

MANUFACTURED HOUSING: A RESPONSIBLE VEHICLE FOR AFFORDABLE HOMEOWNERSHIP

Homeownership provides economic security, stability and a financial legacy for future generations. For many American families, their home is their most important financial asset; and for low-income families, homeownership provides a chance to climb out of poverty.

- Home equity is a major source of personal wealth in the United States. It comprises over one-third (33.5%) of net worth for American households. Home equity plays even a more important role for middle-class families, accounting for nearly two-thirds (66.1%) of their net worth.¹
- The US government recognizes homeownership as a public good, subsidizing it to the tune of \$116 billion in 2005. The mortgage interest tax deduction makes up the lion's share of the subsidies at \$72 billion, yet benefits mostly upper- and middle-income homeowners.²

Even in the face of the recent housing slump, home prices—and home loans—continue to be out of reach for many Americans. Although the subprime lending market has increased access to homeownership, particularly for minorities and low-income homebuyers, that access has come at a price.

- 62.4% of homeowners in the bottom quarter of the income scale spend 30% or more of their household income on housing,³ leaving little financial leeway when interest rates increase or an emergency arises.
- Analyzing loan data since 1998, the Center for Responsible Lending estimates that as many as 2.2 million subprime borrowers have already lost their homes or will enter into foreclosure in the next several years, at an aggregate loss to homeowners of \$164 billion. Additionally, CRL predicts that one out of five subprime mortgages originated in the past two years will end in foreclosure.⁴

Manufactured housing is a significant source of affordable homeownership that should be leveraged. It opens the door to homeownership for families who, in many of the nation's housing markets, cannot afford to buy a site-built home. By some estimates, as many as 17 million Americans live in manufactured housing.

- In the late 1990s, manufactured housing represented 66% of the new affordable housing produced in the United States⁵, and it remains the largest source of unsubsidized affordable housing in the country.
- Owners of manufactured homes are disproportionately low-income. In 2005, the median annual household income for owners of manufactured housing was \$35,000⁶, versus a national median of \$46,326⁷.
- As of 2006, the average cost per square foot for a new manufactured home was \$40 compared to a cost of \$92 for a new site-built home⁸.

Manufactured homes are frequently misunderstood and overlooked due to outdated stereotypes of “trailers” and “mobile homes”, yet manufactured housing that is well built and maintained can be attractive, grow in value and open the door to homeownership to millions more.

- By owning the land beneath the home, manufactured homeowners increase the likelihood of price appreciation. Two-thirds of new manufactured homes are placed on private property rather than in

land-lease communities.⁹ In “parks,” new ownership structures like resident-owned cooperatives and community land trusts offer homeowners enhanced stability and security.

- “Curb appeal,” or how well a home “blends in” with the surrounding neighborhood, also plays into price appreciation. Thanks to innovations in design and building technology, developers can pick and choose from a variety of elements, such as porches, attached garages, multi-story designs, or even brick or adobe finishes, ensuring that manufactured homes fit with regional aesthetics.
- The life expectancy of modern manufactured housing is equivalent to comparable site-built housing. Properly-installed manufactured housing under HUD’s new construction code is also as safe and storm resistant as any other new home. For example, significant strengthening of the code following Hurricane Andrew resulted in a documented increase in performance following Hurricane Charley.
- Even in settings where developers add site-built amenities and other features designed to improve the home’s likelihood of appreciation, performance and aesthetics, manufactured housing offers an opportunity to control a significant portion of the overall development costs.

CFED, a national nonprofit organization, is unlocking this potential through an initiative called I’M HOME, or Innovations in Manufactured Homes. I’M HOME supports programs across the country that are opening the door to homeownership for low- and moderate-income families and helping them build assets through manufactured homes.

- Nonprofit housing developers in states as varied as Washington, Montana and Kentucky are putting high-quality manufactured homes on the ground and providing low-income families with the homebuyer counseling and fair financing they need to become homeowners.
- Homeowners in manufactured housing communities are organizing cooperatives, with the support of advocates and community development financial institutions, to gain long-term control of the land beneath their homes. In New Hampshire, resident owned cooperatives already account for 18% of the total manufactured housing community market, and similar efforts are afoot in other states including California, Idaho, New Jersey, Oregon and Wisconsin.
- Community Development Financial Institutions in North Carolina, Vermont, and Appalachia are developing fairly priced mortgage products for manufactured housing so that consumers don't make the most important purchase of their lives at terms more like a boat loan than a mortgage.

¹ Wolff, E. (June 2007). *Recent Trends in Household Wealth in the United States: Rising Debt and the Middle-Class Squeeze*. Table 5 & Table 7. Working Paper No. 502. Annandale-on-Hudson, NY: The Levy Economics Institute of Bard College.

² CFED. *Return on Investment?*

³ Joint Center for Housing Studies of Harvard University. *The State of the Nation's Housing 2007*. Cambridge, MA, President and Fellows of Harvard College.

⁴ Shcloemer, E., Li, W., Ernst, K., & Keest, K. (December 2006). *Losing Ground: Foreclosures in the Subprime Market and Their Cost to Homeowners*. Durham, NC, Center for Responsible Lending.

⁵ Apgar, W., Calder, A., Collins, M., & Duda, M. (2002). *An Examination of Manufactured Housing As a Community-and Asset-Building Strategy*. Neighborhood Reinvestment Corporation in collaboration with Joint Center for Housing Studies of Harvard University.

⁶ Foremost Insurance Group. (2005) *Manufactured Homes: The Market Facts*.

⁷ DeNavas-Walt, C., Proctor, B., & Hill Lee, C. (2006). *Income, Poverty, and Health Insurance Coverage in the United States: 2005*. Current Population Reports, P60-231. Washington, DC, United States Government Printing Office.

⁸ Cost per square foot excludes land costs in both cases. Typical installation costs are included for MH. Manufactured Housing Institute. *Quick Facts 2008*. http://www.manufacturedhousing.org/media_center/quick_facts/cost_size.htm

⁹ Manufactured Housing Institute. *Understanding Today's Manufactured Housing*. http://www.manufacturedhousing.org/understanding_today2006/index.htm