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Manufactured Housing in Minnesota:

Overview and Policy Challenges

This summary is based on a full-length report which can be downloaded at www.mhponline.org

Manufactured housing, a form of housing that is built entirely within a factory setting, is home to over 68,000 households in Minnesota. With a median home value of \$29,000 in Minnesota, manufactured housing is an important source of primarily unsubsidized, affordable home ownership for low-income Minnesotans.

Despite this contribution, modern manufactured housing tends to be stigmatized, with poorer legal, tax, and finance structures for owners. This legacy of classification as second class housing is tied to the historical origins of manufactured homes as travel trailers. Though manufactured housing has evolved markedly over half a century into permanent, largely non-mobile dwellings, the policies and market structures associated with manufactured housing remain largely unchanged. As a result, manufactured home owners lack the financing options and consumer protections granted to their site-built counterparts.



New manufactured homes are similar to site-built homes in quality and appearance.

This document is a summary of the full Minnesota Housing Partnership study, which provides basic demographic information about manufactured housing and its residents, compares the characteristics of manufactured housing and site-built homes, provides a better understanding of the sales, titling, financing, taxation, and consumer protections of manufactured housing, and offers a set of broad policy recommendations.

Definition of Housing Types

Manufactured housing—In this report, the terms *manufactured home* and *manufactured housing* refer to single-family houses that are built completely within a factory using the federal Manufactured Home Construction and Safety Standards, commonly known as the “HUD Code”. Though the terms *mobile home* and *manufactured home* are used interchangeably in common practice, technically, mobile homes are factory built homes produced before the implementation of the HUD Code on June 15, 1976.

Modular housing—*Modular housing* refers to housing built largely within a factory setting, but which is delivered to the building site in several completed partitions, or modules, and assembled on site. The modules are assembled using a crane and placed on a conventional basement or foundation. Modular homes are typically sold and assembled on land owned by a homeowner and financed like site-built housing. Modular housing is also regulated by the same state or local building codes that govern site-built housing. The discussion of manufactured housing in this report does not apply to modular housing.

Site-built housing—*Site-built homes* are distinguished from manufactured housing by the amount of construction that is completed in a factory, as opposed to at the home site. For site-built homes, the majority of construction occurs at the home site and is subject to local building codes. Increasingly, the lines between factory-built and site-built homes are blurring. Many traditional site-built homes include major components which are constructed in a factory, such as walls and roof trusses. In addition, many new factory-built homes, whether manufactured or modular, are indistinguishable in appearance from site-built homes and are often built using the same materials.

Demographics

People: Manufactured home residents, both owners and renters, have substantially lower incomes than residents of site-built housing. While the owners of manufactured housing are predominantly white, particularly in the Midwest, manufactured housing is home to 9% or more of Native American and Latino households in Minnesota. The average

household size and the proportion of homes with children under 18 are about the same for site-built and manufactured housing, but manufactured home dwellers are more likely to have a family member with a disability.

Income of Households in Manufactured Housing 2005, United States

Tenure	Unit Type	Income
Owners	Manufactured Homes	\$30,468
	All Owned Homes	\$55,571
Renters	Manufactured Homes	\$19,833
	All Rental Units	\$27,051
All	Manufactured Homes	\$27,452
	All Housing Units	\$40,304

Source: American Housing Survey, 2005

Homes: Most manufactured homes in Minnesota are owner-occupied, with 86% of manufactured homes being owned, and 14% being rented. Nearly three-quarters of the owner-occupied manufactured housing in the Midwest is located in a non-metropolitan area. The majority of manufactured housing in metro areas is located in suburban and exurban communities.

Affordability

Manufactured housing is an important form of affordable housing in Minnesota for low-income families. In fact, this type of housing accounts for about a quarter of owner-occupied units considered affordable to families earning less than half of the area median income in Minnesota (about \$33,400 per year). A key reason for this affordability is that the per-square-foot cost of building manufactured housing is far less than construction of site-built housing. The result is that the median monthly housing costs for residents of manufactured housing are far lower for both owners and renters.

