

# PA House Republican Policy Committee

## Manufactured Housing

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### Provide Economical Housing to Entry Level Buyers

Manufactured housing, which refers to homes, built in factories and that are transported to their sites and meet certain federal safety standards, remains an important source of the affordable housing for rural communities. This presentation is designed to give an over view of HUD Code homes more commonly known as “**Manufactured Homes**”, We will not be calling these mobile homes as they are not truly mobile; they are now and have been since 1978 been built to the HUD code. While HUD code homes will be the primary focus of this discussion, we will also have some discussion of modular and other types of housing.

Let's get started and discuss the types of homes we have: there are singlewide units, which can be moved into place as one unit, and are basically ready to live in once the home set into place and the utilities are connected. While this is the most common manufactured home people see as a mobile home, it is not truly mobile, the set and connections take several days, and the site connections must meet the same criteria as all onsite built homes, the IRC building code. The next type of home is the multi-section home; this can be built in two or more primary units and finished at the site. It follows the same rules for the set and connections as the singlewide home, although it has more work on the site at the connection points of the units. Both these types of homes can be placed on piers, crawl space, or basement. Unlike modular construction piers are an option for these homes. Your typical stick built and modular home, “stick built in the factory,” require a full perimeter foundation, IE: basement or crawl space; regardless of the connection to the ground most manufactured homes will meet the highest levels of energy efficiency.

Seventeen million Americans live in manufactured homes and this makes up 7 percent of the nation's housing stock. Manufactured homes are a common sight in rural communities, where zoning and housing codes tend to be less restrictive. There continues to be strong demand for manufactured homes as an affordable housing option, as it is the largest source of **unsubsidized affordable housing** across the nation. The reason being, comes down to cost; a brand new manufactured home probably costs half of what an equivalent site-built home would cost, plus, the manufactured homes built now don't look a lot different from a site-built home. The average sales price of a manufactured home was \$67,800 in April, 2016, 75% of manufactured homes residents have household incomes of less than \$40,000 per year, according to an article in Bloomberg. When you compare that to the cost of the home and you are looking for affordable housing for our resident's, manufactured housing makes sense.

With manufactured housing being considered as affordable housing, we find that in many locales, manufactured home communities are a good source of affordable housing. Manufactured Home communities are found in rural areas as well as metropolitan areas. Manufactured housing has become the largest sources of unsubsidized affordable housing in the country. So, why isn't this housing stock on the policymakers' radar as a source of affordable housing? It is, but there are issues. We, as an industry need to educate you, our elected officials; and remind you that the people who live in manufactured homes and communities pay taxes. They are your teachers, nurses, firefighters, accountants, etc. They have jobs like everyone else, they are homeowners. Although these manufactured homes are not always treated as a home from the point of government regulation and more importantly financing.

## **Financing**

That's because manufactured homes aren't considered real estate, so traditional mortgage products are not available for the majority of these homes. Most are secured using a chattel loan, where personal property is used as security for the loan. Interest rates for chattel loans tend to be higher than those for a traditional mortgage.

As stated by Doug Ryan, director of affordable homeownership for the Corporation for Enterprise Development (CFED) in Washington, D.C.; Doug says, he would like to see a secondary market "to allow these homes to be titled as real estate so they would have access to mortgages and be eligible for Fannie Mae and Freddie Mac financing, but that would have to be done on a state-by-state basis."

This is probably one of the most profound statements I have heard, because as a real estate broker we see the sale of manufactured housing as common practice and run into these financing issues often. Let's consider when the home is not attached to the land, but held by a leasehold agreement, this is no different than an apartment leased to an individual correct? Not so, the fact remains with manufactured housing it takes permits and much work to move the house off the leased land so why not treat it like a home. If you think this issue is exclusive to leased land think again, these homes are also not treated equally in the mortgage financing arena when they are attached to the land. The lenders do not have the government to back them in the same way as they do with a stick built or modular homes. Manufactured homes are treated differently when the only difference is a steel frame and the home is built to HUD Code rather than the IRC code, even when on a basement or crawl space.

The National Manufactured Home Owners Association is working with the states to create policy that gives stronger protections of new manufactured homes. However, this should also be applied to the resale market as well, this will create an equal market across the board and get real momentum in the preservation cause, but in order for this to happen the states must take action.

