



**MANUFACTURED HOUSING**  
BLUEPRINT FOR AFFORDABILITY AND COMMUNITY IMPACT

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**Front Cover Photo Credit:**  
*Clayton Homes, Knoxville, TN*

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# INTRODUCTION

## An Opportunity to Learn More and Scale

Manufactured housing represents an untapped affordable housing resource in communities across the country. Constructed, developed, and financed differently from site-built housing, manufactured housing presents opportunities for NeighborWorks organizations (NWOs) to be resilient in meeting the needs of their communities. **A fundamental knowledge gap exists that prevents NeighborWorks organizations from leveraging this type of housing in their existing housing and community development efforts.** By developing tools and resources that address three areas of core competency (general information about the manufactured housing space, financing considerations for clients, and development and acquisition costs for organizations) we can foster greater use and acceptance of manufactured homes across the network. Ultimately, successful development efforts will not only generate earned revenue for NeighborWorks organizations but increase access to affordable housing options in the communities that they serve.

## Why Read this Guide?

To address this challenge and help NWOs interested in manufactured housing activities and programs, the Manufactured Housing Strategies cohort, as part of the Learning Community in 2020, collaborated to develop this Blueprint document as a guide for developing new business lines or scaling existing ones to greater production. Leveraging members' expertise in housing finance, counseling and development, **this Blueprint serves as a primer to manufactured housing – and a roadmap for NWOs with the desire to build and scale sustainable programs centered on manufactured housing.**

## THIS TOOLKIT WILL WALK YOU THROUGH FIVE KEY AREAS:

				
<b>GETTING STARTED</b>	<b>FINANCING FOR MANUFACTURED HOMES</b>	<b>COUNSELING CLIENTS ON MANUFACTURED HOMES</b>	<b>BUILDING KEY PARTNERSHIPS</b>	<b>RESOURCE LIBRARY</b>
How to create a roadmap for success	Ways to finance manufactured housing	Help home buyers successfully purchase and own factory-built homes	Find organizations and collaboratives to help support manufactured housing programs	Research available and on manufactured home production and key terms



### LEARN MORE

Want to learn more about manufactured housing and resources available at NeighborWorks? Contact: [rural@nw.org](mailto:rural@nw.org)

# PRIMER ON HOUSING CONSTRUCTION SPECTRUM

To get started it is helpful to understand the as a guide for developing new business lines or scaling existing ones to greater production. Leveraging members' ex



**SITE BUILT**

100% ON-SITE



**PRE-CUT**



**PANELIZED**



**MODULAR**



**MANUFACTURED**

100% IN FACTORY

*A unit constructed entirely on its own lot; also referred to as 'stick-built'*

*'Kit' homes; all parts are cut and prepared in a factory, ready to be constructed on site*

*Constructed using a panelized building system in which walls are factory built and assembled on a prepared foundation*

*A unit made of factory-built modules put together on site*

*A factory-built unit constructed on a chassis as of June 15th, 1976. Designed to meet federal 'HUD' code*

# EXECUTIVE SUMMARY

NeighborWorks Learning Communities is a topic-based, collaborative forum in which a cohort of up to five (5) NeighborWorks network organizations (NWOs) come together through a series of meetings to refine practices and better understand practices, contexts and trends related to their comprehensive community development efforts through peer-exchange and exploration.

The Manufactured Housing Strategies cohort was tasked to support NWOs seeking to gain a better understanding of manufactured housing and/or create sustainable growth opportunities leveraging manufactured housing for community development efforts. The Cohort established a baseline to identify the key challenges and opportunities for NWOs:

## COHORT MEMBERS

The Manufactured Housing Strategies cohort consisted of four (4) NeighborWorks Network organizations and one (1) subject matter expert:

- ▶ DevNW  
*Salem, OR*
- ▶ Community Resource  
Housing Development  
*Alamosa, CO*
- ▶ MaineStream Finance  
*Bangor, ME*
- ▶ Neighborhood Partnership  
Housing Services  
*San Bernardino, CA*
- ▶ Subject Matter Expert:  
Next Step Network  
*Louisville, KY*

**Manufactured housing represents an untapped affordable housing resource in communities across the country. A fundamental knowledge gap exists that prevents NeighborWorks organizations from leveraging this type of housing in their existing housing and community development efforts. By developing tools and resources that address three areas of core competency (general information about the manufactured housing space, financing considerations for clients, and development and acquisition costs for organizations) our cohort can foster greater use and acceptance of manufactured homes across the network. Ultimately, successful development efforts will not only generate earned revenue for NeighborWorks organizations but increase access to affordable housing options in the communities that they serve.**

To address this challenge and help NWOs interested in manufactured housing activities and programs, the Manufactured Housing Strategies cohort collaborated to develop this toolkit. Leveraging members’ expertise in housing finance, counseling and development, this toolkit serves as a primer to manufactured housing – and a roadmap for NWOs with the desire to build and scale sustainable programs centered on manufactured housing.

Additionally, in order to meet the growing need for affordable housing, the Cohort recommends exploring dedicated opportunities to better engage with manufactured housing, including:

- (1) Taking a tour of a home manufacturing facility
- (2) Exploring manufactured housing in your local market(s), including existing homes and/or communities
- (3) Networking with organizations successfully leveraging manufactured housing as a dedicated line of business.

# MARKET CONTEXT AND THE NEED FOR MANUFACTURED HOMES

## A Crisis in Housing Supply

We are approaching the zenith of a housing affordability crisis. As home prices continue to rise, housing stock shrinks and wages remain stagnant, Americans increasingly find themselves unable to secure sustainable housing. Factory-built housing (comprising both manufactured and modular homes) presents a viable solution for affordable and sustainable homeownership and community development opportunities.

The U.S. [homeownership rate remains at a low point](#), falling to just 65.3 percent. This drop has been attributed to several factors, but one prevailing issue is a pervasive lack of affordable housing options for low- and moderate-income individuals and families. In 2019, the [average price for a new single-family home](#) in the U.S. was \$383,900 – and wages are not rising commensurately with increased market prices.

