



We help build homes and communities across rural America.

**Statement for the Record of Lance George,
Director of Research and Information, Housing Assistance Council**

House Committee on Appropriations

Subcommittee on Transportation, and Housing and Urban Development, and Related Agencies

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Introduction

Chairman Price, Ranking Member Diaz-Balart, and members of the Subcommittee, good afternoon and thank you for this opportunity to testify on the role of manufactured homes and manufactured home communities as affordable housing, especially in rural communities. My name is Lance George, and I am the Director of Research and Information at the Housing Assistance Council (HAC).

HAC helps build homes and communities across rural America. Founded in 1971, headquartered in Washington, D.C. and working in all 50 states, HAC is a national non-profit and a certified community development financial institution (CDFI). We are dedicated to helping local rural organizations build affordable homes and vibrant communities. We provide below-market financing, technical assistance, training, and information services. HAC has a specific focus on high-needs rural regions and areas of persistent poverty, including rural Appalachia, Native American communities, the Mississippi Delta and southern Black Belt, farmworker communities and the Southwest border colonias. To learn more, please visit www.ruralhome.org.

HAC also produces robust research on rural housing, demographics, and poverty, with leading public and private sector institutions relying on HAC's research and analysis to shape policy. We are independent, non-partisan and regularly respond to Congressional committees and Member offices with the research and information needed to make informed policy decisions. If you need to know how a new program or policy could impact America's smallest towns, please don't hesitate to call on us. It is an honor to be here in this capacity today, on a panel with so many distinguished manufactured housing experts.

Rural Manufactured Housing Landscape

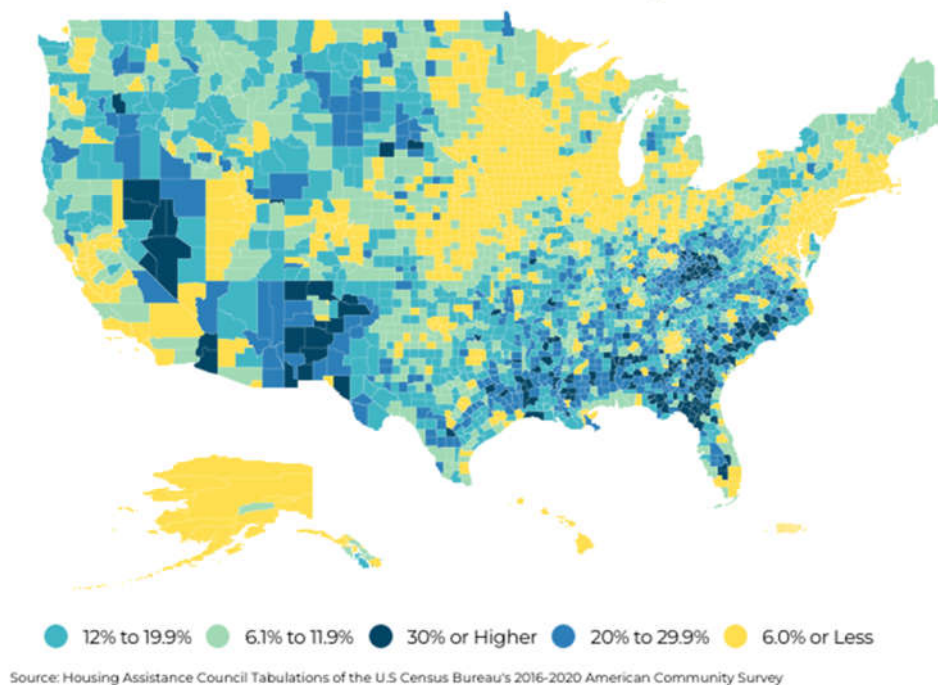
Rural America is approximately 20 percent of the U.S. population, living in rural or small-town communities located across more than 90 percent of the U.S. landmass. Between 2010 and 2020, the rural population grew by less than 1 percent, compared to a 7.4 percent population increase nationally.¹ And despite modest growth in the total rural population, many communities,

¹ Housing Assistance Council. Rural Research Note: Population Growth in Rural America was Small – and Uneven – Between 2010 and 2020. August 2021. <https://ruralhome.org/population-growth-rural-america-small-uneven-between-2010-2020/>

especially in the rural Midwest, Central Appalachia, the South, and the Midwestern and Northeastern “rust belt,” are losing population.² This is driven mainly by an outmigration of young adults,³ which is having significant effects on these communities’ housing stock as well as their overall economic viability.

