MOVING HOME

Manufactured Housing in Rural America

HAC

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HAC, founded in 1971, is a nonprofit corporation that supports the development of rural low-income housing nationwide. HAC provides technical housing services, loans from a revolving fund, housing program and policy analysis, research and demonstration projects, and training and information services. HAC is an equal opportunity lender.

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Executive Summary

Manufactured housing is one of the most dynamic housing innovations of the last 50 years. This type of housing is particularly important in rural America where manufactured homes are concentrated at twice the national rate. While rural areas contain less than one-quarter of the nation's housing units, more than one-half of all manufactured homes are located here.

Despite the popularity of this stock, debates surrounding manufactured housing units persist. Manufactured housing is a complicated topic involving not only the structures themselves, but also issues of land tenancy, housing finance, changing technologies, consumer education, and community perceptions. Given the significance of this housing stock in rural markets, the Housing Assistance Council (HAC) has undertaken a data review of rural manufactured housing units, residents, and related issues.

Residents: The Face of Rural Manufactured Housing

Manufactured housing is often characterized as much by the people who inhabit these units as by the structures themselves. The stereotyped image of manufactured homes has been shaped in part by the fact that historically lower-income people have lived in them. While the demographics of manufactured housing are expanding, households at the lower end of the income spectrum still primarily reside in this type of housing. In general, occupants of manufactured homes in rural areas tend to be white and not Hispanic, be younger, and have less education and fewer savings than those in traditionally built single-family homes.

Unit Characteristics

Manufactured homes in rural America encompass a broad spectrum of housing styles, systems, and arrangements. The factory built homes of the 21st century are not the trailers of the 1960s and 70s, and the manufactured housing industry has transformed itself over the past few decades, producing units of greater quality, size, and safety. Increasingly, new manufactured home models are virtually indistinguishable from conventionally constructed single-family units.

However, it is equally important to recognize the existing stock of older manufactured homes in rural America. It is estimated that approximately one-fifth of currently occupied rural manufactured homes were built before 1975. These older units are likely to be smaller, have fewer amenities, and have less investment potential than newer manufactured homes.

Homeownership and Land Tenancy

Higher homeownership rates in rural America are due in part to the prevalence of manufactured homes. These units offer many households an affordable, easily accessible way to achieve homeownership. Nearly 16 percent of owned units in nonmetro areas are manufactured homes, compared to 5 percent of the owned metro stock.

In concert with owning the unit, ownership of land is an important component to nearly every aspect of manufactured housing, ranging from quality to assets and wealth accumulation. It is well established that ownership of land is at the heart of property values and is essential for potential appreciation of value in manufactured homes. In nonmetro areas, two-thirds of manufactured homeowners also own the lots on which units are placed. In contrast, less than half (45 percent) of manufactured homes in metro areas are placed on owner-occupied land.

Financing and Investment

While the physical and structural attributes of manufactured housing have improved, issues related to financing and the investment value of this type of housing have not progressed as well. Today many manufactured homes are still financed with personal property or installment loans. With shorter terms and higher interest rates, personal property loans are generally less beneficial for the consumer than more conventional mortgage financing.

These finance issues are exacerbated by the sales system commonly used for manufactured homes. Manufactured homes are often sold at retail sales centers where salespersons or "dealers" receive commissions. In some cases, dealers resort to high-pressure sales tactics, trapping consumers into unaffordable homes.

Manufactured Housing as a Community Development Strategy

While some view manufactured housing as a potent solution to housing woes, others condemn it as a major contributor to those problems. At the local level, manufactured housing has often been met with resistance and at times vehement and vocal opposition. Nevertheless, improvements in the quality of manufactured housing are leading some nonprofit organizations and developers, in particular, to consider using manufactured housing to create affordable housing projects. Nationwide, several rural community development organizations have found ways to bypass the pitfalls of traditional manufactured housing financing and utilize these units to provide affordable, sustainable homeownership.

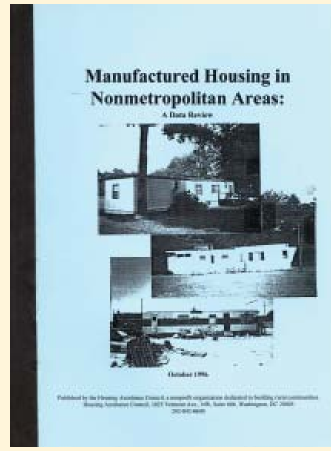
Introduction

Manufactured homes seem ubiquitous in rural America. Placed alone on parcels of land or grouped together in small parks, manufactured housing can be found in every region and is often interspersed with housing of all types. Differing from the traditional farmhouse, "shotgun" shack, or rural mountain cabin, older mobile homes do not exude the romanticized impressions of perseverance and ruggedness so often associated with rural culture. Rather, these aluminum box-like structures are more likely to carry stigmas of impoverishment, impermanence, and non-acceptance.

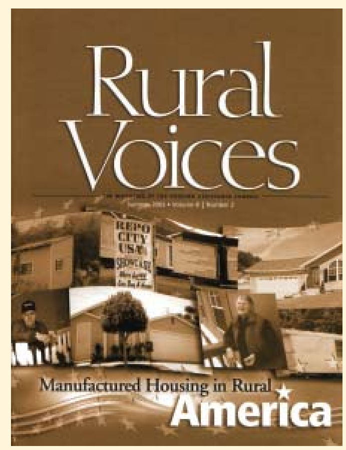
Despite these stereotypes, manufactured homes have become the housing of choice for many, particularly low- and moderate-income Americans. Manufactured housing is particularly important in rural America where this type of housing is concentrated at twice the national rate. Nationwide, approximately 7 percent of occupied housing units are mobile or manufactured homes. In rural areas, manufactured homes make up 15 percent of all occupied nonmetro housing units.

While manufactured homes have traditionally been maligned as housing for the rural poor or the object of jokes, they have allowed millions of households to improve their housing conditions and achieve homeownership at an affordable cost. The importance of manufactured housing can be inferred from a statement from one of the most influential economic minds in the nation, Federal Reserve Bank Chairman Alan Greenspan. In response to Senate Banking Committee questioning on affordable housing, Greenspan noted that manufactured housing "has been a significant factor in getting available homes at all levels" (HAC 2003).

Given manufactured housing's importance to rural America, the Housing Assistance Council (HAC) has a keen interest in examining and presenting its current dynamics and trends. In 1996, HAC first published *Manufactured Housing in Nonmetropolitan Areas: A Data Review.* Drawing heavily upon the 1993 American Housing Survey (AHS), HAC examined available data on manufactured homes and their occupants in rural areas nationwide. In 2003, HAC dedicated its Summer 2003 *Rural Voices* magazine to manufactured housing. Numerous articles from policy experts and housing practitioners presented findings and experiences on this complicated topic. Over the last decade, the manufactured housing industry has changed dramatically, experiencing several periods of rapid growth and decline.



This report is a broad and comprehensive look at manufactured housing in rural areas. The purpose of this research is to inform housing practitioners, policymakers, and consumers on the many essential and continually evolving aspects of this important source of housing for millions of rural Americans.



Manufactured Home, Mobile Home, or Trailer?

Answering the question "what is a manufactured home?" is an appropriate beginning for examining this housing stock. Terminology related to this type of housing is as debated and misunderstood as the actual unit itself. The following is a brief statement of the technical, data source, and practical terminology related to this type of housing.

Technical Terminology

The two main types of factory-built housing to be included in this analysis are:

- ***Manufactured Home***. A manufactured home is a factory-built housing unit designed to meet the federal Manufactured Home Construction and Safety Standards, also known as the HUD Code.[1] A manufactured home has a chassis that supports the structural integrity of the unit and is designed to be transported to a building site. Factory-built units that meet the HUD Code and were constructed after the code took affect on June 15, 1976 are classified as manufactured homes.
- ***Mobile Home.*** Factory-built units constructed on a chassis and completed before June 15, 1976 are generally classified as mobile homes.

Other types of non- and semi-manufactured homes not incorporated in this report's analyses include:

- ***Trailer.*** Trailers are technically recreational vehicles that do not conform to local building or HUD Code standards. Although considered antiquated and often derogatory, the term trailer is still colloquially used when referring to manufactured or mobile homes.
- ***Modular Home.*** Modular homes are factory-built to meet the state, local, or regional codes where the homes will be located (Neighborhood Reinvestment Corporation 2004). Under this process, modules are assembled in three dimensions at a factory. The modules are then towed to the building site and put together in a variety of ways to construct the unit.
- ***Panelized Home.*** Panelized building systems use wall panels assembled in a factory. These can be described as open walls, which have only structural members and outside sheathing, or closed walls, in which plumbing, wiring, insulation, and inside finish are installed at the factory. Panelized homes can be assembled quickly on a prepared foundation at the house site, thus minimizing exposure to damage from weather, theft, and vandalism. Fewer skilled trades people are needed to construct panelized homes than for site-built housing. These homes generally must meet state or local building codes.
- ***Pre-Cut Home.*** Pre-cut, or "kit," homes are an old variation of construction in which all the parts of the completed house are cut and prepared in a factory, ready to be constructed at the site. Log and dome houses are also examples of pre-cut homes. These homes generally must meet state or local building codes where they are sited.
- ***Site-Built Housing.*** A site-built, or "stick-built," home is constructed on its lot. Site-built homes meet local building codes that are enforced by local government. Site-built homes do use many premanufactured components such as standard prehung windows, doors, and roof trusses that have been fabricated in a factory.

Terminology in this Report

The information in this report relies heavily on various public use data sets,[2] which utilize the term mobile home to refer to factory-built housing constructed on a chassis. However, for practicality and progressiveness, the term manufactured housing will be the term primarily used throughout this report. In this sense, manufactured housing may refer to factory-built housing under the general rubric of both HUD Code manufactured housing and older pre-1976 mobile homes. Note that recreational trailers, site-built, modular, pre-cut, and panelized homes are not included in this definition. On occasion, the term mobile home will be used but usually in reference to older, pre-HUD Code units.

[1]For more information on the HUD Code, please see next page.
[2]Most public use data sets utilized to gather information for this report (i.e., AHS, 2000 Census of Population and Housing, 2001 Residential Finance Survey) do not use the term manufactured housing. Instead, they use the term mobile home when referring to living quarters originally constructed to be towed on their own chassis. The primary rationale for this choice lies in the fact that older mobile homes as well as newer manufactured homes are classified as the same "type" of housing in these data sets.

The HUD Code

One of the more significant determining factors relating to the designation of a "manufactured home" is whether the unit was built before or after June 15, 1976. This date was a milestone in the production of manufactured homes as it marked the implementation of the 1976 HUD Code. Specifically, Congress passed the Mobile Home Construction and Safety Standards Act (42 U.S.C. Sections 5401-5426) to regulate the construction of manufactured homes. The U.S. Department of Housing and Urban Development (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 also sets performance standards for the heating, plumbing, air-conditioning, thermal, and electrical systems. The HUD Code is the only federally regulated national building code (Neighborhood Reinvestment Corporation 2004).

HUD Certification Label

A combination of factors spurred the implementation of this preemptive code, including a rapid expansion in the number of mobile homes being placed in the 1960s and 70s, and mounting concerns over the quality and safety of these units, especially in areas where no construction standards were required. Such factors enabled the proliferation of housing plagued with the stigma of poor quality and safety. The implementation of the HUD Code provided for a uniform set of construction and quality guidelines for all mobile home manufacturers.

Every home built to the HUD Code is identified with a red metal tag known as the HUD certification label. The label indicates that the manufacturer certifies that the home meets the HUD Code. Each label has an identification number stamped on it. In most cases, the HUD label is attached to the end of the home, opposite the towing hitch (Neighborhood Reinvestment Corporation 2004).

The Evolution of the Manufactured Home: A Brief History

Manufactured housing has had a unique and somewhat controversial progression into the U.S. housing market. Today's manufactured homes can be traced back to recreational travel trailers that originated in the 1920s and 1930s. The seminal travel trailer served primarily as a recreational vehicle that was bolstered by the automobile boom of the period. Although initially intended solely for leisure purposes, its usefulness was soon expanded and an increasing number of households utilized these trailers as a form of permanent residence. This trend brought about the development of the house trailer in the late 1930s. By 1939, an estimated 10 percent of new commercially manufactured trailers were being purchased to serve as full-time housing (Wallis 1991). These house trailers were not well received by the general public as permanent residences and were acceptable only in cases where the head of the household was involved in some type of transient work, such as construction (Wallis 1991). However, the tumultuous events of the 1930s and 40s greatly expanded the manufactured home's prevalence in the housing market and subsequently altered its controversial status in society.

The Great Depression of the 1930s ravaged the U.S. economy, leaving millions of American workers unemployed. It produced large transient populations seeking scarce work options over long distances. For many families, a recreational travel trailer that could be converted to a permanent form of mobile housing facilitated migrant and nomadic lifestyles. However, just as the Depression encouraged year-round travel trailer use, it also fueled resistance to the trend (Wallis 1991). Trailer camps acquired the image of "shanty-towns on wheels," and negative perceptions began to set in the minds of conventional housing residents (Atiles 1995). Many homeowners feared that the unrestricted placement of trailers and trailer camps threatened real estate values, and that people who lived in trailers tended to behave immorally, endangering the standards of the community (Wallis 1991). In response to the outcry of more politically prominent and powerful homeowners, zoning ordinances and restrictions emerged at all levels of government to impede this new form of housing.

The onset of World War II also significantly impacted the mobile home's status and had a lasting impact on U.S. housing patterns. In the early 1940s, the country was scrambling to meet the war's needs, and the government purchased 1,500 trailers to house construction workers in defense production areas. By the end of the war, an estimated 120,000 or more trailers were in use by migrants working for the war effort (Wallis 1991). The war had strengthened the mobile home industry and, in an attempt to gain more prominence in the post-war housing market, manufacturers developed a product with more amenities. Mobile homes were becoming larger, less mobile, and almost exclusively designed for permanent living.

In the late 1960s and early 1970s, the mobile home witnessed its greatest success in retail markets. The industry experienced a dramatic increase in the number of new mobile home shipments. In 1973 over 570,000 units were shipped, comprising 37.1 percent of the nation's housing completions for that year (U.S. Bureau of the Census 2004, Wallis 1991). After this peak, the number of new shipments ranged from 200,000 to 300,000 per year through subsequent decades.

The manufactured home experienced another significant milestone with the advent of the 1976 HUD Code. In addition to improving construction quality and safety, the code had a profound impact on other, less tangible aspects of this form of housing. With government involvement, the HUD Code helped legitimize the manufactured home as an acceptable form of permanent residence – a status long sought by the industry (Wallis 1991).