Over 60 percent of manufactured home buyers finance their purchase using a personal property loan, most of these are homes are going into parks on rented land, and the dwelling alone is financed in this instance. We need to create the ability for lenders to securitize manufactured home loans in the secondary market, particularly those secured as personal property. A secondary market if it is supported by a government backstop; should provide equal and open access to manufactured home loans, regardless if it is secured by real or personal property, meaning a home without land. The home loans without land are called chattel loans instead of real estate loans, and need to be titled the same way real estate loans are titled. While in some cases chattel loans may have certain cost savings for consumers, real estate loans, or mortgages as they are more commonly known, tend to have more consumer protections and lower interest rates. Due to this issue manufactured housing lending tends to be concentrated among a small handful of lenders, which limits its availability to the consumers. Additionally, according to a 2013 report by the Fair Mortgage Collaborative, borrowers with FICO scores of under 650 may face more difficulties in obtaining a manufactured home loan than a stick built or modular home mortgage.

## **Challenges**

In the housing industry, the phrase "mobile" often conjures up the image of a generic-looking, nondescript house or trailer. However, there are many reasons why these stereotypes deserve to be wiped away. Today's manufactured homes come in a wide array of styles and layouts, including a new wave of clean, modernist designs. And since they're usually more affordable than traditional "stick-built" homes, buyers can get more for their money. One of the biggest challenges is the stigma; these are not trailers and cannot be hooked up to your pickup truck and moved. Even though these are very well built homes, we still have people coming to planning meetings and saying that you're killing our home values, when in fact, today's manufactured housing is more likely increasing the values of their existing homes.

When buyers choose a manufactured home, they still have to arrange for building permits, electrical hookups, water supply, and sewage connections, just as if they are planning for a custom-built home. You no longer just pull the home in and hook it up like a camper. Also, a foundation must be built the foundation for these homes have to be designed by an engineer and must meet all local codes.

These perceptions and differing government regulation has limited the growth of manufactured housing. While the industry can see growth, it's not always as clear to those outside of manufactured housing, due to long insufficiently addressed lingering perceptions. This is where government must treat the manufactured home as a true home and not a glorified camper. Maybe it's time for another rebrand but in the meantime we are working hard to overcome these perceptions, the biggest issue is that the differing lending practices are still holding us back.

## Opportunities

The following are compelling reasons to build a manufactured home:

- **Shorter construction time.** Sections of the home are built in a factory, making for quick on-site assembly this also allows for less chance of mold in the home due to it being built in a controlled environment. Some manufactured houses, can be installed in a day. There are also fewer delays due to bad weather, which often happens when building on-site.
- **Less expensive.** The home's parts are created in a factory, which is more efficient and produces less waste than custom building. Also, less labor is needed to assemble the home after it's delivered to the site.
- **Eco-friendly designs.** For the buyer who's interested in green design, many of today's manufactured houses use eco-friendly materials and because they are factory built it takes less energy to produce the home.

There are fewer construction headaches because a manufactured home is mostly designed in advance; buyers have fewer design choices to make, than if they began the homebuilding process from a blank slate. The process is streamlined, and that's a big plus for consumers who think they are overwhelmed by the plethora of decisions they would have to make when building a new home from scratch.

However, even with manufactured homes, there is some level of customization. Countertop materials, kitchen cabinet finishes, built-in features such as bookshelves, and window styles are some of the most common elements that the buyer can choose. Depending on the type of home, consumers can also choose the layout and size of their home. On the whole, though, installing a manufactured house should be less expensive than custom building a comparable house. If someone were buying more than one home of the same design, for a development or a family compound, for example, the price could go down even more; making manufactured homes that much more appealing.

Probably the biggest benefit of manufactured housing is; you can put them anywhere you have the land. They are built in sections and can be ready to move into in a matter of days, and they are cost efficient.

## Summary

Manufactured homes provide Affordable, quality housing for the masses. A large part of our population already lives in these homes and it is our best source of unsubsidized affordable house. While financing is our biggest challenge, the states have the ability to create programs to help us with this; our other big challenge is perception. The legislator can help the perception of the homes by creating equal financing and secondary markets for new and existing manufactured homes, this will help move us from the stereotype of trailer to house, as it should be. If you're looking for a less expensive efficient home of the future, manufactured housing is here to stay, go find some land and let's build homes together. Thank you for the opportunity to provide you with this information.

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September 23rd, 2016 soheyla Leave a comment Go to comments

**Opportunities for Promoting Credit for Affordable Housing in Rural America**

SOURCE: AP/Scott Sonner

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