But the national numbers even fail to paint the picture for the depth of this housing supply crisis in many communities. Real estate marketplace giant Trulia shows that nationwide the number of “starter homes” available – smaller, more affordable homes – has [dropped 40 percent since 2012](#). In cities like Austin and San Antonio, Texas, more than 80 percent of this housing stock has disappeared.

As it stands today, manufactured housing is the largest source of unsubsidized, affordable housing stock, with about 6.8 million occupied homes in the country. Manufactured homes make up about six percent of the national housing stock and are an indispensable source of housing in many communities. In 2019, the [average sales price of a new manufactured home](#) was \$81,630 – compared to \$383,900 for a new, single-family site-built home. This dramatic difference in cost opens the chance to own a home to a greatly expanded pool of individuals and families.

## Addressing Prevailing Stigma and Stereotypes

While strides have been made to promote the profile of manufactured housing and address zoning and other regulatory issues at the national level, policies and regulations remain patchwork. In lieu of focused, national policies geared toward expanding affordable homeownership, local leaders and advocates will need to be creative and open-minded in crafting affordable

## AFFORDABLE HOUSING NEEDS

The Federal Reserve Bank of Kansas City reports that home construction remains at one of its lowest levels in 60 years due to decreasing housing inventory and skilled labor, and rapidly increasing land and construction costs. The challenge is exacerbated by rising home prices and generally stagnated wages.

In less than 10 years, median home prices have risen 76 percent while wages have risen only 17 percent as reported by ATTOM Data Solutions.

In the last year, the number of homes priced above \$750,000 grew by 11 percent, according to Realtor.com, and the number of homes below \$200,000 declined by eight percent – a trend that is expected to continue into 2020. That leaves the average price of a new single-family, site-built home with land quickly approaching \$400,000 across the U.S., reports the United States Census Bureau, exceeding prices predating the 2007 housing crisis.

*Excerpt from OFF-SITE BUILT HOMES: An Evolving Industry that Meets Today's Affordable Housing Needs*



Source: Frontier Housing

housing solutions that increase homeownership opportunities for individuals and families.

It's an affordable solution sitting right in front of many local and community leaders, and yet one that is often overlooked. In fact, factory-built housing typically faces opposition from communities. Resistance and acceptance of factory-built housing will vary by market. In rural communities, there is (generally) a broader acceptance of manufactured housing, as these homes are a more common option for low- and moderate-income home buyers. In suburban and urban markets, opposition to factory-built homes (based on misperceptions and stigma) is typically stronger. Regardless of market, a lack

of clear and consistent zoning regulations adversely impacts the expanded use of these homes. They are often the target of NIMBY-ism (Not in My Backyard) – the misconception from residents being that expanded use of factory-built homes would have a detrimental impact in their community. Local lenders and home appraisers lack knowledge about factory-built homes, making it more difficult for prospective homebuyers to secure sound financing.

Many of these challenges facing factory-built housing are steeped in outdated stereotypes, misinformation and decades worth of negative portrayal in popular culture. It starts with outmoded terminology. When referencing this housing stock, many use terms like “mobile home” or “trailer.” While “trailer” is more a derogatory term – one that is also offensive to the millions of families all over the country who live in these homes – mobile home is actually a categorically incorrect definition (unless one is referring to a home constructed prior to 1976). That year, the Department of Housing and Urban Development (HUD) enacted the Manufactured Home Construction and Safety Standards, also known as the HUD Code, creating a national blueprint for the design, performance and installation of all manufactured homes in the country.

### Why Manufactured Homes?

Today's manufactured housing stock is a far cry from the popular perception that is still a part of our cultural zeitgeist. The HUD Code has been updated and amended to include much-improved energy efficiency standards. In 2005, HUD issued the Model Manufactured Home Installation Standards, outlining methods for on-site installation that comply with the HUD Code. Improved building technology,



### What's the difference between a manufactured and a modular home?

How do you finance a manufactured home? If you want to sharpen your basics on manufactured housing, download “**Building Foundations: Factory-Built Housing 101**” available for NeighborWorks Network Organizations.

manufacturing processes, and regulatory mechanisms have combined to create a vastly different landscape for factory-built housing.

Modern manufactured and modular homes also present many advantages for the buyer. The construction of a factory-built home is process-based, so building times are more predictable and the controlled environment prevents damage or loss due to weather and theft. Customization can also be more controlled, with specific costs tied to features and amenities up front.

Home manufacturing facilities are also making great strides in reducing waste in building practices. Recently, all 36 of the manufacturing facilities owned and operated by Clayton Homes – one of the nation’s largest manufactured and modular home builders – were [awarded an ISO 14001 registration](#), a set of internationally agreed-upon measures that are designed to reduce the cost of waste management and reduce energy consumption. Manufacturers are also building more energy-efficient homes, generating less impact on the environment and saving families hundreds of dollars in monthly utility bills.

## **A Solution for Sustainable Housing and Community Development**

Manufactured homes present a solution to the present and future housing challenges that we face as a country. Two key demographics are shaping the American landscape: Baby Boomers and Millennials. According to the U.S. Department of Commerce, 20 percent of the population will be over 65 years old by 2029. An aging population will drive the need for more accessible housing and retrofitting existing housing stock is both time intensive and costly. New manufactured homes can be built to meet Universal Design standards, are most typically one story and make for a cost-effective choice for those looking to downsize. Many Millennials are – or will be – first-time home buyers in the next decade. Cost-burdened by increasing financial strains, including



Source: Clayton Homes





Source: Clayton Homes

education and healthcare, manufactured homes represent a feasible price point for first-time buyers, and present a more environmentally sustainable housing solution.

