditional leasing practices in the manufactured housing community industry, providing a path for more mortgage capital to become available for consumers could increase occupancy in the community and thereby improve the performance of the multifamily property. This arrangement also has obvious benefits for the consumer, who, in “converting” their financing arrangement from a chattel loan to a mortgage loan, could save a good deal of money on their housing costs.

## 2. Long-term leasehold communities owned by privately owned manufactured home community operators cont.

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Recent additions of new data points in the Home Mortgage Disclosure Act dataset have provided some insight into mortgage loan originations for manufactured homes in these unique scenarios. In 2019, while over 60,000 mortgage loans were originated on homes sited on land owned by the borrower, just 26 mortgage loans were reported as being originated on homes under a “paid leasehold” ownership scenario.<sup>8</sup>

As the industry-standard financing option for homes on leased land is chattel lending, this is not a surprising finding. Even so, the presence of a few real property mortgage loans on land not owned by the borrower suggests there are opportunities to better clarify Fannie Mae’s experience lending in these communities and to partner with industry stakeholders to ensure the availability of conventional mortgage financing for homes in these unique ownership scenarios.



**Fannie Mae will finance manufactured homes subject to a leasehold estate in established condo or planned unit development projects approved through its Project Eligibility Review Service. For more information on this process, please refer to [this fact sheet](#) or Fannie Mae’s *Selling Guide*.**

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8. Fannie Mae review of data tables published in connection with “Manufactured Housing Finance: New Insights from the Home Mortgage Disclosure Act.” Available at: <https://www.consumerfinance.gov/data-research/research-reports/manufactured-housing-finance-new-insights-hmda/>



# New Opportunities: Leveraging Manufactured Housing in a Community Land Trust Shared Equity Model

In addition to the opportunities noted above, Fannie Mae has conducted routine outreach to non-profit community land trusts around the country to educate them on its loan product offerings for manufactured housing. Community land trusts administering shared equity programs offer homeownership opportunities to low-income consumers by lowering the cost of purchasing a home in exchange for retaining some percentage of the borrower's equity in the home at the time the home is resold. Combining the affordability of a shared equity mortgage with the inherent affordability of manufactured homes has the potential to lower the barrier to entry for homeownership for low-income consumers in communities across the country.



## Jamie Lane Development in Sonoma, California

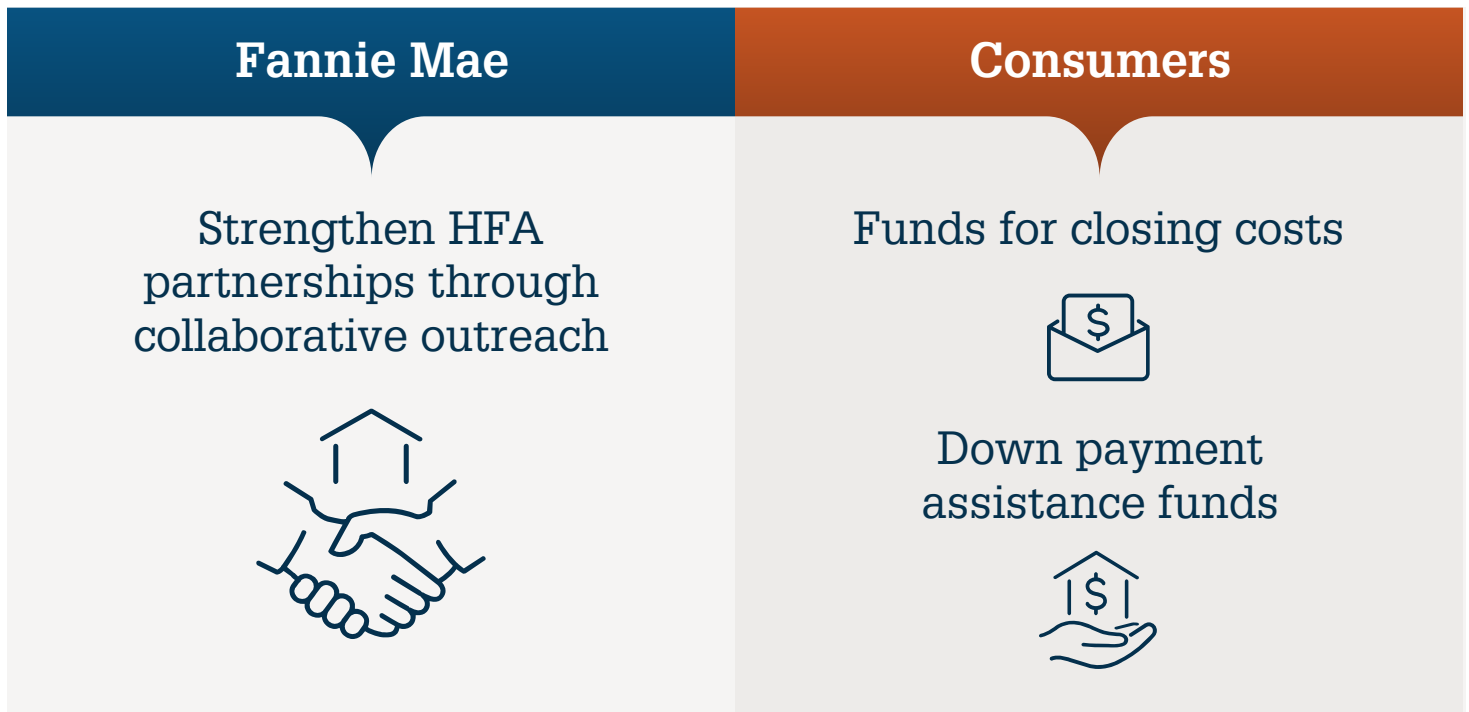
In a first-of-its-kind development, the Housing Land Trust of Sonoma County in Sonoma, California, purchased and installed five MH Advantage<sup>®</sup> homes on infill lots through partnerships with the California Housing Finance Agency and homebuilder Renew Now Homes.<sup>9</sup> As of November 2022, the initial homes in the community were sold, and Fannie Mae purchased loans originated in this community, providing liquidity to a nascent market and highlighting a potentially scalable approach in using manufactured housing to add affordable housing stock to the portfolios of community land trust organizations across the country.

