

Manufactured Housing

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Manufactured homes are an often overlooked and maligned component of our nation's housing stock. However, these unique homes are an important source of housing for millions of Americans, especially those with low incomes and in rural areas. While the physical quality of manufactured housing continues to progress, the basic delivery system of how these homes are sold, financed, and managed is still in need of improvement to ensure they are a viable and quality source of affordable housing.

ISSUE SUMMARY

There are approximately 6.7 million occupied manufactured homes in the U.S., comprising about 6 percent of the nation's housing stock. More than half of all manufactured homes are located in rural areas around the country. While the demographics of manufactured housing are changing, lower-income households are still the primary residents of manufactured homes. Modern manufactured homes have their origins in the automobile and recreational travel trailer industry, but factory-built dwellings produced today are more comparable in quality and safety to conventionally constructed single-family homes. It is equally important to recognize the existing stock of older manufactured or "mobile homes." An estimated one-fifth of currently occupied manufactured homes were built before 1980. These older units are likely to be smaller, less safe, and have fewer amenities and less investment potential than newer manufactured homes.

Affordability and convenience make manufactured homes a popular housing option. The average sales price of a new manufactured home in 2016 was \$74,200 (excluding land costs) compared to an average of \$296,400 for a newly constructed

single family home.^{1 2} While the purchase price of manufactured homes can be relatively affordable, financing them often is not. The majority of manufactured homes are still financed with personal property, or "chattel" loans.³ With shorter terms and higher interest rates, personal property loans are generally less beneficial for consumers than conventional mortgage financing. Roughly two-thirds of manufactured home loans in 2015 were classified as "high cost" (having a substantially high interest rate) which is more than 7 times the level of high cost lending for all homes nationally.⁴ Manufactured homes are typically sold at retail sales centers. In some cases, dealers resort to unscrupulous sales and financing tactics, trapping consumers into unaffordable loans.⁵

A significant portion of manufactured and mobile homes are located in community or "park" settings. With a history of being placed on rented land, manufactured homes have a pattern of land tenure status that is unique to this form of housing. Ownership of land is an important component to nearly every aspect of manufactured housing, ranging from quality to assets and wealth accumulation. Residents who do not have control over the land on which their home is placed often have reduced legal protection. Other common concerns faced by tenants of manufactured home communities include excessive rent increases, poor park management and maintenance, restrictive rules, and restricted access to municipal services.

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- 1 U.S. Census Bureau, U.S. Department of Commerce. *Manufactured Homes Survey*. <https://www.census.gov/data/tables/time-series/econ/mhs/latest-data.html>
 - 2 U.S. Census Bureau, U.S. Department of Commerce. *Characteristics of New Housing*. https://www.census.gov/construction/nrs/historical_data/index.html
 - 3 Consumer Financial Protection Bureau. *Manufactured Housing Consumer-Finance in the United States*. Washington DC. September 2014. http://files.consumerfinance.gov/f/201409_cfpb_report_manufactured-housing.pdf
 - 4 Housing Assistance Council Tabulations of 2015 Home Mortgage Disclosure Act Data.
 - 5 *The Seattle Times*. "The Mobile Home Trap: How a Warren Buffett Empire Preys on the Poor." February 1, 2016. <http://www.seattletimes.com/business/real-estate/the-mobile-home-trap-how-a-warren-buffett-empire-preys-on-the-poor/>

WHAT ADVOCATES SHOULD KNOW

Federal resources for affordable manufactured housing. Manufactured housing is largely financed in the private marketplace. However, there are several existing federal resources that support the development, financing, and rehabilitation of affordable manufactured housing, such as HUD-HOME, USDA Rural Development, and Weatherization funds.

Manufactured Housing “Done Right”. Once shunned by nonprofit housing developers, manufactured homes are now making inroads into affordable housing projects and mindsets. Much of this progress is attributable to a small but innovative group of advocates who challenged assumptions and convention about developing and preserving manufactured housing. Across the nation, several organizations and initiatives are utilizing manufactured homes to provide and maintain affordable housing. These efforts avoid the pitfalls of traditional dealer-based manufactured housing purchase and finance, as well as investor ownership of communities.

