Expanding Resident and Nonprofit Ownership of Manufactured Home Parks

Overview

Manufactured homes are an important part of the nation's housing stock, providing an unsubsidized affordable homeownership option for over 8 million households. According to the Manufactured Housing Institute, somewhat more than a third of newly developed manufactured homes are placed in manufactured housing communities, where homeowners lease the land underneath their home from a landowner.[1] This arrangement helps make manufactured housing more affordable, but also limits the wealth-building potential and stability of ownership. Hispanic, American Indian, and Alaska Native homeowners are more likely to live in manufactured homes than White or Black homeowners, highlighting the racial dimensions of this issue.

Resident and nonprofit ownership of manufactured housing communities represent promising approaches for overcoming the limitations of standard manufactured housing communities and helping homeowners in such communities maintain housing stability, build wealth, and strengthen their ties to their neighborhood. In this brief, we discuss how nonprofit and resident ownership models can contribute to healthier and more supportive manufactured housing communities and consider how different stakeholders can support these efforts.

Challenge: the limitations of manufactured homeownership

Manufactured homes (previously also referred to as mobile homes) fill an important niche in the housing market, offering an affordable alternative to site-built housing for many low- and moderate-income families. The median monthly cost for a manufactured home is less than half of the median cost for a single-family home.[2] Perhaps not surprisingly, manufactured homeowners are disproportionately low-income: the median household income of manufactured homeowners

is $35,000, about half of the median household income of other homeowners.[3]

Manufactured homes represent about 6% of owner-occupied housing nationally, but represent nearly 9% of owner-occupied homes in the South[4] and about 14% of the overall housing stock in rural areas.[5] Manufactured homes are also disproportionately occupied by families of color: while manufactured homes make up a similar portion of homes owned by Black and White homeowners (5% and 6% respectively), they make up over 8% of homes owned by Hispanic homeowners and over 13% of homes owned by American Indian and Alaska Native homeowners.[6]

However, despite their affordability, manufactured homes do not always provide the same economic benefits as other housing types, particularly when they are located within a **manufactured housing community (MHC)**. In these communities, homeowners own their unit but rent the land beneath it, generally from an individual or corporate landowner. There are an estimated 45,000 MHCs in the United States.[7] From 2016 – 2020, about one-third of new manufactured homes were placed in an MHC.[8]

Support for this research was provided by the Robert Wood Johnson Foundation. The views expressed here do not necessarily reflect the views of the Foundation.

This ownership structure means that homeowners living in MHCs don't have the same degree of housing stability and control over their living situation as other homeowners do. If the landowner decides to sell the land, raise rents, or impose new restrictions, homeowners can be forced to leave. Perhaps as a result of this potential instability, homes on land leased in conventional manufactured housing communities do not appreciate to the same extent as other single- homes. Moreover, depending on their state's laws, residents of MHCs may have few legal protections and limited recourse if faced with displacement.[9]

Additionally, although manufactured homes tend to be more affordable than site-built homes, owners often have few options for financing, particularly if they live in an MHC or otherwise lease the land below their home. Particularly when sited on leased land, manufactured homes are often titled as personal property rather than real estate.[10] This means that homeowners must rely on personal property or "chattel" loans, which tend to have higher interest rates than a traditional mortgage and come with fewer consumer protections. Federal 'Duty to Serve' regulations launched in 2017 identified manufactured housing as an "underserved market" and directed Fannie Mae and Freddie Mac to consider ways to expand access to financing for manufactured homeowners, potentially including homeowners with chattel loans. To date, however, the Duty to Serve efforts of Fannie Mae and Freddie Mac have focused on financing manufactured homes titled as real property and manufactured housing parks, rather than as on the purchase of manufactured homes with chattel loans. [11]

The high costs of financing a manufactured home, along with limited home price appreciation, means that manufactured homeowners living in MHCs are less able build wealth over time. Addressing these challenges is an important way to ensure that owners of manufactured homes – who are disproportionately low-income households – have equitable access to the economic and health benefits of homeownership.

