

Real Estate

# A factory-built home as a means to affordable housing

By Beth DeCarbo

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As if dealing with a pandemic weren't enough, young professionals Eryn Street and Jonathan Fuss last year decided to move from Long Beach, Calif., to Sacramento, so Street could go back to college. But before any of that could happen, the couple — she's a critical care nurse and he's a telecom engineer — needed an affordable place to live.

Like many parts of the country during the pandemic, Sacramento's housing market was on fire, with a median sale price of \$380,000 in July 2020, up from \$348,500 the year before, according to [Realtor.com](#). That was far too steep when combined with tuition.

Even renting was out of reach — homes in the couple's desired location started at \$3,000 a month.

Then, Street's mother suggested an alternative: a manufactured home, a factory-built structure on a metal frame that's transported to a homesite.

A study from the Urban Institute found that manufactured housing is 35 to 47 percent less expensive per square foot than new or existing site-built homes. (Getty Images)

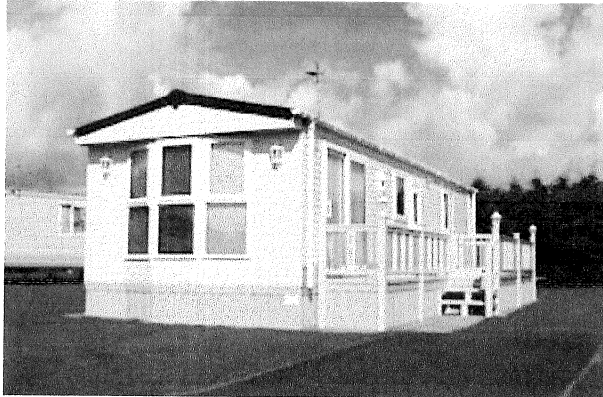
They looked at five or six models before finding one they liked, a three-bedroom, two-bath unit built in 1992 and listed for \$109,000. Their loan payment, utility bills and \$660 lot fee at their mobile home park total about \$1,500 a month.

"I didn't know a lot about manufactured homes," said Street, 33. "I was surprised by the flow of the home and love the design. It was being remodeled with new flooring and appliances," and the plumbing and electrical lines were also new.

Living in a mobile home park has also been a pleasant surprise, she added. "We love our neighbors and it's really quiet." It's an all-age park with cultural diversity, another plus.

"We've met several neighbors. Everybody's really sweet."

There are approximately 6.7 million occupied manufactured homes in the United States, according to the U.S. Census Bureau. Low inventory of single-family homes is driving more buyers to look at manufactured housing, said Nicole Bachaud, an economic analyst with Zillow. After the pandemic struck last year, both listing prices and sale prices of manufactured homes increased.



Manufactured homes account for only 6 percent of the country's housing stock, and the number of new manufactured homes shipped each year is down significantly from the late 1990s. (Getty Images/iStock)

“The \$45,000 mobile home selling in 2019 is now selling for \$65,000,” said Jon Felts of Hanson’s Mobile Home Sales in Sacramento, where Street and Fuss purchased their unit.

A study from the Urban Institute found that manufactured housing is 35 to 47 percent less expensive per square foot than new or existing site-built homes. Overall, a U.S. Department of Housing and Urban Development report found manufactured housing to be a good value for low-income households.

Yet manufactured homes account for only 6 percent of the country’s housing stock, and the number of new manufactured homes shipped each year is down significantly from the late 1990s.

Authors of the Urban Institute study found that restrictive zoning measures and hurdles in obtaining financing are two main reasons manufactured housing production remains low. Potential buyers face other deterrents. Upfront delivery and setup costs typically range from \$21,000 to \$34,000, according to Next Step Network, a nonprofit that specializes in manufactured homes.

Owners who lease lots in mobile home communities are vulnerable to rent increases and even evictions when communities are sold to make way for more profitable developments. And some perceive a stigma in owning a manufactured home and the stereotypical “trailer trash” label.

Still, the pandemic helped many buyers overcome their resistance. “Anecdotally, retailers are seeing a lot more interest in our homes,” said Lesli Gooch, CEO of the Manufactured Housing Institute. “My impression is that people are wanting their own space. You can have a garden, you can have animals. There’s an attraction to moving out of urban areas.” Some factories are reporting a backlog of up to six months, Gooch added.

The institute touts manufactured homes as one solution to the shortage of affordable housing, and it lobbies policymakers to address restrictive zoning practices that make it

difficult for some buyers to find land for their unit. “While localities may not admit they’re keeping us out, they have rules that affect manufactured homes,” Gooch said.

