Manufactured Housing
And
Its Impact on Seniors

Prepared for

The Commission on Affordable Housing and Health Facility Needs for Seniors in the 21st Century

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Executive Summary

Manufactured housing is the big secret of the housing production system in this country. Over 8 million families are housed in manufactured homes. Between 2.5 and 3 million are households headed by a person over 60 years of age. That represents significantly more senior households than are housed in all of the U.S. Department of Housing and Urban Development's subsidized programs put together. While not subsidized, manufactured housing serves many low- and moderate-income households because it is less expensive than any other home ownership option. Manufactured housing represents over twenty percent of the annual housing starts. Yet many do not understand what manufactured housing is, or how it differs from other types of housing.

Manufactured housing differs from all other housing in that it is built to the HUD code, a national performance code that supercedes all state and local codes. Manufactured housing evolved from trailers and mobile homes, and while still stigmatized by its background, now results in products that look and function much like site-built housing, even though it is less expensive on a per-square foot basis than site-built housing. Even though the industry is currently in recession, it continues to produce hundreds of thousands of homes each year and offers Americans their most affordable homeownership option.

Residents of manufactured housing average 52.6 years old. Most are high school graduates or have some college education, have a median income of $26,900, and a median net worth of $59,000. The average household size is 2.4 persons. Thirty-six percent of such residents are in households headed by a person over age 60. Two-thirds of the households reside in single-section homes. Slightly more than one-third of the households reside in a manufactured housing park, where site rents average $220 per month. Median year of purchase is 1992. Median market value of the home is $17,000. Approximately 8.5 percent of the households living in manufactured homes headed by a person over 60 years of age have a member with a self-care or mobility limitation.

Manufactured housing has a substantial impact on the elderly. While most manufactured housing parks tend to serve the young-old, they are experiencing aging in place and will soon find themselves in a situation not unlike that of owners of HUD subsidized projects for the elderly, who are currently facing the issue of how to deal with aging in place. Manufactured housing parks and HUD subsidized projects have certain characteristics in common: (1) they tend to serve low- to moderate-income households; (2) they have common areas that can be used to provide services; (3) they have a "critical mass" of persons aging in place so that services can be provided efficiently and effectively. HUD subsidized projects for the elderly are somewhat further along in addressing aging-in-place issues, and their experience can be useful to park owners. Park owners are well positioned to help improve the extent and quality of home and community based services including health care services because of the large number of sites they control and the network that exists among such owners. As a result, they can have significant influence on state legislatures and local governments.

Two-thirds of the households used financing to purchase their homes. While there are three kinds of financing used in the purchase of manufactured homes, personal property loans are still the most common type, rather than mortgage loans or hybrid loans. While personal property loans have higher interest rates and shorter terms than mortgage loans, the lower loan amounts (they cover the home only, not the land on which it is located) often result in both modest down payments and modest monthly payments. Financing is less of an issue for seniors because, based on data from the Manufactured Housing Institute, approximately two-thirds of seniors purchase their manufactured homes with cash from the sale of a previous home.

While there are consumer issues needing to be resolved, they are best addressed by engaging the manufactured housing industry rather than ignoring it.

Manufactured housing is an important element in any strategy of serving the affordable housing and health facility needs of seniors for three reasons. First, 2.5 to 3 million seniors are already living in manufactured housing. Second, it is the most affordable form of homeownership available. As a result, nonprofit developers and others need to consider manufactured housing in their development plans. Third, it offers the opportunity to bring services to the residents, both because there is a "critical mass" of seniors living in manufactured housing parks, and because in many cases the home is movable and could be relocated in a park providing assisted living services.

The task before the Commission on Affordable Housing and Health Facility Needs for Seniors in the 21st Century is twofold: (1) Bridge the perception gap by the various housing trade associations regarding manufactured housing and its role in serving the housing and service needs of seniors who are aging in place; and (2) Create networking opportunities between park owners and owners of HUD subsidized housing for seniors. By taking on these tasks, the Commission can help expand the reach of manufactured housing, so that more seniors and others can benefit from its affordability, and at the same time facilitate the delivery of services to seniors already residing in manufactured housing.

I. What Is Manufactured Housing

Introduction

Manufactured housing is the big secret of the housing production system in this country. Over 8 million families are housed in manufactured housing. Between 2.5 and 3 million are households headed by a person over 60 years of age. That represents significantly more seniors than all of those served by all of HUD's assisted housing programs, including Public Housing, Section 202, Section 236 and Section 8. While manufactured housing is not subsidized by the government and does not have income limits for residents, it serves many lower income households because it costs less than any other homeownership option. Manufactured housing represents over twenty percent of the annual housing starts. Yet many if not most people do not understand what manufactured housing is, or how it differs from other types of housing.

The HUD Code

One distinctive feature of manufactured housing is that it is built to the HUD code. The HUD code, created in 1974 by Congress, is the only national housing code in this country. It is also unique in that the code preempts all state and local codes. In doing so, it makes it possible for manufacturers of HUD code housing to ship to different states and not be concerned about different requirements in different local housing codes. As a result, a few manufacturers with many plants ship homes to virtually every state. There are currently nearly 300 plants producing manufactured housing.

The HUD code is administered by the U.S. Department of Housing and Urban Development, which contracts with the National Conference of States on Building Codes and Standards, which carries out plant inspections to assure that homes are built in conformance with the HUD code. The HUD code, while having similar electrical and plumbing standards, differs from state and local codes in significant ways. The main difference is that it is a performance code rather than a prescriptive code. For example, it does not require the use of a certain grade of two-by-four no more than twenty four inches apart on center in walls. Rather the code requires that a wall be capable of bearing certain loads, but does not set forth what materials are to be used to meet the requirement. The HUD code covers only the production of the home in the plant, not the installation of the home on site.

