

Understanding Manufactured Housing

June 2020

Why manufactured housing?

Manufactured homes (commonly called “mobile homes”) make up a significant part of New Hampshire’s affordable housing. Manufactured homes are owned by 36,077 New Hampshire residents, housing over 63,314 family members (2011-2015 American Community Survey). This accounts for 6% of the total housing stock in the state.

Manufactured homes typically cost less than site-built homes.



The American Community Survey (ACS) referenced above counted only 37,707 homes in the state valued at less than \$100,000. Virtually all of these were manufactured homes.

While the median home in NH cost \$287,500 (NH Housing), the median price for a manufactured home is \$69,470 (Warren

Group). For newly built homes, the \$370,600 median price for a site-built home is more than five times the \$73,100 median price for a manufactured home. (ACS figures account for the home cost only and not the land.)

Rental housing costs in NH average \$1,347 per month (NH Housing). Owning an equivalent manufactured home in a resident-owned community (ROC) is \$1,003 per month (including lot rent, taxes, and mortgage), a savings of \$4,128 per year.

Compared with conventional houses, manufactured homes cost less than half per square foot to produce, \$49 per square foot. (Manufactured Housing Institute, 2018) They are built to a national code for high-quality construction, energy efficiency and quality, and overseen by the federal Dept. of Housing and Urban Development. Manufacturers complete these homes in one-fifth of the time it takes to build a site-built home, with economies of scale and 30% less waste.

Manufactured home residents are more likely to have lower incomes and are more likely to be older, disabled, or military veterans.

The median income for households that live in manufactured homes is roughly half the median income among families in other types of homes (CFPB). The median income of all homeowners is \$81,607; manufactured-home owners have a median income of \$41,421. (ACS, 2011-2015)

For many families, manufactured homes are the most affordable path to single-family homeownership. They are an attractive alternative to renting, especially for young families and people living on fixed incomes, including the elderly and people with disabilities. More than a quarter (31%) of all manufactured-home residents work in six industries: construction, food services, grocery stores, hospitals, schools, and farming. (ACS 2011-2015).



Manufactured-home households are more likely to include a person age 65 or over (48%), a person whose highest education level was high school (47%), or a veteran (10%). The homes are one-story, easy to maintain, and easily ramped, leading to manufactured-home households being more likely to include a person with a disability (28%) (New Hampshire Community Loan Fund survey).

The Community Loan Fund has a special focus in manufactured housing because this sector often isn't included in affordable-housing planning, funding, and

reporting, yet has so much potential for the working people and families who need high-quality places to live and belong in our communities.

Why do resident-owned communities matter?

The affordability of manufactured housing is greatly enhanced when the homes are located in resident-owned communities (ROCs). NH's 132 ROCs contain over 8,200 households. This represents 30% market share of the NH manufactured-home-park market, and in 36 years not one has been closed or sold by the residents.

The Community Loan Fund is the architect and the country's largest sector demonstration program for helping manufactured-home owners buy the land beneath their parks and operate their communities as democratic cooperatives.

Risks of investor-owned parks

When manufactured-home parks are owned by an investor, residents are sometimes subject to dramatic increases in lot rent (the monthly charge for use of the land under their homes), erratic park rules and enforcement, and public health and environmental safety concerns. They also can be evicted and displaced at the owner's discretion and, in NH, with an 18-month notice. These problems stop when residents purchase their parks.