Manufactured homes continued to sustain a significant market presence in the 1980s and early 1990s, comprising somewhere between 15 percent and 25 percent of new housing starts in the country (MHI 1997). The emergence and increased popularity of multi-section or "double-wide" units was another significant development in the manufactured housing industry. Multi-section units are generally much larger than the traditional single-section models and often greatly resemble conventional site-built housing in appearance.

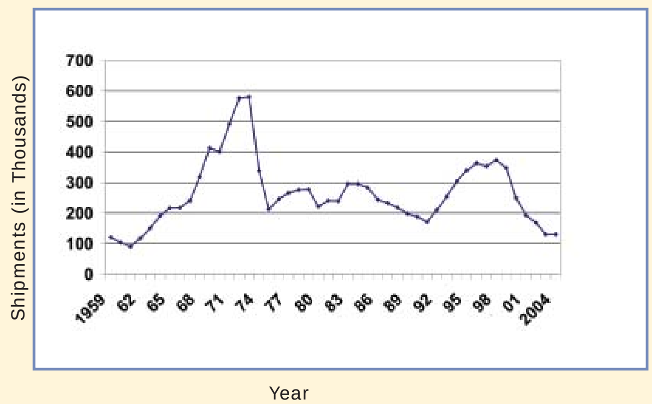


Figure 1. Manufactured Housing Shipments in the Entire U.S., 1959-2004
Source: U.S. Bureau of the Census, 2001-2004

After experiencing dramatic growth throughout much of the 1990s, the manufactured housing industry has recently dipped downward into a slump. Shipments of new manufactured housing units are at their lowest level in decades and many large manufacturers and retailers have exited the market or declared bankruptcy (Fannie Mae 2003). In 1998, new manufactured housing shipments reached 374,000 units. By 2004, the number of shipments had dropped to 131,000 units – a 70 percent decline in six years. (U.S. Bureau of the Census 2004). Much of this decline was precipitated by the over-extension of risky financing that backfired after record high foreclosure rates produced a glut of manufactured units that depressed the market (Joint Center for Housing Studies 2002).

✓ **Check Out!** For more information on the history of manufactured housing check out:

Wheel Estate: the Rise and Decline of Mobile Homes. Allan Wallis. Oxford University Press. 1991.

About the Data

Many of this report's analyses derive from HAC tabulations of various public use micro and aggregate data sets. The most common among these is the 2003 American Housing Survey (AHS). Other primary data sources include the 1990 and 2000 Censuses of Population and Housing, the 2001 Residential Finance Survey, data from the 2000 Home Mortgage Disclosure Act (HMDA), and HUD Construction and Manufactured Housing Shipment and Placement Reports. For more information on data sources in this report, please consult the Appendix.

Unless otherwise noted, the terms "nonmetro" and "rural" are used interchangeably and refer to places defined by the Office of Management and Budget (OMB) as nonmetropolitan in 1999. Nonmetropolitan areas are those counties that lie outside metropolitan areas. Each metropolitan area (MA) consists of one or more counties and contains a central city of least 50,000 residents and a total MA population of at least 100,000 (75,000 in New England).[3] It is important to note that this OMB definition of nonmetro is not the same definition of rural used by the Census Bureau.

[3] Under the 1999 OMB definitions used by the 2003 AHS and the 2000 Census of Population and Housing, there are no nonmetro areas in New Jersey and the District of Columbia. Delaware and Rhode Island have only one nonmetro county each.

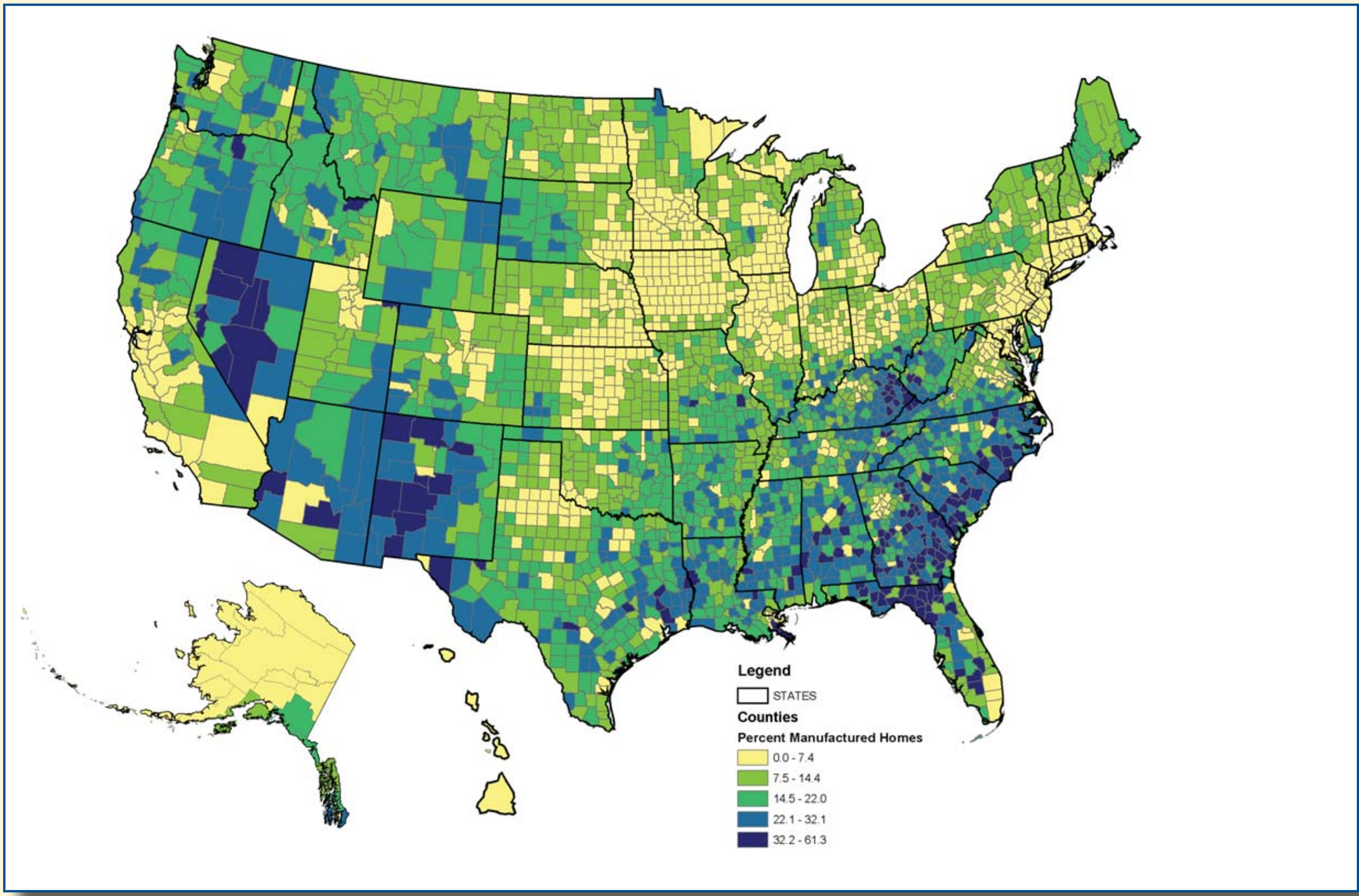


Figure 2. Manufactured Housing by County, 2000
Source: Census of Population and Housing

General Characteristics of Manufactured Housing in Rural America

While manufactured housing has made dramatic progress in urban and suburban America, the majority of this type of housing is still located in rural areas. Nationwide, 6.8 million, or 6.5 percent, of occupied units are manufactured or mobile homes. In rural areas, the prevalence of manufactured housing is more than twice the national rate as manufactured homes make up 15.1 percent of nonmetro housing units. While nonmetro areas contain less than one-quarter of the nation's housing units, more than one-half of its manufactured homes (3.5 million units) are located here.[4]

Manufactured homes are most commonly located in the Southeastern and Southwestern areas of the United States. Nearly 60 percent of rural manufactured homes are located in the Southeast, comprising one-fifth of the region's total housing stock. Manufactured housing is also popular in the rural West where it makes up 16 percent of the occupied homes. The Northeast and Midwest have far fewer manufactured homes than the South and West; there they comprise 8 and 9 percent of the housing stock, respectively.

Manufactured housing continues to be one of the nation's fastest growing types of housing, particularly in rural areas. Between 1993 and 2003, the number of manufactured homes in rural areas grew by 32 percent. Consistent with the overall location of manufactured housing, its growth has been greatest in the Southeast. Manufactured homes have become the housing of choice for much of rural America and particularly for rural Southerners (Collins 2004). Between 1990 and 2000, the number of manufactured units grew by 38 percent in the Southern region (U.S. Bureau of the Census 2002). The states of Alabama, Tennessee, and South Carolina each had nonmetro manufactured housing growth rates greater than 50 percent (HAC 2002). The popularity of this type of housing in the South can be linked to an array of factors such as its rurality, warm climate, availability of land, and relatively low income levels. But less tangible factors like market prevalence and cultural acceptability may be equally important. As writer David Rigsbee notes, "Not only have mobile homes become conspicuous features in the landscape of the South, they have, more importantly, become a part of its culture" (Burch-Brown 1998).

[4] The definition of manufactured/mobile home differs between the AHS and the 2000 Census of Population and Housing in the respect that the 2000 census does not define units with permanent room additions as manufactured/mobile homes.

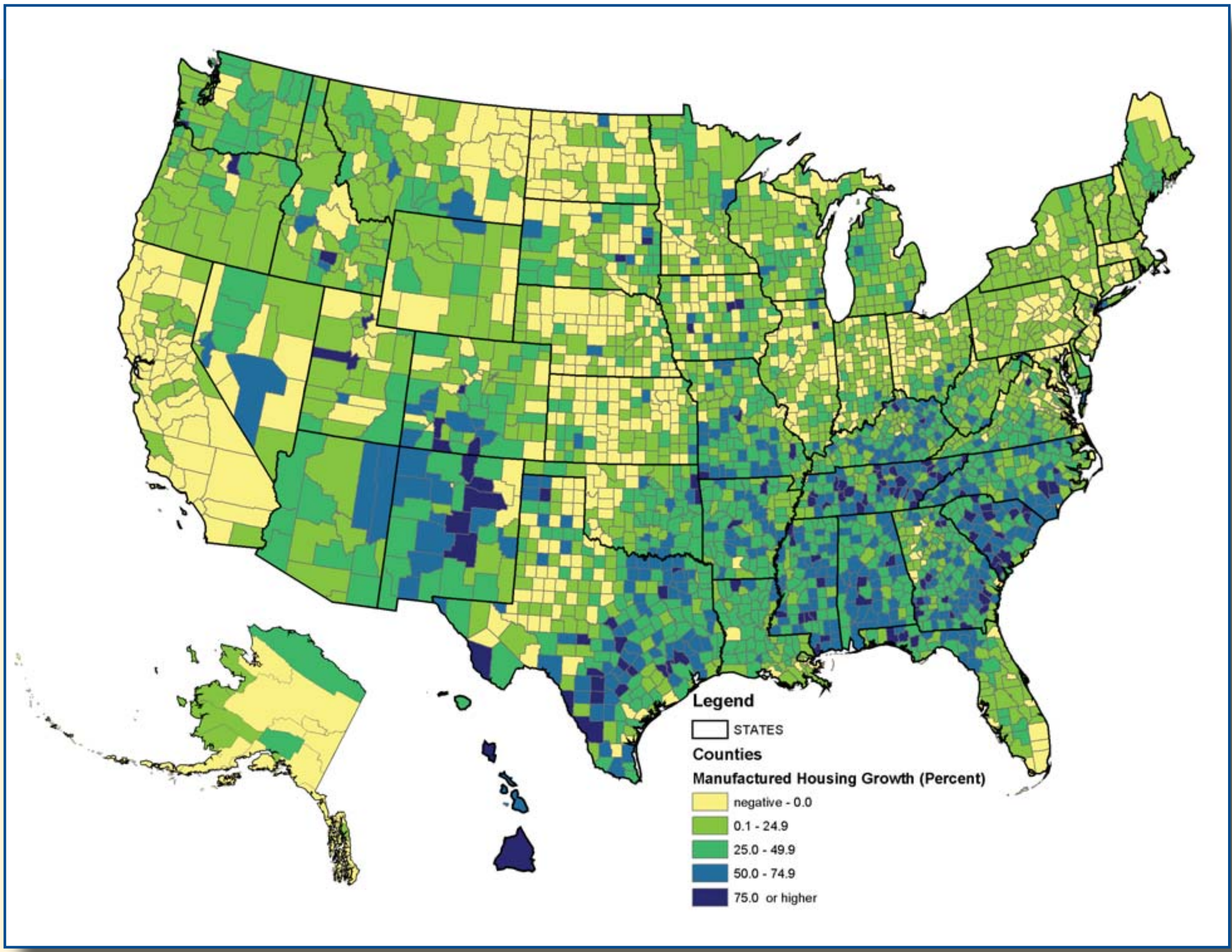


Figure 3. Manufactured Housing Growth, 1990-2000
Source: Census of Population and Housing

HOMEOWNERSHIP

Homeownership not only symbolizes individual security and prosperity, but also serves as a significant source of wealth and equity for most Americans. In 1900, less than one-half of U.S. homes were owned by their occupants (U.S. Bureau of the Census 2001). Today, homeownership is at an all-time high in the United States as 68 percent of the nation's households are homeowners. In rural areas, the homeownership rate is even higher at 76 percent, which is in part due to manufactured homes. In concert with fewer rental housing options, manufactured homes are an affordable and easily accessible housing option for many rural low-income households. Nearly 16 percent of owned units in nonmetro areas are manufactured homes, compared to 5 percent of the owned metro housing stock.

Homeownership rates are also high among rural residents who live in manufactured homes. Approximately 80 percent of manufactured/mobile homes in rural areas are owned by their occupants. The homeownership rate for manufactured homes in metropolitan areas is comparable to the nonmetro rate. Regionally, nonmetro manufactured homeownership rates are highest in the Northeast and lowest in the West, but both are still above the national homeownership rate of 68 percent.

Nationwide, nonmetro racial and ethnic minority groups have much lower homeownership rates than whites. Among all housing types, approximately 79 percent of nonmetro white non-Hispanic-headed households own their homes. For white, nonmetro manufactured home residents the homeownership rate is comparable at 81 percent. However, three-quarters of minority-headed households own their manufactured homes compared to 61 percent of rural minorities in all types of units. One of the largest discrepancies in homeownership rates by structure type is among rural African Americans. While only 61 percent of all rural African American-headed households own conventional single-family homes, 80 percent of rural African Americans in manufactured homes are homeowners.