State and Local Codes

In contrast to manufactured housing, modular and site built housing are subject to state and local codes. This feature has limited the reach of modular housing in that plants building such housing have to meet the code standards of the locality in which their homes will be sited. As a result, modular producers tend to be more localized, primarily working in one or two states. Modular housing tends to be located in the Northeast and provides far fewer housing starts than manufactured housing. According to the HUD publication entitled, "Factory and Site-Built Housing – A Comparative Analysis", published October 1998, estimates of modular production vary widely, from 25,000 to 100,000 homes per year. By comparison, manufactured housing consistently exceeds 200,000 homes per year, with 300,000 to 400,000 homes in many years.

Differences in Delivery System

Manufactured housing is subject to a delivery system that is unique in the housing field. It is built in a manufacturing plant that typically does not deal in the retail market, but sells its homes to independent retailers. The retailers operate much like retail automobile dealers, who market their product directly to their customers. The retailer frequently provides one-stop shopping - finding a lender, arranging for property insurance, and arranging for the installation of the home on the purchaser's site. This delivery system has the advantage of simplifying the home purchase process, making it much more like purchasing a car rather than purchasing a home. It also creates some unique problems for the consumer, which will be addressed later in this paper. Although there are no precise data on the number of retailers in operation, the general estimate is that about 7,000 currently are in operation.

Differences in Appearance

Manufactured homes have evolved from the mobile home and tend to have certain distinctive features. They tend to be long and narrow, or square in the case of a two-section home. They tend to have a lower pitch to the roof because they are built in the factory and towed over the highway to the retailer's lot and again to their final site location. As a result, they must be low enough to clear highway bridges. They tend to have little or no roof overhangs because of limitations on the width due to being towed on highways. They also tend to be smaller than site-built housing due to the hauling requirements.

While most manufactured housing can be distinguished from site-built or modular housing, the evolution of the manufactured housing industry is breaking down these differences. For example, multi-section homes are being produced in greater numbers today than in the past. Manufacturers are also using siding and roofing materials that are the same as those used on other types of housing. Manufacturers have developed hinged roofs, so that they can be delivered flat and pitched up on site, with a normal roof pitch and normal roof overhangs. They can also be set on permanent foundations, and avoid the skirting that is usually associated with manufactured housing.

Differences in Cost

Manufactured housing tends to be less expensive than either modular or site-built housing. This is not simply a function of size, because manufactured housing costs less than either modular or site built housing on a square foot basis, including the cost of installation. An average manufactured home on a permanent foundation costs $22.41 per square foot compared to $32.78 per square foot for a modular home and $38.57 for a site-built home. There are several reasons why manufactured housing is less expensive. One is that manufacturers use unskilled labor and tend to locate their plants in areas with lower wage rates. Another is that they are able to obtain substantial discounts on the cost of materials because they purchase large quantities. A third reason is that the homes are built indoors, and are not subject to the problems of poor weather and vandalism that site-built housing faces.

The significant differences in cost for manufactured housing compared to modular or site built housing mark the most important feature of manufactured housing – its affordability. In a housing market where subsidies are limited, the importance of affordability takes on special meaning in any national strategy for providing housing for low- and moderate-income persons.

Two-thirds of the households used financing to purchase their homes. While there are three kinds of financing used in the purchase of manufactured homes, personal property loans are still the most common type, rather than mortgage loans or hybrid loans. While personal property loans have higher interest rates and shorter terms than mortgage loans, the lower loan amounts (they cover the home only, not the land on which it is located) often result in both modest down payments and modest monthly payments. Financing is less of an issue for seniors because, based on data from the Manufactured Housing Institute, approximately two-thirds of seniors purchase their manufactured homes with cash from the sale of a previous home.

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II. Who Owns Manufactured Housing

Resident Profile

The Foremost Insurance Group of Companies conducts a national study of owners of manufactured homes every three years. The most recent study was in 1999. Based on this study, which included 22,723 respondents, the following profile emerges:

Age

Age 60-69	17%
Age 70+	19%
Retired	29%

Average age – 52.6 years

Education

Grade school	3%
Some high school	13%
High school graduate	36%
Some college (no degree)	29%
Associate’s degree (2 yrs)	8%
Bachelor’s degree (4 yrs)	7%
Post graduate degree	3%

Median income - $26,900

Median net worth – $59,000

Average household size – 2.4 persons

Characteristics of Manufactured Home

Single-section home	68%
Multi-section home	32%

Moved home from one location to another in last three years	6%
Median years of residence in manufactured home	12 years
Home located in park (homeowner on leased land)	36%
Median park rent	$220 per month
Home located on owner’s private property	46%

Median year home purchased	1992
Median market value of home	$17,000
Financed home at time of purchase	65%