Comparison to site-built housing

Manufactured housing and site-built housing have the same role as permanent housing for residents. Today's new man-



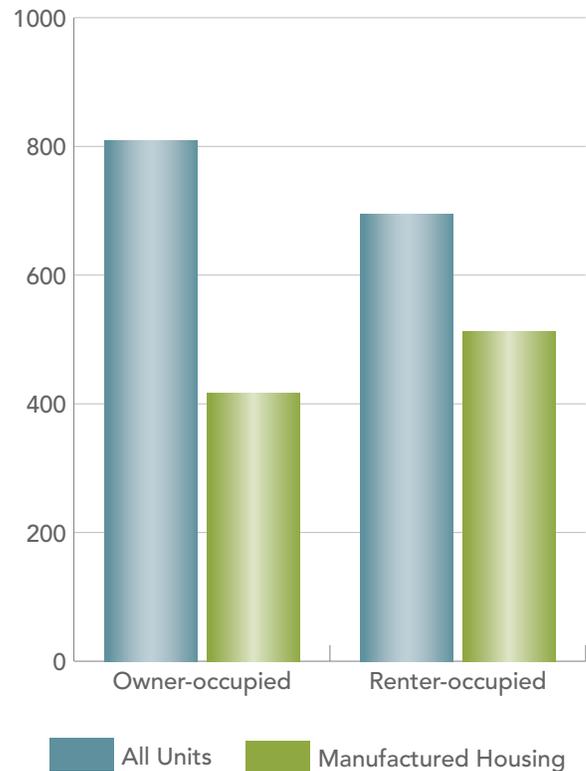
An older manufactured home in Minnesota.

Construction Costs per Square Foot

Type	Cost per square foot
Manufactured Home	\$40.13
Site-built Home	\$91.99

Source: Manufactured Housing Survey, Supplemental Data, 2006

Median Monthly Housing Costs (Including Lot Rent), United States



Source: American Housing Survey, 2005

ufactured homes are more likely to be larger, double-wide homes and tend to have similar amenities as newer site-built homes. New manufactured homes, which averaged 1,600 square feet in 2006, are similar in size to site-built homes developed between the 1950s and 1980s. Overall, manufactured homes also achieve similar quality ratings as site-built homes in the American Housing Survey. However, there are some important differences. Even though they tend to be newer, they are also smaller on average than site-built homes. Larger manufactured homes on permanent foundations perform comparably to site-built homes in storms, but many manufactured homes carry a greater risk of storm damage in non-hurricane areas. Another issue unique to manufactured homes is that they require special materials and construction methods in their manufacture, which can make it more difficult for homeowners to access materials and qualified contractors for repairs and improvements.

Land-lease communities: a vulnerable sector

Unlike nearly all owners of site-built homes, owners of manufactured housing often do not own the land beneath their

Owning the Land: National Models to Protect Parks

In recent years, communities in several states have developed resident or community ownership strategies to reduce the vulnerability faced by manufactured home owners living on leased land. Such strategies help ensure permanent residency and affordability for manufactured home owners.

- In New Hampshire, 87 manufactured home parks have been converted to resident-owned cooperatives. Co-ops increase community control, stabilize lot rents, and enable profits to be funneled back into the community.
- In Georgia, residents formed a non-profit organization, purchased land and formed a land trust after the manufactured home park they lived in was put up for sale.
- With financing assistance from the Vermont Housing Finance Agency, 38 non-profit and publicly-owned parks have been established in Vermont. The agency owns 17 parks.

Proportion of Manufactured Homes Placed in Minnesota by Type, 1980–2006



Source: Manufactured Housing Survey, US Census Bureau

homes. Overall, in 2001, 54% of manufactured homeowners in the Midwest did not own the land where their home was sited. While there is a trend towards placement of new manufactured homes outside of parks, the majority of existing manufactured homes remain on leased land. Lack of land ownership eliminates the long-term security conferred upon homeowners who own their land. There is also a special risk of loss of rental land due to park closures, of which there were 17 between 2000 and 2006 in Minnesota which have affected over 425 units.