Manufactured homes also present an opportunity for housing recovery and resilience in the wake of disasters – both natural and financial. For communities devastated by hurricanes, tornadoes and wildfires, the efficiencies of manufactured homes create fast and cost-effective means to house individuals and families. In these challenging times, labor can be scarce and material supply is irregular or non-existent. Demand is critical and supply will fall short. Manufactured homes can be part of the short and long-term solution for sustainable, housing in a post-disaster environment. With vision, planning and proper execution, manufactured housing will increase opportunities for homeownership and build resiliency in communities. Equity and wealth building can better prepare families to absorb the shocks of volatile financial events in a way that renters cannot.

Nonprofit housing organizations – and NWOs in particular – have been leading the way for incorporating factory-built housing solutions into communities. In order to foster factory-built housing as an affordable option for communities, there needs to be continued collaboration among key stakeholders, further advancements in manufacturing and building technology and innovative lending products and practices that bolster lending to create an enhanced space for manufactured housing. Through these collaborations, we can increase the opportunity for families to achieve the dream of homeownership, wealth-building and prosperity.

**In 2013, Affordable Housing Alliance – a member of the NeighborWorks Network – partnered with the Robin Hood Foundation after Superstorm Sandy to quickly and affordably place 22 new, ENERGY STAR®-qualified homes in the Pine Tree Community of Eatontown, New Jersey. [Watch a video highlighting the project here.](#)**

## GETTING STARTED WITH MANUFACTURED HOME PROGRAMS

This section is meant to provide NWOs with initial information and tools to create a roadmap for success when incorporating manufactured housing into new or existing programs. When examining the potential for manufactured housing programs, the same key considerations and steps need to be made as for implementing any other programmatic activities:

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### FOSTER A BETTER UNDERSTANDING OF MANUFACTURED HOUSING WITH YOUR STAFF AND BOARD

- ▶ Input and buy-in from your key staff and board are critical components to any successful program or initiative. Take the time to educate these key internal stakeholders, laying out potential challenges and communicating goals and anticipated outcomes.
- ▶ [Check out this helpful PowerPoint from MaineStream Finance](#) that you can re-purpose to suit your educational needs for your board and staff.

### UNDERSTAND LOCAL AND STATE ORDINANCES THAT GOVERN MANUFACTURED HOUSING IN YOUR COMMUNITIES

- ▶ We recommend consulting with your local planning board and/or city agencies responsible for zoning. As referenced in Section 1 of this toolkit, some localities may not allow for placement of mobile/manufactured homes. There may be a need for advocacy and education efforts on your part – even in localities zoned for manufactured homes.
- ▶ Every state has a dedicated organization (state manufactured housing associations) with more information about manufactured housing in your state.
- ▶ MHVillage.com has a helpful listing of all state associations, with links to general statistics on a state-by-state level.

## **CONSIDER EVALUATING LAND/GEOGRAPHY**

- ▶ Manufactured homes are more prevalent in certain communities across the country. This may be based on market (i.e. rural or urban communities) or other underlying factors. This may factor into your decision to implement programs and activities centered around manufactured housing.
- ▶ Your geography can also greatly impact the cost of development using manufactured homes. Great distances from manufacturing facilities (where homes are built) can add cost (i.e. transportation).
- ▶ Climate can also impact your decisions. Requirements from HUD on thermal zones and roof load can impact cost.
- ▶ The Manufactured Housing Institute (MHI) has a searchable database of their manufacturer members, and Next Step Network has a helpful map showcasing manufacturers and housing retailers in their network.

## **EVALUATE COST CONSIDERATIONS**

- ▶ We recommend thoroughly evaluating the cost of site-built construction in your service areas. Manufactured homes are not always the most cost-effective means for housing development in every market.
- ▶ For consulting services on pricing manufactured homes in your market, you can visit Next Step Network's website.

## **DETERMINE CAPITAL AND FINANCING OPTIONS**

- ▶ Do you have dedicated capital to implement manufactured housing programs? Will you need to fundraise? The same financial considerations and GAAP should be considered and with any other new programs or initiatives.
- ▶ If you plan on developing programs with an emphasis on home building and placement, do you have dedicated partners willing to manufactured home construction?

## **ENGAGE TRANSPARENTLY WITH THE COMMUNITY**

- ▶ Bring an educational and solutions-oriented approach to the community you plan to work in with this project. Particularly in suburban and urban markets, you may encounter NIMBY-ism, and prior engagement with community groups, local advocates and residents can go a long way toward fostering support.

# AFFORDABLE HOUSING DEVELOPMENT USING MANUFACTURED HOMES

The development process, timeline and players for manufactured homes are different than in site-built housing. In most scenarios, you will be working with several key players:

- ▶ **HOME MANUFACTURERS** – facilities that construct manufactured homes. From flooring to roofing, this construction process takes place in a dedicated, indoor facility. From start to finish, the manufacturing process for new single-family home can be as short as six or seven days. The [Manufactured Housing Institute](#) (MHI) has a searchable database of their manufacturer members.
- ▶ **HOME RETAILERS** – sales centers that are focused on the initial finance considerations and home sales. A retailer will have homes on display in their lot that prospective home buyers can tour with a sales associate. In most cases, a prospective home buyer will have to work with a retailer to purchase a home.
- ▶ **SUBCONTRACTORS** – individuals/companies that act as external vendors and handle home transportation, site preparation and home installation. Much of the work associated with placing a manufactured home requires specialized skillsets and should be handled by professionals with experience placing manufactured homes.

## Engaging a Retailer or Manufacturer

After taking the initial steps to activate a manufactured home development program (see Section 2: *Getting Started with Manufactured Home Programs*) your next move will most likely be to engage either a home manufacturer or home retailer. When conceptualizing a development plan, there are two primary routes to take:

- ▶ **RETAIL DIRECT MODEL**
  - a. In a **retail direct model**, a manufactured housing retailer serves as a sales center and showcase for manufactured homes. Prospective customers visit a sales center to walk homes, browse floor plans, seek initial financial qualifications and purchase a home.
  - b. In partnership with the NWO and other development partners, retailers deliver a **turnkey home placement package** – managing external vendors that handle transportation, site preparation and home installation.
  - c. Developers work with a retailer to determine needed/required home specifications, and the retailer liaises with the factory to order homes (acting as an agent of the developer).
  - d. There are numerous resources to finding retailers in your community:
    - i. [Next Step Network](#)
    - ii. [ManufacturedHomes.com](#)
    - iii. Additionally, larger manufacturers that also own retail sales centers provide listing and search functions online.