Demographic Data

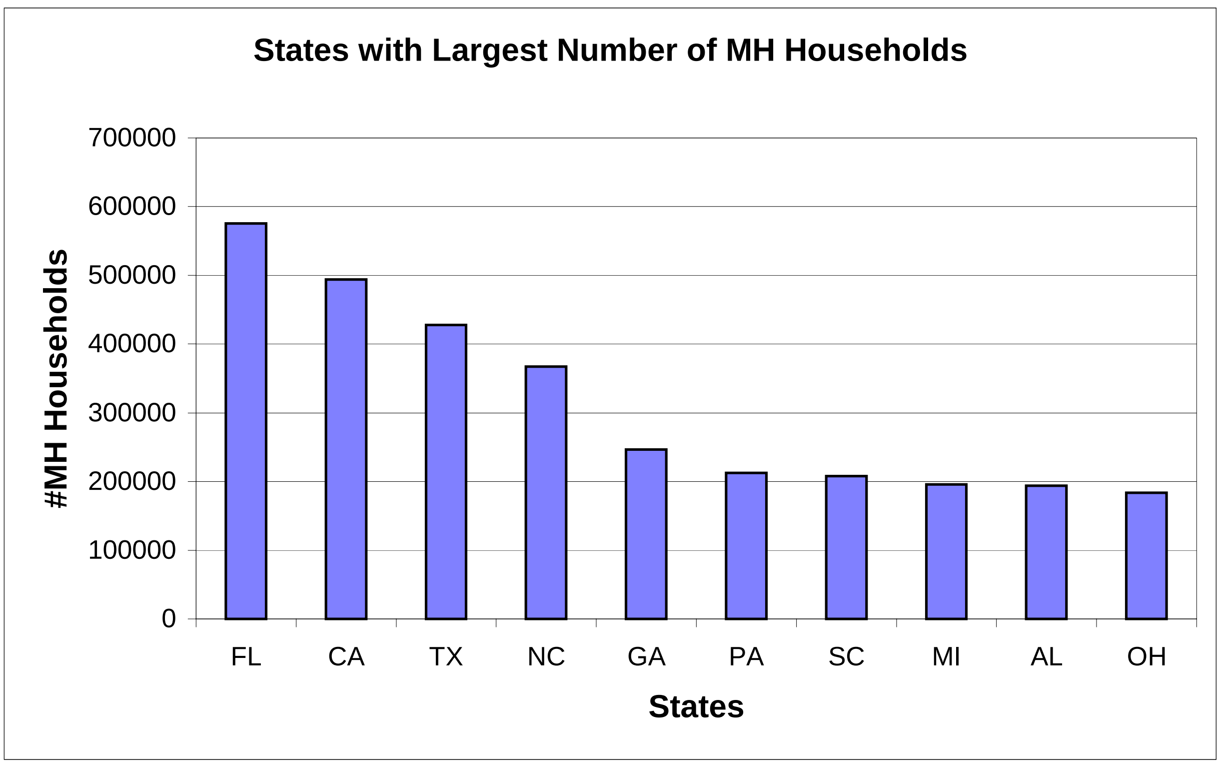
The data used below is from three sources: The1990 Census; the 1995 American Housing Survey; and the 2000 Census. The 1990 Census was used because it had more information about disabled persons living in manufactured housing. The 1995 American Housing Survey was used because of the limited information currently available from the 2000 Census.

It is worth noting that a significant increase in the number of households living in manufactured housing occurred during the 1990s. Based on the 1990 Census, a total of 6,133,367 households reside in manufactured housing. Twenty nine percent, or 1,758,539 households, are sixty or older. Nine percent, or 546,794 households, are seventy-five or older.

Based on the 1995 American Housing Survey, 6,164,000 households resided in manufactured housing. This represents a very modest increase since 1990. Slightly over 2 million residents of manufactured housing were over 55 in 1995. However, the 2000 Census estimates that 8.6 million households reside in manufactured housing, an increase of nearly 40 percent since 1995. The number of seniors living in manufactured housing can be presumed to have increased as well.

Manufactured home owners tend to be concentrated in certain states. Chart 1 is from the 1990 Census and shows the number of households in manufactured housing by state for the ten states with the highest manufactured housing population. These ten states have a population of households in manufactured housing of 3,105,588. This represents 50.6 percent of the total population of households in manufactured housing nationwide. The three states of Florida, California and Texas contain 24.6 percent or approximately one-quarter of such households.

Chart 1



Households living in manufactured housing tend to be concentrated in rural areas rather than major urban areas. Approximately half of all such homeowners are located in twelve states composing the south and southeast portions of the country. Table 1 shows the regional distribution of manufactured housing compared to all types of housing based on the 1995 American Housing Survey.

