



SHEDDING THE STIGMA:

Today’s manufactured homes offer high quality, energy-efficient and stylish options for affordable housing.

As communities and families across the country seek affordable housing options – one solution is often overlooked: manufactured homes.

By Stacey Epperson, President & Founder, Next Step, and Paul Fortenberry, Director of Communications, Clayton Home Building Group

Space to stretch out. Freedom to complete DIY projects or hang artwork. Privacy. A walk-in closet. Money left over at the end of the month. These are a few of the benefits highlighted by owners of manufactured homes in a recent campaign by [Next Step](#) called [#ForeverHome](#). Next Step is a Kentucky-based nonprofit organization that supports responsible financing, comprehensive homebuyer education and delivery of high quality, ENERGY STAR® manufactured homes with manufacturing partners such as [Clayton](#).

From an older couple seeking a healthier home environment, to a working single mom wanting to go back to school, to an Iraq War veteran looking to provide a good home for his young family, these individuals all found their solution in manufactured homes. Proponents and advocates for more affordable housing often neglect to discuss this viable option. Next Step advocates for hard-working families across America who deserve access to manufactured housing - often the only affordable option outside of renting that offers a path to wealth building through equity.

Increased access to homeownership creates wealth building opportunities for families, builds a greater sense of stability and responsibility, and contributes to vibrant communities across the country.

As it stands, there are few affordable rental units available for low-income families. According to a study by the National Low Income Housing Coalition, a shortage of affordable rental housing exists in every state and major metropolitan area.



In the US, only **35 affordable homes** are available for every **100 extremely low-income renter households.***

*National Low Income Housing Coalition

With this tremendous need, why isn’t manufactured housing more frequently included in the affordability conversation? Unfortunately, many of the challenges facing expanded use of manufactured housing are steeped in outdated stereotypes, misinformation and decades of negative portrayal in popular culture.

Many of the reputational challenges faced by the industry date back to a time before the federal government began regulating construction standards in the mid-1970s. Those regulations, called the Federal Manufactured Home Construction and Safety Standards (commonly known as the HUD Code) went into effect in 1976. These regulations represented a significant change in the industry, creating a defining difference between mobile homes (those built prior to 1976) and manufactured homes (those built post-1976).

The HUD Code established requirements for manufactured housing design and construction, strength and durability, wind resistance, transportability, fire resistance, energy-efficiency and quality. The HUD Code also sets performance standards for the heating, plumbing, air-conditioning, thermal and electrical systems.

Manufactured Homes*



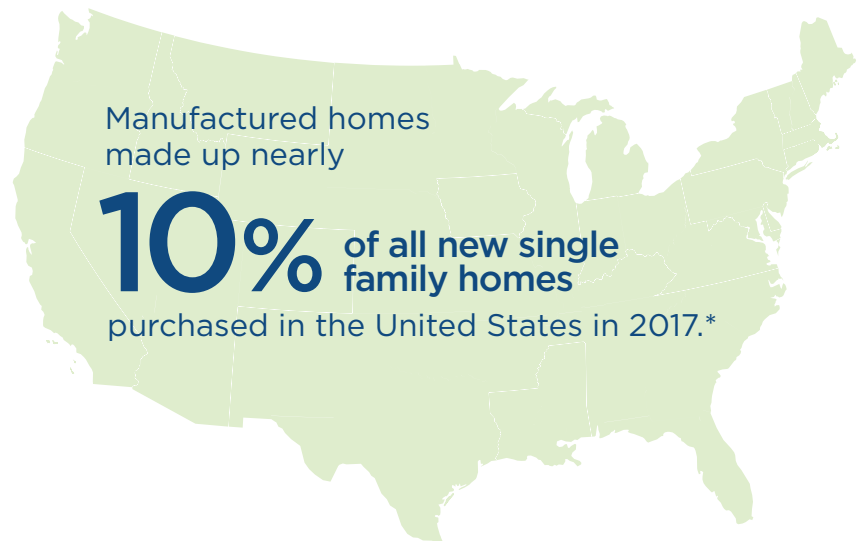
Mobile Homes

*Manufactured Housing Institute

Many of the pre-1976 mobile homes remaining are in persistent poverty regions. Their original construction and current age means that they may not provide healthy living conditions. Low-income families often compromise on the quality of their housing based on what they can afford. A 2016 study by the Center for Housing Research at Virginia Tech found that approximately 7,351 occupied pre-1976 mobile homes in Appalachian Alabama, Kentucky, Tennessee and West Virginia have one or more “red flag” conditions, including lack of a sink, toilet, hot and cold running water, bath or shower, and stove or range. These older homes perpetuate the negative stigmas that plague newer, quality-built manufactured homes.

