

Manufactured Housing and Asset-Building in the US: A Sectoral Approach

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What we're going to say

- ◆ Introduce the theory of sectoral initiatives
- ◆ Show how the emerging work around manufactured housing fits within the sectoral approach
- ◆ Present the analysis of the sector and the corresponding interventions that have been designed
- ◆ Show examples of work already underway in the field

Sectoral initiative: definition

A distinct intervention model that:

- ◆ Targets a particular market sector or segment within an industry;
- ◆ Intervenes by becoming a valued actor within the industry and engages that sector or segment;
- ◆ Exists for the primary purpose of assisting disadvantaged actors in the sector to succeed; and
- ◆ Creates, over time, systemic change within the sector.

Sectoral initiative focus:

- ◆ **Leadership development:** Supporting and networking current leaders; finding, training and supporting new leaders;
- ◆ **Outcome and impact measures:** Crafting disciplined methods of measuring effective outcomes (within a sectoral frame) and genuine impacts (improvements in outcomes for disadvantaged actors through the initiative).

Sectoral initiative focus (2)

- ◆ **Resource development:** Creating sustainable, long-term funding relationships with a range of public, private and philanthropic actors. Resources can be best targeted in support of sector strategies by selecting and then investing deeply in a few key frames that best lend themselves to a systems approach.

The I'M HOME *sectoral initiative*...

...targets the MH sector of the US housing market. It promotes interventions on at least four levels to demonstrate the viability of the MH sector. It exists for the primary purpose of helping low-income homeowners build wealth through the purchase of a manufactured home. It does this by fomenting systemic changes within the sector designed to correct market imperfections that erect artificial barriers to wealth building for owners of MH.

I'M HOME: three assumptions

- ◆ US housing markets, as currently structured, do not serve low-income people well.
- ◆ Practitioners must:
 - Improve the perception of and treatment of new MH and MH owners (supply flow)
 - Change the perception of and treatment of existing MH and MH owners (supply stock)
 - Change the systems that serve the demand side to better fit the needs of MH owners, in general, and low-income owners, in particular.
- ◆ That a useful framework to begin changing US housing markets is at the sector level.

I'M HOME Structure: inputs

Interventions:

- ◆ Policy change;
- ◆ Long term site control;
- ◆ Development of lending markets;
- ◆ Demonstration of high quality development with MH.

I'M HOME Structure: outputs

Immediate change in behavior and activities among key individuals or key actors:

- ◆ general treatment of MH as real estate at all levels—buyers, sellers, lenders, appraisers, secondary market;
- ◆ changed perceptions of owners of MH, particularly in resident-owned communities;
- ◆ provision of financial and other services on par with site-built;
- ◆ expanded use of MH as affordable housing option.

I'M HOME Structure: Outcomes

Systemic change:

- ◆ MH viewed as normal good, identical to site built homes in performance;
- ◆ Access to purchase and finance of MH improved without significant deterioration of cost advantages;
- ◆ public and public sector view MH as desirable addition to local housing stock.

I'M HOME Structure: Impact

- ◆ **Primary:** Measurable improvement in share of MH production by non-profit developers; increased share of MH mortgages purchased in secondary market; significant decrease in number of MH owners who rent home sites; decline in number of MH owners displaced from their communities.

I'M HOME Structure: Impact (2)

- ◆ **Secondary:** Measurable improvement in financial performance of MH—home price appreciation, increased housing wealth of MH owners; increased opportunities for home ownership for low income households through increased supply of units.

MHSI: basic analysis

- ◆ Approx 8 million homeowners live in MH, about half own their homes but rent their sites
- ◆ During the 1990s, 30% of low-income first-time homebuyers bought MH
- ◆ 1999-2002, 67% of “affordable” housing starts were MH
- ◆ In 2000, 78% of MH loans were underwritten as chattel (personal property), book of business \$15-20 billion per annum
- ◆ Since 2002, about 30% chattel

more analysis

- ◆ Avg credit score of MH borrowers 2001 (Conseco): 630
- ◆ Since HUD Code in 1976, quality improvements increased durability and price appreciation of MH. Life expectancy of MH built to federal standards is comparable to site-built housing and price-appreciation gap between newer MH and site-built housing is disappearing.
- ◆ Rapid deterioration of pre-HUD Code units reduced the older stock to less than 30 percent of the total MH stock

Pictures go here

Building Assets with MH: It's all about markets

- ◆ CU: Price appreciation of MH
 - Ownership of land: positive (site control)
 - Sales Price: negative effect (sales mkt)
 - Maintenance: positive, but only 50% (resale)
 - Regional housing market: positive, but only 50%—indicates thin demand structure in resale
- ◆ Higher volatility of prices—consistent with other research in low-price markets

Implications of 2ndry Market Gaps

- ◆ Conservative bias of the secondary markets leads to attempt to make MH more like “conventional” site-built homes
- ◆ However, GSEs and lenders see MH as access to minority and low income markets—necessary to reach affordable goals and CRA obligations
- ◆ Contradiction: GSE standards will not protect them from collateral risk—credit starved resale mkt

Sectoral Approach: Review

A distinct intervention model that:

- ◆ Targets a particular market sector or segment within an industry

MH represents almost 20% of the US housing stock and accounts for a significantly larger share of the affordable housing stock. Solving the challenges presented in the MH sector will provide a strong foundation for addressing other affordable housing challenges.

Sectoral Approach: Review

A distinct intervention model that:

- ◆ Intervenes by becoming a valued actor within the industry and engages that sector or segment
- I'M HOME supports local non-profits, CDCs and CDFIs, as a new intermediary in MH markets, transforming the sector by demonstrating the value of the sector.*

Sectoral Approach: Review

A distinct intervention model that:

- ◆ Exists for the primary purpose of assisting disadvantaged actors in the sector to succeed

The work of I'M HOME shows that the most disadvantaged actors (LI MH owners) have interests that coincide with manufacturers, lenders, and communities. Addressing market gaps will help all of these stakeholders.

Sectoral Approach: Review

A distinct intervention model that:

- ◆ Creates, over time, systemic change within the sector.

NHCLF has already demonstrated the ability to generate systemic change at the state level. It remains to be seen whether their success can be scaled up to promote effective sectoral change at the national level.

I'M HOME focus:

- ◆ Leadership development: *Meredith Institute, I'M Home, partnerships with NR*
- ◆ Resource development: *Creating sustainable, long-term funding through partnerships with foundations, the public sector, and the industry.*
- ◆ Outcome and impact measures: *currently on the drawing board.*

Dave's time to talk

- ◆ And show pictures