



Innovative Housing Supply Solutions: Addressing the Affordability Gap

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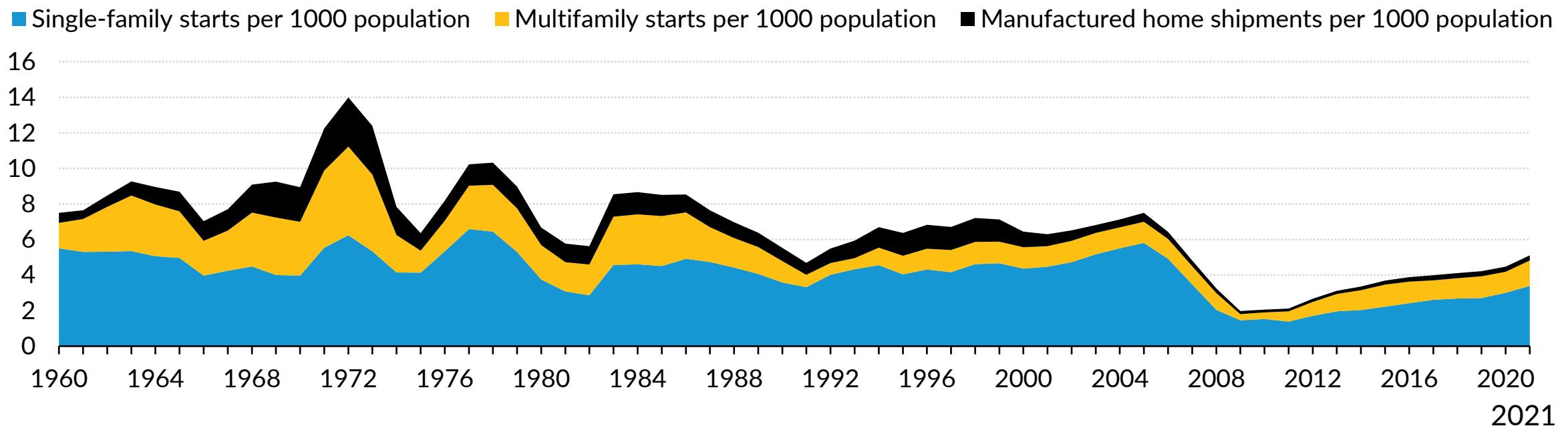
Outline

- Housing supply is a major issue: We are 3.8 to 5.5 million units short
- Single-family affordable options:
 - Manufactured housing
 - Increased ADU production
 - Increased home preservation
- While there are many barriers to increasing the supply in these sectors, financing impediments—which can be resolved at the federal level—play a major role
- How much can each contribute?

Supply Shortage

- Freddie Mac, 2021: Shortage of 3.8 million units
- NAR: 5.5 million fewer units built from 2001-2020 versus 3 prior decade per annum average