Similarly, nonmetro low-income households have lower homeownership rates than all nonmetro households but higher rates than their metro counterparts. In metro areas, less than one-half of low-income households (those at or below 80 percent of area median income) are homeowners compared to over two-thirds of nonmetro low-income households. As noted above, these higher homeownership rates in rural areas are in part a factor of manufactured homes, which are more affordable and accessible to low-income households in many rural areas.

LAND OWNERSHIP

Although manufactured homes are constructed with design features that allow them to be mobile, most of these units remain stationary after initial placement. Nevertheless, these design factors combined with a history of being placed on rented land have established a pattern of land tenure status that is unique to this form of housing. A study entitled "The Mobile Home Challenge" indicated that in 1985 only 43 percent of rural, owner-occupied manufactured homes were placed on owned land (HAC 1996). Currently, two-thirds of nonmetro manufactured homeowners own the lots on which their units are placed. In contrast, less than half (45 percent) of manufactured homes in metro areas are placed on owner-occupied land.

Ownership of land is an important component to nearly every aspect of manufactured housing, ranging from quality to assets and wealth accumulation. It is well established that ownership of land is at the heart of property values and is essential for potential appreciation of value in manufactured homes (Jewell 2003a, Boehm and Schlottmann 2004).[5]

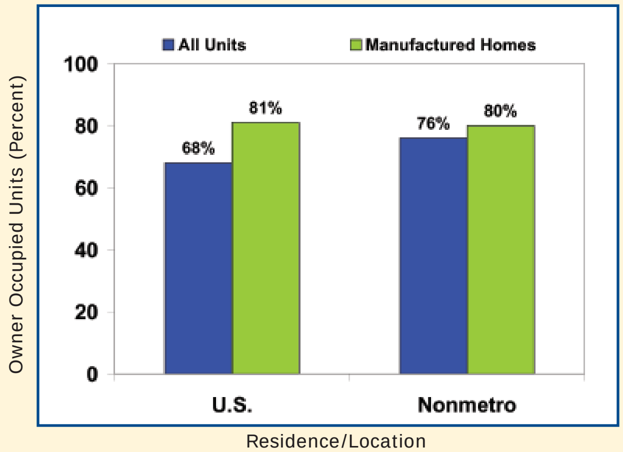


Figure 4. Homeownership by Residence
Source: 2003 AHS

RENTER-OCCUPIED MANUFACTURED HOMES

Renting provides a housing alternative for the millions of rural families unable to purchase or uninterested in owning a home. A little more than 700,000, or 20 percent, of manufactured homes in rural areas are renter-occupied. Manufactured homes make up 13 percent of all renter-occupied units in nonmetro areas compared to just 2 percent of rental units in metro areas. The placement of rental manufactured homes also varies significantly by metro status. Less than one-third of rural rental manufactured homes are placed in manufactured home communities or "parks" whereas over one-half of rented manufactured homes in metro areas are in such communities.

In rural communities where homeownership has long been the preferred form of tenure for the vast majority of households, the importance of the rental housing stock and the needs of renter households are often ignored. Rural renter households have lower incomes than owners and experience some of the most significant housing problems in the United States. Manufactured home renters in rural areas are more likely to have affordability problems and experience higher levels of substandard housing than owners of manufactured housing.

[5] For more information on manufactured home values and appreciation please see below.

Approximately 9 percent of nonmetro renters in manufactured homes reside in either moderately or severely inadequate housing compared to 6 percent of nonmetro manufactured homeowners.[6] Rural renters also live in older housing as 31 percent of renter-occupied units in nonmetro areas were built before 1975 compared to 18 percent of owner-occupied manufactured homes.

Manufactured Home Communities

Manufactured home communities, also often referred to as "land-leased communities," "mobile home parks," or "trailer parks," are home to over 840,000 rural households. However, this housing arrangement is much less common in rural areas than in urban and suburban communities. Approximately one-quarter of rural manufactured homes are located in such communities compared to 51 percent of metro manufactured units. Three-quarters of the units in nonmetro manufactured home communities are owned by their inhabitants.

Housing units in rural manufactured home communities are typically older than those situated individually, as 23.4 percent were built before 1975. These are also smaller, with a median size of 980 square feet compared to 1,120 square feet for those located outside such communities. This size difference in part reflects the fact that many older manufactured housing communities can only accommodate single-section units (AARP 2004).

Manufactured home communities vary widely in arrangement and quality. Some communities are small, with few lots on which to place a unit and receive utility services. In contrast, there are high-density communities with hundreds of units. Some communities offer a range of amenities including recreational facilities and programs. Other manufactured home communities were developed specifically for retired persons and offer services including security, reduced maintenance responsibilities, and leisure opportunities. Zoning laws, especially in and near metropolitan areas, often have effectively restricted manufactured housing to placement in parks (HAC 1996).

One key disadvantage to placement of a unit in a manufactured home community is a lack of autonomy and, in some cases, reduced legal protections for residents. Several common problems faced by tenants of manufactured home communities include excessive rent increases, park closures, poor park management and maintenance, restrictive rules, and restricted access to municipal services (HAC 1996). Furthermore, owners of manufactured homes are vulnerable and often lack recourse if problems arise; moving their units may be prohibitively expensive.

Rent controls, advance eviction notices, and first rights of refusal to buy a community are important protections for manufactured home community residents (Neighborhood Reinvestment Corporation 2004). But in many states, the legal status of these residents is similar to the status of apartment renters. A management company may evict tenants with only 30 days notice (Neighborhood Reinvestment Corporation 2004). Several states and jurisdictions have enacted special protections for residents of manufactured housing communities but these vary widely. At least 15 states have no manufactured park statutes at all (Kochera 2003).

Conversion from private ownership to cooperative ownership by park residents is a strategy that greatly enhances the stability of residents. However, cooperative conversion has remained only regionally popular to date. Conversion of an existing park is a complex process that requires resident initiative, the support of a lender, and local and/or state government cooperation. In addition, lenders with expertise and interest in such deals may not be available in many rural areas and cooperative conversion regulations vary widely from state to state.

[6] For more information on inadequate housing as defined by the AHS, please consult the Appendix.

New Hampshire Community Loan Fund's Manufactured Housing Park Program

By Paul Bradley

The New Hampshire Community Loan Fund's 21-year record of organizing, training, and financing homeowners in parks is altering the market forces that have destabilized manufactured homeowners.

In 1984, the loan fund made its first loan to residents of a manufactured housing park in a popular lakeside town. They bought their park as a group to gain control over the land they rented. Not long after, a resident of a town in southern New Hampshire called the loan fund for help in fighting eviction by an out-of-state developer who wanted to build condominiums on the site – a fundamental risk to manufactured homeowners who own their homes but rent the land underneath them. By 1986, the park became the loan fund's second manufactured housing park cooperative borrower and the first park financed by the New Hampshire Housing Finance Authority. These early land transfers set in motion a change in park ownership that has given homeowners control over the rents, park conditions, and the future of the land.

"We haven't increased our rents in eight years of ownership even though we've replaced septics, repaved roads, and improved our water system," stated Shirley Hooker, a member of the Windy Hill Housing Cooperative in Tilton, N.H. Stable rents and ongoing capital improvements are familiar accomplishments among the state's cooperative parks.

Most, including a number of private park owners, agree that resident ownership of parks is the best long-term solution for problems related to owning a manufactured home on rented land. Moreover, the conversion to resident ownership eliminates the destabilizing cycle of speculative park sales and the ensuing rent increases that are needed to cover a new investor's financing costs. Today, residents own 59 parks or 13 percent of the state's 460 "land-lease" communities. These resident-owned parks are home to 2,900.

Legal changes have paralleled efforts to give manufactured housing park residents greater control over their housing. Promoted by the Manufactured Homeowner's and Tenant's Association of New Hampshire and the loan fund, state law now requires park owners to give homeowners an 18-month notice of park closure. Since 1988, park owners have been required to give residents a 60-day window to purchase a park before it is sold to an outside investor.

This article was excerpted from "No Longer a Secret: The Manufactured Housing Sector Can Create Long-Term Value for Homeowners." Rural Voices*. Summer 2003, Volume 8, Number 2. To view the full article, visit www.ruralhome.org/manager/uploads/VoicesSummer2003.pdf.*

Paul Bradley is vice president of the New Hampshire Community Loan Fund.

✓ **Check Out!** For more information on manufactured housing communities, check out:

- *Understanding Your Options: Manufactured Housing.* Neighborhood Reinvestment Coporation. 2004.
- *Manufactured Housing Tenants: Shifting the Balance of Power.* AARP. 2004.

Innovative Design in Manufactured Housing: Ideas for Older Customers

By Andrew Kochera

One of the most important challenges for homebuilders is accommodating the begining boom in older persons. Between 2000 and 2020, the number of persons aged 65 and older is expected to increase from 34.8 to 53.7 million persons – a change of over 50 percent. With this demographic wave comes an increasing demand for products that meet the needs of persons who may become frail or disabled. But for manufactured home builders, this demand will be particularly acute. For a number of complex reasons, disability is more common among low- and moderate-income individuals and, because of affordability concerns, these persons are also an important market segment for home manufacturers. In 1999, for instance, 28 percent of residents age 65 and older in manufactured homes reported having difficulty with at least one task of common daily activities, compared to 21 percent of residents in conventional single-family homes.

Many manufactured home builders are already starting to recognize the implications in their long-term market strategies, and some have already introduced innovative products tailored to this demographic. The features found in these homes are appealing not just to older persons, but persons of all ages and abilities. Some builders of manufactured housing include features such as wider doorways and hallways for easy mobility, lever door handles that are easy to grasp, single-lever controls on kitchen and bath faucets for simpler operation, improved accessibility to storage areas, knee space under sinks and counters, low-maintenance materials and appliances, etc.

While many challenges remain regarding modern construction, installation, and lending standards, manufactured housing continues to be a critical part of our nation's housing for older persons. It is especially important in rural areas, where many older persons have aged in place or have chosen to retire, and where incomes are frequently lower than in urban areas. Although the industry is currently in recession, with production levels only a fraction of the mid-90s peak, older persons continue to be a reliable customer segment for the industry. And with the flexibility of the product, there are continuing opportunities to meet the needs of an aging population.

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The Face of Rural Manufactured Housing

Manufactured housing units are often characterized as much by the people who inhabit them as the structures themselves. Lower income groups have traditionally occupied this type of housing, which has served to exacerbate its stigmatization. Today manufactured home residents still commonly find themselves the punch line of jokes and are stereotypically associated with poverty in rural America. This perception is also fueled in part by this nation's general aversion to low-income housing. While the demographics of manufactured housing are expanding, households on the lower end of the income spectrum still primarily reside in these units. In general, occupants of manufactured homes in rural areas tend to be white, be younger, and have less education and fewer savings than those in traditionally built single-family homes.

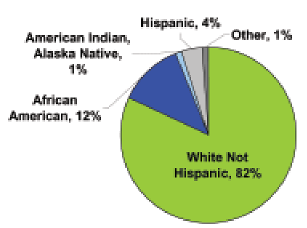

Figure 5. Race and Ethnicity of Nonmetro Households in Manufactured Homes
Source: 2003 AHS

Social Characteristics

Rural households in manufactured housing are disproportionately white and non-Hispanic. Approximately 82 percent of all manufactured homes in nonmetro areas are occupied by white non-Hispanics, compared to 73.1 percent of all rural homes in the U.S. This is consistent with the overall nonmetro population, which is more racially and ethnically homogenous than the nation as a whole. Nationally, African Americans comprise about 12 percent of all households compared to 7 percent of rural households in all types of homes. However, among manufactured homes this trend is reversed, as 12 percent of nonmetro manufactured units are occupied by African Americans whereas only 6 percent of metro manufactured homes are. This discrepancy is in part a factor of regional location. Nine out of 10 rural African American households live in the South where manufactured homes are more prevalent. However, a different pattern emerges for Hispanic households. There are disproportionately fewer Hispanic-headed households in manufactured homes in both metro and nonmetro areas.

Residents of rural manufactured homes are generally younger than those in the overall housing stock. The median age of nonmetro manufactured householders is four years younger than nonmetro householders in other types of structures.

Manufactured homes are less prevalent among rural households over the age of 65 than among the nonmetro population as a whole. This may be largely attributable to the fact that manufactured homes are a relatively recent housing option that arose after many current seniors were in the purchase stage of their housing life cycle. Rural seniors living in manufactured homes are likely to become more prevalent in the coming decades as households age 45 to 64 currently occupy nearly one-third of all manufactured homes in rural areas.

Table 1. Median Age of Householder by Location and Type of Structure

	Metro	*Nonmetro*
Manufactured Homes	48	47
Nonmanufactured Homes	46	51
All Homes	46	50

Source: 2003 AHS

Over half of all rural seniors living in manufactured homes live in the South. Like elders who live in conventionally constructed single-family units, most rural seniors own their manufactured homes and are highly satisfied with them. Cost is probably the most important factor for choosing a manufactured home as a majority of elderly manufactured home residents have low incomes. However, other factors particular to manufactured homes may also precipitate their use by older rural residents. Many rural areas lack zoning regulations, and manufactured homes are relatively easy to move and locate; these factors may enable seniors to live near relatives who provide support and services (George and Bylund 2000).

Overall, households living in manufactured units are more likely to have children than households in nonmanufactured units. This holds true for nonmetro manufactured households, 39.6 percent of which have children under the age of 18, but in metro areas, households in manufactured units are less likely to have children.

Householders residing in manufactured homes generally have lower education levels than those in nonmanufactured units. In nonmetro areas, 31.6 percent of manufactured householders have not completed high school versus 19.3 percent of householders of other types of structures. The same holds true for higher education. Overall, only 6.1 percent of manufactured householders have a bachelor's degree or higher, compared to 19 percent of householders in nonmanufactured units.

Economic Characteristics

Economic factors are inextricably linked to any housing situation, especially for low cost options like manufactured homes. Over the past few decades incomes in this nation have not kept pace with housing prices. For example, the Census Bureau estimates that inflation adjusted home prices doubled between 1950 and 2000 (Bennefield 2003). In stark contrast, researchers at the University of Michigan estimate that the inflation adjusted earnings of production workers today are 19 percent less than in 1973 (Danzige and Meyer 2005).

Households residing in manufactured housing generally have lower incomes than households in nonmanufactured units in both metro and nonmetro areas. In 2003, the median income for households in manufactured homes was $27,000, which was 35.7 percent less than the median income for nonmanufactured households.