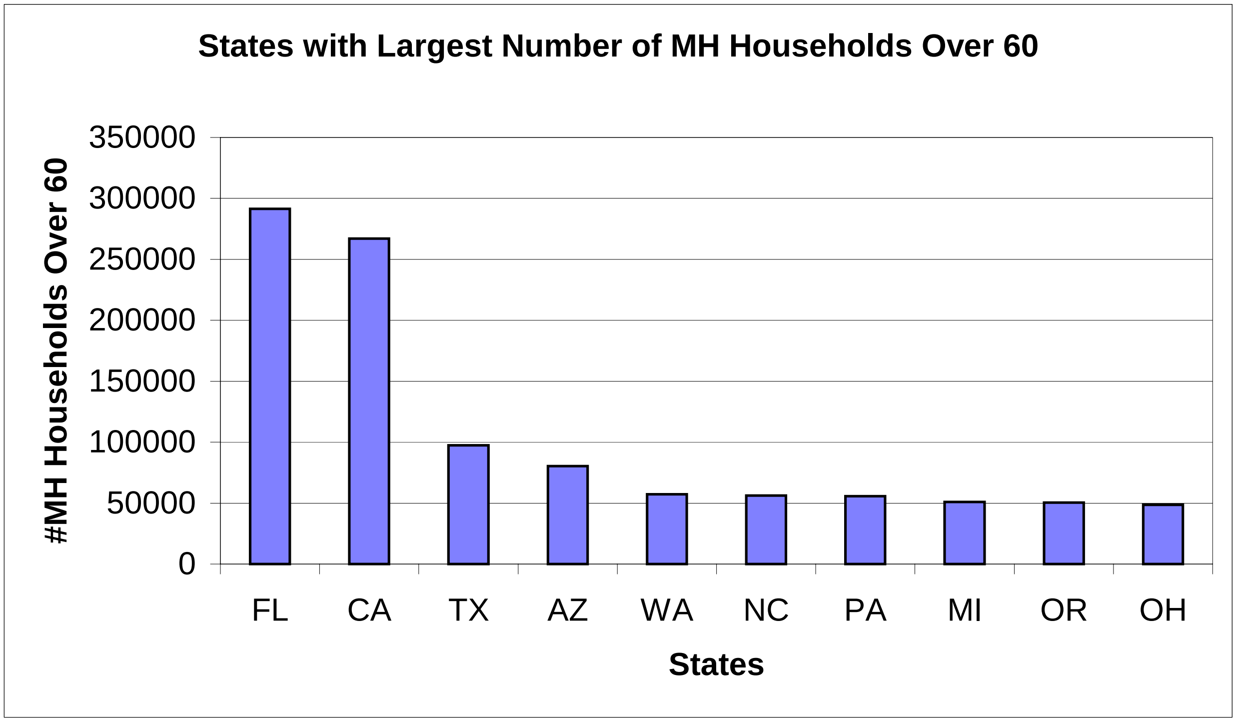
Table 1

Region Distribution of Housing Stock and New Units by Type, 1995

	Total Stock		**New Construction**	
Region	All Types	Manufactured	All Types	Manufactured
Northeast	19.6	8.5	8.7	4.7
Midwest	23.8	18	21.4	18
South	35.8	53.6	45.4	63.8
West	20.8	20	24.5	13.5
Total	100	100	100	100
Total Housing Units	109,457,000	7,647,000	1,354,100	310,700

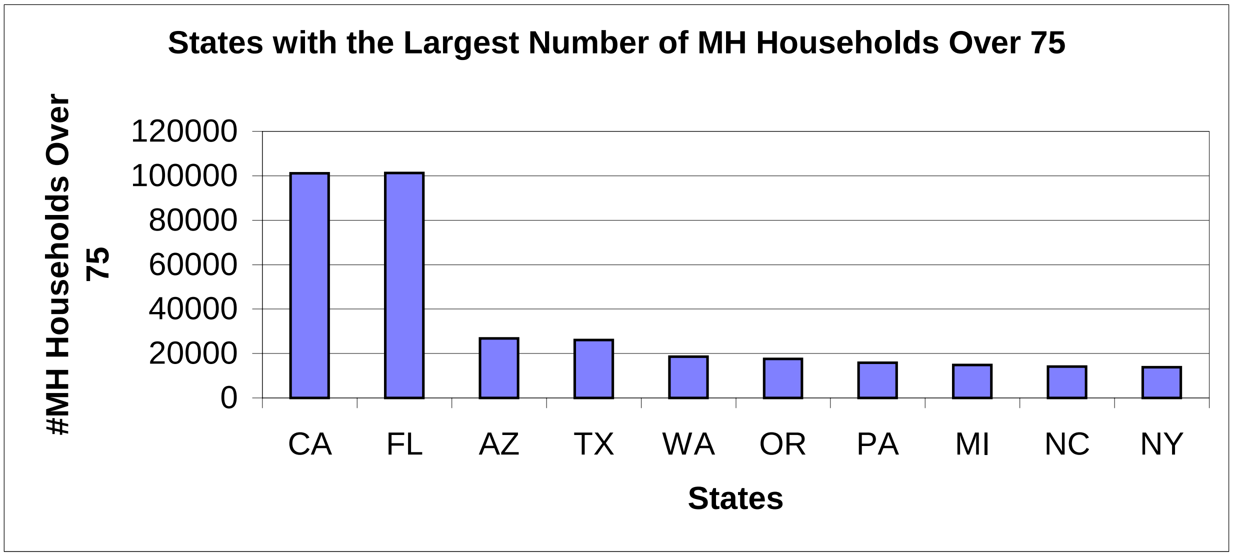
Twenty-nine percent of manufactured home owners are households headed by persons 60 years of age or older, based on the 1990 Census. Chart 2 shows the number of households over 60 living in manufactured housing in the ten states with the largest such populations. These ten states contain sixty percent of such households nationwide. California and Florida alone house 31 percent or nearly one-third of the manufactured home owners nationwide, who are over 60. California, Florida and Texas together house over 37 percent of the manufactured home owners over 60 nationwide.

Chart 2



Based on the 1990 Census, a breakdown of manufactured home owners over 60 by age reveals that 69% fall within the ages of 60 and 74, whereas 31% are over 75. This suggests that manufactured housing serves a wide spectrum of the elderly, mostly concentrated in the young-old. It is worth noting that the concentration of those over 75 is not the same as for those over 60. The ten states with the largest concentration of households in manufactured housing over 75 are shown in Chart 3. These ten states house 64.1 percent of all such households nationwide. It is noteworthy that Arizona, which is not in the top ten states in overall manufactured housing totals, is among the top four states in the categories of households in manufactured housing over 60 and over 75. Similarly, the states of Washington and Oregon make the top ten list for the over 60 and over 75 categories, although they do not make the top ten in overall manufactured housing population.

Chart 3



There is a significant discrepancy between the 1990 Census data and the 1999 Foremost study with regard to the percentage of manufactured home households over 60 years of age. The Census shows those over 60 as 29% of all manufactured home households. The Foremost study shows a total of 36% being over 60. This difference can be accounted for in two ways. First, the Census data is far more comprehensive, whereas the Foremost study is based on a sample of 22,723 households. However, the second and more likely reason is that the Census is based on 1990 data whereas the Foremost study is based on 1999 data. It is reasonable to assume that there has been aging in place during that nine-year period. There is evidence that the average age has increased over time. According to data from the Manufactured Housing Institute, the average age of manufactured housing residents in 1987 was 47 years, and by 1990 it had increased to 50 years. According to the Foremost study, the average age was 52.6 in 1999. The increase in average age suggests that there has been a significant increase in the number of seniors living in manufactured housing since 1990. The pattern of increases in the average age since 1987 suggests that the number of seniors living in manufactured housing is likely to continue to increase in coming years.

It is difficult to know precisely how many seniors reside in manufactured housing. If one assumes that the 40 percent increase in the number of households living in manufactured housing between 1990 and 2000 holds true for seniors, then approximately 2.5 million senior households resided in manufactured housing in 2000. If one accepts the Foremost estimate that 36 percent of manufactured home households are elderly, then 3.1 million households are elderly.

