Manufactured Housing

By Doug Ryan, Senior Fellow, Prosperity Now and Lance George, Director of Research & Information, Housing Assistance Council

Manufactured homes are an often overlooked and maligned component of our nation's housing stock, but these 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 that 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% of the nation's housing stock. More than half of all manufactured homes are located in rural areas around the country. New manufactured housing accounts for about 10% of all new single-family housing starts. Although 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. The adoption of the HUD Code (see below) in 1976 and subsequent updates have significantly improved this housing type.

Affordability and convenience make manufactured homes a popular housing option. The average sales price of a new manufactured home in 2018 was $78,500 (excluding land costs); much less compared to an average of $297,747 for a newly constructed single-family home and approximately $183,647 for an existing site-built home (see the U.S. Census Bureau's *Manufactured Homes Survey* and *Characteristics of New* Housing, along with the National Association of Realtors' *Median Sales Price of Existing Homes*). Manufactured homes cost about half of what site-built homes cost per square foot, though transportation and onsite work slightly increase the final costs. Even though the purchase price of manufactured homes can be relatively affordable, financing them may not. The majority of manufactured homes are still financed with personal property, or chattel loans (see the Consumer Financial Protection Bureau's *Manufactured Housing Consumer-Finance in the United States*). With shorter terms and higher interest rates, personal property loans are generally less beneficial for consumers than conventional mortgage financing. Chattel loans do, however, typically have lower closing costs and can close faster than conventional mortgages. Approximately 66% of manufactured home loans in 2018 were classified as high cost (having a substantially high interest rate) which is more than five times the level of high cost lending for all homes nationally according to the Housing Assistance Council Tabulations of 2018 "Home Mortgage Disclosure Act" data. For the first time, new data from the 2018 "Home Mortgage Disclosure Act" allows for a greater understanding of how specific manufactured home characteristics impact consumer lending rates and affordability. Borrowers whose loan was secured by both the unit and land on which the home is placed had a lower rate of high cost lending at about 48%. Conversely, manufactured home borrowers whose loan was secured by the manufactured home only (i.e. chattel loan) had a staggering 90% high cost loan rate. Some factors, such as the low-dollar nature of chattel loans, do factor into their higher costs. 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 (*The Mobile Home Trap: How a Warren Buffett Empire Preys on the Poor*).

A significant portion of manufactured and mobile homes are located in community or park settings, though this is becoming less common. According to the U.S. Census Bureau, in 2018, approximately 37% of new manufactured homes were sited in such settings. Estimates suggest that approximately 40% of all manufactured homes are in an estimated 45,000 to 50,000 land lease communities. Though about three quarters of manufactured homes are owner-occupied, the sector has a history of being placed on rented land and therefore manufactured homes have a pattern of land tenure status that is unique to this form of housing. In manufactured home communities, many residents own their homes and rent the land, which can devalue the asset. 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 protections than other homeowners. 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. For these and other reasons, alternative park ownership models, such as resident, nonprofit, and government ownership are gaining traction.

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, Veterans Affairs, and Weatherization funds. Fannie Mae and Freddie Mac are increasing their manufactured home loan offerings.

High-Quality Manufactured Housing

Once shunned by nonprofit housing developers, manufactured homes are now seen as options for infill, new developments, and other settings. Much of this progress is attributable to a growing and 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, and 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. In 2018, HUD launched an effort to revise various regulations and other guidance governing the HUD Code.

LEGISLATIVE AND REGULATORY ACTIONS

Duty to Serve

The “Housing and Economic Recovery Act of 2008” mandates that Fannie Mae and Freddie Mac (the government sponsored enterprises, or 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 will increase mortgage investments and improve the distribution of capital available for mortgage financing in these markets. In 2016, the Federal Housing Finance Agency (FHFA) 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 on a pilot basis. 2019 was the second year of Fannie Mae and Freddie Mac's three-year underserved markets plans. Both GSEs have launched new mortgage products for manufactured housing and new multifamily loan products for communities, including ones targeted to resident-owned communities and a loan program with required lease protections for residents. The Enterprises are currently developing their next three-year plans.

2019 Appropriations - "Minibus – HR 1865"

The appropriations bill that funded HUD for FY 2020 includes language from the HUD "Manufactured Housing Modernization Act of 2019." This requires HUD to "issue guidelines to jurisdictions on how to assess the potential inclusion of manufactured homes in a community's comprehensive housing and affordability strategy and community development plans." This will raise the profile of manufactured housing as part of a local community's affordable housing market as it decides priorities for federal housing funds.

The "Economic Growth, Regulatory Relief, and Consumer Protection Act"

In 2018, the president signed into law S. 2155, which includes a provision on manufactured home loans. The statute amends the "Truth in Lending Act" (TILA) to specify that a retailer of manufactured housing is generally not considered a mortgage originator. The provision was not supported by affordable housing advocates on the grounds that it lessens already weak consumer protections in the manufactured housing market.

The "Dodd-Frank Wall Street Reform and Consumer Protection Act" (PL 111-203)

Enacted in 2010, Dodd-Frank revised TILA to establish specific protections for mortgage loans, origination activities, and high-cost lending. These provisions enhance consumer protections for purchasers of manufactured homes. Dodd-Frank also directs the newly created Bureau of Consumer Financial Protection to supervise manufactured housing finance activities. S. 2155 (above) modifies one provision of Dodd-Frank.

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 more prevalent personal property loans.
- 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 predatory rent increases. Residents should be properly notified and given first right of refusal on the sale of their community.
- Improved data collection for manufactured homes should be incorporated into publicly 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 (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

Prosperity Now's I'M HOME Network: 202-409-9788, https://prosperitynow.org/get-involved/im-home.

The Housing Assistance Council: 202-824-8600, http://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

Next Step: https://nextstepus.org/.

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

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

National Manufactured Homeowners Association: http://www.nmhoa.org/.