Manufactured Housing in Minnesota
Overview and Policy Challenges

Study authors:
Kim Skobba & Leigh Rosenberg

Presenters:
Chip Halbach & Leigh Rosenberg
Why manufactured housing?

- Important source of unsubsidized affordable housing
- Outdated policies based on travel trailer origins
- Poorer legal, tax and finance structures for owners
Purpose of the study

• Provide demographics of manufactured housing and its residents
• Offer comparison of site-built and manufactured homes
• Synthesize information about policies and practices related to manufactured housing
Definitions

- Manufactured housing
- Mobile homes
- Site-built housing
- Modular housing
Manufactured housing: History and stigma

• From travel trailers to permanent housing
• From trailers to mobile homes
• From mobile home to manufactured housing
• Stigma remains
Demographics: Homes

- Estimated 68,000 occupied units in Minnesota
- 86% owned; 14% rented
- 4% of owned and 2% of rented units in MN are manufactured housing
- \(\frac{3}{4}\) of owner-occupied manufactured housing located in non-metropolitan areas in Midwest
### Demographics: People

#### Household Income Comparison, 2005, U.S.

<table>
<thead>
<tr>
<th>Tenure</th>
<th>Unit type</th>
<th>Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Owners</td>
<td>Manufactured</td>
<td>$30,468, $55,571</td>
</tr>
<tr>
<td></td>
<td>All owners</td>
<td></td>
</tr>
<tr>
<td>Renters</td>
<td>Manufactured</td>
<td>$19,833, $27,051</td>
</tr>
<tr>
<td></td>
<td>All renters</td>
<td></td>
</tr>
<tr>
<td>All</td>
<td>Manufactured</td>
<td>$27,452, $40,304</td>
</tr>
<tr>
<td></td>
<td>All housing</td>
<td></td>
</tr>
</tbody>
</table>

*Source: American Housing Survey, 2005*
### Demographics: People

#### Race & Ethnicity of Households in Manufactured Housing, Minnesota, 2006

<table>
<thead>
<tr>
<th>Race &amp; Ethnicity</th>
<th>Number of Households</th>
<th>Percent of Total Households</th>
<th>Percent of Households within Race Category</th>
</tr>
</thead>
<tbody>
<tr>
<td>White alone</td>
<td>61,896</td>
<td>91%</td>
<td>3.3% (+/-0.1%)</td>
</tr>
<tr>
<td>Black/African-American alone</td>
<td>490</td>
<td>1%</td>
<td>0.7% (+/-0.5%)</td>
</tr>
<tr>
<td>American Indian/Alaska Native alone</td>
<td>2,129</td>
<td>3%</td>
<td>11.9% (+/-2.9%)</td>
</tr>
<tr>
<td>Asian alone</td>
<td>643</td>
<td>1%</td>
<td>1.3% (+/-0.5%)</td>
</tr>
<tr>
<td>Other race alone</td>
<td>2,223</td>
<td>3%</td>
<td>10.2% (+/-3.1%)</td>
</tr>
<tr>
<td>Two or more races</td>
<td>680</td>
<td>1%</td>
<td>4.1% (+/-2.2%)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>68,061</strong></td>
<td><strong>100%</strong></td>
<td></td>
</tr>
<tr>
<td>Non-Hispanic/Latino</td>
<td>59,743</td>
<td>93%</td>
<td>3.3% (+/-0.1%)</td>
</tr>
<tr>
<td>Hispanic/Latino</td>
<td>4,506</td>
<td>7%</td>
<td>8.8% (+/-2.0%)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>64,249</strong></td>
<td><strong>100%</strong></td>
<td></td>
</tr>
</tbody>
</table>

**Source:** American Community Survey, 2006
Demographics: People

- Family size similar to those living in site-built housing
- More likely to have a family member with a disability than in the general population
## Presence of Children and Household Size, U.S., 2005

<table>
<thead>
<tr>
<th>Tenure</th>
<th>Unit type</th>
<th>Percent of households with children under 18</th>
<th>Average household size</th>
</tr>
</thead>
<tbody>
<tr>
<td>Owners</td>
<td>Manufactured homes</td>
<td>36%</td>
<td>2.46</td>
</tr>
<tr>
<td></td>
<td>All owned homes</td>
<td>36%</td>
<td>2.64</td>
</tr>
<tr>
<td>Renters</td>
<td>Manufactured homes</td>
<td>47%</td>
<td>2.58</td>
</tr>
<tr>
<td></td>
<td>All rental units</td>
<td>37%</td>
<td>2.32</td>
</tr>
<tr>
<td>All</td>
<td>Manufactured homes</td>
<td>38%</td>
<td>2.47</td>
</tr>
<tr>
<td></td>
<td>All housing units</td>
<td>36%</td>
<td>2.54</td>
</tr>
</tbody>
</table>

Source: American Housing Survey, 2005
Affordability

• Median home value of $29,000
• Accounts for about 1/4 of owner-occupied units affordable to families earning <50% AMI
Affordability