A community’s housing stock is one of its most important resources. Attracting and retaining a skilled, diverse workforce depends on the availability of high-quality, affordable housing options. If a community does not have a healthy supply of homes for residents across the income spectrum, then it will struggle to thrive and grow. This challenge is playing out in rural communities across the country, where employers find it difficult to fill open positions due to a shortage in local workforce housing options.

Manufactured Homes in the United States, 2020



To view an interactive version of this map visit: <https://infogram.com/manufactured-by-county-2020r-1hxr4zxlyvnzq6y?live>.

Manufactured homes are a too often overlooked and unfairly maligned component of our nation’s housing stock. The Subcommittee’s decision to devote its valuable time to this hearing is an important recognition of the essential role manufactured housing plays in

² Housing Assistance Council. “Taking Stock: Rural People, Poverty and Housing in the 21st Century.” December 2012. <http://www.ruralhome.org/sct-information/mn-taking-stock>

³ Ibid.

supporting the economic, social, and civic life of rural communities. The physical quality of manufactured housing has improved substantially in recent years and continues to progress due to responsible regulation and advances in technology. However, the basic systems by which these homes are sold, financed, managed, and insured are still often problematic and in need of improvement to ensure that manufactured homes are a reliable affordable housing option for sometimes vulnerable populations.

There are approximately 6.7 million occupied manufactured homes in the United States, comprising about 6 percent of the nation's housing stock. More than half of all manufactured homes are located in rural areas around the country and manufactured homes make up 13 percent of all occupied homes in rural and small-town communities. Manufactured housing accounts for about 10 percent of all new single-family housing starts in the U.S.⁴

Although the demographics of manufactured housing are changing, lower-income households still occupy the majority of this stock. Underserved populations like farmworkers and those living in Native American communities also disproportionately utilize manufactured homes as a source of affordable housing. Modern manufactured homes have their origins in the automobile and recreational travel trailer industry, but factory-built dwellings produced today are more comparable in quality and safety to site-built single-family homes. The adoption of the HUD Code in 1976 and subsequent updates have significantly improved this housing type. Yet it is also important to recognize the continued prevalence of stock of older manufactured or mobile homes that predate these regulatory improvements. An estimated one-fifth of currently occupied manufactured homes were built before 1980.⁵ These older units are likely to be smaller, less safe, and have fewer amenities and less potential to retain or appreciate in value than newer manufactured homes.

Living in manufactured homes is often characterized by unique financing and land tenure challenges. While the purchase price of manufactured homes can be relatively affordable, financing costs can be much greater than for conventional housing mortgages. The majority of manufactured homes are financed with personal property, or “chattel,” loans. These types of loans are more similar to car loans than to conventional mortgage loans and have their roots in the manufactured homes' growth out of the travel trailer industry. With shorter terms and higher interest rates, personal property loans are generally less beneficial for consumers than conventional mortgage financing, putting vulnerable, low-income borrowers at risk. Approximately 66 percent of manufactured home loans in 2018 were classified as high cost (having a substantially high interest rate) which is more than five times the level of high-cost lending for all homes nationally, according to the Housing Assistance Council's tabulations of 2018 Home Mortgage Disclosure Act data. And for manufactured home loans secured by the manufactured home only (without land), that figure jumps to a staggering 90 percent high-cost loan rate.