Solutions: new ownership models for manufactured housing communities

Changing the ownership structure of existing MHCs can help ensure residential stability for current and future residents. In a **resident-owned MHC**, homeowners form a cooperative to purchase and manage the community from its current owner, with each resident owning their own home and a share of the land. In a **nonprofit-owned MHC,** a mission-driven organization such as a community development corporation or land trust purchases and manages the community, leasing the land to individual homeowners with a long-term affordable lease. Converting an existing MHC to a resident or nonprofit ownership model can support the well-being of individual residents and improve the quality of life throughout the community. Some of the benefits that can be achieved through resident or nonprofit ownership include:

- ***Stability:*** Resident-owned and nonprofit-owned MHCs offer much more stability than corporate ownership models. The land can't be redeveloped or sold for another purpose, limiting the risk of displacement. Homeowners in these communities also tend to have more stable costs over the long-term. For example, the average annual lot fee increase in resident-owned communities is less than 1%, compared to the industry average of 3.9% - in a typical community, after five years, this difference is equivalent to about $1,000 per year in lot fees. [12]
- ***Affordability:*** In addition to the potential for more stable rents, nonprofit and resident ownership models can also open up more financing options for homeowners. If the homeowner owns a share of the land, or leases it long-term, they may be able to secure a real property title depending on their state's title laws. This makes it possible to obtain a secure, affordable mortgage rather than a higher-interest chattel loan.
- ***Neighborhood quality:*** In a nonprofit-owned or resident-owned MHC, revenue generated from rents are reinvested in the property. Communities can invest in infrastructure improvements, maintenance, or additional services and amenities. These investments can create a healthier environment for residents and enhance property values.
- ***Community-building:*** In a resident-owned park, homeowners have direct control over the park's operations. Many nonprofit-owned parks also have residents' councils or other participatory structures. These provide important opportunities

to build connections between neighbors and strengthen community engagement.

Action Steps: opportunities to promote new ownership models

Converting existing MHCs to alternative ownership models comes with distinct legal and financial challenges. Policy-makers, philanthropic partners, lenders, and federal agencies all have an important role to play in fostering resident and nonprofit ownership of manufactured housing communities. Below we describe some of the ways that these stakeholders can support these efforts.

1. ***Support technical assistance for new and existing resident cooperatives.***
   Key actors: nonprofit organizations, philanthropic partners

In order to purchase their MHC, residents must form a cooperative – a type of nonprofit organization with specific financial obligations and management structures. Setting up a cooperative, and keeping it going, can be a complex process for those without experience. Residents need to register the cooperative with their state; establish governing policies and elect a board; develop a budget; and plan for maintenance, improvements, and other priorities. Residents also need to complete these tasks as quickly as possible so they can begin securing funding for acquiring the property. There are a number of national organizations that provide technical assistance to manufactured housing residents who wish to form a cooperative, helping them navigate legal requirements and develop a sound management strategy for their community.

Example

Resident-Owned Communities USA (ROC USA) is a national nonprofit collaborative organization that helps residents in MHCs transition to a resident ownership model. ROC USA provides both technical assistance and financing to resident cooperatives. ROC USA operates in 20 states through a network of local affiliates and has helped over 250 communities convert to a resident ownership model.

2. ***Support lending to nonprofits and resident cooperatives.***
   Key actors: philanthropic partners, lenders, Government Sponsored Enterprises, state and local officials

It can be challenging for resident cooperatives to secure funding to purchase an MHC. Many traditional funding streams and lenders see these types of transaction as being too risky, though a limited number of lenders (including ROC USA) offer specialized loans for this purpose. Nonprofit organizations might also face difficulties in securing sufficient capital to purchase a manufactured housing park. While they may be able to access federal, state, or local affordable housing programs, these funding streams often have specific limitations for manufactured housing.[13] In addition to the initial acquisition costs, both resident- and nonprofit-owned communities may need to address deferred maintenance, make capital improvements, and shore up their financial reserves upon conversion.

Expanding access to financing for the purchase of manufactured housing parks is an important step to ensure that mission-driven buyers can offer a competitive bid on a property. Resident-owned communities typically rely heavily on debt financing, sometimes in excess of the value of the property; this approach minimizes the upfront cost for members to purchase a share of the cooperative.[14] This is the approach taken by ROC USA, which offers debt financing to cooperatives in its network (supported through low-interest loans and grants from institutional partners like banks and foundations). Other approaches to reducing financing costs for non-traditional owners of manufactured housing parks may include equity-like investments and low-cost program-related investments. Grants and deferred interest loans can also help defray the costs of property rehabilitation and improvements.

Fannie Mae and Freddie Mac also have important roles to play in expanding access to lending for nonprofits and resident cooperatives. As part of their Duty to Serve plans, Freddie Mac has launched a new loan product to help resident cooperatives acquire MHCs, while Fannie Mae introduced new pricing incentives for resident- and nonprofit-owned MHCs. While these initiatives are relatively new and their impact has yet to be seen, they have the potential to expand access to financing for resident collaboratives and nonprofits.