One in four households residing in a nonmetro manufactured home has a household income below $15,000. In contrast, less than 20 percent of households in rural manufactured homes have incomes of $50,000 or more, compared to 36 percent of rural households in nonmanufactured units. This disparity is greater in metro areas, where 21.5 percent of households in manufactured units have household incomes of $50,000 or more whereas 46.1 percent of households in nonmanufactured units do.

Table 2. Median Household Income by Location and Type of Structure

	Metro	Nonmetro
Manufactured Homes	$27,097	$27,000
Nonmanufactured Homes	45,000	35,000
All Homes	43,600	34,000

Source: 2003 AHS

The vast majority of households living in rural manufactured homes (75 percent) are wage earners. However, households in manufactured units are also more likely to receive public welfare assistance. This difference is more pronounced in nonmetro areas, where 8.2 percent of manufactured households received Supplemental Security Income (SSI), public assistance, or other types of welfare assistance, compared to 5 percent of households not residing in manufactured housing.

Households in rural manufactured homes also have lower rates of savings and investment than those living in nonmanufactured units. Corresponding to low incomes, poverty rates are also relatively high for rural manufactured home residents. Overall 19.1 percent of nonmetro households in manufactured homes have incomes below the poverty level compared to 15.6 of all rural households and 12.4 percent of all U.S. households.

Table 3. Selected Income Characteristics

Selected Income Sources	*Metro (percent)*			*Nonmetro (percent)*		
	MH	*Non-MH*	*Total*	*MH*	*Non-MH*	*Total*
Wages	73.1	81.3	81.0	74.8	73.9	74.0
Social Security/ Pension	32.3	24.7	25.0	31.2	34/1	33.7
SSI, AFDC, other welfare	5.7	4.4	4.5	8.2	5.0	5.5
Other						
Food Stamps	15.1	15.3	15.3	23.2	14.6	16.2
Savings	27.0	29.8	29.6	22.5	29.7	28.3
Other Investments	2.5	6.2	6.0	3.2	5.9	5.4

Source: 2003 AHS


DISCOUNT
HOUSING
874-7724

Unit Characteristics of Rural Manufactured Homes

Manufactured homes in this country encompass a broad spectrum of housing styles, systems, and arrangements. The factory built homes of the 21st century are not the trailers of the 1960s and 70s. The manufactured housing industry has transformed itself over the past few decades, producing units of greater quality, size, and safety. Increasingly, new manufactured home models are virtually indistinguishable from conventionally constructed single-family units. However, it is equally important to recognize the existing stock of older manufactured homes in rural America. These older units are likely smaller, have fewer amenities, and less investment potential than newer manufactured homes.

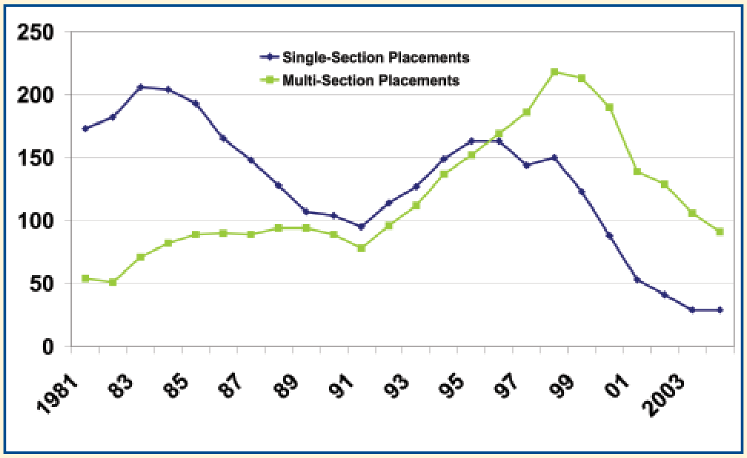

Figure 6. Manufactured Housing Placements, 1981-2003
Source: U.S. Census Bureau Historical Construction Reports

Single- and Multi-Section Units

One of the more significant developments within the manufactured housing industry has been the shift in production and sales from single-section units to multi-section structures often called "double-wides." Multi-section units comprise two or more separate units and are joined together at the placement site. These units are generally larger than single-section units, often ranging in size from 1,500 to 2,500 square feet. Single-section units, on the other hand, are self-contained structures and usually range in size from 900 to 1,300 square feet (Neighborhood Reinvestment Corporation 2004).

Multi-section units also differ greatly in appearance from the more traditional single-section units. In many cases multi-section units strongly resemble conventional site-built housing. In 1981, less than one-quarter of all manufactured units placed nationwide were multi-section structures. By the year 2004, nearly three-quarters of nationwide placements were multi-section units.[7] However, with increased size has come increased cost. Census Bureau construction statistics reveal that the average sales price of a new multi-section unit is nearly twice the cost of a single-section unit (U.S. Bureau of the Census 2005).

Mobility and Foundations

The gradual shift away from the term "mobile home" is appropriate as this type of housing is not really mobile anymore. Most manufactured homes are rarely moved from their initial placement sites. Approximately three-quarters of nonmetro manufactured homes are still located at their initial site, slightly less than for metro units at 79 percent. These mobility rates are almost the same for units placed in manufactured housing communities, but higher for older units. Among mobile homes built before 1975, approximately 65 percent are still placed at their first location. A significant deterrent to relocation or movement is cost. Transporting and installing a manufactured home can cost upwards of several thousand dollars (Neighborhood Reinvestment Corporation 2004).

Another important aspect of manufactured housing is how the unit is attached to the land on which it is placed. The structural foundation and support systems for manufactured homes can vary widely from perma-

[7] The U.S. Census Bureau's *Selected Characteristics of New Manufactured Homes* report, from which these data are drawn, does not allow for metropolitan/nonmetropolitan comparisons.

nent concrete walls to anchoring ties. Unlike the manufactured home itself, the foundation must meet state or local building codes (Neighborhood Reinvestment Corporation 2004). In addition to cost and neighborhood requirements, natural factors such as soil type, frost zone, flood zone, seismic conditions, snowfall amounts, and termite presence can greatly affect the type of foundation systems used for manufactured homes (PATH 2002).

There are two basic types of foundations for manufactured homes: simple and permanent. With simple foundations, the main beams of the home's frame are set atop piers of steel posts or concrete blocks. Underneath the piers are square footers or pads of concrete. In simple foundations the home is typically fastened or anchored to the ground to keep the home in place. Such pier and ground anchor support systems are generally inexpensive and quick to install (Neighborhood Reinvestment Corporation 2004).

Permanent foundations, such as crawl space systems, use permanent full and load-bearing perimeter walls for support. Within that broad definition are many styles, designs, and ways to build crawl space foundation systems. Generally the home is stabilized through the attachment of the floor joists to the perimeter foundation wall (Neighborhood Reinvestment Corporation 2004). Permanent foundations are generally more expensive, but provide greater stability and security.

Among rural manufactured homes counted by the 2003 AHS, the majority (57 percent) are placed on concrete blocks and are not supported by a concrete pad. Another 17 percent of these nonmetro units are placed on blocks that rest on a concrete pad. Approximately 21 percent are set up on a permanent masonry foundation, which is a slightly higher rate than for metro manufactured units.

While the minority of rural manufactured homes is permanently placed, the number of units placed on foundations has increased by 71 percent since 1999. Despite this trend towards permanent placement, only 24 percent of nonmetro manufactured homes built in 2000 or later rest on a permanent foundation compared to 32 percent of newer manufactured units in metro areas. Approximately 15 percent of nonmetro manufactured homes that are not permanently sited are not anchored. Among units built before 1975 the proportion of non-anchored units increases to 25 percent.

Financing and property classification (i.e., personal or real property) for manufactured homes are greatly affected by foundation systems. Simple foundations typically do not qualify for real estate financing (Neighborhood Reinvestment Corporation 2004). Instead, manufactured homes with simple foundations are most often financed with personal property financing. Moreover, a simple foundation may reduce the resale potential of the manufactured home due to its appearance and the difficulty in obtaining affordable financing. In contrast, permanent foundations often allow homes to qualify for real estate financing (Neighborhood Reinvestment Corporation 2004).

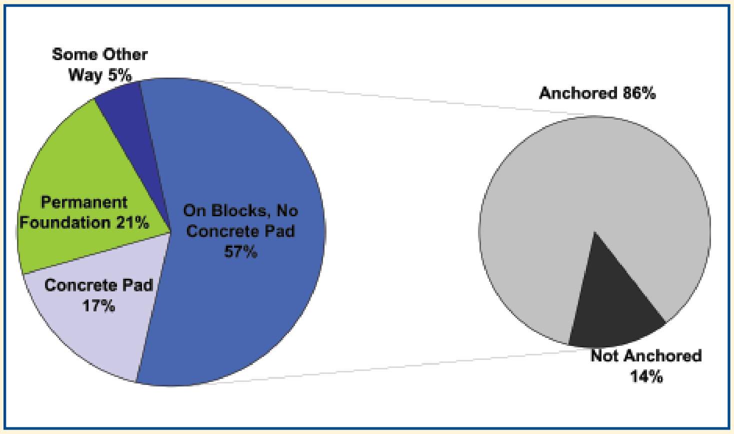

Figure 7. Foundation and Anchoring Status, Nonmetro Manufactured Homes
Source: 2003 AHS

✓ **Check Out!** For more information on foundations and supports for manufactured homes check out: *Guide to Foundation and Support Systems for Manufactured Homes.* PATH. 2002.

AGE AND LONGEVITY OF MANUFACTURED HOMES

Because manufactured homes are an innovation of the latter part of the 20th century, they tend to be newer than the rural housing stock as a whole. Among non-manufactured housing units in rural areas, 62 percent were built before 1975. In contrast, only 21 percent of nonmetro manufactured homes were built before 1975. Manufactured homes in metro areas tend to be somewhat older than those in nonmetro areas, as 27 percent of metro manufactured homes were built before 1975. The relatively younger age of nonmetro units is in part a factor of the growth in manufactured homes in rural areas, particularly in the rural South where many new units were placed in the late 1990s. Over 32 percent of rural manufactured homes were built from 1995 to 2004, compared to just 26 percent in metro areas.

Table 4. Age of Manufactured Homes by Residence

	Metro		Nonmetro	
Year Built	Number	%	Number	%
1930-1939	18,934	0.6	24,766	0.7
1940-1949	10,431	0.3	6,340	0.2
1950-1959	47,729	1.4	30,797	0.9
1960-1969	274,038	8.3	254,236	7.2
1970-1974	544,133	16.4	411,040	11.6
1975-1979	539,618	16.3	394,096	11.2
1980-1984	399,237	12.0	355,771	10.1
1985-1989	263,266	7.9	443,366	12.5
1990-1994	364,877	11.0	465,115	13.2
1995-1999	631,851	19.1	830,902	23.5
2000-2004	221,577	6.7	317,036	9.0

Source: 2003 AHS

The issue of manufactured home life and use has evoked a debate that has resulted in anything but a clear consensus. A 1998 report sponsored by the Manufactured Housing Institute estimated the life expectancy of a manufactured home to be 57.5 years (Meeks 1998). However, Consumers Union (publisher of *Consumer Reports*) questioned the methodology of this report, demonstrating the same data indicated a median life span of 22 years if the methodology used alternative, but reasonable, assumptions. (Jewell 2001). In reality, longevity for this type of housing is highly variable. An array of factors, such as date of construction, producer, geographic location, and owner upkeep all greatly affect a home's life span.

SIZE AND AMENITIES

The overall quality of rural manufactured homes continues to improve as newer units grow in size and include more amenities (Neighborhood Reinvestment Corporation 2002). At a median size of 1,000 square feet, rural manufactured homes still tend to be smaller than all types of housing at a median of 1,340 square feet. But rural manufactured units have been growing in size. The median size of nonmetro manufactured homes built between 1970 and 1974 was 900 square feet. In units built between 2000 and 2004, the median size was 1,280 square feet, a 42 percent increase. This growth in unit size is in part a factor of the increased prevalence of multi-section units.

Not only are new manufactured homes larger, they also have more amenities than in the past. Among nonmetro manufactured units built in the year 2000 or later, nearly 80 percent have central air conditioning compared to just one-third of units built before 1975. Similarly, 71 percent of these newer units have two or more bathrooms compared to just 25 percent built before 1975.

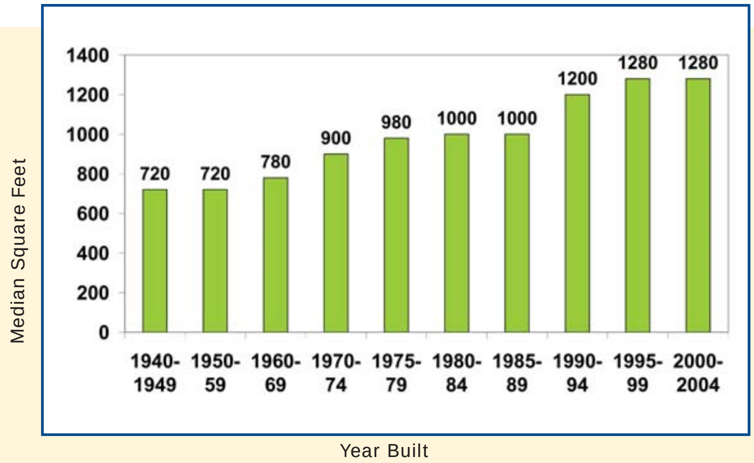

Figure 8. Median Size of Nonmetro Manufactured Homes, 1940-2004
Source: 2003 AHS

The Consensus Committee for Manufactured Housing

The Manufactured Housing Improvement Act of 2000 revises several key components of the Federal Manufactured Home Construction and Safety Standards Act of 1974. One of the more significant changes is the replacement of the National Manufactured Housing Advisory Council with a Consensus Committee to amend, revise, and develop manufactured housing safety standards and enforcement regulations. The committee, appointed by the HUD secretary, is composed of 21 voting members representing three interest categories (seven producers of manufactured housing, seven users of manufactured housing, and seven representatives of interest groups or public officials). The committee functions in accordance with American National Standards Institute (ANSI) procedures, and must adopt proposed standards by at least a two-thirds vote. The committee's proposed recommendations are published in the *Federal Register* and then are submitted to the HUD secretary for approval or rejection. Other provisions include oversight for manufactured housing installation and procedures to resolve disputes between retailers and consumers. In states that choose not to adopt installation or dispute resolution programs, HUD may contract with an appropriate agent to implement the programs.

✓ **Check Out!** For more information on the Manufactured Housing Consensus Committee check out:
www.nfpa.org/ECommittee/HUDManufacturedHousing/hudmanufacturedhousing.asp

QUALITY OF MANUFACTURED HOMES

For much of the last 30 years, the perception of manufactured homes was largely that of cheap, unsafe, and poor quality housing. An example may be found in a 1975 Center for Automotive Safety report citing "poor design, cheap materials, and sloppy workmanship" that was responsible for "shoddy and poor quality" homes. (Wallis 1991). Spurred by the implementation of the 1976 HUD Code and other market forces, dramatic transformations have occurred in the manufactured housing industry over the past few decades, producing units of greater quality, size, and safety.