The vast majority of manufactured homes are “naturally occurring affordable housing,” and are unassisted by any federal, state, or local affordable housing programs. However, though it is not

⁴ Housing Assistance Council. Rural Research Brief: Manufactured Housing in Rural America. July 2020. https://ruralhome.org/wp-content/uploads/2021/05/Manufactured_Housing_RRB.pdf

⁵ Ibid.

well known, some existing federal programs do offer more conventional financing options for manufactured homes, including the U.S. Department of Agriculture’s (USDA) Section 502 direct and guaranteed home loan programs⁶ and the Federal Housing Administration’s (FHA) Title I program.⁷ The U.S. Department of Housing and Urban Development’s (HUD) Housing Choice Voucher (HCV) program can also be used in several ways with respect to manufactured housing, including for lot rent or homeownership costs.⁸ Funding from HUD’s HOME and Community Development Block Grant programs can also be used for various manufactured housing purposes, including for both rental and homeownership. The appropriations bill that funded HUD for FY 2020 included language from the Manufactured Housing Modernization Act of 2019 requiring HUD to “issue guidelines to jurisdictions on how to assess the potential inclusion of manufactured homes in a community’s comprehensive housing and affordability strategy and community development plans.” This will raise the profile of manufactured housing as part of a local community’s affordable housing market as it decides priorities for federal housing funds. However, as of this testimony, HUD has not issued guidance on this topic.

Though outside the jurisdiction of this Subcommittee, the Section 502 direct loan program, mentioned above, is USDA’s flagship homeownership program. It enables low- and very low-income rural residents to purchase homes with affordable, fixed-rate mortgages, at a very modest cost to the government (less than \$8,000 per family over the entire 30-year mortgage). The interest rate on a Section 502 loan can be as low as 1 percent, and no down payment is required. Inability to qualify for market-rate credit elsewhere is a precondition for obtaining a Section 502 direct loan – thus the program’s borrowers are homebuyers who might have resorted to unsustainable predatory loans if Section 502 loans were not available. In FY 2021 USDA obligated only 91 loans for the purchase of manufactured homes.⁹

Land tenure status is another unique characteristic for many manufactured homes. Manufactured housing units are often located in land lease communities, where residents own their unit but pay rent to a landlord for the lot on which it is located. Though about three quarters of manufactured homes are owner-occupied, estimates suggest that approximately 40 percent of all manufactured homes are in land lease communities. There are around 45,000 of these communities across the nation.¹⁰

In addition to the longstanding challenges of high-cost financing and land tenure status, newer issues have also arisen such as the emergence of private equity investment in manufactured housing communities. These investments can be among the most profitable in the already-hot real estate sector, but they often come at the expense of residents in the communities being purchased. Private equity investors purchase manufactured housing communities and profit by

⁶ U.S. Department of Agriculture. Manufactured Homes. <https://www.rd.usda.gov/files/RD-SFH-ManufacturedHousingNotes.pdf>

⁷ U.S. Department of Housing and Urban Development. Financing Manufactured (Mobile) Homes. https://www.hud.gov/program_offices/housing/sfh/title/repair

⁸ U.S. Department of Housing and Urban Development. The Housing Choice Voucher Program Guidance on Manufactured Home Space Rental Assistance. October 2017. https://www.hud.gov/sites/dfiles/PIH/documents/Manufactured_Housing_Notice-HOTMA.pdf

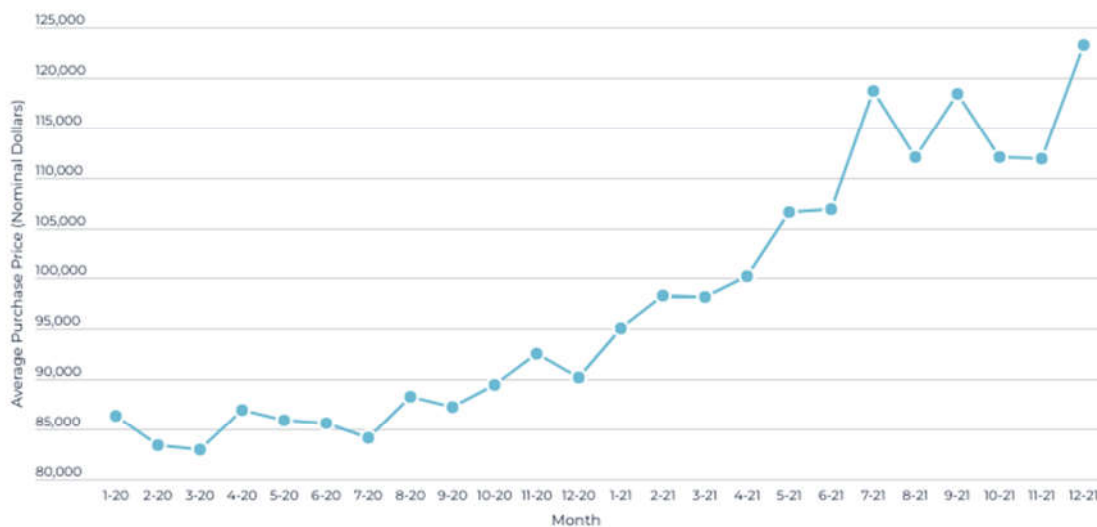
⁹ Housing Assistance Council tabulations of USDA data.