9. For previously published research on this project, see research commissioned by Fannie Mae and conducted by the Turner Center for Housing Innovation at UC Berkeley. Available at: <https://turnercenter.berkeley.edu/research-and-policy/clt-jamie-lane/>

# The Path Forward: What Else Is Needed to Support the Availability of Mortgage Financing for Manufactured Homes on Leased Land?

For the success of its land-home cooperative loan program in New Hampshire, Fannie Mae has relied heavily on the expertise and convening power of the state's housing finance agency (HFA). As mission-driven lending entities, HFAs may be able to bring additional funds to the closing table to support consumers purchasing manufactured homes, such as down payment assistance funds and funds for closing costs.

In expanding real property mortgage lending in cooperatives to new markets across the country in future years, Fannie Mae expects to lean heavily on its HFA relationships to promote the program to correspondent lenders and community banks who share a dedication to serving low- and moderate-income consumers with competitive loan products.



While land ownership by an experienced lessor and enabling legislation at the state level are two key conditions for ensuring the success of a mortgage lending program for manufactured homes sited on leased land, **the realities of small-dollar mortgage lending present challenges in enticing lender participation, particularly amongst those lenders who originate loans with the intent of delivering those loans into the secondary market.**

Fannie Mae has recently announced several flexibilities which could **incentivize further lending for small-dollar mortgages** and reduce the cost of origination for such mortgages or remove potential barriers to loan qualification.



These flexibilities include:



## **Positive Rental Payment Reporting**

Positive rental payment reporting is a feature in Desktop Underwriter® (DU®) that allows lenders to use verification of assets reports (e.g., bank statement data) to identify recurring rent payments to potentially enhance DU’s credit assessment of prospective, first-time homebuyers. **The offering announced in September 2021 has enabled more than 2,000 loan applications<sup>10</sup> to become eligible for purchase by Fannie Mae that otherwise would not have been eligible.**



## **Average Median Credit Score**

Fannie Mae also launched an average median credit score product flexibility in September 2021. For loans with more than one borrower, the flexibility will allow lenders to take the median credit score for each borrower and produce an average score across both borrowers to determine a new score used for the purposes of loan eligibility. **HMDA 2019 data on mortgage originations for MH real property loans suggested that MH loans under “indirect ownership”<sup>11</sup> that are later defined as being inclusive of homes sited in resident-owned cooperatives, are more likely to have co-borrowers than real property loans on homes under direct ownership.<sup>12</sup>**



## **About the Author**

Will Stoker leads the implementation of Fannie Mae’s Duty to Serve plan for the manufactured housing market by partnering with members of its Single Family and Multifamily lines of business.

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10. Available at: <https://themreport.com/news/government/06-28-2022/making-rent-count>

11. Manufactured Housing Finance: New Insights from the Home Mortgage Disclosure Act Data. CFPB.

Available at: [https://files.consumerfinance.gov/f/documents/cfpb\\_manufactured-housing-finance-new-insights-hmda\\_report\\_2021-05.pdf](https://files.consumerfinance.gov/f/documents/cfpb_manufactured-housing-finance-new-insights-hmda_report_2021-05.pdf)

12. Fannie Mae analysis of HMDA 2019 data.