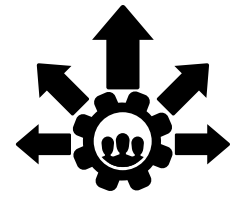


Manufactured Housing



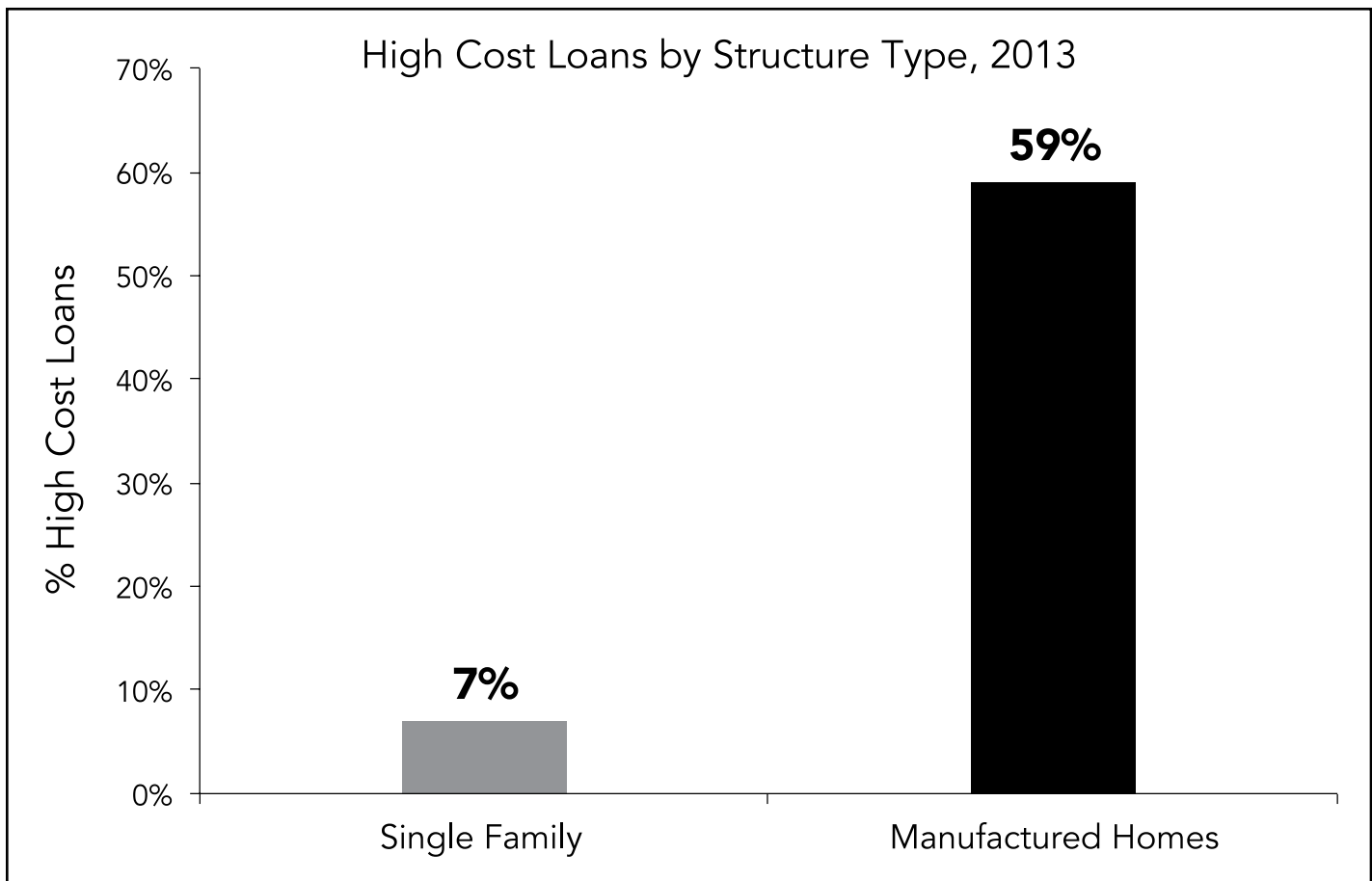
By Lance George, Director of Research and Information, Housing Assistance Council (HAC)

Manufactured homes – often referred to as mobile homes or trailers, are an overlooked and maligned component of our nation’s housing stock. However, manufactured homes are an important source of housing for millions of Americans, especially those with low incomes and in rural areas. Although 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 6.8 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. Also, more than half of all manufactured homes are located in Southeastern states. Although the demographics of manufactured housing are changing, households at the lower end of the income spectrum are still the primary residents of manufactured homes. The median annual income of households residing in manufactured housing is \$28,374 -- nearly half the median income of households living in single family homes.¹ Modern manufactured homes evolved out of the automobile industry and recreational travel trailers. Many manufactured homes produced today are virtually indistinguishable from conventionally constructed single-family units. However, it is equally important to recognize the existing stock of older manufactured or ‘mobile homes.’ It is estimated that approximately 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



Source: HAC Tabulations of 2013 Home Mortgage Disclosure Act Data

potential than newer manufactured homes.