Median Monthly Housing Costs (Including Lot Rent), US

- Owner-occupied: $809
- Renter-occupied: $694

Source: American Housing Survey, 2005
## Affordability

### Construction Costs

<table>
<thead>
<tr>
<th>Type</th>
<th>Cost per square foot</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufactured housing</td>
<td>$40.13</td>
</tr>
<tr>
<td>Site-built housing</td>
<td>$91.99</td>
</tr>
</tbody>
</table>

Source: Manufactured Housing Survey, Supplemental data, 2006
Affordability

Sales Prices of New Homes, 1980-2006

Sources: HUD U.S. Housing Market Conditions, 3rd Quarter 2007; Manufactured Housing Survey, U.S. Census Bureau
Manufactured vs. Site-Built Housing

• Role
• Quality ratings
• Size & amenities
• Safety
• Materials & repairs
• Land ownership
Manufactured vs. site-built housing

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

Source: Manufactured Housing Survey, U.S. Census Bureau
The importance of land ownership

- Most on leased land
- Tenant risks in parks, including closure
- Limits appreciation
- Limits financing options
- Legal implications: personal property
Trends for new homes

Percent of New Manufactured Homes Placed in Manufactured Home Communities, Midwest Region, 1981-2006

Source: Manufactured Housing Survey, U.S. Census Bureau
Real property vs. personal property

Most manufactured housing in MN titled as personal property

Implications for:
- Sales
- Financing
- Taxation
- Legal protections
Titling of manufactured homes

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

Source: Manufactured Housing Survey, U.S. Census Bureau
Sales process

• Differs from site-built homes sales for all new and most used homes
• Typically through a retailer or private parties
• Dealerships: challenges
• Vertical integration: financing
• Appraisal for resale
Source of New Manufactured Homes, US, 2005

- Factory: 3%
- Broker: 3%
- MH park: 5%
- Dealer: 89%

Source of Used Manufactured Homes, US, 2005

- Dealer: 13%
- Real estate agent: 13%
- MH park: 7%
- Broker: 3%
- Bank repo/auction/government: 5%
- Private party: 59%

Sales process

- Differs from site-built homes sales for all new and most used homes
- Typically through a retailer or private parties
- Dealerships: challenges
- Vertical integration: financing
- Appraisal for resale
Financing: Overview

- Majority financed with personal property loans
- Mortgage loans possible when titled as real estate
- Less likely to be financed than site-built
- Post-2000 crisis, consolidation of lenders and less available credit
- Rent-to-own and other park-owner financing unregulated and risky
Financing: Personal property

- Lower down payment, higher interest rates
- Require high credit scores, usually > 650 (as of 2007)
- Not subject to consumer protections of Real Estate Settlement Procedures Act
- Shorter timeline for repossession with personal property loans than with mortgage foreclosure
- Predatory lending legislation passed in 2008 in MN, but does not apply to rent-to-own, etc.
# Financing: Interest Rates

## Current Interest Rate on Units with Loans, Owner-Occupied Housing, U.S., 2005

<table>
<thead>
<tr>
<th>Interest Rate Range</th>
<th>All Units</th>
<th>Manufactured Homes (including land loans)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 6 percent</td>
<td>49%</td>
<td>24%</td>
</tr>
<tr>
<td>6 to 7.9 percent</td>
<td>41%</td>
<td>40%</td>
</tr>
<tr>
<td>8 to 9.9 percent</td>
<td>7%</td>
<td>18%</td>
</tr>
<tr>
<td>10 to 11.9 percent</td>
<td>2%</td>
<td>10%</td>
</tr>
<tr>
<td>12 to 13.9 percent</td>
<td>1%</td>
<td>5%</td>
</tr>
<tr>
<td>14 to 15.9 percent</td>
<td>0%</td>
<td>1%</td>
</tr>
<tr>
<td>16 to 17.9 percent</td>
<td>0%</td>
<td>1%</td>
</tr>
<tr>
<td>18 to 19.9 percent</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>20 percent or more</td>
<td>0%</td>
<td>1%</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

**Median Interest Rate**

<table>
<thead>
<tr>
<th></th>
<th>All Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>Median Interest Rate</td>
<td>6.0%</td>
</tr>
</tbody>
</table>

**Source:** American Housing Survey, 2005
Financing: Real property

- Mortgages require larger down payments and/or higher interest rates than site-built mortgages
- Physical and siting conditions often preclude manufactured housing
- Low loan volume by affordable housing lenders
Taxation

- Sales tax: double taxation on new manufactured homes for 65% of sales price
- Deed tax and mortgage registry tax: advantage for personal property homes
- Property tax
  - Similar rate as site-built homes, but taxed on land only when owned
  - Timeline: shorter for personal property
  - Renter’s credit for leased land
- Income tax deductions similar
Policy issues

- Classification of manufactured homes as real vs. personal property
- Financing: types, rates, terms, protections
- Valuation and free flow of information about used manufactured homes
- Sales process
- Linkages between retailers and lenders
Policy issues

- Tenant protections in parks
- Facilitation of cooperatives and other innovative ownership structures
- Tax policy: sales and property taxes
- Protections upon default
- Data collection
Minnesota Housing Partnership
2446 University Ave. W, Suite 140
St. Paul, MN 55114
651-649-1710
www.mhponline.org