Despite these outdated reputational challenges that stem from aging mobile homes, the total number of manufactured home shipments is on the rise. The quality that manufactured homes offer continues to provide a reliable, stylish and affordable solution for customers across the U.S. More than 92,000 homes were shipped across the U.S. in 2017, up 44 percent from 2014.

Not only is the initial investment in factory-built housing more affordable, but thanks to the quality and energy-efficiency, both maintenance and utility costs are lower. In contrast, the average cost of a new site-built home with land sells for more than \$370,000.



*Manufactured Housing Institute

Manufactured homes cost much less. In fact, the average sales price of a new manufactured home in 2017 was \$71,900, according to the U.S. Census Bureau. This dramatic price difference uniquely positions manufactured housing as a means to make homeownership a realistic option for more families.

Traditional, on-site builders are also benefiting from the efficiencies of off-site construction. These innovative builders are starting to include prefabricated sections of walls and floors that can be transported to the building site.

Truly Affordable

Joey and Brittney Jones, high school sweethearts who grew up in Campbellsville, KY, carefully evaluated the options when they set their sights on homeownership as a goal for their new family. The couple decided on a brand-new ENERGY STAR® home and they couldn't be happier.

Next Step's partner manufacturers are committed to helping customers and their families from all walks of life, including people of historically underserved markets, achieve the dream of homeownership. These partners provide manufactured homes that meet or exceed ENERGY STAR® standards on permanent foundation that meet FHA criteria.

These construction standards, along with comprehensive homebuyer education, support for homeowners, and access to fair, fixed-rate home financing ensure capacity for families to build wealth through homeownership.



“ Being a homeowner has changed my life in a lot of ways. It's definitely relieved a lot of stress. I don't worry out the bills because they're not expensive.

- Joey Jones, Homeowner

In the US, manufactured homes account for about



of new homes costing less than \$150,000*

*Clayton

Today, there are about 6.8 million occupied manufactured homes across the country. Many Next Step families are able to achieve the dream of homeownership because of this lower price point. The impact of homeownership is often directly correlated with improved financial well-being. That's because home equity (the value of one's

home minus all debts against it) has a big impact on net worth. According to a 2017 U.S. Census Bureau report, home equity accounted for 32.2 percent of net worth owned by households. Owning a home can be transformational because it enables families to build and keep wealth.

High Quality

Next Step homeowners Lee and Lucille Allen lived in poor housing conditions for most of their lives. The old mobile home they were living in had mold and electrical problems that threatened their general health and safety. The couple was the first family to purchase a Next Step home through Frontier KY in Rowan County, Kentucky, 12 years ago. The Allens are convinced that moving into their new manufactured home saved their lives and improved their health.



“ I’d recommend a home like this to anybody. It’s perfect to me.

- **Lucille Allen, Homeowner**

I’ve never been as happy in my life as I am now.

- **Lee Allen, Homeowner**

Manufactured homes are built in controlled environments with materials designed for strength and durability. Today’s manufactured homes are built to strictly regulated standards using quality, durable materials. Because these homes are constructed indoors, they avoid water damage and weather delays and have sustainability benefits due to efficiencies and recycling waste. This improved manufacturing process also creates affordability as a result of economies of scale. In addition, manufactured homes undergo comprehensive federally-required inspections during the construction process to ensure quality.

Manufactured homes are certified by third-party inspectors before leaving the factory to ensure:



Indoor Air Quality



Plumbing Plans and Systems



Fire Safety



Federal Code Compliance



Structural Strength and Safety

Health and Education

Poor quality housing impacts all people, but children in particular are susceptible to the negative health effects of substandard housing. A [2017 Harvard Study](#) found that more than 2 million housing units occupied by families with children were deficient in some way, including 24 percent with severe deficiencies.