In 1993, the AHS indicated that nonmetro manufactured homes generally experienced about the same rates of severe and moderate physical problems as other types of housing in nonmetro areas (HAC 1996). This statement generally holds true as of the year 2003, as well. Approximately 6.6 percent of all occupied units in rural areas are either moderately or severely inadequate.[8] Likewise, 6.6 percent of rural manufactured homes are physically inadequate compared to 4.1 percent of metro manufactured units. Among rural manufactured units built before 1975, 11 percent are substandard.

Structural and quality problems persist in newer manufactured homes as well. An AARP survey of recently constructed manufactured homes indicated that 77 percent of manufactured homeowners reported at least one problem with construction, installation, systems, or appliances with their new homes. The same survey indicated that problems such as leaks, fits, and cracks were most prevalent and occurred more frequently in units costing under $35,000 (AARP 1999).

Regionally, the South has traditionally lagged behind the rest of the nation in many quality of life indicators, including housing. The rate of substandard occurrences for manufactured homes in the nonmetro South is more than double that of any other region of the country, and more than two-thirds of all rural substandard manufactured homes are located in the South. The South is home to certain rural high poverty areas including the Black Belt, the lower Mississippi Delta, the central Appalachian Mountains, and a sizable portion of the border colonias area, all of which experience generally high rates of substandard housing.

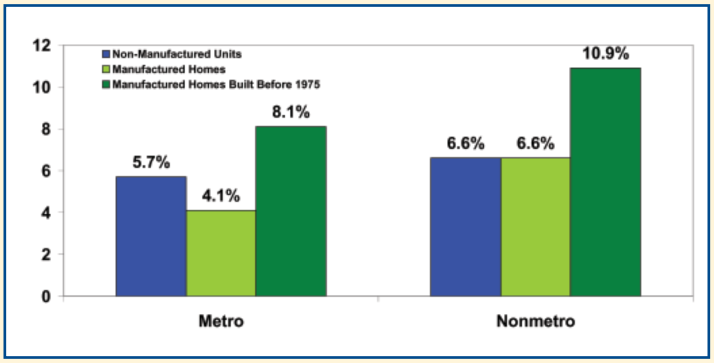

Figure 9. Percent of Substandard Housing by Residence and Structure Types
Source: 2003 AHS

CROWDING

Household crowding, meaning more than one person per room, is an increasing housing problem nationwide. Crowded living conditions are a source of stress for many families. Crowding has long been associated with negative social conditions such as crime and strained family relations (HAC 2002). In rural areas, crowding is often a less visible form of homelessness as some rural households "double up" with friends or relatives in reaction to adverse economic or social situations, or to escape substandard housing conditions.

Nationwide, household crowding is more prevalent in urban areas and this is true of manufactured homes as well. Approximately 3.7 percent of metro manufactured homes are crowded, compared to 2.6 percent of nonmetro occupied manufactured units. Still, manufactured homes comprise a disproportionate number of all crowded units in nonmetro areas; one-quarter of all nonmetro crowded units are manufactured homes, while they make up just 15 percent of all occupied units. Several factors including smaller size of units and lower incomes of residents may contribute to crowding occurrences in manufactured homes.

[8] For more information on the AHS definition of housing inadequacy, please consult the Appendix.

COST AND AFFORDABILITY

Much of manufactured housing's popularity stems from its cost and convenience. In general, manufactured homes are much less expensive to purchase than new site-built single-family homes. Researchers estimate that this type of housing accounted for 72 percent of all unsubsidized new homes affordable to low-income buyers between 1997 and 1999 (Long 2004). In 2003, the median purchase price of a new site-built home nationwide was $221,000, whereas the average purchase price of a new manufactured home was only $58,100. The average cost for a single-section unit was $32,800 compared to $63,300 for a multi-section unit. (U.S. Bureau of the Census 2005).[9] Similarly, the 2003 AHS indicates that the median purchase price of a new single-family home in a nonmetro area is three times that of a new manufactured home.

A controlled construction site combined with simple design features often serve to minimize costs through savings on materials and labor. Manufactured homes also usually do not include expensive items like garages, poured cement or brick foundations, and land, which come standard on many conventionally constructed homes (Neighborhood Reinvestment Corporation 2004). A cost comparison conducted by HUD found that manufactured homes are less expensive than site-built or modular units due to lower production costs even after correcting for land costs, square footage, and different foundation costs (PATH 1998).

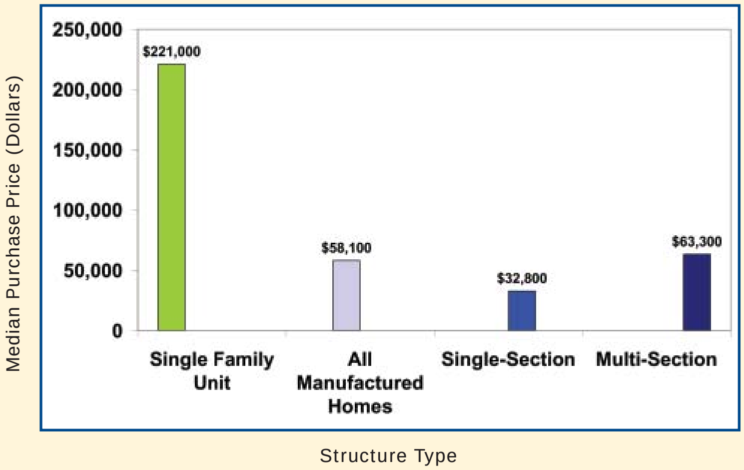

Figure 10. Average Sales Price of New Homes, 2005
Source: U.S. Bureau of the Census, 2005

In general, housing costs tend to be lower in rural areas than in more urbanized locales. For housing units of all types, the $452 median monthly cost of nonmetro housing is significantly lower than the metro median of $761. Given the low purchase price and smaller size of manufactured housing, monthly housing costs are much lower than for other types of housing. The median monthly housing cost for all manufactured homes is $413, which is slightly more than the nonmetro median for manufactured units at $373 per month. Not surprisingly, nonmetro manufactured homeowners with mortgages have much higher housing costs than those without. However, the housing cost difference between owners who own their lot and those who did not is minimal. Nonmetro housing costs for rural manufactured homes tend to be lowest in the Southern states with a median monthly housing cost of $322 and highest in the West with a median cost of $493.

Although housing costs are lower in nonmetro areas than in cities, many rural households living in manufactured homes, particularly renters, find it difficult to meet these expenses. It is estimated that 800,000, or 23 percent, of nonmetro households residing in manufactured housing pay more than 30 percent of their monthly income for housing costs and are considered cost-burdened. This is the same as the cost burden rate for rural households in nonmanufactured units. A disproportionate number of rural, cost-burdened residents living in manufactured homes are renters. Approximately 38 percent of nonmetro renter-occupied manufactured homes are cost-burdened compared to 19 percent for rural owners in this type of housing.

[9] The Census Bureau Construction Statistics do not detail sales figures for nonmetropolitan areas.

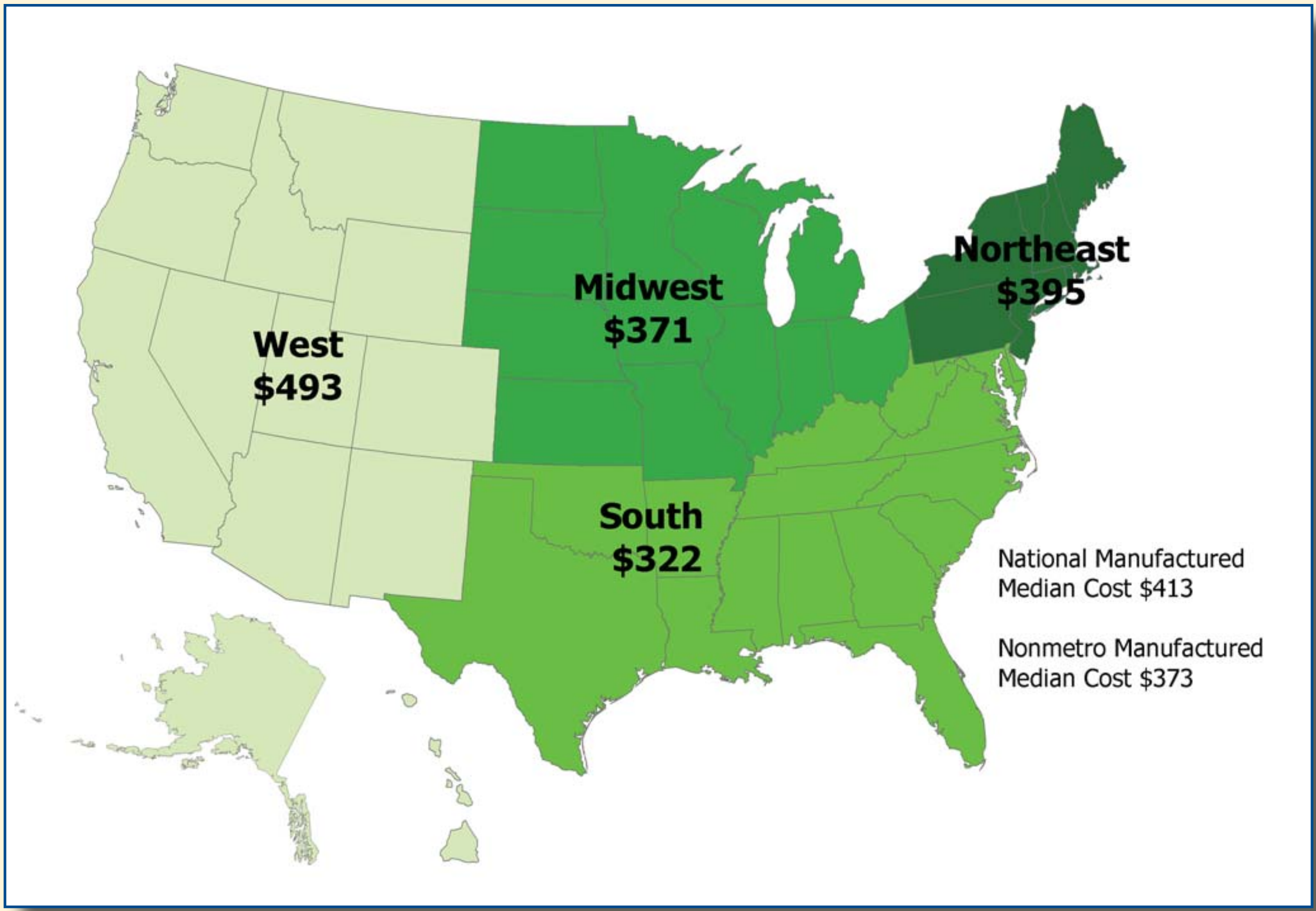

Figure 11. Nonmetro, Median Monthly Housing Cost for Manufactured Homes, 2003
Source: 2003 AHS


RUN WHILE
YOU Still
CAN. WE
Did NOT

Finance and Investment

While many physical and structural attributes of manufactured housing have improved, issues related to financing and the investment value of this type of housing have not progressed as well. Over half of rural households living in manufactured homes own their units “free and clear” of any mortgage debt. For manufactured home residents who do not own their homes outright, financing generally falls within one of two major types, personal property or mortgage financing. Personal property loans, commonly referred to as “chattel loans,” are generally used when manufactured homes are purchased separately from the sites. This loan type typically carries a higher interest rate and shorter term than a conventional real estate mortgage. However, these loans also generally involve lower down payment costs. Manufactured homes can be financed as personal property on leased land, in a manufactured home subdivision, or on privately owned land (Neighborhood Reinvestment Corporation 2004).

Manufactured homes with personal property loans are also more difficult to title as real estate. In addition, households with personal property loans are not afforded consumer protections such as the Truth in Lending Act (TILA), the Real Estate Settlement Procedures Act (RESPA), or the Home Ownership Equity Protection Act (HOEPA) (CFED 2005). Furthermore, personal property loans are not subject to reporting under the Home Mortgage Disclosure Act (HMDA).

More conventional real estate mortgages may be obtained when the manufactured home and land are purchased together as real property. These loans include conventional and government-assisted mortgage financing obtained through traditional mortgage lenders. Mortgage loans typically involve lower interest rates and longer terms; however, underwriting criteria for this type of financing are much stricter than for chattel loans. Many lenders that provide real estate mortgages for manufactured homes require the homes to be placed on permanent foundations and on land that is privately owned (Neighborhood Reinvestment Corporation 2004). Although considered more beneficial to the buyers, these more stringent requirements raise the total cost of the unit.

According to the 2001 Residential Finance Survey (RFS) approximately 78 percent of nonmetro manufactured homes with a loan have an installment or personal property loan. Nearly half of these installment loans are made through finance companies. Conventional banks originate approximately 14 percent of installment loans in rural areas and 21 percent in metro areas. Interest rates are somewhat higher for installment loans made by finance companies as opposed to banks, which generally offer more favorable terms. For units financed with installment loans, 44 percent are on permanent foundations, and 56 percent of borrowers own the land on which their units are placed. Among those with conventional mortgage loans, 48 percent rest on permanent foundations and 74 percent of borrowers own the land on which their units are placed (U.S. Bureau of the Census 2001).

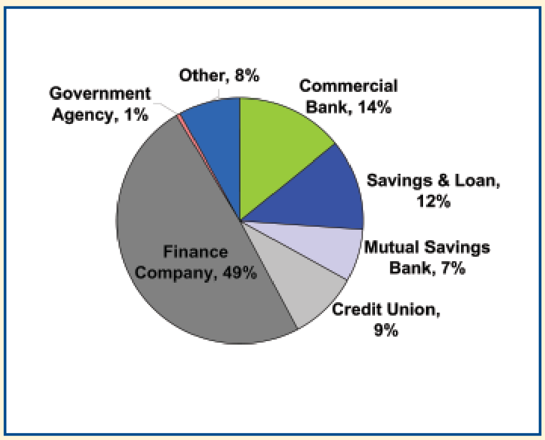

Figure 12. Lending Agency for Nonmetro Installment Loans
Source: 2001 RFS

Limited access to quality credit and affordable financing is another factor affecting the investment value of rural manufactured homes. Rural areas generally have fewer financial institutions than urban markets, resulting in less competition and, therefore, increased costs to consumers (Mikesell 1998). Higher overall mortgage rates in nonmetro areas are attributable in part to the larger number of financed manufactured homes, which often have shorter loan periods and higher interest rates.