3. ***Advocate for state law changes that facilitate resident or nonprofit ownership of parks.***
   Key actors: Advocacy organizations, state officials, philanthropic partners, lenders

Generally, the best time to convert an MHC to a resident or nonprofit ownership model is when the current owner plans to sell the property. However, resident cooperatives and nonprofit organizations may not be able to compete with corporate buyers with more resources and experience with these types of transactions, especially given what could be fairly short notice. States can pass legislation that make it easier for resident cooperatives and nonprofit organizations to bid on, and successfully purchase, MHCs when they come up for sale. State-level advocacy and organizing would aid the development of similar requirements in other states.

State legislation related to resident or nonprofit ownership of MHCs varies widely. Some states simply require the current owner to give residents advanced notice of the sale under certain circumstances, so that residents have sufficient time to organize an offer. Other states have stronger protections in place for residents: for example, as of 2021, five states provide residents of MHCs with the right of first refusal to purchase their community when it is put up for sale.[15] States can also encourage current owners to sell to residents or nonprofit buyers through tax incentives.

Example

The California Department of Housing and Community Development offers the Mobile Home Park Rehabilitation and Resident Ownership Program. The program offers financing to resident cooperatives, nonprofit housing sponsors, or local public entities to help them purchase and rehabilitate MHCs. There are several low-interest and deferred payment financing options, including short-term acquisition loans; long-term blanket loans; and loans for individual homeowners to pay for the cost of their cooperative share. The California Coalition for Rural Housing, a nonprofit technical assistance provider, provides training and support to applicants and grantees.

Example

The state of Vermont has some of the strongest state policies for facilitating resident and nonprofit ownership of MHCs. The state requires sellers to give residents at least 45 days' written notice before selling the property. Residents can then notify the owner of their intention to purchase the property as a cooperative or through a nonprofit organization. If residents are interested in purchasing the property, the seller is required to enter into good-faith negotiations with them and is prohibited from selling the property to another party for 90 days. Sellers also receive a tax incentive if they sell the community to residents or a nonprofit organization.

Conclusions

Manufactured homes have the potential to make homeownership accessible to low- and moderate-income families, but the tenure structure of manufactured housing communities leaves homeowners living in these communities vulnerable to displacement and limits their ability to build wealth over time. The conversion of manufactured housing communities to resident or nonprofit ownership provides residents with increased capacity to maintain residential stability, build wealth, and strengthen their ties to their neighborhood. These changes can improve individual well-being and foster healthier and more connected communities.

Related Issues

- In recent years, residents of a number of MHCs have reported experiencing displacement and rent increases after being acquired by private investors. As part of the Duty to Serve rule, the Federal Housing Finance Agency defined minimum 'Tenant Site Lease Protections' that incentivize lending in MHCs with strong homeowner protections. In recent years, both Fannie Mae and Freddie Mac have taken steps to require or encourage park purchasers to adhere to these protections. For more information, see Fannie Mae's pricing incentives and Freddie Mac tenant protection requirements.

Other Resources

- The Manufactured Housing Toolkit, developed by Prosperity Now and the National Consumer Law Center, includes a series of policy briefs and research about manufactured housing issues. Their Resource Guide library describes state and local legislation related to resident ownership rights, displacement protections, financing and titling issues facing MHC residents, and other relevant topics.

- Freddie Mac conducted a study of Manufactured Housing Resident-Owned Communities as part of their Duty to Serve activities. The analysis provides an overview of the location, characteristics, and financing structures for resident-owned communities, including further details on ROC USA's financing options.

For More Information

- This brief is part of a research series that explores how homeownership can be used to advance health and racial equity. To review the other resources in this series, visit https://www.abtassociates.com/HomeownershipEquity.

Endnotes

1 Manufactured Housing Institute (2020). 2020 Manufactured Housing Facts: Industry Overview.

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7 Freddie Mac Multifamily. (2019). Spotlight on Underserved Markets: Manufactured Housing Resident-Owned Communities.

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11 Gray, J. and McCarthy, G.W. Lincoln Institute of Land Policy (2021). Duty to Serve: The Purpose of Fannie Mae & Freddie Mac and Early Lessons Learned in Underserved Housing Markets.

12 ROC USA (2020). Study: ROCs grow more affordable every year.

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14 Freddie Mac Multifamily. (2019). Spotlight on Underserved Markets: Manufactured Housing Resident-Owned Communities.

15 National Consumer Law Center (2021). Manufactured Housing Resource Guide: Promoting Resident Ownership of Communities.