Data on Households with Disabilities

A special tabulation by the Census provides information on households with disabilities. There are two categories in the 1990 Census that relate to disability. The first is “mobility limitation status.” The data on “mobility limitation” status were derived from answers to a question asked of a sample of persons 15 years old or older. The definition of "mobility limitation" is as follows:

> "Persons were identified as having a mobility limitation if they had a health condition that had lasted 6 or more months and which made it difficult to go outside the home alone. Examples of outside activities on the questionnaire included shopping and visiting the doctor's office. The term "health condition" referred to both physical and mental conditions. A temporary health problem, such as a broken bone that was expected to heal normally, was not considered a health condition."

The second condition is "self-care limitation status." The data on "self-care limitation status" were also derived from answers to a question asked of a sample of persons 15 years of age or older. The definition of "self-care limitation status" is as follows:

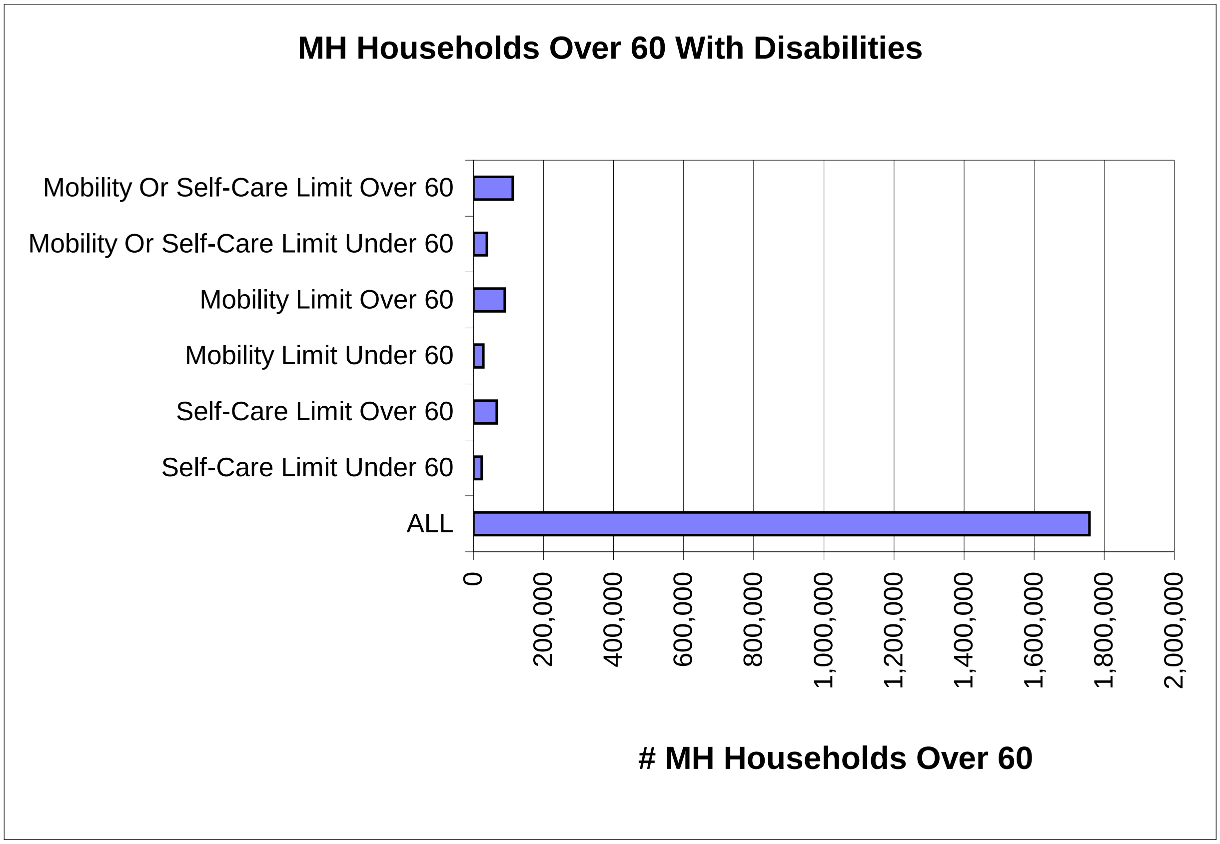
> "Persons were identified as having a self-care limitation if they had a health condition that had lasted 6 or more months and which made it difficult to take care of their own personal needs, such as dressing, bathing, or getting around inside the home. The term "health condition" referred to both physical and mental conditions. A temporary health problem, such as a broken bone that was expected to heal normally, was not considered a health condition."

Under the "mobility limitation status" for manufactured home owners where the head of household is over 60 years of age, a total of 28,051 households have one or more persons under 60 who have a mobility limitation. For those households where the head of household is over 60, a total of 89,060 households have one or more persons over 60 years of age with a mobility limitation.

Under the "self-care limitation status" a total of 24,040 households headed by a person over 60 have one or more individuals under age 60 who have such a limitation. A total of 67,015 households headed by a person over 60 have one or more persons over 60 who have such a limitation.

Among the households of owners of manufactured homes where the head of household is over 60, a total of 38,636 households have one or more persons under 60 with either a mobility or self-care limitation. Among that same universe of households a total of 112,584 have one or more persons over 60 years of age who have a mobility or self-care limitation. There may be some overlap in households with persons under 60 with a mobility or self-care limitation, and households with persons over 60 with a mobility or self-care limitation. Assuming the overlap is small it is apparent that about 150,000 households headed by a person over 60 have at least one person with a mobility or self-care limitation. Stated another way, approximately 8.5 percent of manufactured home households headed by a person over 60 have at least one disabled member. Chart 4 displays the relationships between the universe of over 60 households in manufactured housing and those households with mobility or self-care limitations.