The recent proliferation of subprime lending has greatly influenced rural mortgage markets and, in particular, financing for manufactured homes. Subprime loans tend to have higher interest rates and shorter terms than more conventional "prime" loans because these lenders are assumed to make loans to borrowers who are at a higher risk of default. Subprime lenders are more active in low-income and minority communities and, while statistically reliable data are unavailable, there is evidence to suggest that they are increasingly active in rural areas. Manufactured housing lenders that also specialize in subprime lending have grown in prominence in recent years. Nationwide approximately 4 percent of HMDA-reported loan originations in 2000 were made by companies specializing in manufactured home lending. In nonmetro areas, over 10 percent of all mortgage loans were made by manufactured home lenders.

The growth of subprime and low down payment lending has allowed many low-income households to achieve homeownership. However, a significant number of these loans are made on thin equity cushions and blemished credit records (Joint Center for Housing Studies 2002). An economic crisis, such as loss of a job, often spells disaster for a homeowner with a subprime mortgage.

The purchase of manufactured homes differs from the conventional home purchase process as well. New manufactured homes are often sold at retail sales centers, and the salespersons are paid a commission (Neighborhood Reinvestment Corporation 2004). In some cases salespersons in these retail centers resort to high-pressure sales tactics such as falsifying loan application information, or adding hidden fees, charges, and higher interest rates. Such practices often trap consumers into unaffordable homes with loan terms that prevent them from selling or refinancing, and often may end in repossession of the unit (Jewell 2003b). Consumer advocates assert that many manufactured home purchasers are not highly sophisticated about finance and that many companies specializing in manufactured home finance are taking advantage of these consumers. Yet many finance companies that specialize in manufactured housing maintain that they actually help people of modest means, whom other conventional lenders shun, buy homes (NPR 1996).

As a result of these and other issues, the manufactured housing finance industry has experienced significant tumult over the past few years. One of the industry's major lenders, Conseco (formerly Greentree Finance), filed for bankruptcy in 2002 after repossessions in its manufactured housing portfolio reached unsustainable levels (Jewell 2003b). Nationally, repossessions are at an all-time high. Experts estimate that in 2002 over 90,000 units nationwide were repossessed. Many manufacturers have cut production and shipments because of the large number of repossessed manufactured homes already on the market and site-built homes that are more affordable than other units due to lower interest rates (Pallack 2004).

✓ **Check Out!** For more information information on financing for manufactured homes check out:

Dealing With Financers: A Consumer's Guide. Consumers Union.

www.consumersunion.org/other/mh/overtips.htm

Predatory Lending and Manufactured Housing

By Kevin Jewell

Recently, Consumers Union spent the better part of a year examining the manufactured housing finance market. We wanted to know why manufactured home purchases generate the kinds of horror stories we heard from consumers and affordable housing practitioners. Our report on the topic, "In Over Our Heads: Consumers Report Predatory Lending and Fraud in Manufactured Housing," details what we found.

Consumers reported to us and to state agencies that:

- The terms and conditions of their loans worsened at closing, including higher interest rates, additional loan fees, and other charges.
- Salespersons tried to falsify loan application information, including falsifying down payment amounts and taking borrowed money as down payments.
- Dealers encouraged consumers to verify by phone their homes' placement even when the homes still needed installation.
- Interest rates higher than those in the conventional market, financed dealer "add-ons" ranging from cash rebates to "free" vacations, packed points, insurance, and other fees kept buyers underwater, with negative or zero equity on their loans for years.

Certainly many of these predatory lending practices occur in the subprime market for conventional, site-built homes. But manufactured home loan transactions often lack even the basic safeguards – good faith estimates, independent appraisals, and escrows – that help mortgage borrowers navigate their deals.

A home loan closing is often the most complicated and stressful transaction a family undertakes. Most manufactured home borrowers enter this closing with less information and even more pressure to close than site-built homebuyers. The manufactured home buyer's home may have been "special ordered," with a nonrefundable deposit. The buyer may have already purchased land and started site preparation. She may be afraid she does not qualify for an ordinary mortgage. The purchaser often signs a simple "chattel loan" contract, even if the terms and conditions are not what was expected.

Most states define a manufactured home as "personal property," like a car, unless the consumer specifically cancels the title to the home. As personal property loans (or chattel mortgages) manufactured home loans are exempt from the federal Real Estate Settlement Procedures Act (RESPA), which requires that consumers get an estimate of costs prior to closing. Without this estimate in advance, consumers report many "gotchas" at closing but may close anyway due to pressure.

Borrowers with personal property loans also traditionally lack the benefit of independent third party appraisals. Rather than underwrite the value of the home in its final location, finance companies underwrite the loan based on the purchase price and the credit of the borrower. This removes an important check for the consumer that the transaction is occurring at a fair price. In many states, manufactured homes are not even required to have sticker prices, which means dealers can size up consumers' ability (or willingness) to pay before they even quote a price.

Combine the lack of these safeguards (estimates, appraisals, and escrows) with high-pressure commission-driven sales, and you have a recipe for disaster. Consumers can be locked into deals within hours or days of walking onto retail lots – which is convenient but not conducive to comparison-shopping for the best deal.

Due to the current state of the manufactured housing market, it is all too easy for consumers to end up underwater on their loans. Inflated sales prices and loans packed with points, fees, extras, and insurance, combined with home problems not corrected under warranty, drive up the principal balance of loans while reducing the resale value of the homes. Many consumers we contacted believe that their home is worth less than their loan balance.

The collateral damage of such deals, where the terms were "EZ" but the total costs surprisingly high, hurts entire communities. Families who realize they are underwater may walk away, leaving their homes and their credit behind. When the manufactured homes are then repossessed and hauled off by the finance company, holes are left behind in neighborhoods. These empty lots degrade neighborhoods and depress property values, which ultimately affect local property tax bases.

This article was excerpted from "Research Identifies Problems in the Manufactured Home Financing System." Rural Voices. *Summer 2003, Volume 8, Number 2. To view the full article, visit www.ruralhome.org/manager/uploads/VoicesSummer2003.pdf.*

At the time this article was initially published, Kevin Jewell was a policy associate with Consumer Union's Southwest Regional Office.

✓ **Check Out!** For more information on value appreciation for manufactured homes check out:

- *Manufactured Housing Appreciation: Stereotypes and Data.* Consumers Union. 2003. www.consumersunion.org/pdf/mh/Appreciation.pdf
- *An Examination of Manufactured Housing as a Community and Asset-Building Strategy.* Neighborhood Reinvestment Corporation. 2002. www.nw.org/network/pubs/studies/documents/manufactHsgRpt2002.pdf

Value and Appreciation

A home is the most valuable asset most Americans will ever own. This is particularly true for low- and moderate-income households. Nationwide, the median home value is $135,000 while the median value of nonmetro homes of all types is $90,000. The median value of nonmetro manufactured homes is much lower at $22,000. However, housing values among rural manufactured homes vary due to factors of age, location, ownership, and siting status. Not surprisingly, older units are valued much lower than nonmetro units built before 1975, which have a median value of $15,000. Nonmetro manufactured homes placed on owned lots have a median value of $27,000 compared to a median of $18,000 for those on rented lots. One of the largest discrepancies is in siting status. Units placed on a permanent foundation have a median value of $45,000 compared to a median value of $18,000 for units placed on blocks alone.

Appreciation vs. Depreciation

The issue of appreciation and depreciation of manufactured homes is highly debated within the housing community. Conventional wisdom has put forth the notion that manufactured housing always depreciates in value. However, a recent flurry of research and debate on the topic has questioned these traditional assumptions. A Neighborhood Reinvestment Corporation report, as well as various studies funded by the Manufactured Housing Institute, link appreciation rates for manufactured homes to placement on owned land (Neighborhood Reinvestment Corporation 2002, Shen and Stephenson 1996).

Utilizing data collected from the 1985 to 1999 AHS, Consumers Union found that on average, manufactured homes depreciated at a rate of 1.5 percent annually compared to an appreciation rate of 6 percent for conventionally constructed single-family homes. Similar to those of the Neighborhood Reinvestment Corporation, Consumer Union's analyses concluded that owner-occupied manufactured units placed on owned lots appreciated similarly to site-built homes (Jewell 2003b). The study also found that larger manufactured homes and those on larger lots appreciated more, while manufactured homes in the South and Midwest, crowded units, and those that had been moved frequently had lower appreciation rates. The research also indicated that manufactured homes in rural areas appreciated less than those in more urbanized areas (Jewell 2003b).

The issue of appreciation is still hotly debated and is complicated by an array of factors like date of construction, neighborhood location, owner upkeep, and the extent of an organized resale network. The fact that many manufactured homes are not financed as real estate also contributes to their poorer investment performance as compared to conventionally constructed units. However, contrary to popular perception, manufactured homes can and do appreciate in value under various circumstances. While an array of factors contributes to appreciation of manufactured homes, ownership of land on which the unit is placed is the single most important attribute for equity growth for this type of housing.

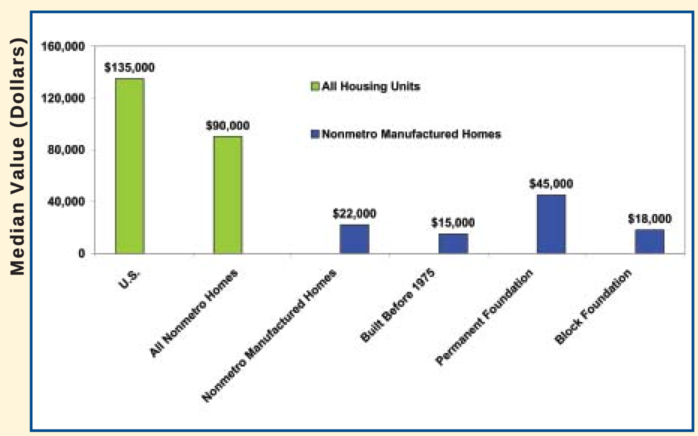

Figure 13. Median Value of Nonmetro Manufactured Homes, 2003
Source: 2003 AHS

Zoning for Manufactured Homes

By Thayer Long

With few exceptions, zoning ordinances treat manufactured homes differently from site-built homes, and create barriers for their use and development. These discriminatory barriers ignore the fact that manufactured homes are no longer the mobile homes and trailers that most people associate with factory-built housing. Today's manufactured homes offer flexible living spaces and amenities at prices people can afford. Unlike the stereotypes that abound even today, almost all manufactured homes are never moved once sited, and can be attached to any type of permanent foundation engineered today. According to the Foremost Insurance Group Report, "Manufactured Homes: The Market Facts 2002," 94 percent of manufactured homes remain where originally sited. Manufactured homes are increasingly used in infill projects, as well as continuing to serve rural communities, and will continue to be a valuable component in meeting the affordable housing crisis facing our nation.

Many housing advocates have worked hard to educate consumers and public and elected officials and to change discriminatory zoning practices. Approximately 20 states already have enacted laws that require local jurisdictions to treat manufactured housing no differently than site-built homes, and the number is growing each year. Very often, local zoning ordinances still contain antiquated language such as trailer or mobile home that does not reflect the modern manufactured home.

Organizations such as the American Planning Association have adopted policies to change this phenomenon, recognizing that factory-built housing is playing an increasing role in all segments of the housing industry, and the use of manufactured housing has proven to be a sound housing development method.

This article was excerpted from "Manufacturing Affordability." Rural Voices. *Summer 2003, Volume 8, Number 2. To view the full article, visit www.ruralhome.org/manager/uploads/VoicesSummer2003.pdf.*

Thayer Long is director of state and local affairs for the Manufactured Housing Institute.

Resident and Neighborhood Perceptions of Manufactured Homes

Resident Satisfaction

Despite improvements in design and quality of construction, the general public still considers manufactured housing as inferior to conventional homes (Atiles 1995, Brown and Sellman 1987). However, manufactured home residents tend to have more positive thoughts about their housing. For example, in one private market study only 12 percent of manufactured housing residents stated that negative public opinion about this form of housing was a disadvantage, and 57 percent expected to stay in their current housing forever (Foremost 2002).

The AHS indicates housing satisfaction levels are somewhat lower among rural manufactured housing residents. While 74 percent of nonmetro residents in all types of housing expressed high housing satisfaction, less than two-thirds of rural manufactured housing residents expressed high housing satisfaction.[10] Rural residents living in older manufactured homes were even less pleased, as only 53 percent of residents living in units built before 1975 expressed high housing satisfaction. Similarly, only 52 percent of rural renters in manufactured homes were highly satisfied with their homes.

Community Perceptions

Despite the extensive use of manufactured housing across rural America, community-level dissent still accompanies this type of housing. Focus group research conducted in rural southwestern Virginia revealed that manufactured homes were one of the most controversial housing issues among residents in this part of Appalachia (Parrott et al. 1991). Some of the following community attitudes were expressed in the research:

- a general prejudice against any form of lower-cost housing,
- the undesirable appearance (especially of older mobile homes), and
- the perception that manufactured home residents did not share the same community values (Parrott et al. 1991).

However, consistent with other literature, the research also noted that these negative attitudes were less predominant in areas with larger manufactured home concentrations (Parrott et al. 1991).

Negative community attitudes towards manufactured housing have resulted in the continuation of exclusionary practices, such as zoning ordinances and regulations that preclude unfettered mobile home placements within communities. Such restrictions often include minimum size and code requirements for structures, inhibiting mobile homes' placement in many communities. Some argue that these restrictions operate under the guise of safety and are actually implemented to exclude lower-income groups in order to protect against the diminution of property values (Atiles 1995).

[10] The AHS asks households to rate their current housing unit and neighborhood as a place to live on a scale from 0 to 10, with zero being the lowest and 10 being the highest. In this report, a housing and neighborhood satisfaction scale was collapsed into three categories: low satisfaction (a rating of 3 or lower), moderate satisfaction (a rating of 4 to 7), and high satisfaction (a rating of 8 to 10).