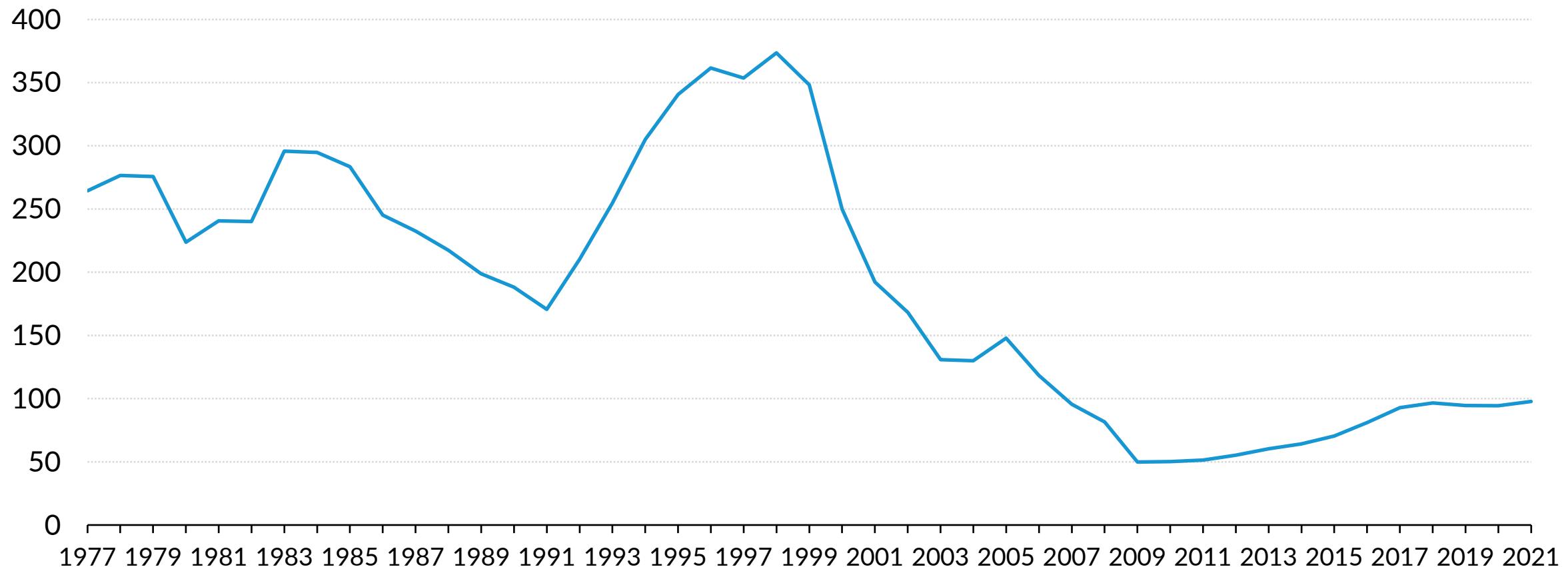
Population-Adjusted Housing Production



Source: Urban Institute calculations of US Census Bureau data.

Annual Shipments of Manufactured Homes

Thousands



Source: US Census Bureau and the US Department of Housing and Urban Development.

Improvements for Manufactured Home Financing

- Education and lending disclosures so that borrowers know the difference between chattel and real estate loans and have adequate opportunity to explore mortgage financing.
- GSE Chattel Loans: GSEs could/should enter the market. If they are unwilling to absorb this risk, they can consider offloading it into the capital markets.
- FHA Loans: Raise loan limits on MH products; index these products to home price appreciation, so the limit rises with home prices. Ginnie Mae should lower the net worth requirements on Title 1 MH issuers to bring them in line with those required for other single-family products.

US Housing Stock Distribution, by Year Built

	Number of units	Share of housing stock
2010 or later	10,008,104	7.2%
2000 to 2009	18,434,989	13.2%
1980 to 1999	37,725,172	27.0%
1960 to 1979	35,536,349	25.4%
1950 to 1959	20,762,454	14.9%
1939 or earlier	17,219,141	12.3%
Total	139,686,209	100.0%

Source: 2019 American Community Survey.

Improvements in Preservation and ADU Financing

- Accessory dwelling units:
 - Equity extraction: Raise the maximum cash out refi amount to 90-95% when the funds are being used to construct an ADU.
 - Renovation Loans: Streamline to make less cumbersome
 - Rental Income from ADU: Count a portion toward qualifying income
- Preservation:
 - For the FHA 203K loans: Allow some structural changes under the limited program. Raise the threshold for this limited program to reflect the market cost of preservation.
 - For the Fannie and Freddie renovation programs: Raise the threshold for participating in Freddie's ChoiceReno eXPress program; Fannie Mae should roll out a similar program without lender recourse. For their regular programs, both GSEs could eliminate lender recourse if the homeowner installs a factory build ADU or addition.

Potential Number of New Affordable Units Created or Preserved

Recommendation	Additional units created per year	Thought process
Increased production of manufactured housing	70,000	From 1977, when the HUD manufactured housing code went into effect, until 1994, when the market began to overheat, 240,000 manufactured homes were shipped per year; today, that number is less than 100,000 homes. Increasing production to 170,000 homes (halfway between 100,000 and 240,000) in the face of a larger population and the fact that manufactured housing is now a better product is a conservative goal.
Increased ADU construction	233,000	There are 1.4 million ADUs and 85.6 million detached single-family homes in the US. That is, 1.6 percent of homes have an ADU. Increasing this share to 3 percent over the next five years will create an additional 1.17 million ADUs over five years, or 233,000 per year.
Increased home preservation	105,000	As the housing stock ages, obsolescence will become a bigger issue. If we slow obsolescence by 0.1 percent per year on the 104.7 million one-to-four-unit single-family stock, 105,000 units will be “saved” annually.
Additional affordable units preserved or created per year relative to today	408,000	

Source: Urban Institute calculations.

Note: ADU estimate from Sam Khater and Kristine Yao, “[Granny Flats, Garage Apartments, In-Law Suites: Identifying Accessory Dwelling Units from Real Estate Listing Descriptions Using Text Mining](#)” (McLean, VA: Freddie Mac, 2020).

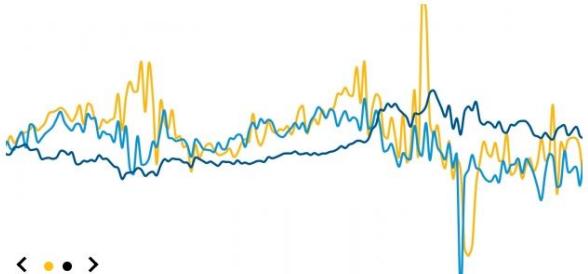
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