Zoning restrictions take several forms, as detailed in a 2020 report from the Federal National Mortgage Association (Fannie Mae), a private corporation that buys and guarantees mortgages through the secondary mortgage market. Some municipalities prohibit manufactured homes entirely or exclude them from single-family residential zones. Other zoning restrictions impose minimum lot-size requirements specific to manufactured homes, which force these homes onto more rural, less dense areas.

To help manufactured homes better “fit in” among traditional stick-frame homes, Fannie Mae created MH Advantage, a conventional loan product for manufactured homes with site-built characteristics, such as permanent foundations, garages or carports, and interior drywall. Called a CrossMod, these homes are virtually indistinguishable from higher-priced site-built homes.

Still, CrossMod homes are relatively new to consumers and represent only a small piece of the market. Most everyone else faces a daunting array of financing options. In general, though, manufactured-home borrowers tend to have smaller loan amounts, pay higher interest rates and refinance less often than borrowers of site-built homes, according to a report released in May by the Consumer Financial Protection Bureau.

Moreover, only 27 percent of 420,000 manufactured home loan applications in 2019 resulted in the loan being financed, compared with 74 percent of applications for site-built homes, according to a CFPB analysis of loan-disclosure data. These differences remain even after controlling for credit score.

The CFPB raises specific concerns about chattel loans, a personal-property loan for manufactured home buyers who don’t own the underlying land. According to the bureau, chattel loans accounted for about 42 percent of all manufactured home purchases in 2019. When these borrowers default, they typically face repossession, a process with fewer consumer protections that would allow them to remain in the home.

“If you’re doing a chattel loan, you’re at the mercy of the lender,” said Guy Cecala, publisher of industry newsletter Inside Mortgage Finance. “They probably should be regulated more,” he added.

One aspect of manufactured homes that is highly regulated: construction. In 1974, Congress passed legislation that led to the 1976 release of HUD construction codes, which set minimum requirements for construction, energy efficiency and safety for manufactured homes. (Some states have additional construction and installation requirements.)

Hurricane Andrew spurred new regulations in 1994 that divided the country into three different wind zones. All manufactured homes are required to be built to the standards of the wind zone where the home will be placed. Manufactured homes in areas more

likely to be struck by hurricanes — Zone II and Zone III — must be able to withstand winds up to 100 mph and 110 mph, respectively.

Zones II and III are primarily located along the Gulf Coast and East Coast.

Rigorous standards are increasingly important since climate scientists foresee a higher occurrence of powerful, deadly storms — like the recent Hurricane Ida — as the Earth warms.

Even with tougher standards, tornadoes can devastate manufactured homes, as evidenced when deadly storms struck the Southeast in March 2019. An analysis led by structural engineer David Roueche found that 19 of the 23 people killed when a tornado that struck Lee County, Ala., lived in a manufactured home.

Roueche, an assistant professor at Auburn University, co-authored a study published in February that found that all of the fatalities were primarily the result of anchorage systems that did not meet federal standards. The homes either lacked ground anchors entirely, had degraded anchors, or had anchorage systems that did not appear to meet state code.

In examining the aftermath of the storm, researchers in Alabama found that the manufactured homes had been anchored to the ground in one of two ways. In one method, helical rods are driven into the ground and connected to metal straps affixed to the bottom of the structure. Things like corroded metal, too few anchors or straps, and even sandy soil conditions can cause the anchorage to fail prematurely.

In the other method, the home rests on roughly 18-inch-square metal pans and diagonal struts are connected to the bottom of the structure. A home anchored in this way might withstand winds pushing it horizontally, but not winds that can lift the home vertically.

“When we talked to survivors and in one-on-one conversations, they’re shocked to learn that the only thing holding their home in place is just this pan.” Roueche said.

Improperly anchored, manufactured homes facing high winds either tend to roll to the side, or worse, get sucked up into the tornado, Roueche said. “It blows my mind how scary that would be.”

Based on his interviews, Roueche said homeowners had little or no say in how their manufactured home was installed. Also, while anchoring is supposed to be inspected when the home goes in, “I’ve heard some anecdotal evidence that there are too many homes being installed to inspect.”

When considering a manufactured home, “anchorage should be part of the decision-making process,” he said. “But when you buy a home, that information isn’t readily available.” Potential buyers should also consider anchoring the home to a concrete slab or foundation. While no home is tornado proof, “if you can keep the anchorage from failing, you’ll increase your odds of surviving considerably.