► **FACTORY DIRECT MODEL**

- a. In a factory direct model, the developer works directly with the home manufacturer to facilitate home orders.
- b. As opposed to a retailer model, the developer liaises directly with the factory to determine needed/required specifications.
- c. If you work directly with a factory to spec and place homes, there are several considerations to take into place:
  - iv. Many states will require you to license as a retailer.
  - v. You take on the responsibility of **managing and overseeing external vendors** that handle transportation, site preparation and home installation.

In either model, it is a good idea to have a firm project position before engaging an industry partner. If you already have dedicated land for development and financing commitment, it is more likely that a retailer and/or manufacturer will be interested in being involved in the project.

## Home Placement Options

Unlike traditional site-built construction where a home is built on a pre-determined plot of land, manufactured homes are constructed in a facility and transported to placement site. As such, there are several options for where a home can be placed. Each placement option will have individual considerations for site preparation and home installation.

► **MANUFACTURED HOUSING COMMUNITIES**

- **Land-lease communities** are specifically planned for manufactured homes. In a land-lease community, residents own their home, but lease the land. These communities can be smaller, family-run operations or much larger, professionally managed communities. In recent years, there has been increased interest in ownership of manufactured home communities, with larger investors and equity firms becoming more active players in this space. In some cases, (and depending on local/state regulations) residents of manufactured housing communities may have limited protections.
- Communities can also be structured as **cooperatives**. A cooperative, or resident-owned community (ROC), is when the residents of a manufactured home community have formed a nonprofit corporation (co-op) that owns the land. The members of the cooperative, who must be residents, own shares in the corporation, and residents own their homes individually. Like other types of cooperatives, those with manufactured homes are managed through an elected board of directors. The job of the co-op is to manage the community and expenses and set rental rates for the lots. Like land-lease communities, cooperatives have rules and restrictions and monthly fees for land use and maintenance. To learn more about manufactured housing cooperatives, we encourage you to [visit ROC USA's website](#).



Source: Clayton Homes

#### ► INFILL HOUSING IN URBAN MARKETS

- The Brookings Institute reports that in 70 cities surveyed, up to 15 percent vacant land exists, with an average of 2.63 abandoned structures per 1,000 inhabitants. Vacant lots generate little or no tax revenue for a municipality, reduce the vibrancy of neighborhoods, and impact the value of surrounding homes.
- Factory-built homes (either manufactured or modular) can be used for infill housing in urban communities, costing less to develop and providing a lower price point for home buyers.
- Neighborhood Partnership Housing Services (NPHS) has partnered with the city of San Bernardino, CA, to [place homes in existing neighborhoods](#). These new manufactured homes cost 25 percent less to develop than site-built homes, and were built to match the neighborhood aesthetic.

#### ► SCATTERED SITE/NEIGHBORHOOD DEVELOPMENT

- In rural markets, where land is more readily available, often manufactured or modular homes are placed on scattered lots.

- More recently, and as new financing options have become available (see Section 4: *Financing for Manufactured Homes*) some developers have taken to planning whole neighborhoods of manufactured homes.
- Learn how [Joey and Brittney Jones](#) were able to make their dreams of homeownership a reality in rural Campbellsville, KY, through a collaboration of dedicated retail and lender partners.



Source: Clayton Homes

#### ► CONTIGUOUS LOT, SUBDIVISION DEVELOPMENT

- Modern manufactured homes, with lower development costs and faster construction times, are beginning to build steam as a vehicle for subdivision and neighborhood development.
- New mortgage financing products from Freddie Mac and Fannie Mae are making for more equitable appraisals for manufactured homes, a long-standing issue that has challenged expanded use of these homes in years prior.
- There is opportunity in these types of developments for both rental or ownership opportunities.

## Product Considerations: Choosing the Right Type of Manufactured Home

Manufacturing facilities build a wide range of homes for distribution. A manufactured home has a structural frame, or chassis, that supports the complete unit of walls, floor, and roof.

Single-and multi-section homes are available. Each section or sidewall have this frame under the home for structural support. **Single-section** homes are self-contained units and generally range in size from 900 to 1,300 square feet. **Multi-section** homes units are separate units joined at the site. Multi-section homes generally range in size from 1,500 to 2,500 square feet.

Modular homes are also an option. A modular home is any dwelling **factory-built to a local and state code**. In some cases, a state may have adopted one of the uniform construction codes, such as

the Uniform Building Code or International Residential Code.

When working with a retailer or manufacturer to spec homes for a development project, there are a few key considerations to make:

- Size of available lots – are you working in a manufactured housing community or on private land? This will factor into ultimate home spec and selection.
- Cost considerations – what are your cost considerations when compared to your clients’ needs? More basic homes (single section) can be developed at less cost but allow for less wealth building opportunities for clients.

## “New Class” Manufactured Homes

In recent years, the manufactured housing industry has worked toward the development of a new class of manufactured homes, more in line with the aesthetics of site-built housing.


Classified as **CrossMod™** homes by the [Manufactured Housing Institute](#) (MHI), these homes are meant to help support an expanding gap in housing affordability, while retaining high-performance features and aesthetics that fit existing neighborhoods and communities. These include a higher roof pitch, garage or carpool, drywall throughout and energy-efficient features meant to save homeowners on their monthly payments. In nearly every part of the country, those looking to purchase a home find themselves priced out of the market. However, constructing homes indoors (in a controlled environment) controls costs, and makes them more affordable for home buyers.