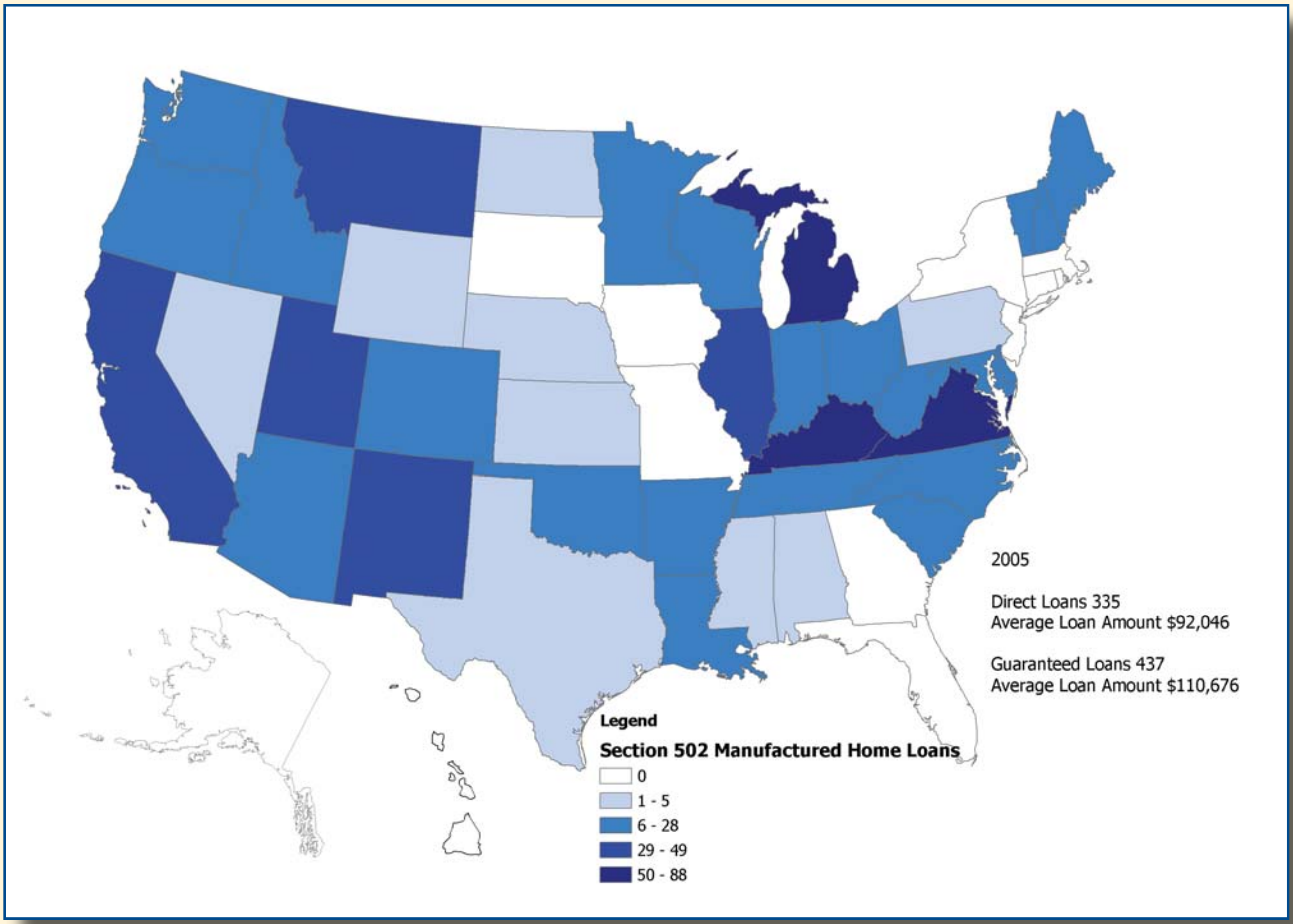

Figure 14. RHS Section 502 Manufactured Home Loans, 2005
Source: RHS Data

Manufactured Housing and Federal Housing Assistance

Since the mid-1930s, the federal government has supported the production of low- and moderate-income housing in rural America (Belden 1984). Government-assisted financing includes loans from private lenders insured or guaranteed by government agencies, such as the Federal Housing Administration (FHA), the Department of Veterans Affairs (VA), and the U.S. Department of Agriculture's Rural Housing Service (USDA RHS).

USDA RHS offers homeownership financing, including loans for manufactured homes, through the agency's Section 502 direct and guaranteed loan programs. Land-home packages provide real estate financing for new manufactured homes that are located on permanent foundations. RHS loans have low or no down payments and flexible qualifying guidelines. To qualify, a manufactured home must be purchased from an approved retailer-contractor (Neighborhood Reinvestment Corporation 2004).

In addition to Section 502 loans, RHS also makes home improvement loans and grants through its Section 504 rehabilitation program. RHS can provide assistance to make a manufactured home safe, sanitary, and decent if it is owner-occupied, needs repair to remove health or safety hazards, and is on a permanent foundation.

In 1994, RHS closed only 23 Section 502 loans for manufactured homes (HAC 1996). In 2005, the number of manufactured housing purchases supported by RHS had increased to 772. Over half of these obligations, 58 percent (455 loans), were loan guarantees to private lenders, and the other 335 loans were financed through the Section 502 direct loan program (USDA RHS 2005). While this is a substantial increase in loans made, it accounted for only approximately 3 percent of all Section 502 direct loans in FY 2005.

In addition to federal agencies, the secondary mortgage market has also been active in manufactured housing finance in the past few years. Fannie Mae's participation in the manufactured housing market has traditionally been small. In 2003, Fannie Mae estimated that mortgages backed by manufactured homes titled as real estate represented less than one-half of 1 percent of its total business (Fannie Mae 2003).

In the same year, Fannie Mae drastically revised its underwriting policies for purchasing manufactured home mortgages. Citing high default rates and losses for manufactured homes, Fannie Mae instituted more stringent guidelines for manufactured home purchases. Among these was the elimination of 30-year terms, reducing mortgage terms to 20 years, and decreasing the minimum loan to value ratio from 95 percent to 90 percent. Fannie Mae also implemented increased appraisal standards and required that manufactured homes be titled as real estate (Fannie Mae 2003).

While Fannie Mae maintained that these changes would have minimal impact on borrowers, concern and opposition was voiced by industry groups and several members of Congress asserting that the revised rules would make it more difficult for generally less affluent manufactured home borrowers to obtain financing (Berquist 2003). In 2004, Fannie Mae announced that it was reintroducing 30-year, 5 percent down payment manufactured housing loans for selected lenders in a pilot project. In addition, Fannie Mae also created a new position, vice president for manufactured housing, to direct its manufactured housing operations (Fannie Mae 2003).

Freddie Mac is also active in the manufactured housing market, and like Fannie Mae revised its regulations on the purchase of manufactured homes in early 2004. In order for a loan to be eligible for purchase by Freddie Mac, the manufactured home must be affixed to a permanent foundation, placed on owned land, and classified as real property. Freddie Mac also makes distinctions for multi- and single-section units. In its underwriting criteria, a multi-wide manufactured home may be located on an individual lot or in a subdivision, planned unit development, or condominium project. A single-wide manufactured home must be located only in a planned unit development or condominium project (Freddie Mac 2004).

LESSONS LEARNED

By Andy Kegley

Manufactured housing has saturated the market in Appalachia - at rates double the national average. In southwest Virginia, where Mountain Shelter operates, this market dominance has collateral implications for many aspects of our regional economy beyond being a good source of "affordable housing."

For instance, by tracking building permits in our home county of Wythe over the last dozen years, we've learned that over 75 percent of all single-family building permits issued for new homes were for manufactured homes. The average value of these homes was $28,000, compared to about $100,000 for stick-built homes. Manufactured housing's lower value helps explain our low tax base and lack of home equity appreciation, the decline in the available building trades employment sector, and the flight of huge amounts of capital away from our economy.

Though not by deliberate intention, Mountain Shelter, a nonprofit housing developer, community development corporation (CDC), Community Housing Development Organization, and user of Self-Help Homeownership Opportunity Program funds, has developed a handful of manufactured housing units. Our experience with these homes has been mixed at best, and generally not positive.

It isn't necessarily the physical character of the home or the quality of construction that gives manufactured housing such a shady reputation among affordable housing advocates, it's the urgency of doing the deal as expressed by the local dealers. During the development of our second manufactured unit in particular, the dealer said one thing, showed us something else, and could never be pinned down on exactly what the specs were with regards to roof pitch, energy efficiency, eave overhang, and other features. Obviously, there isn't the commitment to what we as affordable developers cherish most - the personal connection to those in our community. And as recently as last autumn, while on site with a prospective homebuyer and a manufactured home dealer, we heard more shifting promises - the old bait and switch routine, as the size of the unit promised to the buyer had already changed, unbeknownst to her.

At Mountain Shelter we believe that the discussion regarding manufactured housing's role in affordable housing development must focus on homebuyer education and counseling, which Mountain Shelter and other CDCs do particularly well. Any reform or oversight of the industry should require purchasers of these products to be certified as having received homeownership education - a service the CDCs can provide. This simple and proven tool would go a long way toward improving the sustained affordability of home purchases for our lower-income clients interested in their piece of the American dream.

This article was excerpted from "Appalachian Manufactured Housing Experience Raises Concerns." Rural Voices*. Summer 2003, Volume 8, Number 2. To view the full article, visit www.ruralhome.org/manager/uploads/VoicesSummer2003.pdf.*

Andy Kegley is executive director of Mountain Shelter, a housing provider in Wytheville, Virginia, which is a member of the Federation of Appalachian Housing Enterprises, Inc.

Manufactured Housing as a Community Development Strategy

It is uniformly agreed that manufactured housing is extremely important to rural America. But while some view it as a potent solution to housing woes, others condemn it as a major contributor to those problems. Manufactured housing at the local nonprofit level is often met with resistance and at times vehement and vocal opposition. In some cases, this resistance is rooted in the experience of rural housing advocates and nonprofit officials.

Rural nonprofits often work with families at the lowest income levels who reside in the most dire housing situations. In many rural communities, disproportionate shares of substandard units are older mobile homes. As a result, many local advocates have long observed older mobile homes as inadequate housing for low-income families and have negative perceptions of these units seared into their minds. Another possible factor of nonprofit alienation of manufactured housing is market driven. In many instances, manufactured housing is a primary source of competition for these local practitioners, and may be a source of resentment for rural nonprofits in the local low-cost housing market.

Improvements in the quality of manufactured housing are leading some nonprofit organizations and developers to consider using manufactured housing for affordable housing projects. Nationwide, several local rural community development organizations have bypassed the pitfalls of traditional manufactured housing financing, instead developing affordable manufactured housing projects using HUD Home Investment Partnerships (HOME) funds, Low Income Housing Tax Credits, state housing trust funds, and other financing programs. Some possible benefits of utilizing manufactured housing for affordable housing projects in rural areas include overcoming a community's shortage of contractors willing to build affordable housing, minimizing labor supply problems, reducing the need to find and coordinate subcontractors, and reducing the burden of multiple building code inspections required for site-built units.

Another national nonprofit initiative for manufactured housing has been created by CFED (formerly known as the Corporation for Enterprise Development). Along with various other national and regional partners CFED has recently launched the Innovations in Manufactured Housing (I'M HOME) program. I'M HOME supports nonprofit initiatives that demonstrate positive, responsible, and affordable uses of manufactured homes. The program operates under the principle that when consumers have access to manufactured homes titled as real property, placed on land under their control, and financed by mainstream mortgages, they have a strong potential to build assets in their homes. The first round of I'M HOME grantees is undertaking these demonstration projects nationwide (CFED 2005).

✓ **Check Out!** For more information on community development strategies utilizing manufactured homes check out:

- *Raising the Floor, Raising the Roof: Raising our Expectations for Manufactured Housing.* Consumers Union. 2003. www.consumersunion.org/other/mh/raising/raising-exe.htm
- *Is your CDC in Denial About Manufactured Homes? Four Steps to Recovery.* Richard Genz. Housing and Community Insight. 2002.
- *An Examination of Manufactured Housing as a Community and Asset-Building Strategy.* Neighborhood Reinvestment Corporation. 2002. www.nw.org/network/pubs/studies/documents/manufactHsgRpt2002.pdf
- *Innovations in Manufactured Housing (I'm Home).* CFED. 2005. www.cfed.org/focus.m?parentid=317&siteid=317&id=318

Why Would A 30-Year Site Builder Enter the Manufactured Housing Arena?

By Stacey Epperson

In 2004, Frontier Housing, Inc. took the bold step of critically and honestly examining the effectiveness of our services. What we found was humbling and shocking. We had made the dream of homeownership a reality for over 650 low-income families, and had helped another 200 households improve their housing conditions. However, we also found that a full 9 out of 10 people who applied for our services were walking away empty-handed or turning to other sources to meet their housing needs. How could we do more? Could we push ourselves to think beyond business as usual? Could we find better ways to meet the staggering need for safe, decent, affordable housing that we saw on a daily basis?

Our staff participated in a process to answer these questions to point out our weaknesses, discover our strengths, and determine what we needed to do to make real change. We jumped into the realm of possibilities by doing the opposite of our long held mission: we tore apart a home - our own. As the walls came down, the staff and board began to see opportunities that before were blocked by tradition, organizational processes, filters, and ideals. We developed an organizational Performance Challenge, whereby we would triple the number of customers receiving our service; we would cut our average cycle time in half; we would provide a housing solution for credit-ready buyers within 120 days; and we would maintain a delinquency rate of 5 percent or less. Our broad aspiration was to compete with manufactured housing.

For 30 years Frontier Housing operated under a value system common to those working in affordable housing. While we provided a much-needed service and had heard so often that we did good work, we were often blinded by our own mission. Believing that we were “saving people from dilapidated housing,” our urge to tell folks what we thought they needed kept us from seeing what they wanted. We treated our customers as clients or cases, rather than consumers with preferences who were making choices. At Frontier Housing we now find it possible to look at our mission under a new light, which reveals that program participants should be considered customers who are purchasing a product. This shift of thought from client to customer represents Frontier’s new way of doing business. We have overhauled our programs in order to meet customers at their level and tailored programs to their unique needs. We are focusing on offering choices to meet existing customer preferences and needs rather than trying to make customers fit our existing programs. We understand that we must be competitive within the affordable housing industry in order to be relevant to the needs of the people we want to serve.

Strengthened by a new way of thinking, possibilities for change – for new ways of doing business - became apparent to us. The manufactured housing industry has long been a sore spot for advocates of affordable housing. In the past, mobile homes were considered lower quality and often did not qualify for the traditional type of mortgage loan, which over time builds wealth for the owner in the form of equity. For years, Frontier believed if we offered traditionally built homes for approximately the same price as manufactured housing, we would remain competitive in the market. However, an analysis of Frontier’s service area revealed that there is four times the national rate of manufactured houses and that there are 49 manufactured housing dealerships within a 50-mile radius of Frontier’s office! Frontier’s customer satisfaction survey showed that customers were turning to manufactured housing because of a shorter process time and the ease of getting credit.