¹⁰ Housing Assistance Council. Rural Research Brief: Manufactured Housing in Rural America. July 2020. https://ruralhome.org/wp-content/uploads/2021/05/Manufactured_Housing_RRB.pdf

increasing lot rents for residents, often significantly. This practice can lead to reduced affordability, eviction, or displacement for these families – even when they own the unit itself. There is little federal or local regulation to prevent this practice, and nearly no public funding to counter this growing issue.

The cost increases, supply chain delays, and materials and labor shortages that have impacted the broader housing market in recent years have also impacted manufactured housing. The average sales price of a new manufactured home (excluding land) in 2019 was \$81,700.¹¹ As of December 2021, that average sales price had increased to \$123,200 – an increase of 37 percent over the previous twelve months.¹² Because affordability is the most significant housing issue facing rural residents, these cost increases – both for manufactured housing and more broadly – are a significant added barrier to homeownership.

Average Sales Price of New Manufactured Homes
January, 2020 - December - 2021



Source: HAC Tabulations of the U.S. Census Bureau's Manufactured Home Survey



To access an interactive version of this chart please visit: <https://infogram.com/manufactured-home-sales-price-2020-2021-1hdw2jp5qr9zj2l?live>

The challenges facing manufactured housing communities are complex. There is no single solution to address them all. However, manufactured homes are a critical affordable housing

¹¹ Ibid.

¹² Housing Assistance Council tabulations of the U.S. Census Bureau's Manufactured Home Survey. <https://www.census.gov/data/tables/time-series/econ/mhs/latest-data.html>

option for low-income, rural communities. They represent an opportunity for high-quality, affordable homeownership, with responsible regulation and industry advancements. The remainder of this testimony is dedicated to two critical points to address these challenges and opportunities. First, I describe the need for more comprehensive and “real-time” information for high-quality research that informs evidence-based solutions to the challenges facing manufactured housing residents, owners, and communities. Second, I consider a few initial steps federal policymakers might take to address the most pressing challenges, such as putting mission-driven non-profits and public sector housing agencies in a position to compete effectively for land acquisition and control.

The Need for Comprehensive, Real-time Data

Access to accurate data and information, especially for rural and underserved areas, has been a barrier for the research and stakeholder industries across a range of topics. Manufactured housing challenges are often obscured by this lack of reliable rural data. This is a particular concern in the manufactured housing sector, where much of the data is not publicly available, especially around the extent of private equity investment.

Improved data collection for manufactured homes should be incorporated into publicly available data resources such as the Home Mortgage Disclosure Act, the American Community Survey, and the American Housing Survey. Manufactured home data should indicate property status (personal property or real property) and location information indicating whether the unit is in a manufactured home community or on a scattered site lot. The inclusion of these updated and enhanced manufactured home data would provide a much more complete assessment of manufactured housing.

An evidence-based approach to improving manufactured housing is critical. In the past, the federal government invested in HAC to conduct the research needed for sound decisions and policymaking for manufactured housing. My organization produced independent and objective reports on manufactured housing that led to Congress making reasoned reforms. However, a comprehensive report on manufactured housing has not been commissioned from HAC since 2005.¹³ Even in the absence of federal funding, HAC developed the first database for all manufactured home communities in the U.S. In 2010, my non-profit organization published that data for public use, a costly undertaking which helped to more fully understand where these communities are concentrated across geographies.