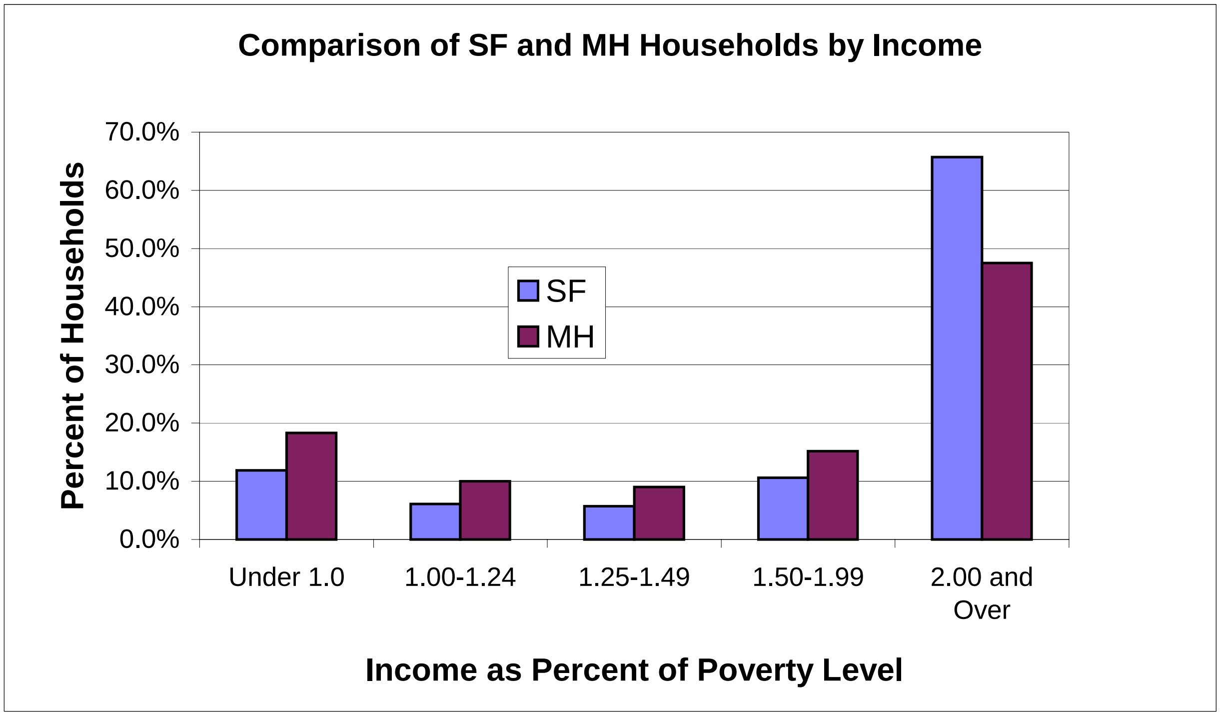
Chart 4



Data on Income

A special tabulation of the 1990 Census contains information with regard to incomes of households headed by a person 60 or older. Chart 5 compares households over 60 living in single family housing to those over 60 living in manufactured housing by income category. The Census information is broken down by multiples of the poverty level, which currently is $11,610 for a two-person household. While the poverty level was lower in 1990, the relationships between the incomes of those in single-family housing and those in manufactured housing is assumed to be relatively unchanged. The incomes of those in manufactured housing tend to fall below those of households in single-family housing. For example, 18.3% of manufactured housing households had income below the poverty level, whereas only 11.9% of residents of single-family housing fell below the poverty level. Similarly, 65.7% of single-family households had incomes above twice the poverty level, whereas only 47.5% of households in manufactured housing had incomes at that level. One would expect that households in manufactured housing would have average incomes below that of households in single-family housing based on the different costs of each type of housing. While that is the case, it is noteworthy that most households in manufactured housing are not poor, with well over half of them having incomes above 1.5 times the poverty level.

Chart 5



Data on Housing Stock

Since manufactured housing is a relatively recent phenomenon, the inventory of manufactured housing tends to be newer than all other housing types. Table 2 shows the year of construction of year-round occupied housing units by type as of 1995. Very few manufactured housing units were built before 1960. A little over one-third of the manufactured housing units were built prior to the enactment of the HUD Code in 1974. Some of these homes were built prior to the imposition of building code requirements. In 1963, the American National Standards Institute (ANSI) published a standard on plumbing, heating and electrical installations for manufactured housing. By 1969, the ANSI standard had been expanded to cover body and frame construction. The older homes, which would be characterized as "house trailers," no doubt vary considerably in quality of construction and current condition.

Table 2

Year of Construction of Year-Round Occupied Housing Units by Type 1995				
	Manufactured Homes		**All Other Housing Units**	
Year of Construction	Number	Percent of Total	Number	Percent of Total
1995 (Part Year)	136,000	2.2	674,000	0.7
1990-94	1,183,000	19.2	5,795,000	6.3
1985-89	852,000	13.8	7,266,000	7.9

1980-84	811,000	13.2	6,484,000	7.1
1975-79	1,054,000	17.1	10,054,000	11
1970-74	1,184,000	19.1	8,741,000	9.5
1960-69	809,000	13.1	13,458,000	14.7
Pre-1960	134,000	2.1	39,059,000	42.7
Total Units	6,164,000	100%	91,531,000	100%
Median Year	1980		1965	

III. How Manufactured Housing Impacts the Elderly

Introduction

Manufactured housing has a very significant impact on seniors. According to the 1990 Census data, 1,758,539 households in manufactured housing are headed by a person over 60 years of age. That figure has likely increased during the decade of the 1990s, since the average age of manufactured housing residents has gone from 50 in 1990 to 52.6 in 1999. The 2000 census estimate is that 8.6 million households reside in manufactured housing. If we accept the Foremost estimate that 36 percent were headed by households over 60 years of age (data from Foremost study noted earlier), then over 3 million elderly households are residing in manufactured housing.