Affordability and convenience make manufactured homes a popular housing option. The average sale price of a new manufactured home in 2013 was \$64,000 (excluding land costs) compared to an average of \$269,000 for a newly constructed single family home.^{2 3} Although the purchase price of manufactured homes can be relatively affordable, financing them is not. The majority of manufactured homes are still financed with personal property, or “chattel,” loans.⁴ With shorter terms and higher interest rates, personal property loans are generally less beneficial for consumers than conventional mortgage financing. Roughly 60 percent of manufactured home loans in 2013 were classified as “high cost” (having a substantially higher interest rate than conventional fixed rate mortgages), which is more than eight times the level of high cost lending for newly constructed single family structures.⁵ Manufactured homes are typically sold at retail sales centers where salespersons or “dealers”

receive commissions. In some cases, dealers resort to high-pressure sales tactics, trapping consumers into unaffordable loans.⁶

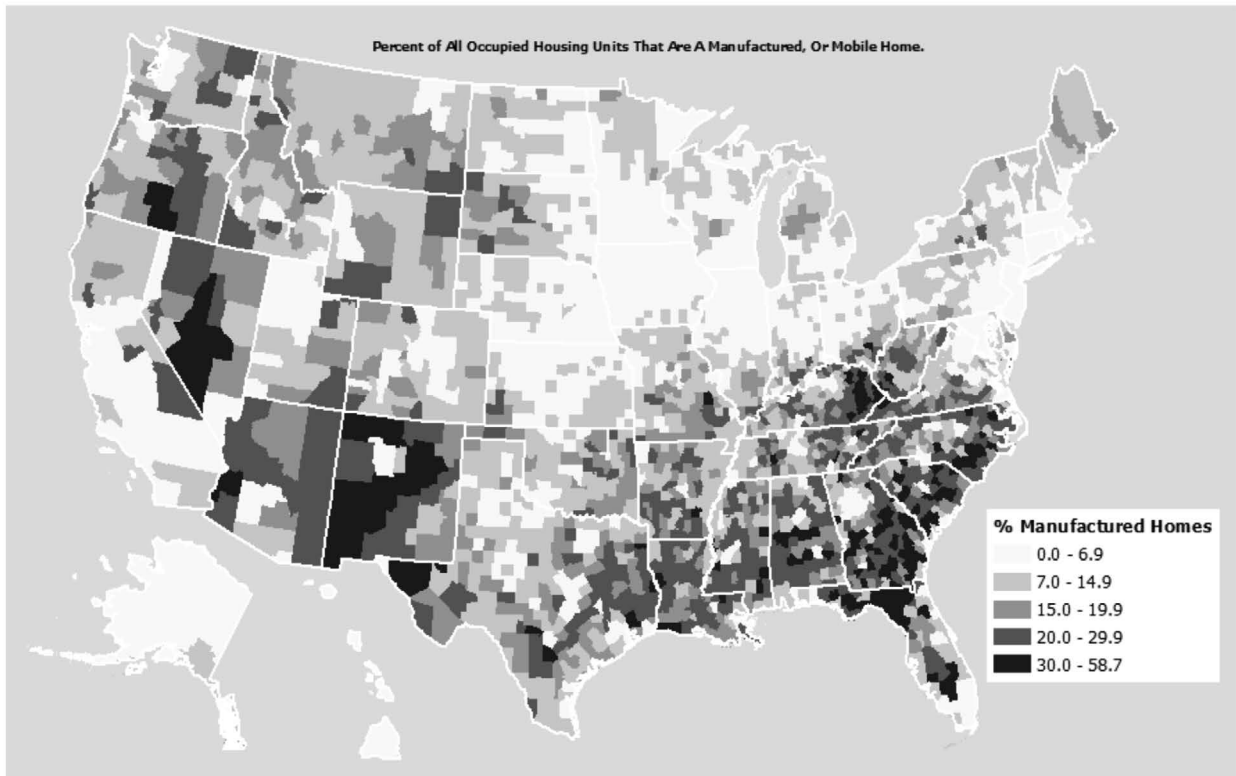
TIPS FOR LOCAL SUCCESS

Manufactured housing “hone right.” Once shunned by nonprofit housing developers, manufactured homes are now making inroads in into affordable housing projects and mindsets. Much of this progress is attributable to a small but innovative group of advocates who challenged assumptions and conventions 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, and investor ownership of communities.