The HUD Code. An important factor in the designation of a manufactured home is whether the unit was built before or after June 15, 1976. This date marked the implementation of the Manufactured Home Construction and Safety Standards Act (42 U.S.C. Sections 5401-5426) regulating the construction of manufactured homes and commonly referred to as the “HUD code.” HUD developed and administers the code that implements the statute. These federal standards regulate manufactured housing design and construction, strength and durability, transportability, fire resistance, and energy efficiency. The HUD code evolves over time and has undergone several major modifications since 1976.

LEGISLATIVE AND REGULATORY ACTIONS

Duty to Serve. The Housing and Economic Recovery Act of 2008 (HERA) mandates that Fannie Mae and Freddie Mac (the GSEs) have a “duty to serve” underserved markets; manufactured housing was identified in the Act as one of three underserved markets, along with rural areas and housing preservation. Under the Act, the GSEs are tasked with increasing mortgage investments and improving the distribution of capital available for

mortgage financing in these markets. The Federal Housing Finance Agency (FHFA) recently issued a final rule on the duty to serve requirements. In a change from the initial and proposed rule, FHFA will now consider personal property or chattel loans for duty to serve credit provided adequate consumer protections are provided. Details of chattel loan protections have yet to be codified, and advocates are encouraged comment and monitor this component of the Rule to ensure that appropriate protections for consumers are in place. The Duty to Serve rule also extends credit to GSEs for activity in manufactured home communities and community preservation.

The Dodd-Frank Wall Street Reform and Consumer Protection Act (PL 111-203) included several provisions that enhance consumer protections for purchasers of manufactured homes. Dodd-Frank revised the Truth in Lending Act (TILA) to establish specific protections for mortgage loans, origination activities, and high-cost lending. Dodd-Frank also directs the newly created Bureau of Consumer Financial Protection (CFPB) to supervise manufactured housing finance activities.

The Uniform Manufactured Housing Act was passed by the Uniform Law Commission in 2012. This model legislation provides a more uniform system for converting manufactured homes from personal to real property. The act provides a framework for states to develop a system whereby a new manufactured home can be considered real property when located on land controlled by the homeowner.

WHAT TO SAY TO LEGISLATORS

Advocates should speak to lawmakers with the message that:

- Manufactured homeowners should be provided opportunities to obtain standard mortgage lending instead of the personal property loans often used to finance this type of housing.
- Borrowers with personal property loans should be afforded consumer protections consistent with real property or standard mortgage loans.
- Legislation should be enacted that limits predatory lending practices involving manufactured homes.
- Policies and programs should be enacted to facilitate manufactured housing community

preservation, such as protection from community sales, closures, and rent increases. Residents should be properly notified, and given first right of refusal on the sale of a community.

- Improved data collection for manufactured homes should be incorporated into publicly available data resources such as the Home Mortgage Disclosure Act (HMDA), the American Community Survey (ACS), and the American Housing Survey (AHS). Manufactured home data should indicate property status (personal property or real property) and location information indicating whether the unit is located in a manufactured home community, or on a scattered site lot. The inclusion of these updated and enhanced manufactured home data would provide a much more complete assessment of manufactured housing.

FOR MORE INFORMATION

The Housing Assistance Council: 202-824-8600
www.ruralhome.org

Rural Data Portal: <http://www.ruraldataportal.org/>

Manufactured Homes by County (Interactive Map):
<http://bit.ly/1KDssyX>

High Cost Manufactured Home Loans by County
(Interactive Map): <http://bit.ly/14QHVLk>

CFED I'M HOME: 202-409-9788
[http://cfed.org/programs/innovations_
manufactured_homes/](http://cfed.org/programs/innovations_manufactured_homes/)

Consumer Financial Protection Bureau (CFPB):
[http://www.consumerfinance.gov/newsroom/
cfpb-finds-majority-of-manufactured-housing-
borrowers-have-expensive-loans/](http://www.consumerfinance.gov/newsroom/cfpb-finds-majority-of-manufactured-housing-borrowers-have-expensive-loans/)

ROC USA: 603-856-0246 <http://www.rocusa.org/>

AARP: 888-687-2277
[http://assets.aarp.org/rgcenter/consume/d18138_
housing.pdf](http://assets.aarp.org/rgcenter/consume/d18138_housing.pdf)

National Consumer Law Center: 202-452-6352
[http://www.nclc.org/issues/manufactured-housing.
html](http://www.nclc.org/issues/manufactured-housing.html)

National Manufactured Home Owners Association:
<http://www.mhoaa.us/>