The timing of these new homes’ placement coincides the release of new financing tools for manufactured homes from Freddie Mac and Fannie Mae (see *Section 4: Financing for Manufactured Homes*). One of the key benefits for factory-built homes constructed to meet these new specifications is that the homes can be appraised in comparison to site-built homes in the same neighborhood – allowing for homeowners and families to build wealth through equity in their home.

In Knoxville, TN, Clayton – the largest home manufacturer in the country – has built a new neighborhood that is a mix of site-built, modular and manufactured homes.



## HOME SPECIFICATIONS REQUIRED FOR MH ADVANTAGE & CHOICEHOME QUALIFIED HOMES

	<b>CHOICEHOME FREDDIE MAC</b>	<b>MH ADVANTAGE FANNIE MAE</b>
<b>▶ ROOF PITCH</b>	4/12	4/12
<b>▶ FOUNDATION</b>	Permanent foundation recommended by the manufacturer and must include a masonry perimeter or blocking	Designed to accommodate: a masonry perimeter wall; HUD's Permanent Foundations Guide to Manufactured Housing; Engineered Foundation certified by registered architect or engineer
<b>▶ INSTALLATION</b>	No overarching requirement	Driveway and sidewalk
<b>▶ ENERGY-EFFICIENCY</b>	33/11/22 insulation package, low-e windows and a programmable thermostat	Built to meet one of the following: U-value of 0.076 or less; 2009 IECC; ENERGY STAR
<b>▶ GARAGE/CARPORT</b>	Combination of at least two of the following: attached/detached carport or garage, roof dormer, covered porch	Combination of at least two of the following: roof dormer; garage; carport
<b>▶ INTERIOR</b>	Taped and textured drywall	Taped and textured drywall; kitchen and bath cabinetry with solid wood or veneered fronts; fiberglass, solid surface, acrylic, composite, porcelain/enamel coated steel, or tile for showers and or bathtubs

## Considerations for Scalability and Growth

Like more traditional development initiatives, no two projects are the same when developing with manufactured homes. Many of the principles that would help ensure successful placement of a single home are applicable to larger projects. In order to make manufactured home development a viable, successful part of your organization’s revenue and growth strategy, consider the following guidance:



### ► INTERNAL BUY-IN

- Your staff and Board are champions for your organization’s mission and activities and will also need to believe in the manufactured housing initiatives. It’s important that senior leadership at both the staff and Board level have an understanding about modern manufactured homes and what they can deliver. Existing stigma and stereotypes are hurdles that need to be challenged.
- With education and training you can and must build internal advocates for manufactured housing
- Tours of manufacturing facilities are an effective way to showcase modern homes.
- If you are interested in learning about tours at facilities in your service area, [contact Next Step Network](#).

### ► PROJECT DISCOVERY

- Securing and controlling land for home placement will increase speed and capacity for home placement.
  - This can include infill lots or larger land areas zoned for single-family home development.
  - This can be city or municipal-owned property secured via partnerships with local government, or land donated to the organization, or even purchased.
  - This can also include lots available in manufactured home communities (whether privately owned or owned by the residents in a cooperative ownership model).
  - While not yet prevalent, there are increasing opportunities to develop affordable housing opportunities on community land trusts (CLT) as well.
- Like any development project, dedicated funding and/or construction financing is critical for success. Consider leveraging existing funding relationships to identify and source finance partners. Many municipalities may also have funding for community revitalization and development.
- Know the zoning regulations in your service area as they relate to manufactured homes. Will you need to conduct advocacy work with your local government? You may need to consider modular homes (as opposed to manufactured homes) if zoning won’t allow for HUD code homes. Either form of factory-built housing represents potential significant savings over site built.

- Understanding the HUD code for manufactured homes is a critical piece of the development process – including its limitations. There are times when manufactured homes may not be the best option for a project. Understanding the codes, regulations and limitations from the manufacturer prior to planning for development will help set project expectations.
  - You can access the [Manufactured Home Construction and Safety Standards](#) (and other helpful information) on HUD’s website.

#### ► PRE-DEVELOPMENT

- Set the spec level of the homes that you are looking to place. This will be done in partnership with the home manufacturer and/or retailer.
  - It’s important to understand the limitations of customizations for homes built to the HUD code. If a high degree of customization is needed, modular homes (or even site-built) may be a better option.
  - If you are looking to finance the home purchase with either an MH Advantage (Fannie Mae) or CHOICEHome (Freddie Mac) loan, know what specifications the home needs to be built to.
- Run initial total project costing with the manufacturer and/or retailer.
  - Creating pro-forma will help determine if homes are affordable from a development standpoint, and if they meet the appropriate sale price point.

#### ► DEVELOPMENT PROCESS

- Work with manufacturer and/or retail partners to determine realistic construction and delivery timelines, once the home is ordered.
  - Homes are not put into a manufacturer’s construction pipeline until the home is ordered. While still faster than site-built construction, factors like demand and availability of construction materials will determine the speed of construction.
- If you are working directly with a manufacturer, you will need to hire and manage third-party vendors and sub-contractors for site preparation, home installation and set. If you are working through a manufactured housing retailer, this is managed by the retailer as a part of a turn-key model. It is important you understand the options available, the cost and the ultimate value to your home buyer.

#### ► HOME SALE AND CLIENT SUCCESS

*A pipeline of prospective home buyers can increase the viability of sustainability and growth.*

- If you have dedicated housing counseling and homebuyer education services within your organizations, consider adding manufactured housing to your curriculum (see **Section 5: Counseling Clients on Manufactured Homes**).
  - If your organization does not have dedicated counseling services, consider partnering with local housing counseling agencies in your service area.
- Identify lenders in your service area that make home loans for manufactured homes.
- Support clients as they go through the closing and move-in process. Input suggests the closing is one of the most stressful moments for a home buyer; let them know what to expect.
- It is also important to celebrate your success stories. Consider story creation that showcases your development work and tells the narrative of successful home buyers.

# FINANCING FOR MANUFACTURED HOMES

## New Home Financing

There are two basic ways to finance a manufactured home that are governed by separate sets of laws: chattel (home-only) or mortgage (land-home) loans.

