

The Case for Trailer Parks

Houses made in a factory are a cheap and energy-efficient way for poorer Americans to become homeowners—plus, these days, the mass-produced units can be pretty spiffy.

By ALANA SEMUELS - OCT 24 2014, 7:50 AM ET



You've seen it before: a house, on a truck, on a highway, slowing down traffic with its yellow "OVERSIZED LOAD" sign, its tan vinyl siding nearly screaming "Trailer Park!" The snobs among us may judge these pre-fab homes as shoddily built, cheap eyesores in a country that's increasingly eschewing the suburbs for walkable urban areas.

But pre-fabricated homes just might be part of the solution to America's affordable housing crisis.

Home prices are continuing to rise, even as incomes on the lower-end of the scale remain flat, putting home ownership out of reach for many Americans. In some cities, that's led to renters flooding the markets, which in turns drives rental prices up. Homeownership in the U.S. was 65 percent in the fourth quarter of last year, down from 69 percent in 2005, according to the Census Bureau (PDF).

Families who can't afford homes often find that the apartments available to them are tiny, expensive, and old. Manufactured homes, affordable-housing advocates say, are spacious in comparison.

"The manufactured home is probably the most cost-effective way to provide quality affordable

housing,” said Donna M. Blaze, the CEO of the Affordable Housing Alliance, which helped provide manufactured homes for Sandy refugees. “Most of our new units are light years ahead of the apartments for rent in today’s market.”

The average sales price for a manufactured home in 2013 was \$64,000, according to the Census Bureau, while the average sales price for a single-family home was \$324,000. The single-family site-built home includes the land, though, while owners of manufactured homes often have to still grapple with landlords and leasing issues. But the structure itself is nevertheless significantly cheaper: New manufactured homes cost around \$43 per square foot; site-built homes cost \$93 per square foot.

"In many areas, working class families are priced out of the market to buy homes," said Stacey Epperson, the president and CEO of NextStep, which connects the manufactured home industry with affordable housing groups. "But for us, homeownership is still part of the American dream."

New Hampshire residents Wanita Ordway and her husband Kevin are once such working-class family: Kevin is a carpenter, Wanita is retired. They were looking at rentals, and then stumbled across a manufactured house last year that cost just \$87,500 for the structure and the two acres of land it's on.

It's spacious, Ordway said, with three bedrooms, two baths, a fireplace, a family room, and a breakfast nook with an island in the kitchen. The kitchen is cheerily wallpapered with images of fruits, and the bathroom has ivy wallpaper. When Wanita asked the utility company to audit the house to see how much energy it used over the cold winter, she discovered it was too energy efficient to even qualify for an audit.

“It’s just a wonderful option for people who cannot get a conventional home,” she said. “If you get past the stereotype of a mobile home, these are just as well-constructed as a stick home.”

There are currently about 18 million Americans living in manufactured homes, and the houses make up the largest stock of unsubsidized housing in the country, according to the Manufactured Housing Institute. That is becoming more important as government budgets shrink and Americans prioritize other policy areas over public spending on subsidized housing.

This type of residence used to be known as a mobile home, and was often poorly built and inexpensive, a refuge for those on the outskirts of society who couldn't afford anything better. Then, in 1976, HUD building codes went into effect regulating design and construction of the units, and in 1980, Congress changed the name from “mobile home” to “manufactured home.”

The quality of some of these homes have improved significantly since then. There are, of course, the swanky pre-fab homes by Muji and architecture and design firm ARKIt that would make any apartment-dweller salivate. But even the low-cost pre-fab homes have gotten snappier: They are Energy Star versions, models with marble countertops and sunken baths, models with fireplaces and porches and dormer windows.

“These are homes that travel down the highway at 55 miles-per-hour, which site-built homes don’t,” said Paul Bradley, the president of Resident Owned Communities USA, a group that works to help residents of mobile-home parks or manufactured-housing communities buy their own land. “You can inarguably buy very good quality, very energy-efficient HUD-code homes that are better built than site-built ones.”

Many of today's manufactured homes are actually better for the environment than site-built homes, Bradley says. For one thing, there's less waste created in building them. Construction sites result in dumpsters and dumpsters of garbage: extra sheet rock, plaster, wood. But factories know the exact amount of materials they use to build homes, since they make them en masse. Labor costs are lower, too, and Bradley argues the work is safer: No one works on a roof in manufactured homes, instead, they build the roof on the ground and then install it.

Those that are built with Energy Star certification can also help residents save on heating and cooling costs.

"Most of our new units cost less to buy than the older units cost to heat and cool," said Blaze.

But there are actually fewer of these homes being built than there were two decades ago. While manufactured home builders shipped more than 200,000 units a year through the 1980s and 1990s, last year there was demand for a fraction of that amount, just 60,000, according to the Manufactured Housing Institute.

That's because the manufactured-housing industry underwent a crash in the late 1990s and early 2000s that presaged the nation's housing market collapse. Lenders relaxed credit standards, lowered documentation requirements, and at times falsified credit applications. When borrowers couldn't pay, homes were repossessed, and many lenders went bankrupt.

