Although many states consider manufactured housing to be personal property, at least at the purchase stage, the reliance on manufactured housing as a primary residence increased significantly from 1991 to 1998. During that time, the manufactured housing industry experienced a boom and bust similar to the more recent events in the market for traditional mortgages. Indeed, the market share of manufactured homes in relation to new single-family homes peaked in 1995 at 33.8%. But since 2007, this percentage has ranged between 11% and 14.4%. Although the manufactured housing bubble burst several years before the mortgage market bubble, it has yet to return to pre-1995 levels.

The meltdowns in the two markets were caused in part by similar risky lending practices. For example, economic incentives drove manufactured housing lenders to increase both loan volumes and interest rates. Dealers often acted as loan brokers and predominately worked with national finance companies that paid origination fees and yield spread premiums to the dealers. When sales volume rose, new lenders entered the market and competed for borrower business by decreasing down payments, increasing loan terms, and relaxing underwriting standards. The secondary market and securitization provided much of the capital for the increased lending. Securitization loan volume rose to $15 billion in 1999.

As a result, sales and lending practices in the manufactured housing market deteriorated . . . in the late 1990s. Hyper-aggressive sales and predatory lending practices became more common. Some dealers sold homes for as much as twice their fair market value. . . . Lenders increasingly made subprime loans and “high cost” loans. . . . Then demand for manufactured homes began to slow as decreasing interest rates on mortgage loans made site-built homes more affordable. Despite the decreased demand, manufactured home production continued to increase.

By 2000, loan defaults and repossessions increased dramatically and inventory at dealerships stagnated. The flood of repossessed homes that occurred between 1999 and 2002 accounted, at least in part, for the decreased sales and sale prices. Many dealers went out of business. Secondary market players, including Fannie Mae and Freddie Mac, incurred huge losses and have been reluctant to re-enter this market. As of 2014, most manufactured housing loans were not sold to the secondary market and were held in portfolio. “Today, more than a decade after this collapse, production and sales remain at depressed levels, and the secondary market is extremely limited.”

Footnotes


212 [212] Id. at 437 (providing data up to 2008); U.S. Census Bureau, U.S. Shipments of New Manufactured Homes 2015-2018 [1], available at www.census.gov; U.S. Census Bureau, Single-Family Site-Built Homes Sold By Region [2], available at www.census.gov (including data from 1963–2017).


214 [214] Id. at 437–438.

215 [215] Id. at 438.

216 [216] Id.

217 [217] Id. at 439. See also Consumer Fin. Prot. Bureau, Manufactured-Housing Consumer Finance in the United States.
6–7 (Sept. 2014), available at http://files.consumerfinance.gov ("Poor manufactured-home loan quality drove high defaults. For example, in the year 2000 alone, more than 75,000 consumers had their manufactured homes repossessed, about 3.5 times the typical number during the 1990s. Between the beginning of 1999 and the end of 2002, repossessed inventory grew more than fourfold to $1.3 billion.").


219 [219] Id. at 441.


221 [221] Id. at 6–7.

Source URL: https://library.nclc.org/ml/010206-0

Links