

Bad bargain? Manufactured homeowners feel the financial strain

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Twenty million Americans live in mobile, or manufactured, homes that offer affordable housing, particularly in rural parts of the country. Typically older and poorer than traditional homeowners, manufactured homeowners often face serious, unique financial difficulties that make it a bad bargain for some low-income Americans. NewsHour's Stephen Fee

TRANSCRIPT

STEPHEN FEE: In 2006, Carla Burr was looking for a new home. At the time, she owned a condominium in Manassas, Virginia, just southwest of Washington, DC.

Initially, she didn't consider a mobile, or manufactured home, but on a friend's recommendation, she looked at one in nearby Chantilly, Virginia. The price and convenience won her over.

STEPHEN FEE: "What made you move from a condo to a manufactured?"

CARLA BURR: "Being on one level. My condominium was fifteen stairs to my front door and fifteen stairs inside my house to get to the second level. I had a two-level condo. And all the bedrooms were upstairs. And with my back as bad as it was, I couldn't go up and down the stairs anymore."

STEPHEN FEE: She bought this three-bedroom manufactured home for \$113,000 dollars in a town where the median home value is \$500,000.

CARLA BURR: "I chose to move here because it was a beautiful house. And I thought, man I could retire here."

STEPHEN FEE: Now 61 years old, Burr – and her home – may need to move. While she owns the home — she made the purchase in cash — she doesn't own the land underneath.

Every month, Burr pays rent to a property manager. Over the past ten years, that lot rent has gone up 30 percent, from \$740 a month to \$1,022 a month.

CARLA BURR: "I had no clue that the rent was going to go up the way it did. I mean, it's to the point now where it's more than half my Social Security. I would love to stay. And I

would love to keep it right where it is. Because everything I have is here. All my church is here, my family's here, everybody's here.”

STEPHEN FEE: Burr is one of about 20 million Americans who live in manufactured homes — buildings made in factories and then towed to communities or private land. While they're “mobile,” most never move once they're placed on a property.

Wheels and trailer hitches are removed. Driving by, a manufactured home community can look just like a conventional neighborhood.

The average price of a new manufactured home: \$64,000, a fifth of the \$325,000 average price of a new conventional home.

JULIA GORDON, NATIONAL COMMUNITY STABILIZATION

TRUST: “Manufactured homes are not trailers — they're actually meant to stay in one place.”

STEPHEN FEE: Julia Gordon is executive vice president of the National Community Stabilization Trust, which advocates for affordable housing.

JULIA GORDON, NATIONAL COMMUNITY STABILIZATION

TRUST: “Manufactured housing is a very important source of affordable housing for many people, especially those who live in more rural areas.”

STEPHEN FEE: In fact, in 112 rural counties in the south and west, more than a third of houses are manufactured.

But only 48 percent of households who live in manufactured homes own both the house and the land; 30 percent own the house and rent the land; and 18 percent rent both.

JULIA GORDON, NATIONAL COMMUNITY STABILIZATION TRUST: “This is a unique problem of manufactured housing — that the ownership of the actual dwelling is separate from the ownership of the land under it.”

STEPHEN FEE: It's a problem for 80-year-old Bob Thompson. He and his wife bought this manufactured home in Winchester, Virginia, for \$90,000 in 2003.

BOB THOMPSON: “No more mowing lawns, no more having to take care of the snow and those kind of things that as you get older, you're wanting to downsize your house size.”

STEPHEN FEE: Like Carla Burr, they own the home but not the land underneath.

BOB THOMPSON: “When we come here in 2003, the lot rent was \$260 a month. And now it will be \$508 or \$509 a month.”

STEPHEN FEE: “Has your income changed over that period of time?”

BOB THOMPSON: “No not very much, because we’re on fixed income, and on Social Security, and you know, they might get a one or two percent raise per year, but that’s about it.”

STEPHEN FEE: Thompson says that if the lot rent continues to rise, he, his wife, and their teenage grandson who lives with them will have to sell — or pay to have the house lifted up, placed back on wheels, and moved to a new location, which can cost up to \$15,000.

BOB THOMPSON: “But if you can’t afford the lot rent, how are you going to spend that kind of money to move it off site?”

STEPHEN FEE: “If you had to sell tomorrow, would you be able to recoup the investment you made in this house?”

BOB THOMPSON: “No. These houses were brand new, so it was three years old when we bought it and paid that kind of money for it. And some of the, on here, I would say that normally \$35,000 to \$40,000 would be a high end for this house at this point.”

STEPHEN FEE: “So that would mean basically a drop in 50-percent from your purchase price.”

BOB THOMPSON: “Yes.”

STEPHEN FEE: Like cars, manufactured homes often depreciate, losing value the longer they’re owned.