For a long time, the companies that made manufactured homes and those that issued loans for them were closely linked, with buyers being steered to certain lenders who offered high interest rates or confusing loans, especially for people with bad credit. Even today, Green Tree Financial, once one of the largest mobile-home financing companies, gets a ranking of one star on the website of Consumer Affairs, where consumers have entered a laundry list of complaints about the lender.

"The biggest problem is with how the loans are done," said Doug Ryan, the director of affordable-housing initiatives for the Corporation for Enterprise Development, which advocates for low-income Americans. "It's about as enjoyable as buying a used car."

Buyers don't have much choice among the various financial products because manufactured homes are legally classified as personal property, like a car, rather than as a house, which means the loans are more expensive and riskier. The loans are structured differently partially because buyers frequently are only buying the home, not the land beneath it. Often, interest rates on loans for manufactured homes can be twice as high as for site-built homes. Last year, 78 percent of homes placed in manufactured home communities were titled as personal property, rather than as real estate, the Census Bureau says.

These "chattel loans," as loans for personal property are called, close more quickly than mortgages, according to the Consumer Financial Protection Bureau, but interest rates can be between 50 and 500 base points more expensive than real property loans. About 68 percent of all manufactured-housing purchase loans met the definition of a "higher-priced mortgage loan," meant to identify a set of loans that could be considered subprime.

"Chattel loans generally have less consumer protection than mortgages," the bureau wrote, in a report. "The extent to which consumers are aware of these tradeoffs and how consumers weigh them remains an open question."

The Ordways, of New Hampshire, said their interest rate was 8.875 percent, much higher than most rates on a traditional 30-year fixed mortgage.* But they never thought they'd be able to get a loan in the first place: The couple had bad credit because Kevin's identity was stolen. But they had a steady income from Kevin's job as a carpenter, and were able to show that they were careful with their finances. They qualified for a loan worth \$114,000 through a New Hampshire community loan fund that specializes in loans for manufactured homes.

"When I got the call that said we were pre-qualified, I started crying, because I didn't think we would be able to buy a home," Wanita said.

In some communities, residents who got loans for manufactured homes have later found out that the land they were leasing was being sold out from under them. Since they couldn't move their manufactured homes (HUD regulations stipulate the homes be built on a permanent chassis, which makes them hard to move), they lose the equity they put into them. Most affordable-housing advocates recommend that anyone buying a manufactured home own the land too, even if they own it as part of a community cooperative.

But there are efforts underway to make the process of buying a manufactured home more transparent, and to make more types of loans available to buyers.

The Ford Foundation, for example, has been investing in programs to help low-income people buy high-quality manufactured housing, said Lisa Davis, a program officer with the Foundation who works on projects related to housing and land use. The group wants to help people who live in manufactured-home parks buy the land they live on, convince states to allow the units to be titled as homes, and push manufacturers to build higher-quality, energy-efficient homes.

"I think the industry is changing, I really do," Davis told me. "The industry players are becoming more responsible as a necessary part of how they do their business."

As part of 2008's Housing and Economic Recovery Act, Congress directed Fannie Mae and Freddie Mac to establish a secondary home market for manufactured homes, but that hasn't yet come to fruition. And the Dodd-Frank put some regulations on personal property loans. But buyers can still expect to pay much more for a manufactured-home loan.

Last month, the Consumer Financial Protection Bureau issued an extensive report on the industry, finding that manufactured homes are an important source of affordable housing for low-income consumers, and pledging to protect those consumers from the types of financial wheeling and dealing that have characterized the industry in the past.

"The Bureau is committed to ensuring that consumers have access to responsible credit in the manufactured housing market," said Richard Cordray, the Bureau's director.

Some communities have come up with their own ways to offer loans for manufactured homes. The Affordable Housing Alliance in 2007 purchased the land under the Pinetree Manufactured Home Park, in Eatontown, New Jersey, and now leases it back to residents for a few hundred dollars a month. The deed to the land requires that the group provide affordable housing in perpetuity.

The Alliance works with local banks to get its homeowners mortgages structured like home loans, not like property loans.

“You’re investing in yourself, you’re gaining equity, and equity is America’s way of establishing a financial future,” said Blaze, of the Housing Alliance.

New Hampshire has been at the forefront of financing for manufactured homes. It's one of the only states that allows manufactured homes located on sites not owned by the homeowner to be titled as real property.

A program through the New Hampshire Community Loan Fund aims to help people who don't have money for a big down payment, or who don't have perfect credit, buy a manufactured home, said Jen Hopkins, the director of single-family housing at the Fund. It's been a big help for low-income buyers in New Hampshire, where more than half of the homes worth less than \$150,000 are manufactured units. They're the group that issued the loan to the Ordways.

"We put in our application without thinking we'd ever get a place," Wanita said.

It's been great to have their own home, she said. Their old landlord wouldn't let her hang any knick-knacks or pictures on the walls, and didn't repair things that broke. This house uses kerosene and propane, which are easy to come by, and which Wanita carefully monitors for purposes of saving money. There's a yard to landscape, and best of all, they can call it their own. ##

* This posted originally stated that the Ordways' interest rate was 11 percent. We regret the error.