The role of property classification

Manufactured homes in Minnesota can be titled as either real estate (like site-built homes) or personal property (like movable property such as a motor vehicle). The majority of manufactured homes are titled as personal property. This is because land ownership is considered a pre-requisite for titling as real estate, and homes placed on rented land, such as in mobile home parks, currently must be titled as personal property. This different statutory treatment based on property classification has important implications for financing, sales, taxation, and consumer protections, including rights upon default. Generally, homes titled as personal property receive poorer treatment and consumer protections.

Land Ownership: Critical for Appreciation

Unlike site-built homes, 54% of manufactured homes in the Midwest are placed on rented land. Because land ownership is a critical factor in the appreciation of housing, the placement of manufactured homes on rented land impedes the appreciation in value that site-built homes experience over time. However, when manufactured homes are placed on land owned by the homeowner, they appreciate comparably to site-built housing.



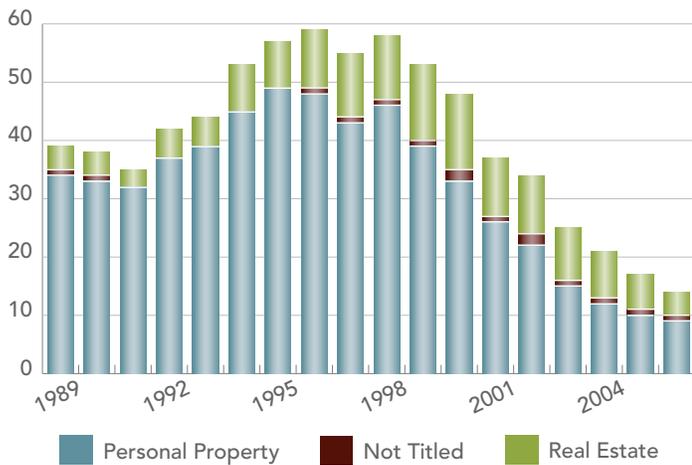
A home situated in a manufactured home park in Minnesota.

New Hampshire Community Loan Fund: A Model of Manufactured Home Financing

Over the past 24 years, the New Hampshire Community Loan Fund (NHCLF) has become a widely recognized model for innovative manufactured housing finance and resident ownership. The NHCLF model is driven by the idea that homeowners need 1) control of the land under their home and 2) access to conventional mortgage loan products.

NHCLF's Cooperative Home Loan Program is a financing system for manufactured housing that operates like the site-built mortgage market. It provides financing to residents in cooperative parks for mortgage loans for new home acquisition, purchase of existing homes, refinancing, and repair. The NHCLF partners with community development financial institutions, including Community Reinvestment Act (CRA)-motivated lenders, to provide subordinated debt to back up first mortgages. Over time, conventional lenders have become more comfortable with the loan product and the subordinated debt has reduced.

New Manufactured Home Sales by Title Type, Midwest Region, 1989–2006



Source: Manufactured Housing Survey, U.S. Census

Sales, financing, and default

Sales of new manufactured homes typically occur through a retailer, similar to a car dealership. Frequently sales and financing are linked (and sometimes vertically integrated), which leaves buyers vulnerable to deceptive or predatory practices. Resale of manufactured homes often occurs through private parties, dealerships, real estate agents (for real property), and park owners.

Though about 30% of manufactured homes are not financed at all at the time of purchase, most manufactured homes are financed. This financing carries extra stipulations and higher fees and rates than for site-built homes. The majority of manufactured homes, titled as personal property, are financed through personal property loans frequently at high rates of 8% to 14%. Such loans currently require very high credit scores, while the same credit scores would likely qualify borrowers for real estate (mortgage) loans with better terms and rates. Personal property loans are also not subject to the consumer protections of the Real Estate Settlement Procedures Act (RESPA). Even manufactured home owners that qualify for mortgage loans are often required to pay a larger down payment, a higher interest rate, or a higher fee



68,000 households live in manufactured homes in Minnesota.

than they would for a site-built mortgage loan. This is true even for loans originated by Fannie Mae and Freddie Mac. Finally, there may be physical and siting requirements of the homes that preclude many homes from mortgages, regardless of borrower characteristics.