**Chattel (home-only) loans** are personal property financing. It is used when a manufactured home is purchased and financed separately from the land. Manufactured homes can be financed as personal property in a land-lease community or on owned land.

Compared to mortgage (land-home) loans, chattel loans may have more lenient qualifying standards and lower upfront costs. However, these loans can be more expensive, carrying higher interest rates and shorter loan terms, usually 15-20 years. Chattel loans are priced based on the borrower's credit history. There are also fewer chattel lenders (many of which have close associations with manufacturers) which reduces clients' opportunity to shop for competitive loans.

**Mortgage (land-home) loans** are used when the manufactured home and land meet certain requirements and are purchased together as real property – just like a traditional mortgage loan on a home. The requirements might include a new home and/or installation on a permanent foundation on land that a client owns.

Government-insured loan programs have products for manufactured housing:

- [Federal Housing Administration](#) – under the Title I program; FHA approved lenders make loans from their own funds to eligible borrowers to finance or refinance the purchase of a manufactured home and/or lot.
- [Veterans Administration](#) – veterans and military members can use VA loan benefits to purchase a manufactured home or a modular home.
- [U.S. Dept. of Agriculture](#) – USDA loans can also be used in conjunction with already owned land.
- [The Section 184 Indian Home Loan Guarantee Program](#) –home mortgage product specifically designed for American Indian and Alaska Native families, Alaska villages, tribes, or tribally designated housing entities.

Check with your lender or homeownership counselor

### **MAINSTREAM FINANCE (A NEIGHBORWORKS' NETWORK MEMBER) OFFERS A CHATTEL PLUS LOAN FOR USE IN RESIDENT-OWNED MANUFACTURED HOUSING COMMUNITIES:**

- ▶ **Maximum Loan Size: \$150,000 (no minimum)**
- ▶ **Maximum term: 30 years, or the remaining economic life indicated by the home's appraisal report, whichever is less.**
- ▶ **Collateral – Chattel + Mortgage: Must own land where manufactured home is located or is located within a resident-owned-community (ROC).**
- ▶ **Other Requirements (if unit not considered real estate):**
  - **Towing hitch, wheels and axle removed, if applicable.**
  - **Permanently connected to a septic tank or sewage system and other utilities.**
  - **Dwelling must have enough gross living area and room dimension to be acceptable to the market.**
  - **Tie downs anchored in footings and skirting in place.**
  - **Doors with permanent steps.**

for FHA, VA, USDA and Section 184 Indian Home Loans. Also, your state housing finance agency may have loan options.

## Appraisals for Manufactured Homes

Appraisals have presented a challenge for manufactured homes in the past – contributing to entrenched ideas about lack of appreciation and value. However, more recent studies from organizations like the [Urban Institute](#) show that when a manufactured home is packaged for mortgage financing (land-home) and affixed to a permanent foundation, there is little variation in appreciation from a site-built home:

*The perception that MH is a deteriorating, not appreciating asset, makes it harder to obtain financing for manufactured homes. The FHFA's important new MH index suggests that manufactured homes that include the land may appreciate at rates similar to site-built properties.*

With previous financing instruments, manufactured homes had to use comps against other manufactured homes in a similar geographic area. However, new financing products from Freddie Mac and Fannie Mae ([CHOICEHome](#) and [MHAdvantage](#) respectively) allow for site-built comps, allowing for a more equitable, accurate appraisal.

## Considerations for Starting Manufactured Housing Finance Programs

MaineStream Finance, a CDFI and NeighborWorks' network member based in Bangor, Maine, began the process of developing a manufactured home lending program in 2019. Below is a Q&A that provides an overview of the organization's experience:

**Q:** What prompted initial conversations around manufactured housing?

**A:** Three primary motivations got us started:

1. Clients coming in two-to-three times a month to ask about manufactured home purchase support, and our turning them away.
2. Our sister organization (New Hampshire Community Loan Fund) asking us to do mobile home replacement.
3. Being approached by another CDFI and the Maine ROC affiliate that they needed a partner for SF lending in resident-owned communities.

**Q:** What individuals/organizations did you engage in your decision-making process? How did those engagements influence your early decisions?

**A:** The entire lending team, our entire board, our loan committee (many are mortgage bankers), and our parent organization's

**In Curry County, Oregon, 33 percent of residents live in manufactured homes. As part of the Safe and Sound Manufactured Housing Replacement Project combined with a larger Housing Stock Upgrade Initiative, NeighborWorks Umpqua was able to raise funds to repair or replace 25 substandard manufactured homes. [Watch a video highlighting the project here.](#)**

leadership team. Everyone was very supportive and helped us refine our approach and be realistic in what we can and can't do.

**Q:** Who were the early adopters within your organization?

**A:** It was a bit of struggle in the beginning for most, but things turned when our team visited a resident-owned community in Midcoast Maine and then visited New Hampshire Community Loan Fund for a day.

**Q:** Did you have dedicated funding to develop this line of business? Was there a need to fundraise? If so, which funders did you engage?

**A:** No – we engaged two banks and are finalizing with one. We are also working with the State of Maine Dept. of Economic and Community Development for a loan fund and CDFI application, CMF application, and FHLB application will cover this. NeighborWorks was very helpful in providing Design and Development grants for travel, etc.

**Q:** How did you engage potential home buyers/borrowers to make them aware of this loan offering?

**A:** We've let just partners such as banks and realtors know we are working on it and careful not to promote it too much to borrowers yet – the word is already getting out and the pipeline is growing. We'll do a marketing push after the LOC closes with some social media, etc.