Benefits of cooperative ownership

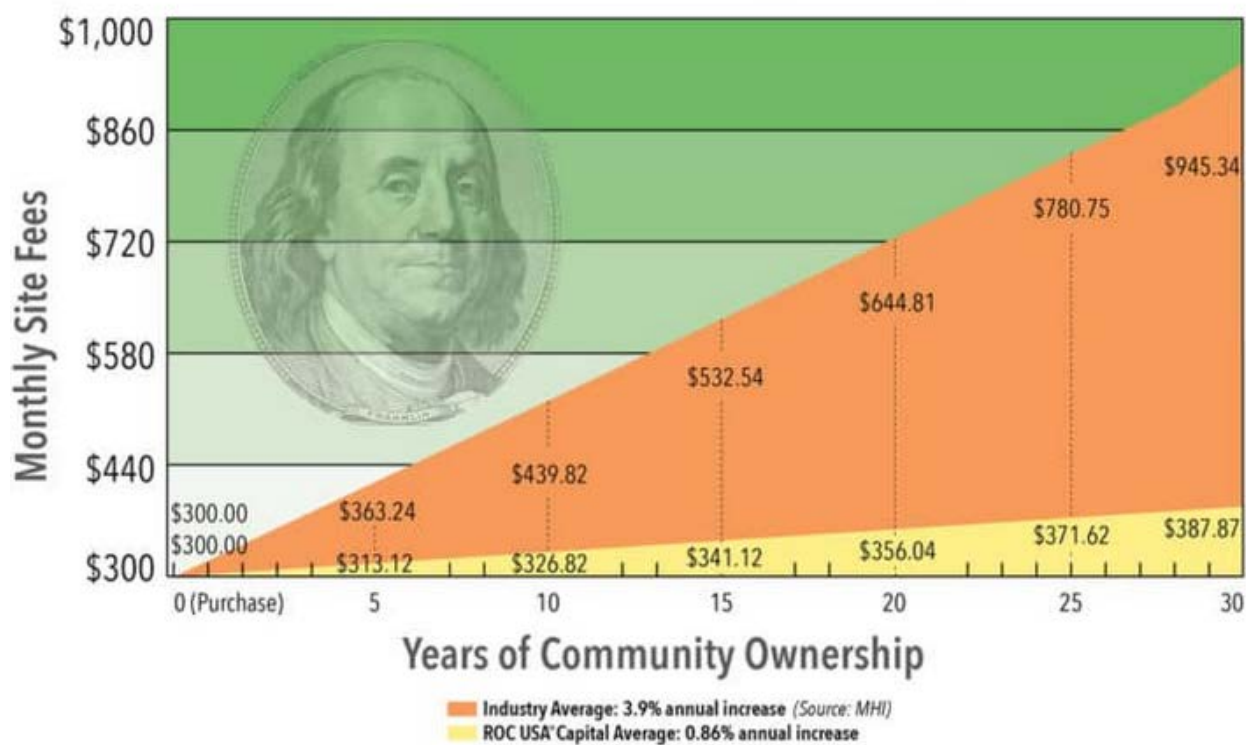
When homeowners own the land and run their communities cooperatively, benefits include security of tenure, long-term affordability, stable costs, leadership engagement, improving conditions, and access to real, fixed-rate mortgages for home financing.



People owning manufactured homes in ROCs need not fear closure and displacement, but also, on average, pay less for housing than they would for

equivalent rental apartment. Also, homeowners in ROCs save an average \$396 per year on lot rent compared to investor-owned parks. (ROC USA 2019 Annual Rent Study)

CO-OP VS. COMMERCIALLY OWNED MHC SITE FEE COMPARISON



Studies by the University of NH show that, over time, ROC lot rents trend below market rates and homes sell for more than they would in investor-owned parks. Private venture capital increasingly finances national park operators and expects 30% to 40% return (Washington Post, 2/14/2019), threatening the affordability of manufactured homes for the sole benefit of private investors. Preserving strong ROC communities keeps pressure off other affordable housing options for homelessness and subsidized rentals.

Why do manufactured-home loans matter?

In 2002, the Community Loan Fund set out to meet another vital market need, liquidity in the mortgage market for manufactured-home owners and buyers. With the land beneath their homes now secure through resident ownership, fair and fixed-rate lending was offered for the purchase of homes and refinancing of chattel home loans.

Challenges of manufactured-home financing

Owners of manufactured homes also face significant, unique, disadvantages in financing their homes. Manufactured housing has long been undermined by chattel-style, sub-prime, and predatory mortgages. And erratic access to home loans hurts manufactured-home owners' asset value and liquidity.

Few mainstream lenders offer financing for manufactured homes because of the lack of secondary markets. Older manufactured homes, and certain foundation types, are not financeable at all, even if the homes have been well maintained. Financing is often not available with less than a 20% down payment, or less than perfect credit, eliminating many low- and moderate-income buyers.

Even fewer lenders recognize the distinct benefits of ROCs and offer loans there. Those that do generally charge higher interest rates and offer shorter terms or fewer protections for homeowners.

Benefits of fair mortgage financing

Real mortgages at fixed rates enable homebuyers to avoid the reduced buying power of having to pay cash or use credit cards or a predatory loan.

The Community Loan Fund offers Welcome Home Loans, fixed-rate mortgages for manufactured homes in ROCs and on their own land. This stable financing helps to maintain or increase the value of these homes.

As of June 30, 2020, Welcome Home Loans has made more 1,300 mortgage loans worth more than \$63 million. The cumulative loss rate over 17 years is 2.4%, showing that manufactured-home owners are good borrowers with good collateral.

We offer purchase or refinance loans to help homeowners replace predatory products, as well as down-payment assistance loans. We also offer construction-type loans to finance new manufactured homes, many with added energy features.

Filling vacant ROC lots with new homes is good for the cities and towns because it adds nice new homes to inventory, good for the ROC because it means new residents to participate in the cooperatives and more lot rent income, and good for the homeowners who feel the pride of ownership and belonging.

The program has seen high consumer demand and we use its strong performance to support and partner with other lenders and agencies in this emerging residential market. Fannie Mae and NH Housing now offer manufactured-home-mortgage financing in selected ROCs in NH, a model of our efforts to lead systemic change in the market.