

# Manufactured Housing

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**M**anufactured 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 and financed, and how manufactured home communities are owned and managed are all 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. Manufactured Housing is factory-built housing constructed to meet a national standard—the HUD Code—rather than local building codes. More than half of all manufactured homes are in rural areas around the country. In a typical year, 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. Manufactured homes have their origins in the automobile and recreational travel trailer industry, but modern 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 2021 was \$108,400 (excluding land costs); much less compared to an average of \$365,900 (excluding land costs) for a newly constructed single-family home and approximately \$357,100 (including land costs) for an existing site-built home (see the U.S. Census Bureau's *Manufactured Homes Survey* and *Characteristics of New Housing*, along with the Manufactured Housing Institute's *2022 Manufactured Housing Facts* and 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. Contrary to common narratives, just about 42% of manufactured homes are financed with personal property, or chattel loans (see the Consumer Financial Protection Bureau's *Manufactured Housing Finance: New Insights from the Home Mortgage Disclosure Act Data (2021)*). 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 93% of chattel manufactured home loans in 2019 were classified as high cost (having a substantially high interest rate) which is more than eight times the level of high-cost lending for all homes nationally according to the Bureau. Data from the "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 52%. In some cases, dealers resort to unscrupulous sales and financing tactics, trapping consumers into unaffordable loans. See *The Mobile Home Trap: How a Warren Buffett Empire Preys on the Poor*.

A significant portion of manufactured and mobile homes are in community or park settings, though this is becoming less common. According to the U.S. Census Bureau, in 2020, approximately 27% of new manufactured homes were sited in such settings. Estimates suggest that approximately 40% of all manufactured homes are in 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 compared to 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.

### Affordable Housing Development with 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 and issued a proposed rule for comment in July 2022. Look for the final rule to be issued in 2023.

## 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.

FHFA approved the GSE’s 2022 – 2024 Duty to Serve plans in April 2022 after initially rejecting the Enterprises’ plans in January 2022. Both GSEs remain largely conservative in their manufactured housing-related activities. Jointly, Fannie Mae and Freddie Mac outline modest increases in their loan purchase targets for Manufactured Housing Titled as Real Property (MHRP), citing prevailing market trends such as increasing home prices and interest rates.

In its 2022 -2024 plan, Freddie Mac made a tangible commitment to enter the chattel market, intending to conduct a risk management assessment to develop a chattel (personal property) loan product. Fannie Mae continues to work with FHFA to determine the viability of a chattel loan pilot program.

### Energy Efficiency Standards

In May 2022, the U.S. Department of Energy (DOE) released the final rule for the updated Manufactured Housing Energy Efficiency Standards. Manufacturer compliance with the updated regulation is required by May 2023. The updated standard offers modest efficiency increases for single-section homes and greater

efficiency increases for multi-section homes. The energy standards must be integrated with the HUD Code. As of December 2022, HUD, with input from the Manufactured Housing Consensus Committee (MHCC), must now determine if it will incorporate DOE’s energy standards into the HUD Code by reference or undergo a new rulemaking process for updating the energy standards under the HUD Code to align with DOE’s final rule. The MHCC is a federal advisory committee established by the National Manufactured “Housing Construction and Safety Standards Act of 1974” to provide periodic recommendations to the HUD Secretary pertaining to the HUD Code.

Subsequent to DOE’s release of the updated Energy Efficiency Standards, the U.S. Environmental Protection Agency (EPA) issued a request for stakeholder comments for updates to the ENERGY STAR Manufactured Homes Program, Version 2.1, that would go into effect in May 2023 to align with the DOE regulation implementation date. EPA is expected to issue final program guidelines in early 2023.

### 2023 Appropriations - Manufactured Housing Improvement and Financing Program

In July 2022, the U.S. House Appropriations Committee approved a groundbreaking federal investment, the Manufactured Housing Improvement and Financing Program, in the Fiscal Year 2023 Transportation, Housing and Urban Development, and Related Agencies Funding Bill. The program would create a fund to preserve and revitalize manufactured home communities (MHCs), home to 8.5 million Americans. The fund is expected to be named after Chairman David Price (D-4<sup>th</sup> – NC) of the Transportation, Housing and Urban Development (THUD) Appropriations Subcommittee.

Grants would be distributed through a competition, with eligible applicants including states, local governments, Tribes, nonprofits, CDFIs, resident-owned manufactured housing communities or cooperatives, and possibly other entities. While funds will be available for a variety of uses (including relocation assistance and eviction prevention), the primary purpose

is to bring community infrastructure up to code, providing clean drinking water and safe sanitation, and to increase resiliency in the face of increasing flood, fire, and storm events. The fund will also support acquisitions, including resident purchases.

As of the deadline for this handbook, Congress is working to conference the appropriations bills in the House and Senate, which will ultimately determine whether the final FY23 HUD Appropriations bill includes this important new program.

### **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 required 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.” If implemented, this would raise the profile of manufactured housing as part of a local community’s affordable housing market as it decides priorities for federal housing funds. As of December 2022, HUD has not issued guidance on the act. Therefore, participating jurisdictions will likely delay analyzing the role manufactured housing has in their local housing markets. This will limit resident access to federal resources and threaten local housing preservation efforts.

### **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 amended 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 because it reduced 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 created what’s now known as the Consumer Financial Protection Bureau 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 more costly 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.
- HUD must issue guidance to implement the HUD “Manufactured Housing Modernization Act of 2019.”
- HUD must issue a final rule to update the HUD Code and incorporate the DOE Energy Efficiency Standards.
- HUD should revise the Title I Manufactured Housing loan program to provide an affordable and equitable financing alternative for chattel loans.
- USDA, HUD, and the GSEs should be encouraged to conduct innovative and responsible pilot programs to improve manufactured homeowners’ access to credit.
- The GSEs should be held accountable to implement the manufactured housing elements of their current Duty to Serve plans.

- 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 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

I’m HOME Network, Lincoln Institute of Land Policy, <https://www.lincolninst.edu/our-work/innovations-in-manufactured-homes-network-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/>.