I respectfully recommend this Subcommittee invest in robust research on manufactured housing. With an understanding of the current state of the manufactured housing market, Congress and the public can track shifts in this market and make well-informed investments in its success. If Congress is considering swift action, pilots, or demonstration programs to improve the state of manufactured housing, then an immediate investment in data and research is even more urgently needed. It would only be through cooperative agreement or other “fast-track” authorities that Congress could commission research and close the current gap in data and analysis needed to have an independent and objective understanding of current conditions. The timeline confronted

¹³ Housing Assistance Council. Moving Home: Manufactured Housing in Rural America, <https://ruralhome.org/wp-content/uploads/storage/documents/movinghome.pdf>

by vulnerable, low-income households currently at risk demands no less than well-informed decisions from Congress.

Issues Ripe for Subcommittee Action

While scaling comprehensive solutions to these long-term challenges will require research and deliberation, Congress could begin to address acute needs that have already been identified in the manufactured housing space. Two areas in which this Subcommittee could be impactful in the short term are: 1) grants for land acquisition accessible to resident owned cooperatives, other mission-focused non-profits, and public sector housing agencies; and 2) pilot responsible financing programs for individual homeowners.

Access to capital for land purchase is the most significant barrier for those living in manufactured housing communities. HAC works closely with ROC USA, which along with other resident owned cooperatives could benefit from a funding tool to put them in a better position to compete with private equity, as would other mission-driven non-profits and public sector agencies like Miami-Dade County Department of Housing and Community Development. As you will hear today from MDCDHCD Executive Director Michael Liu, he has used the limited local resources available to his department to successfully intervene in an issue driven by market forces well beyond South Florida.

Simply put, today, private equity far outstrips what can appropriately be termed “public equity” or “mission-driven equity” – such as that deployed by CDFIs – in both magnitude and agility to acquire and control land on which housing sits, both generally and especially in the manufactured housing sector. This Subcommittee could provide important, targeted funding to help begin to redress this imbalance.

Additionally, policies and programs should be enacted to facilitate manufactured housing community preservation, such as protection from community sales, closures, and predatory rent increases. Residents should be properly notified and given first right of refusal on the sale of their community. Some of these items, however, are regulated on the state and local level, adding to the complexity of the challenge.

On the individual financing side, the federal government could pilot a new supply of mortgage credit and guarantees for families looking to purchase manufactured homes. To achieve this on the federal level, USDA, HUD, and the Government Sponsored Enterprises (GSEs) should be encouraged to conduct innovative and responsible pilot programs to improve manufactured homeowners’ access to credit. Initial steps to better serve manufactured housing financing needs have already been taken through efforts like the Federal Housing Finance Agency’s (FHFA) Duty to Serve¹⁴ requirements and the current Administration’s recent Housing Supply Action Plan.¹⁵

¹⁴ Federal Housing Finance Agency. Duty to Serve Program.

<https://www.fhfa.gov/PolicyProgramsResearch/Programs/Pages/Duty-to-Serve.aspx>

¹⁵ President Biden Announces New Actions to Ease the Burden of Housing Costs. May 16, 2022.

<https://www.whitehouse.gov/briefing-room/statements-releases/2022/05/16/president-biden-announces-new-actions-to-ease-the-burden-of-housing-costs/>

Conclusion

Manufactured housing is already a significant source of affordable housing in rural places, and it should continue to be a high-quality, affordable housing option. Various challenges, both new and old, exist within the manufactured housing space. There is a dearth of data and independent analysis on this segment of the housing market. An immediate investment in research is needed to guide policymakers and the markets as pilots or other early interventions are rolled out. And, parallel to the immediate need to build our knowledge on what is really happening in this market segment, is a set of promising models and dedicated non-profit and public sector entities standing ready to act with Congress. HAC looks forward to continuing our work with Congress and the federal agencies to support the Subcommittee's efforts. Thank you again for the opportunity to testify today.