The HUD code. An important factor in the designation of a manufactured home is whether

Manufactured Homes in the United States

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Source: Housing Assistance Council (HAC) Tabulations of 2009-2013 American Community Survey (ACS) data



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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.

Manufactured Housing Consensus Committee.

The Manufactured Housing Improvement Act of 2000 established a Consensus Committee to amend, revise, and develop manufactured housing safety standards and enforce regulations. The Manufactured Housing Consensus Committee, appointed by the HUD Secretary, is composed of 21 voting members representing three interest categories with seven representing producers of manufactured housing, seven representing users of manufactured housing, and seven representing other interest groups or public officials.

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

LEGISLATIVE AND REGULATORY ACTIONS

The Dodd-Frank Wall Street Reform and Consumer Protection Act (PL 111-203) includes several provisions to enhance consumer protections for purchasers of manufactured homes. Dodd-Frank revised the Truth in Lending Act 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 to supervise manufactured housing finance activities.

The Housing and Economic Recovery Act of 2008 (HERA) included several provisions important to manufactured housing:

Duty to Serve. HERA required Fannie Mae and Freddie Mac (the government sponsored enterprises, or GSEs) to meet 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 were tasked with increasing mortgage investments and improving the distribution of capital available for mortgage financing in these markets. The Federal Housing Finance Agency (FHFA) issued a proposed rule on the duty to serve requirements. Under the proposed rule, FHFA will only consider loans for manufactured homes as part of the GSEs’ duty to serve requirement if the homes are located on real property. A final rule on duty to serve has not been issued to date.

SAFE Act. The Secure and Fair Enforcement of Mortgage Licensing (SAFE) Act was implemented to reduce fraud and improve consumer protections by establishing minimum standards for the licensing of mortgage loan originators.

HUD’s Title I Manufactured Home Loan Insurance program. HUD’s Title I program insures mortgage loans made by private lending institutions to finance the purchase of a new or used manufactured home. Title I loan limits increased from \$48,000 to \$69,678, and is indexed annually.

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 where a new manufactured home can be considered real property when located on land controlled by the homeowner.

The Preserving Access to Manufactured Housing Act. Introduced in the 113th Congress, the proposed legislation amends the Dodd-Frank Wall Street Reform and Consumer Protection Act to revise the exclusion from the meaning of “mortgage originator,” and amends the Truth in Lending Act to revise the definition of “high cost mortgage.” Similar bills will likely be reintroduced in the 114th Congress.

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 personal property (chattel) 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 publically available data resources such as the Home Mortgage Disclosure Act, The American Community Survey, and the American Housing Survey. Manufactured home data should indicate property status (a 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

HAC Moving Home Report: <http://www.ruralhome.org/storage/documents/movinghome.pdf>

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/

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

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

Consumers Union: 512-477-4431
<http://consumersunion.org/wp-content/uploads/2013/04/MfgHomes.pdf>

AARP: 888-687-2277
http://assets.aarp.org/rgcenter/consume/d18138_housing.pdf

National Consumer Law Center: 202-452-6352
<http://www.nclc.org/issues/manufactured-housing.html>

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

Next Step: 502-694-1979
<http://www.nextstepus.org/>

(ENDNOTES)

- 1 HAC Tabulations of 2013 American Housing Survey (AHS) public use file data.
- 2 U.S. Census Bureau, U.S. Department of Commerce. *Manufactured Homes Survey*. <http://www.census.gov/construction/mhs/pdf/mhstabavgsls.pdf>
- 3 U.S. Census Bureau, U.S. Department of Commerce. *Characteristics of New Housing*. <http://www.census.gov/construction/chars/pdf/soldmedavgprice.pdf>
- 4 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
- 5 Housing Assistance Council Tabulations of 2013 Home Mortgage Disclosure Act Data.
- 6 Kathy Mitchell, et al. *In Over Our Heads: Predatory Lending and Fraud in Manufactured Housing*. Consumers Union Southwest Regional Office Public Policy Series, Vol. 5, No. 1. Austin, TX: February 2002. <http://www.consumersunion.org/pdf/mh/over/report.pdf>