## Identifying Lenders in the Space

While an expanding market, there are still limited lenders participating in the space. Next Step Network has a listing of lenders participating in the organization's SmartMH program. [Visit their website to search for lenders working in your service area.](#)

## COUNSELING CLIENTS ON MANUFACTURED HOMES

### Profile of Manufactured Homeowners

Manufactured homes disproportionately serve rural areas, younger or older customers, adults with high school equivalency or less and households with relatively low income or relatively low net worth. Heads of households living in manufactured homes are more likely younger than 30 or older than 70, relative to site-built owner-occupants. A head of household in a manufactured home is 130 percent more likely a retiree than one in site-built construction (32 percent versus 24 percent). Additionally, owner-occupants of manufactured homes tend to have lower levels of educational attainment. Sixty-seven percent versus 37 percent in site-built housing have high school diplomas or less, while 13 percent have college degrees or more compared to 42 percent in site-built housing.

Twenty-two percent of households living in a manufactured home have an income at or below the federal poverty level, 75 percent of households earn less than \$50,000, and the median net worth of individuals is one-fourth that of their counterparts in site-built construction (\$26,000 versus \$112,500 in 2010 dollars). Out of the

total pool of loan applicants for manufactured housing in 2016, the average applicant's income was \$43,925, lower than the national average household income of \$55,322. Of the 312,217 manufactured home loan applicants: 47 percent identified as White, eight percent identified as Black or African American, one percent identified as American Indian or Alaskan Native, and less than one percent identified as Asian. Ten percent of all applicants identified as Hispanic or Latino.

## Why Manufactured Homes for Your Clients?

Manufactured homes can open the door to homeownership for those clients seeking to buy a home. Today's homes, paired with new financing products and education of home buyers, present an opportunity for affordable homeownership. It's a solution for clients in two of the largest homebuying markets today: Millennials and Baby Boomers. In 2020, [Next Step Network and Clayton](#) released a white paper that took a closer look at these two markets:

***Baby Boomers' lifestyles are different than those of past generations, as those 65 and older prefer to stay active and live independently. As such, many are looking to "age in place" in homes with non-traditional floor plans offering features and conveniences that suit their future needs, such as smaller, single-story floor plans; home offices; open kitchens and separated master bedroom suites. However, they don't want to exchange their freedom for increased costs, preferring instead to spend their retirement years living in more affordable homes.***

***Millennials are also changing the home buying landscape. They are entering the home buying phase of life with greater financial responsibilities – including education and healthcare – than that of previous generations. The annual spending of those who were privately insured hit an all-time high at \$5,641 per person, as the Health Care Cost Institute reported in 2017. Off-site built homes provide a smart option for this cash-strapped generation in search of their first homes that would otherwise become stuck in the cycle of renting. Off-site built homes provide affordable, durable, customizable and environmentally friendly solutions – lowering financial stress and increasing peace of mind.***

## Adding Manufactured Housing to Your Counselor Toolbox

Practices and principles for site-built housing counseling are generally applicable for manufactured home buyers – with key differences:

- Shopping process: manufactured housing retailer v. real estate agent (almost nonexistent online shopping options).
- Financing: home only loan (chattel) v. land-home (mortgage).
- Home placement: counseling buyers placing a home in a community v. on private land.
- Next Step Network – in partnership with eHome America – has a homebuyer education course available to support buyers to make smart decisions about manufactured home purchases. Counselors can also take this course as a train-the-trainer opportunity.

Next Step Network also has tools available to support counselors in this new and emerging space:

- [TotalHome+ Calculator™](#) tool available on Next Step's website for client and counselor use.
- [Down Payment Seeker™](#) – a unique tool (powered by Down Payment Resource®) for identifying down payment programs that allow clients to use DPA for a manufactured home purchase.

If you are working with clients that have already been denied a home loan for a manufactured home, [Next Step's SmartMH program](#) can help. Next Step's SmartMH program connects educated homebuyers with financial institutions and manufactured home retailers to increase access to affordable, ENERGY STAR® manufactured homes with fair financing.

If you have questions about incorporating manufactured housing counseling into your programs, contact Kelly Fleck, Homeownership Manager, at [k.fleck@nextstepus.org](mailto:k.fleck@nextstepus.org).

***“Prepared and supported home buyers are the key to successful homeowners. Next Step’s Factory-Built Homebuyer Education Course combines knowledge, skills, and actions to help home buyers successfully purchase and own factory-built homes. The course is built around eight major steps involved in buying a manufactured or modular home. It will guide the consumer on determining if factory-built housing makes sense for them. Participants will learn the process of buying, placing, installing, financing, and inspecting a factory-built home. Manufactured housing home buyer education allows one to access the traditional homebuyer education curriculum as well as the intricate details specific to factory-built housing. It is also a great way to receive unbiased information about what to expect throughout the home-buying process. The course also provides support for future homeowners by assisting participants in where to get help if needed and care for their home after move in. An educated and informed borrower is better able to navigate the home buying process and preserve homeownership.”***

- ***Kelly Fleck, Homeownership Manager, Next Step Network***



# ZONING REGULATIONS AND POLICIES FOR MANUFACTURED HOMES

## Zoning Challenges

Zoning remains a key challenge for manufactured home placements. Due to outdated perceptions and stigma, many localities and municipalities **do not allow** for placement of manufactured homes within certain communities. Recent advancements in the design, construction and finance of manufactured homes are helping to break down these barriers.

In 2019, Congress passed the [HUD Manufactured Housing Modernization Act of 2019](#) as part of an omnibus spending package. This bipartisan legislation aims to “require any new or revised rule or regulation issued by the Department of Housing and Urban Development (HUD) to include, as appropriate, guidelines that assess the impact of the rule or regulation on owners of residential manufactured homes and the production and sale of such homes. HUD shall issue guidelines for jurisdictions relating to the appropriate inclusion of residential manufactured homes in a Consolidated Plan of the jurisdiction.”

To learn more about zoning and regulations in your community, consult with your [state manufactured housing association](#). There is also an opportunity to network with the industry and other organizations involved in manufactured housing.