Once we discovered that manufactured housing was a “force to be reckoned with,” we came up with a seemingly outrageous possibility. Could we partner with the manufactured housing industry and change it on the inside for the sake of the customer? We began to see it as a solution for several of the challenges that Frontier was facing in providing services such as process time, travel time associated with site-building within a large service area, and cost. We found that manufactured housing, if upgraded in quality and placed on a permanent foundation, could qualify for a real estate loan and is an excellent solution for customers in Frontier's service area. Furthermore, we realized that Frontier has an important niche in the industry – we can bring government subsidies and affordable financing to the table and use our 30 years of site building experience to modify the installation process and set the manufactured houses on permanent foundations, making them indistinguishable from traditional site-built houses. Frontier Housing found an opportunity to provide what was really needed and to fill a very relevant role that was not being filled.

Within a matter of months Frontier established a relationship with a reputable producer in the manufacturing industry, Clayton Homes. With assistance from the Fannie Mae Foundation, CFED's I'M HOME program, HUD's RHED program, and the Kentucky Housing Corporation, Frontier Housing and Clayton Homes have already created an improved house design and are in the process of creating a subdivision where manufactured houses will be placed on permanent foundations, thus qualifying them for real estate loans. Frontier's new Home Ownership Center is serving as the feeder system; already 117 families have been approved for mortgages and are waiting for the homes to be built. Frontier Housing is well on its way to tripling the number of customers receiving a housing solution. This unique partnership will build upon a new foundation of possibilities.

Stacey Epperson is executive director of Frontier Housing, Inc., a housing provider in Morehead, Kentucky, which is a member of the Federation of Appalachian Housing Enterprises, Inc.

Conclusion

Manufactured housing is a complicated topic involving not only the structures themselves, but also issues of land tenancy, housing finance, changing technologies, consumer education, and community perceptions. One cannot consider only the manufactured housing units themselves. The markets and community contexts in which these homes exist must also be examined.

As evidenced through the preceding analysis, modern manufactured homes have improved greatly from those the industry produced just a few short decades ago. The manufactured housing industry has experienced a dramatic transformation over the past few decades, producing units of greater quality, size, and safety. Some manufactured home models are virtually indistinguishable from conventionally constructed single-family units. It is equally important to note that over one-third of nonmetro manufactured home residents live in units that are more than 20 years old and are therefore susceptible to quality and safety problems. Households who live in these older mobile homes are also more likely to have lower incomes than those who reside in newer manufactured units.

While many physical and structural attributes of manufactured housing have improved over those of previous decades, factors of financing and investment for this type of housing have not progressed as well. The industry is in a sustained downturn primarily due to an over-extension of credit to borrowers and to poor business practices. Aggressive sales tactics only serve to exacerbate these problems and keep the industry from shedding its stereotypical image of selling homes like automobiles.

Given this paradox of marked improvement in conjunction with stagnation and decline, it is not surprising that manufactured housing has become a contentious topic among policy advocates and housing practitioners. Yet this housing product is immensely important to a large and growing segment of Americans, who more often than not have constrained economic options.

The Housing Assistance Council is pleased to present this research on a topic that is of great importance to millions of households nationwide. HAC encourages progressive debate and action for this understudied and often misunderstood form of housing.

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Appendix

The American Housing Survey

A majority of the information in this report derives from Housing Assistance Council (HAC) tabulations of microdata from the 2003 American Housing Survey (AHS). The AHS is conducted every two years by the Bureau of the Census for the Department of Housing and Urban Development (HUD). In 2003, interviewers obtained information for a nationwide sample of approximately 40,000 housing units occupied year-round. The AHS is the most comprehensive survey of U.S. housing between decennial censuses. The Census Bureau has been conducting this longitudinal survey for HUD since 1973.

AHS Sampling Error

Like any sample, the AHS is subject to errors from sampling and errors from other causes (such as incomplete data and wrong answers). For an extensive discussion of AHS methodology and possible errors, see the appendices to the published AHS report. Because of the sampling errors and other possible errors inherent in the AHS, readers are cautioned not to rely on small differences in percentages or numbers presented in this report. The reliability of the data decreases as the sample size decreases.

The AHS is intended to count occupied housing units, and therefore households, so most of the data presented in this report relate to households rather than families. This unit-focused methodology also means that the AHS does not include homeless persons.

AHS data are known to differ from information collected by other surveys. For example, the Census Bureau notes that, historically, the AHS underreports income and overreports poverty when compared with the Current Population Survey, and both surveys underreport income and overreport poverty when compared with tax returns and national income accounts.

AHS Household & Housing Characteristics

Manufactured/Mobile Homes

In the AHS a manufactured/mobile home is defined as a housing unit that was originally constructed to be towed on its own chassis. It also may have permanent rooms attached at its present site or other structural modifications. The term does not include prefabricated buildings, modular homes, travel campers, boats, or self-propelled vehicles like motor homes. Some people use the terms trailer or manufactured housing in the same sense as mobile homes.

Manufactured/mobile home setup. Manufactured/mobile homes are placed on a permanent masonry foundation; rest on concrete pads; or are up on blocks, but not on concrete pads.

Manufactured/mobile home tiedowns. Manufactured/mobile home or trailer tiedowns are ground anchor foundation systems that give stability to manufactured housing/mobile homes.

Manufactured/mobile homes in group. Manufactured/mobile homes or mobile home sites gathered close together are considered to be in a ''group.'' This may be a mobile home park or it may be a number grouped together on adjacent individually owned lots not in a mobile home park.

Changes in the Manufactured Housing Data. In 1984 manufactured/mobile homes with attached permanent rooms began to be counted as mobile homes, while previously they were counted as single family units. Manufactured/mobile homes with attached permanent rooms are identified separately in the microdata.

Weighting of Manufactured Homes. Beginning with 1985, national estimates of mobile homes with a model year of 1980 or later were ratio-estimated into independent counts of mobile home placements from the Survey of Mobile Home Placements. The counts of mobile homes for 1983 and earlier years may be too low and lead to unrealistically high estimates of change between 1985 and earlier years. For example, occupied mobile homes grew from 3,999,000 in 1983 to 4,754,000 in 1985, an increase of 755,000. This level of growth seems excessive as data from the Survey of Mobile Home Placements show approximately 570,000 new mobile homes placed for residential use during the same time period.

Household

The AHS defines a household as the group of individuals occupying a housing unit. A "family" consists of a householder and all other persons living in the same household who are related to the householder by blood, marriage, or adoption. A household may consist of a family, no family (i.e., one or more single unrelated individuals), or more than one family. The "householder" (sometimes called the "head of household") is the household member 18 years old or over who is the owner or renter of the sampled housing unit.

Cost Burden

Housing cost burdens are generally measured as a percentage of income, on what has become a slowly sliding scale. In the early days of the public housing program, housing costs above 20 percent of income were considered burdensome. During the late 1960s and early 1970s, 25 percent of income became the threshold for cost burden. In the early 1980s, the cost burden threshold was raised to 30 percent of income. Since then, the Department of Housing and Urban Development (HUD) has defined moderate cost burdens as those between 30 percent and 50 percent of income, and severe cost burdens as those above 50 percent of income. Percent of income paid for housing is, at best, a rough measure of affordability, but its use has become widespread for several reasons. First, it is relatively simple to grasp and to calculate. Second, 30 percent of income has become the norm that housing subsidy programs require households to pay when living in subsidized housing.

Percent of Area Median Income

For this report the percent of area median income was calculated by dividing the average area median income for a household's location by the household's total income. The average area median income is assumed to apply to a household of four, therefore the area median levels are further adjusted by household size: one person, 70 percent of base, two persons 80 percent, three persons 90 percent, five persons 108, six persons 116, seven persons 124, eight persons 133, and so on.

Low-Income Bracket. Households that reported household income between 51 percent and 80 percent of the area median income are low income.

Very Low-Income Bracket. Households that reported household income not in excess of 50 percent of the area median income are very low income.

Moderate Income. Households that reported household income between 81 and 120 percent of the area median income are moderate income.

Upper Income. Households that reported household income in excess of 120 percent of the area median income are upper income.

There may be significant differences in the income data between the AHS and other surveys and censuses. For example, the time period for income data in the AHS is the 12 months prior to the interview, while other income data generally refer to the calendar year prior to the date of the interview. Additional differences in the income data may be attributed to the ways income questions are asked, levels of missing data (usually high on questions about income), ways missing data are estimated or ignored, sampling variability and nonsampling errors.

Housing Problems

The AHS defines physical housing problems as severe or moderate. A unit has severe physical problems (is severely inadequate) if it has any of the following five problems.

Plumbing. Lacking hot or cold piped water or a flush toilet, or lacking both bathtub and shower, all inside the structure for the exclusive use of the unit.

Heating. Having been uncomfortably cold last winter for 24 hours or more because the heating equipment broke down, and it broke down at least three times last winter for at least 6 hours each time.

Electric. Having no electricity, or all of the following three electric problems: exposed wiring; a room with no working wall outlet; and three blown fuses or tripped circuit breakers in the last 90 days.

Upkeep. Having any five of the following six maintenance problems: water leaks from the outside, such as from the roof, basement, windows, or doors; leaks from inside the structure, such as pipes or plumbing fixtures; holes in the floors; holes or open cracks in the walls or ceilings; more than 8 inches by 11 inches of peeling paint or broken plaster; or signs of rats or mice in the last 90 days.

Hallways. Having all of the following four problems in public areas: no working light fixtures; loose or missing steps; loose or missing railings; and no elevator.

A unit has moderate physical problems (is moderately inadequate) if it has any of the following five problems, but none of the severe problems.

Plumbing. On at least three occasions during the last 3 months or while the household was living in the unit if less than 3 months, all the flush toilets were broken down at the same time for 6 hours or more.

Heating. Having unvented gas, oil or kerosene heaters as the primary heating equipment.

Upkeep. Having any three or four of the overall list of six upkeep problems mentioned above under severe physical problems.

Hallways. Having any three of the four hallway problems mentioned above under severe physical problems.

Kitchen. Lacking a kitchen sink, refrigerator, or burners inside the structure for the exclusive use of the unit.

Crowding

A crowded unit is one where there is more than one person per room excluding bathrooms.

Housing Satisfaction

The housing satisfaction index in this report was based on how households responded to the question, "How do you rate your housing?" Respondents replied on a 10-point semantic scale with ten being the highest and one being the lowest. For this study, the scale was compressed into three categories: 8-10 high, 5-7 moderate, and 1-4 low.

CENSUS 2000

Various information in this report derives from HAC tabulations of 2000 Census of Population and Housing public use microdata. Census 2000 was conducted by the U.S. Department of Commerce's Bureau of the Census. Between March and August of 2000 the Census Bureau collected information on 281.4 million people and 115.9 million housing units across the United States. Most of the Census 2000 information utilized in this report derives from one of two data sets – the first of which is the Summary File 1 data set, commonly referred to as the "short form," in which a limited number of questions were asked of every person and every housing unit in the United States. Secondly, Summary File 3 or "long form" data provide more detailed information on population and housing characteristics. This information came from a sample of (generally 1 in 6) persons and housing units.

For detailed information about Census 2000 data used in this report please consult the following reports produced by the Census Bureau.

U.S. Department of Commerce, Economics and Statistics Administration, *Summary File 1: 2000 Census of Population and Housing, Technical Documentation.* SF/01/(RV) (U.S. Bureau of the Census: Washington, DC, June 2001).

U.S. Department of Commerce, Economics and Statistics Administration, *Summary File 3: 2000 Census of Population and Housing, Technical Documentation.* SF/03/(RV) (U.S. Bureau of the Census: Washington, DC, June 2002).

U.S. Department of Commerce, Economics and Statistics Administration, *Demographic Profile: 2000, Technical Documentation* (U.S. Bureau of the Census: Washington, DC, May 2002).

2001 Residential Finance Survey

The 2001 Residential Finance Survey (RFS) was sponsored by HUD and conducted by the Census Bureau. The RFS is a follow-on survey to the 2000 decennial census designed to collect, process, and produce information about the financing of all nonfarm residential properties. Previous RF surveys have been integral parts of the decennial censuses since 1950. Primary users of RFS data in addition to HUD include the Bureau of Economic Analysis, Fannie Mae and Freddie Mac, and the Congress. Data are collected, tabulated, and presented for properties, the standard unit of reference for financial transactions related to housing. In the RFS, a property is defined as all the buildings and land covered by a single first mortgage.

The sample for the RFS is stratified by property size, with large properties over represented in the sample. Very large properties are selected with certainty to control their effect on the reliability of the estimates. The RFS is the only standardized single source of detailed information on property, mortgage, and financial characteristics for multi-unit properties. Both property owners and mortgage lenders are interviewed, resulting in more accurate information on property and mortgage characteristics. As part of the decennial census, the RFS is mandatory.

The Manufactured Homes Survey

The Manufactured Homes Survey (MHS) is conducted by the U.S. Census Bureau and sponsored by HUD. MHS produces monthly regional estimates of manufactured homes placements, average sales prices, and dealers' inventories and more detailed annual estimates including selected characteristics of new manufactured homes. The statistics on shipments of manufactured homes are produced by the Institute for Building Technology and Safety (IBTS) and published by the Manufactured Housing Institute (MHI).

A manufactured home is defined as a movable dwelling, 8 feet or more wide and 40 feet or more long, designed to be towed on its own chassis, with transportation gear integral to the unit when it leaves the factory, and without need of a permanent foundation. These manufactured homes include multi-wides and expandable manufactured homes. Excluded are travel trailers, motor homes, and modular housing. The shipment figures are based on reports submitted by manufacturers on the number of manufactured homes actually shipped during the survey month. Shipments to dealers may not necessarily be placed for residential use in the same month as they are shipped. The number of manufactured homes used for nonresidential purposes is not known.

Beginning in 1980, the average sales prices are computed from data for manufactured homes sold at or before the time they are placed on a site. Prices (values) of manufactured homes leased or sold after placement are not collected. The average sales price computation for manufactured homes placed prior to 1980 included not only the sales price of those sold, but also the intended sales price of those for sale and the value of leased manufactured homes.

The methodology for collecting information on new manufactured homes for 1974 through 1979 involved contacting a sample of manufactured home dealers each month within 137 geographic areas or primary sampling units. The dealers were requested to provide data on the number of manufactured homes received from manufacturers, the number placed on a site for residential use, and the number held in inventory.

The methodology used after 1979 involves a monthly sample of new manufactured homes shipped by manufacturers. The dealer to whom the sampled unit was shipped is contacted by telephone and asked about the status of the unit. This is done each month until that unit is reported as placed.

The various estimates which are shown in the tables are based on sample surveys and may differ from statistics which would have been obtained from a complete census using the same schedules and procedures. An estimate based on a sample survey is subject to both sampling error and nonsampling error. The accuracy of a survey result is determined by the joint effects of these errors.

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