Manufactured Housing Parks

Manufactured housing parks merit special attention, since 36% of the residents lived in parks in 1999. Using the 2000 census data, which estimates that 8.6 million households reside in manufactured housing, the estimate of the number of households in parks is about 3.1 million. The Foremost study shows 36% of manufactured housing households as headed by a person 60 or older. Applying that figure to the 3.1 million results in an estimate of about 1.1 million senior households residing in parks.

Manufactured housing parks are a unique feature in the American housing system. The resident typically owns the manufactured home but leases the ground on which it sits. The closest parallel is a condominium, in which the resident owns the air space but not the ground under or around it. However, the condominium owner is represented in the condominium association, whereas the manufactured home owner is in a landlord tenant relationship with the park owner. While the manufactured housing owner is subject to rent increases, the condominium owner is subject to increases in the association fees. Being a park resident has both advantages and disadvantages. One advantage is that the resident can own the home with a lower down-payment than under virtually any other housing alternative because the cost of land is not included in the transaction. The resident can also benefit from appreciation provided the home is well maintained in a well-located and maintained park. One disadvantage is that most residents are on relatively short-term leases, and are vulnerable to substantial rent increases. If the resident is unable to pay the increased rent, then he or she may have to sell the home or locate another site to which it could be moved. Another disadvantage is that the manufactured home may actually depreciate in value if it is an older model or in a poorly located and maintained park. Some parks have converted to cooperatives in which the shares are owned by the residents. A change of use, in which the land is converted to another use and the residents are required to move, is fairly rare because the rate of return on parks is generally higher than that afforded by other uses. A more common situation, in strong markets, is that the park owner decides to upgrade the park and substantially increase rents, forcing lower income residents to sell or move their home to another location.

The author recently attended a networking conference in Chicago for park owners. While at the conference he conducted a brief survey of owners regarding the facilities and services they provide in their parks which are restricted to residents over 55 years of age. The questionnaire used is included in Appendix 1. There were a total of 14 responses by owners who cumulatively owned 460 parks including 123,830 home sites. Six of the respondents owned no parks restricted to seniors over 55 years of age.

Physical Features

The eight respondents who own parks restricted to seniors over 55 years of age reported that they owned 143 such parks with 40,280 home sites. The responses on physical features of the parks were as follows:

Swimming Pools:

Six respondents reported that all of their projects have swimming pools. Two respondents reported that some of its projects have swimming pools. Five respondents reported that the pools are wheelchair accessible; two reported that they are not accessible. One did not indicate whether or not they are accessible.

Health Clubs:

Two respondents reported that all of their parks have health clubs. Four respondents indicated that some of their parks have health clubs. Two respondents indicated that none of their parks have health clubs. Five of the six respondents with health clubs reported that they are wheelchair accessible.

Common Areas:

All eight respondents reported that all of their parks have common areas and seven of the eight reported that such areas are wheelchair accessible.

Central Dining Room:

One respondent indicated that all parks have a central dining room. One respondent said that some of its parks have a central dining room. Six respondents said none of their parks have dining rooms. The two respondents with dining rooms indicated that they are all wheelchair accessible.

Offices for Service Providers:

Two respondents stated that all of their parks have offices for service providers. Three respondents said that some of their parks have offices for service providers. Three respondents stated that none of their parks have offices for service providers. Four of the five respondents with offices for service providers stated that they were wheelchair accessible.

Service Features

The eight respondents with parks restricted to seniors were also asked about the service features of their parks. The responses were as follows:

Meals Program:

Two of the respondents stated that some of their parks have meals programs. No information was provided regarding the number of meals per day. Six respondents said none of their parks have meals programs.

Housekeeping Services:

One respondent said all of its parks have housekeeping services. One respondent said some of its parks have housekeeping services. Six respondents said none of their parks have housekeeping services.

Services Coordinator:

One respondent said all of its parks have a services coordinator. Two respondents said that some of their parks have a services coordinator. Five respondents said none of their parks have a services coordinator.

Preventive Health Services:

Two of the respondents said some of their parks have preventive health services. Six respondents said none of their parks have preventive health services.

Owner Interest in Aging in Place

Considerable interest was evident at the Chicago networking conference in the aging-in-place issue and its potential impact on manufactured housing parks in the coming years.
While current information is very limited and suggests that few services are offered to seniors in seniors-oriented parks, one promising feature is that all eight of the park owners with seniors-oriented parks reported that their parks have common areas and seven of the eight stated that these areas are wheel chair accessible. Common areas offer networking opportunities to the residents as well as potential space for meals programs and preventive health care programs. Informal discussion with owners suggested that they are quite interested in ways to respond as

their residents become older and more needy. They are strongly motivated by profit, and it is quite conceivable that over the next few years they may face a trade-off between providing services in order to keep their occupancy up and their turnover down on the one hand, or facing more move outs as residents become more feeble and require services that are not available in the park.

Parallels Between Manufactured Housing Parks and HUD Subsidized Projects for the Elderly

When assessing the potential for providing service coordination, meals programs, housekeeping assistance, and personal care services in manufactured housing parks, there is a certain parallel to the issue faced by HUD subsidized projects for the elderly that are experiencing aging in place and lack financial resources to provide the needed services. Because manufactured housing is virtually all one story, the provision of a ramp would in most cases be sufficient for a person with a mobility impairment. Most subsidized elderly projects and most manufactured housing parks appear to have common areas that are wheelchair accessible. Both types of facilities appear to have sufficient residents to create a “critical mass” as their residents age, thereby creating efficiency in the provision of services. Both types of facilities are independent living facilities and in most cases the residents are going to want to keep that image rather than become an assisted living type of facility. If the goal is to give residents the option to remain in their home as long as possible by providing a level of service that preserves their independence, then the issues faced by both types of facilities are similar.

Practical Steps in Providing Services in Manufactured Housing Parks

The provision of a services coordinator is the first practical step in providing assistance to seniors living in senior housing communities. While HUD provides a mechanism to pay for such services in subsidized projects for the elderly, there is no such mechanism for manufactured housing parks. Based on the above survey, it appears that some parks oriented to seniors provide service coordinators. Since owners have to pay such staff, they will have to make a judgment as to whether it is cost effective. Providing a services coordinator could reduce turnover and vacancies in some cases sufficient to cover the cost of the coordinator.