Carla Burr believes the value of her manufactured home has plummeted since she purchased a decade ago. She thinks if she sold it today, she’d get \$40,000 less than she paid.

CARLA BURR: “If you’re in an apartment, you can move. At the end of your lease you can say, I’m outta here, it’s too high. I can’t. I don’t have that luxury. This house can’t

move. I mean unless you go through major hoops to do it.”

STEPHEN FEE: Dick Ernst chairs the financial services division of the Manufactured Housing Institute, which represents builders, community owners, and lenders. I asked him about the dilemma Bob Thompson and Carla Burr are facing.

STEPHEN FEE: “They feel locked in. Is that a common problem?”

DICK ERNST, MANUFACTURED HOUSING INSTITUTE: “Well I mean, it’s a customer’s choice. If they choose a lifestyle in a land-lease community, for example versus on a piece of property that they can buy or purchase someplace in rural America or wherever, that’s a choice that consumer is making. You do remove that appreciating portion of the transaction if you have no real estate with it.”

STEPHEN FEE: Manufactured homes on rented land are often considered personal property – not real estate – and as a result, banks sometimes won’t grant buyers typical mortgages, which leads to higher interest rates.

The best financing Carla Burr could get for her manufactured home was twice as expensive as her old condominium, so she paid cash.

CARLA BURR: “I had a 4.875 mortgage in 2006 on my condo. And the best I could get was 10 percent.”

STEPHEN FEE: According to the latest figures, manufactured home loans have interest rates nearly three percent higher than conventional mortgages.

One reason rates are higher: limited choice. Some manufactured home lenders are owned by the same companies that make manufactured homes.

JULIA GORDON, NATIONAL COMMUNITY STABILIZATION TRUST: “Often you have very few financing options. There are only a handful of lenders who work in this space, and because there’s a lot of vertical integration in the industry often when you purchase the home, the manufacturer of the home is going to refer you to a lender.”

STEPHEN FEE: Another factor driving up borrowing costs for manufactured homes – the default rate is much higher than on conventional mortgages. Industry analysts say it’s as high as 25 percent, a figure manufactured home lenders dispute.

JULIA GORDON: “The reason for the very high default rates in manufactured housing,

frankly, is because many of the loans are so predatory. And a very high-rate loan actually carries with it extra risk of default than the same loan to the same person that's a lower rate, because of course it's more expensive, and it's taking up more of their income."

STEPHEN FEE: "What does that say to you when people are out there calling your industry, saying that you're preying on people who are low-income and vulnerable?"

DICK ERNST, MANUFACTURED HOUSING INSTITUTE: "It's not a good feeling to hear that, because we think that they're misguided."

STEPHEN FEE: Ernst says his industry's loan rates are higher than conventional home loans, in part, because the buyers do have worse credit and because there is no market for lenders to package the debt as Wall Street securities.

DICK ERNST, MANUFACTURED HOUSING INSTITUTE: "You're also going to have to build something in there for the credit risk. You have to cover your cost for origination, cover your cost of servicing. So if you, if you were to break an interest rate down, you would absolutely see very clearly that they're doing it because they have to."

STEPHEN FEE: The Dodd-Frank financial reform law passed by congress and signed by President Obama in 2010 provided consumer protections for borrowers of high-cost loans, barring things like balloon payments – oversized payments due at the end of a loan – and requiring credit counseling.

But the manufactured housing institute is lobbying for new legislation to change the definition of a high-cost loan, boosting the interest rate threshold so that fewer manufactured home loans will be classified that way.

STEPHEN FEE: "Isn't that what got us into trouble in the first place with the site built market? That we were extending loans that weren't underwritten very well. That the securitization was out of control. And that drove us into the largest housing crisis in decades."

DICK ERNST, MANUFACTURED HOUSING INSTITUTE: "Sure, but make no mistake, what we're asking for retains all of those protections for the consumers so that more, so the consumers can stay in their homes. We're not asking that any of those consumer protections be taken away. We're just asking that we have the opportunity to make loans

and customers living in manufactured homes that want to sell them have financing available.”

STEPHEN FEE: Ernst says the legislative change he advocates would free up credit for borrowers, and it’s already passed the House of Representatives.

But housing advocates like Julia Gordon say changing the law would be a mistake.

JULIA GORDON, NATIONAL COMMUNITY STABILIZATION TRUST: “What concerns me is that people who buy manufactured homes often are lower income, perhaps less financially sophisticated, maybe have fewer options available to them. These are the very vulnerable consumers who need those protections the most.”

STEPHEN FEE: President Obama has vowed to veto any bill that would weaken the homeowner protections in Dodd Frank.

Meanwhile, manufactured homes are re-gaining popularity. As of October 2015, new manufactured home shipments are up nearly eight percent from the previous year.



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