b. Adjustment for Mobile Home Loans

The GSEs do not purchase mobile home loans under their seller/servicer guidelines unless they are real estate loans, that is, the home must have a permanent foundation and the site must be either purchased as part of the transaction or already owned by the borrower. A 1993 study estimated that only 10 percent of existing mobile homes could qualify under GSE guidelines, but industry trends (more homes on private lots and on concrete foundations) suggest that this percentage has grown in the past few years.[43] Mobile home loans present a problem for this analysis because an unknown number of them are included in the HMDA data. Since mobile homes are disproportionately occupied by lower-income families, their inclusion in HMDA data overstates the number of low-income loans eligible for GSE purchase under their seller/servicer guidelines. In other words, the 42.6 percent share for less-than-median-income home purchasers given in Table D.4 overstates the low- and moderate-income share of home purchase loans available to the GSEs in 1994.

According to industry representatives, it is unclear how many mobile home lenders report to HMDA, and for those that do report to HMDA, how many provide information on their non-real estate loans. HUD was able to identify four lenders in the HMDA data that primarily originate mobile home loans.[44] According to HMDA, these lenders originated 101,493 owner-occupied loans in 1993 and 124,251 in 1994. Reflecting the fact that over half of all mobile homes are sold in nonmetropolitan areas, only 33,813 (33 percent) of the four lenders' 1993 loans and 48,400 (39 percent) of their 1994 loans had geocode information (such as census tract or MSA code) indicating that the loans were for properties located in metropolitan areas.

With this information, ''ineligible'' mobile home loans under the GSE seller/servicer guidelines could be deducted from the unadjusted HMDA data in three steps. First, the percentage income distribution of the above-mentioned geocoded mobile home loans [45] could be applied to an ''estimate'' of the total number of geocoded mobile home loans included in the HMDA data base. (As discussed below, obtaining this ''estimate'' is the difficult part.) This would produce numbers of projected mobile home loans by income category. Next, the projected mobile home loans could be deducted from HMDA's unadjusted numbers for each income category. This would produce estimates of HMDA-reported, non-mobile-home loans by income category. Finally, a percentage income distribution could be calculated from these adjusted HMDA data.

HUD examined other data on the size of the mortgage market for mobile homes in order to determine some upper bounds for the ''estimate'' required in the first step. According to the American Housing Survey, there were 235,000 newly-constructed mobile homes in 1993, and 99,300 of these were located in metropolitan areas. About 85,000 of the newly-constructed mobile homes in metropolitan areas were financed with a mortgage or installment contract, rather than purchased ''free and clear.'' The other major category of mobile home lending involves purchases of existing mobile homes.[46] According to the AHS, 95,000 existing mobile homes located in metropolitan areas were sold and purchased using a mortgage or installment contract during 1993. Thus, the AHS estimates that there were about 180,000 owner-occupied mobile homes purchased and financed during 1993.[47] Assuming that 10–15 percent of these 180,000 loans are ''eligible'' under the GSE guidelines would reduce the estimate of ineligible loans to the 155,000–165,000 range.

Adjusted HMDA Data. Table D.4 shows the effects of a series of estimates of the size of the mobile home loan market included in HMDA. Adjusting HMDA data in the manner described earlier reduces the low- and moderate-income percentage for 1993 home purchase loans from the unadjusted HMDA figure of 39.6 percent to 37.9 percent if one assumes that 75,000 ineligible mobile home loans are included in HMDA income data, and to 37.3 percent if one assumes 100,000.[48] Increasing the assumptions to 125,000 and 150,000 ineligible mobile home loans reduces the low- and moderate-income percentage further to 36.6 percent and 36.0 percent, respectively.

As shown in Table D.4, the market share for very-low-income families is proportionately more affected by the adjustment than is the market share for less-than-median-income families. For instance, the home purchase share for very-low-income home purchase borrowers falls from 11.5 percent to 10.3 percent assuming that 75,000 mobile home loans are included in the 1993 HMDA data, and to 9.0 percent assuming that 150,000 mobile home loans are included in the HMDA data.

Mobile home loans were excluded from the AHS income data reported in Table D.4. For home purchase loans, that data show a 38.7 percent low- and moderate-income percentage and a 12.9 percent very-low-income percentage for 1993. Thus, the AHS income data suggest that the larger deductions for mobile homes (125,000 and 150,000) are probably too high.[49] In addition, when the 150,000 ''estimate'' was applied in the above three-step procedure, mobile homes accounted for all of the low- and moderate-income loans less than $15,000 included in the 1993 HMDA data base.[50] While the appropriate deduction of mobile home loans from HMDA data is not known, it appears to be much less than the higher estimates reported in Table D.4.

[43] See the study conducted by The Hamilton Securities Group (dated September 1993) for the National Commission on Manufactured Housing. Data supporting the 10 percent estimate for existing mobile homes was not provided by Hamilton.

[44] These lenders were Green Tree Acceptance, Vanderbilt Mortgage, The CIT Group, and Oakwood. Green Tree is estimated to account for 20–30 percent of the mobile home market.

[45] The income distribution for the 48,400 loans included in the 1994 HMDA data is: 34.5% had income less than 60% of AMI, 23.6% had income 60–80% of AMI, 17.2% had income 80–100% of AMI, and 24.7% had income greater than 100% of AMI. This can be compared with the income distribution for all HMDA loans reported in Table D.4. A mobile home loan borrower is almost three times more likely to have a very low income than the typical borrower (34.5% versus 12.5%). (Similar results were obtained for 1993 HMDA data.)

[46] Only about 5 percent of the identified mobile home loans were refinance loans. This explains why the income percentages for refinance loans in Table D.4 do not change very much, and why the change in total loans is much less than the change in home purchase loans. Manufactured Housing Insurance staff tell us that mobile home refinance loans are uncommon. Even if mobile home refinance loans were important, the 25 percent refinance share for 1996 loans in HUD's model would reduce the importance of this issue.

[47] It should be noted that the AHS sample for recent movers purchasing mobile homes was small which means that this estimate is subject to some degree of uncertainty.

[48] It should be noted that the adjustments made in HUD's proposed rule produce about the same effects as the mobile home adjustments discussed above; this can be seen by comparing percentages in row B with those in rows C(1) and C(2) of Table D.4. One reason for this similarity is that many mobile home loans are less than $15,000 and these were excluded from HUD's analysis in the proposed rule.

[49] Even adjusting the 12.9 percent figure for possible underreporting of income in the AHS (see discussion below) would not affect this conclusion. The AHS estimate of the very-low-income percentage would remain much higher than the 9.4 (9.0) percent figure associated with deducting 125,000 (150,000) mobile home loans from the 1993 HMDA data.

[50] This also happened when the 200,000 ''estimate'' was applied to 1994 HMDA data. Table D.4 gives higher ''estimates'' for 1994 HMDA because the U.S. Census reports that newly-constructed mobile homes increased by 50,000 (on a nationwide basis) between 1993 and 1994. Whether purchases of existing mobile homes also increased, or even declined, is not known.