## BUILDING KEY PARTNERSHIPS

Several organizations and collaboratives can provide helpful support and information as you seek to implement manufactured housing programs:

- [Next Step Network](#)
  - Next Step® Network, Inc. is a national, nonprofit housing intermediary that works to promote expanded use of factory-built housing as a viable solution to address housing affordability. Our organization mobilizes a national network of mission-driven nonprofits, leaders in the manufactured housing industry and lending institutions serving home buyers and homeowners in their communities. Next Step’s system – Manufactured Housing Done Right® – connects responsible financing, comprehensive homebuyer education and delivery of high-quality, ENERGY STAR® manufactured homes at scale, creating a model that brings more value to the homeowners and communities.
- [Manufactured Housing State Associations](#)
  - Every state has a dedicated organization (state manufactured housing associations) with more information about manufactured housing in your state. [MHVillage.com](#)

[has a helpful listing of all state associations](#), with links to general statistics on a state-by-state level.

- [ROC USA](#)
  - ROC USA helps resident corporations buy their manufactured home communities or “mobile home parks” from private community owners. ROC USA is a nonprofit organization with a mission of making quality resident ownership possible nationwide.
- [Manufactured Housing Institute](#)
  - The Manufactured Housing Institute (MHI) is the only national trade organization representing all segments of the factory-built housing industry. MHI members include home builders, retailers, community operators, lenders, suppliers and affiliated state organizations.
- [HUD’s Office of Manufactured Housing Programs](#)
  - The mission of the Office of Manufactured Housing Programs is to execute responsible regulation and solutions-oriented oversight and monitoring to protect consumers and preserve and promote the affordability, quality, durability, and safety of manufactured homes nationwide.
- [I’M HOME Network](#)
  - The I’M HOME Network is collaboration of practitioners, policy advocates, and homeowners/renters in the manufactured housing field to offer feedback and help shape the initiatives of I’M HOME Programming at Prosperity Now. To date, the Network consists of nearly 4,000 members across the country.
- [Freddie Mac](#)
  - Freddie Mac (one of the government-sponsored enterprises) and have new manufactured housing finance options (CHOICEHome) as a part of Duty to Serve.
- [Fannie Mae](#)
  - Fannie Mae (one of the government-sponsored enterprises) and have new manufactured housing finance options (MHAdvantage) as a part of Duty to Serve.
- [MHVillage.com](#)
  - MHVillage has the largest selection of new and pre-owned manufactured homes, communities and retailers, all in one place.
- [ManufacturedHomes.com](#)
  - Offers a nationwide search of manufactured and modular floor plans, builders and retailers.

## RESOURCE LIBRARY

### Data and Statistics

U.S. Census Bureau – Manufactured Housing Survey

<https://www.census.gov/programs-surveys/mhs.html>

Manufactured Housing Institute

<https://www.manufacturedhousing.org/research-and-data/>

### Research and White Papers

Shedding the Stigma: The Value of Today’s Manufactured Homes

Next Step/Clayton

[https://nextstepus.org/wp-content/uploads/2018/10/Clayton-Next-Step\\_WhitePaper\\_October-2018\\_Digital-1.pdf](https://nextstepus.org/wp-content/uploads/2018/10/Clayton-Next-Step_WhitePaper_October-2018_Digital-1.pdf)

OFF-SITE BUILT HOMES: An Evolving Industry that Meets Today’s Affordable Housing Needs

Next Step/Clayton

[https://p.widencdn.net/oa55qt/Clayton-Next-Step\\_WhitePaper\\_January-2020\\_Digital](https://p.widencdn.net/oa55qt/Clayton-Next-Step_WhitePaper_January-2020_Digital)

The Loan Shopping Experiences of Manufactured Homeowners: Survey Report

Freddie Mac/UNC

<https://planning.unc.edu/files/2020/01/manufactured-homeowners-survey-and-report-on-loan-shopping-experiences.pdf>

Manufactured Housing Landscape 2020

Fannie Mae

<https://multifamily.fanniemae.com/news-insights/multifamily-market-commentary/manufactured-housing-landscape-2020>

Evidence Matters: Factory-Built Housing for Affordability, Efficiency, and Resilience

HUD’s Office of Policy Development and Research

<https://www.huduser.gov/portal/periodicals/em/WinterSpring20/index.html>

Mobile and Manufactured Homes in Central Appalachia and Alabama: Age, Condition and Need for Replacement

Virginia Center for Housing Research (VCHR) at Virginia Tech

<https://nextstepus.box.com/s/12go9htgccqixk7197ucpb1zqr1xhhf>

Challenges to Obtaining Manufactured Home Financing

Urban Institute

[https://www.urban.org/sites/default/files/publication/98687/challenges\\_to\\_obtaining\\_manufactured\\_home\\_financing\\_0.pdf](https://www.urban.org/sites/default/files/publication/98687/challenges_to_obtaining_manufactured_home_financing_0.pdf)

## GLOSSARY OF KEY TERMS

**CHATTEL LOAN** a type of financing used for manufactured homes; also known as “home-only” or “personal property” financing.

**CHOICEHOME** loan product developed by Freddie Mac for manufactured homes.

**FACTORY-BUILT HOUSING/HOMES** general term of reference when communicating about homes constructed in a manufacturing environment; non-specific to manufactured, modular or other home types.

**MANUFACTURED HOMES** homes constructed in a factory and built to the national HUD code.

**MANUFACTURED HOUSING COMMUNITY** a collection of factory-built homes that form a cohesive community structure; can be owned by a private entity or as a cooperative.

**MANUFACTURED HOUSING RETAILERS** locations that facilitate the tour and sale of new manufactured homes.

**MOBILE HOMES** a factory-built home constructed prior to 1976; used to refer to older, energy-inefficient units that need to be replaced.

**MODULAR HOMES** homes constructed in a factory and built to a state or local building code

**MHADVANTAGE** loan product developed by Fannie Mae for manufactured homes.

**MORTGAGE FINANCING** a type of financing where a home structure and land are jointly financed; also known as “land-home” or “real property” financing.

**RESIDENT-OWNED COMMUNITY** a manufactured housing community structured as a cooperative.

**SITE-BUILT HOUSING** general term used for housing constructed outdoors on a designated plot of land; can be single- or multifamily.



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