

Manufactured Housing

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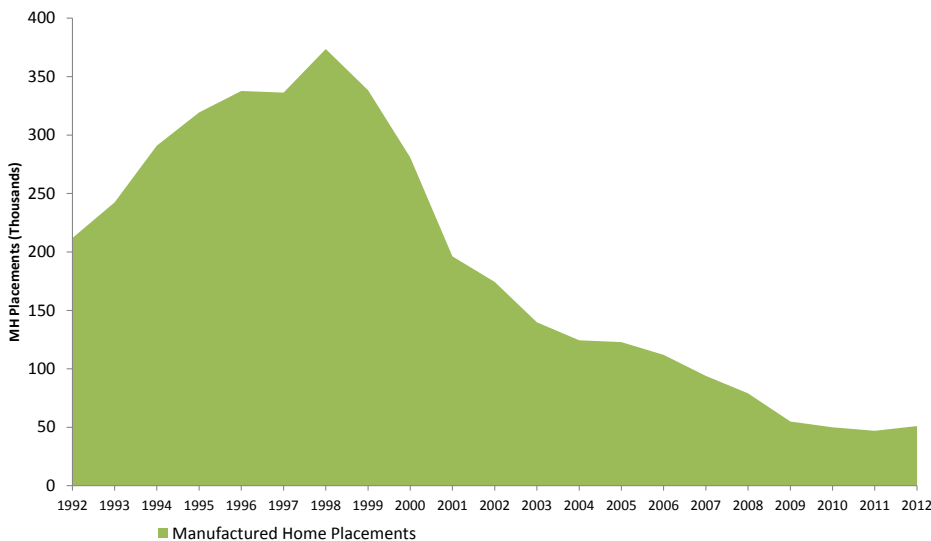
Manufactured homes – often referred to as mobile homes or trailers, are an overlooked and maligned component of our nation’s housing stock. But these structures are an important source of housing for millions, especially those with lower incomes and in rural areas.

ISSUE SUMMARY

There are approximately 7 million occupied manufactured homes in the U.S., comprising about 7 percent of the nation’s housing stock. More than half of all manufactured homes are located in rural areas. Also, more than half of all manufactured homes are located in southeastern states.

The income demographics of those living in manufactured housing are changing. Increasingly, people with a variety of incomes are living in manufactured homes, but households at the lower end of the income spectrum are still their primary residents. The median annual income of households living in manufactured housing nationwide is \$30,000, nearly 40 percent less than that of households living in non-manufactured homes.

Manufactured Home Placements, 1988 - 2012



Source: HAC Tabulations of U.S. Census Bureau Construction Reports

Modern manufactured homes evolved out of the automobile industry and recreational travel trailers. Today, the term manufactured home encapsulates a broad spectrum of housing styles, systems, and arrangements. While the physical and structural attributes of manufactured housing have improved over time, issues related to the sale, finance, appraisal, and placement of this type of housing often remain problematic. Today the majority of manufactured homes are still financed with personal property, or “chattel,” loans. With shorter terms

and higher interest rates, personal property loans are generally less beneficial for the consumer than more conventional mortgage financing. Roughly 37% of rural manufactured homes loans reported through the 2012 Home Mortgage Disclosure Act (HMDA) were classified as “high cost” – more than 10 times the national rate. Exacerbating these finance issues, 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.

Such lending and retail practices, along with the downturn in the economy, contributed to a decline in sales of new manufactured homes. In fact, the nation’s recent housing woes were surprisingly reminiscent of events in the manufactured housing industry in the early 2000s. After experiencing dramatic growth throughout much of the 1990s, sales and shipments of manufactured housing spiraled downward into a sustained slump. An overextension of credit and risky financing backfired after record-high foreclosure rates produced a glut of manufactured units, depressing the market. Placements of new manufactured housing units are at their lowest levels in decades, and many large manufacturers and retailers have exited the market or declared bankruptcy. The number of manufactured home placements declined steadily from over 370,000 in 1998 to approximately 50,000 in 2012.

The Manufactured Housing “Done Right” Model. At the community level, manufactured housing has often been met with resistance and, at times, vehement opposition. Nevertheless, improvements in the quality of manufactured housing are leading some nonprofit organizations and developers to consider using manufactured housing to create affordable homes. Nationwide, several community-based organizations are utilizing manufactured homes to provide and maintain affordable, sustainable housing while avoiding the pitfalls of traditional dealer-based manufactured housing purchase and finance, and investor ownership of communities. This “manufactured housing done right” model has been largely coordinated under the Corporation for Enterprise Development’s (CFED’s) Innovations in Manufactured Housing (I’M HOME) initiative. Through its nationwide network and the expansion of two primary intermediaries, Next Step, and ROC USA, the development and preservation of affordable homes through manufactured housing has increased to a national scale.

WHAT ADVOCATES NEED TO KNOW

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. HUD developed and administers the code that implements the statute, commonly referred to as the “HUD code.” 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 (MHCC), appointed by the HUD Secretary, is composed of 21 voting members representing three interest categories: seven representing producers of manufactured housing; seven representing users of manufactured housing; and, seven representing other interest groups or public officials. The committee must adopt proposed standards by at least a two-thirds vote; standards adopted are then sent through the conventional federal rule-making process. HUD may adopt standards not adopted by the MHCC, but must send such standards to the MHCC for comment prior to posting in the *Federal Register*.

Government funding for affordable manufactured housing. Manufactured housing is largely financed and funded in the private marketplace. However, there are several existing federal programs that allow the development, financing, and rehabilitation of affordable manufactured housing, such as Community Development Block Grants (CDBG), HOME, USDA Rural Development, Weatherization Assistance Program, and as indicated in HUD’s proposed regulations, the National Housing Trust Fund.

LEGISLATIVE ACTIONS

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

- **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
- **Duty to Serve.** HERA also required the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac) 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 Fannie and Freddie 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) has 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 GSE's duty to serve requirement if the homes are located on real property.

The Preserving Access to Manufactured Housing Act (S. 1828 /H.R. 1779) is proposed legislation that would amend the Dodd-Frank Wall Street Reform and Consumer Protection Act to revise the definition of "mortgage originator." It would also amend the Truth in Lending Act to redefine a "high cost mortgage." The Bills are currently before the Senate Committee on Banking, Housing and Urban Affairs, and House Committee on Financial Services. The Housing Assistance Council (HAC) along with other affordable housing advocates oppose this legislation as it would significantly erode the consumer protections that Dodd-Frank brought to the manufactured housing industry.

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 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.
- Enhanced reporting of manufactured home-specific data and information should be incorporated into publically 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 (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, www.ruralhome.org/storage/documents/movinghome.pdf
- CFED I'M HOME, 202-409-9788, http://cfed.org/programs/innovations_manufactured_homes
- ROC USA, 603-856-0246, www.rocusa.org
- Next Step, 502-992-9416, www.nextstepus.org
- Consumers Union, 512-477-4431, www.consumersunion.org/mh
- AARP, 888-687-2277, http://assets.aarp.org/rgcenter/consume/d18138_housing.pdf
- National Consumer Law Center, 202-452-6352, www.nclc.org/issues/manufactured-housing.html
- National Manufactured Home Owners Association, www.mhooa.us