History and Stigma

Modern day manufactured housing is deeply rooted historically in the travel trailer industry. Early travel trailers were similar in functionality to modern day recreational vehicles as highly mobile traveling “homes” which could be parked on private campgrounds. Initially used as a vehicle for vacationing families, the travel trailer later emerged as an alternative form of housing for a transient workforce.

During World War II, the trailer became a stop-gap form of housing, as the U.S. government began buying trailers and opening trailer parks to alleviate regional housing shortages that accompanied rapid increases in war-related employment. Though the government closed its parks after the war, trailers had been legitimized as a place to live.

As the function of trailers changed from travel to permanent housing, so did the homes produced by the manufactured home industry. They became larger, included more amenities, and became far less mobile. While manufactured homes are still sold with a hitch, axles, and

wheels to allow for transport, most homeowners remove these components after installation of the home. Common usage of the term “mobile home” continues, however, to support an image of manufactured housing as transient and temporary. Recognition as a legitimate form of primary and permanent housing remains elusive.

Stigma, too, plays a role in the perception of manufactured housing as inferior housing. Stereotypes of the people living in manufactured housing are easily invoked, even by many who have never known or visited someone living in a manufactured home. Manufactured home residents are perceived as “lower income, less educated and less likely to desire to succeed or improve their lives.”* This contrasts with widely accepted beliefs about site-built home ownership as a mechanism for upward mobility and a sign of achievement of the “American Dream.”

*Beamish, Goss, Atilas and Kim, 2001, “Not a Trailer Anymore: Perceptions of Manufactured Housing.” *Housing Policy Debate* 12, 2: 373-392.



Manufactured home construction is significantly more efficient and less expensive than site-built construction.

In the case of defaults on loans for manufactured homes, borrowers with personal property loans have significantly less opportunity and time to stop repossession than owners with real estate mortgages. Mortgage holders benefit from access to a more protracted, state-mandated, foreclosure process.

Taxation

Taxation of manufactured homes and site-built homes is similar in many respects, with a few notable differences. One of the most important differences is that manufactured homes in Minnesota are likely subject to a double taxation through the sales tax. First, the materials used in construction of manufactured housing are taxed at the time of manufacture. Then, a sales tax is levied on 65% of the sales price for a new manufactured home when it is sold, and this cost is indirectly passed on to the consumer. The other key tax issue is that property taxes for manufactured homes on rented land must be paid on a shortened schedule in comparison to that for homes on owned land. This shortened timeline, in addition to lack of tax escrow, is a disadvantage to owners of manufactured homes titled as personal property.

Conclusion

The results of this study suggest that manufactured home owners often stand at a disadvantage compared to site-built



Manufactured homes are rarely moved once placed, and are far less mobile than people often believe.

home owners due to policies that treat the types of homes differently. Despite the fact that manufactured and site-built homes both serve as permanent dwellings, manufactured home owners have more limited financing options and are more vulnerable than their site-built counterparts. Yet many of these differences can be resolved through policy changes.

Please access the full report for policy recommendations.

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About Minnesota Housing Partnership

Minnesota Housing Partnership provides a comprehensive array of resources that help local organizations, businesses, communities, and elected officials in Minnesota create affordable homes.

Mission

The mission of Minnesota Housing Partnership (MHP) is to promote homes for all Minnesotans and assist Minnesota communities in the creation and preservation of housing affordable to low- and moderate-income people.

We believe local organizations should be active in the creation and maintenance of affordable housing and our primary goal is to support local groups in their attempts to build the capacity to create and sustain affordable housing while ensuring equal access to this housing.

For more information, please visit www.mhponline.org.

www.mhponline.org

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