Quality housing can positively improve both health and educational outcomes for growing children. The [World Health Organization](#) found that key housing-related health risks include: respiratory and cardiovascular diseases from indoor air pollution, illness and deaths from temperature extremes, communicable diseases spread because of poor living conditions, and risks of home injuries.

Health and Education, continued

According to the [National Housing Conference](#), affordable housing can directly impact educational achievements by reducing disruptive moves, housing-related health hazards and supporting spending on enrichment activities. As a path to

homeownership for very low- and low-income families, manufactured homes can provide housing stability and safety, greatly contributing to improved child and adolescent development.

Energy-Efficient

Purple paint and gaming posters help Jennifer Quintana's teenage children feel at home in their ENERGY STAR® modular home in Monte Vista, Colorado. After renting for many years, they also are thrilled to be thoroughly warmed in the winter and cooled in the summer. Her previous apartment was so drafty that they were cold and the pipes often froze, even when she spent a lot of money to keep the heat on constantly. Not only are they comfortable now, thanks to the ENERGY STAR® standards in their manufactured home, the bills are so much less.



It's allowed me to have extra money at the end of my paycheck.

- Jennifer Quintana, Homeowner



Manufactured housing built to ENERGY STAR® standards provides homeowners substantial savings in utility costs in the long term. Clayton offers both ENERGY STAR® and Energy Smart Home packages that include energy efficient windows, heaters and air conditioners. Factory-built homes constructed to ENERGY STAR®

standards can save homeowners hundreds of dollars per year on utility costs - which can help the family budget significantly and free money up for other important investments.

Programs that focus on replacement of older mobile homes with new, high-performing energy-efficient manufactured homes decrease blight in communities, while providing access to safer, healthier and more stable housing. This is important because studies of older mobile homes have found that more than 70,000 households living in mobile and manufactured homes in Appalachian Alabama, Kentucky, Tennessee and West Virginia pay more than 30 percent of their income to cover utility costs. Partnering with mission-driven nonprofit organizations, utilities, lenders and the manufactured housing industry, Next Step projects have resulted in more than \$4 million in 30-year energy cost savings.

A Solution for Every Generation

From Millennials to Baby Boomers, manufactured homes offer options that meet the unique needs and preferences of each generation.

Millennials, who make up 35% of Clayton's current customer base, is the largest group of current homebuyers according to Ellie Mae and are facing challenges unique to their generation of first-time homebuyers. In addition to rising prices and lower supply, many first-time home buyers contend with ballooning student loans and other debt that make it particularly challenging to save money for a down payment, despite being able to qualify for a home loan based on their income ([Harvard Joint Center for Housing Studies \(HJCHS\)](#)).

Many Millennials find that the affordability, style and available features of manufactured homes meet their needs. Robert and Chasity Woody, a young couple with two children, loved being able to customize their home and save money on rent and utilities.

As more Baby Boomers reach retirement age, many are looking to downsize and value low-maintenance options. Those who face health challenges in aging also appreciate the customization options that can make manufactured homes easy to navigate - such as wider, wheelchair accessible entryways. Richard Alexander, a retired amputee, is thrilled to have an accessible home in a community of people he enjoys. "I know people all over this park. Where we ended up is like the perfect situation. I'm surrounded by good people," said Richard.

Conclusion

Making affordable housing available to all Americans is a daunting challenge that will not be achieved by any single approach. Next Step and Clayton believe that it is important to include manufactured housing in the affordable housing conversation in communities across the country.

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Clayton and the industry recently began development of a "New Class" of homes built to federal HUD Code standards that perform like site-built homes but achieve cost-savings through efficiencies in the construction process.



Manufactured homes give both Millennials and Boomers plenty of options to customize a home to meet their unique needs - from smart technology options to open floor plans. Clayton offers homes with open layouts, natural light and modern architectural details that are appealing across generations and designed to optimize various lifestyles.

Many communities and families have already discovered quality, energy efficient, affordable housing with Next Step and Clayton. We believe there is an opportunity for many more to achieve the dream of homeownership and discover its long-term benefits.