Provision of meals programs is another way of assisting those who are aging in place. A one meal per day program could make a major difference to those who are finding meals preparation a difficult task. Common areas could in many cases be adapted to provide the space for such a program. Meals could be prepared off-site and delivered to the dining room in situations where there is no central kitchen. Cost effective meals programs that have a sufficient number of recipients can be self-sustaining without outside subsidies.

Provision of housekeeping services can also be an effective way to serve those aging in place. The advantage to park owners is that these services need not be provided directly by them and need not be subsidized. A communication network among the residents can go a long way in making these services available by publicizing the names of individuals who will provide housekeeping services and providing both an evaluation and referral service for the residents. Housekeeping services can be cost effective if sufficient residents retain such services since the service provider need not spend a lot of time traveling between jobs. In some cases, park residents may choose to provide such services at a modest price.

Provision of personal care services is another way of assisting those who are aging in place. This is likely to be the most difficult area for park owners in that it is the area that they are likely to know least about, and they may fear that providing such services will change the character of the project and become a deterrent to potential residents who are able to live independently and do not want to be in a facility that has any of the characteristics of an assisted living facility.

In this area, the experience of subsidized elderly projects may be relevant. New Jersey has developed a special program for subsidized elderly projects. Under this program, such a facility need not be licensed for assisted living. Instead, the facility can contract with a service provider whose assisted living program is licensed by the state. In this way, subsidized facilities for the elderly can provide assisted living services without the facility itself having to be licensed as an assisted living facility. One large facility has a contract with the Visiting Nurses Association of New Jersey in which nurses dressed as civilians and carrying medications in a briefcase deliver personal care services to about ten percent of the residents of a large subsidized project. The New Jersey law requires that persons be served where they live and not be required to move to a dedicated section of the building. Because they are scattered throughout the building, they draw little attention from other residents, particularly since nursing services are delivered in a business-like rather than medical environment. Nurses are able to bill in increments of as little as 15 minutes because there are sufficient persons needing their services in the building to reduce travel time to a minimum. For more information on the New Jersey experience, see “Adding Assisted Living Services to Subsidized Housing: Serving Frail Older Persons With Low Incomes” by Robert Wilden and Donald L. Redfoot (published by the AARP Public Policy Institute in January, 2002).

IV. Home and Community Based Services Including Health Care Services for Elderly Residents of Manufactured Housing

The availability of home and community-based services varies widely from state to state and from community to community within states. The typical resident of a manufactured home faces the same situation as the typical resident of a single family home in that each will need to seek out appropriate services within the community. Fortunately, many communities offer a variety of services, some of which may be free of cost to the resident. For example, transportation may be worked out with the local transit authority or the Area Agencies on Aging (AAAs) depending on the funding source. Meals programs are generally provided under the Older Americans Act (OAA) through AAAs. A senior center might be located in the community. Many hospitals have outreach programs whereby services can be provided to residents in their homes or on an out-patient basis.

Home modification programs using Community Development Block Grants or HOME funds may be available to make modifications necessary to accommodate disabilities. Manufactured homes offer certain advantages since they are virtually all single-level homes and their elevation is such that placing a ramp for wheelchair access is neither difficult nor expensive. However, older homes, particularly single-section homes, may lack hallways and door openings sufficient to accommodate a wheel chair.

While individual homeowners face the task of seeking out services in the community, those living in manufactured housing parks could benefit from programs brought in by the park owner. While there is not much evidence of activity on the part of the park owners, parks offer similar possibilities to subsidized housing projects because of the presence of community space. Like subsidized projects, parks for the elderly may have the “critical mass” of persons needing services to make the provision of services both efficient and cost effective.

One unusual feature of manufactured housing, particularly single-section units, is their ability to be moved from one site to another. If a particular park offered an array of services, persons living in other parks might feasibly move their home to the park offering the services that they need.

While it is not realistic to assume that park owners are prepared to spend their own money on services for residents, they could benefit from the experience of some of the subsidized project owners who have not had funds available to invest in services. They have searched out their communities for free or modestly priced services. Most residents of subsidized housing who benefit from services are required to pay some portion of the cost of the services. Manufactured housing residents, whose incomes are generally somewhat higher than those of subsidized housing residents, could be expected to do the same.

Preiss-Steele Place, a 102 unit project for older persons and persons with disabilities located in Durham, NC, offers one model for obtaining services for residents without the expenditure of owner funds. Common areas include an examination room for visiting nurses and an office for use by a county social worker for one-half day each week. The project benefits from a meals-on-wheels program for one meal on weekdays. There is also a meals program provided by the county. An optician provides eyeglass repairs on site to the residents at no charge. The juvenile court refers young people to the project to do clerical work and help residents with their groceries. The local hospital participates in health fairs held at the site. Because the sponsor of Preiss-Steele Place has been resourceful in bringing in services at no cost to the sponsorship and little or no cast to the residents, the residents can age-in-place and expect to receive the services they need on an a la-carte basis until such time as they require skilled nursing care.

The presence of a services coordinator, while not essential in obtaining services for residents, can be both cost effective and helpful. Such persons are trained to know and link the resources of the community to the needs of the residents.

Park owners are well equipped to lobby states and localities that do not provide adequate services to their residents. Park owners often control hundreds if not thousands of spaces and are well organized in the sense that they have an identifiable network of such owners. As a result, they could exert influence on their communities and states to improve both the quality and the delivery of state and community programs.

Clearly, more research is needed at the local level to determine where there are gaps in the provision of services to those aging in place. The objective both in manufactured housing parks and in subsidized housing projects for the elderly is to make available to residents the services they need in order to retain as much independence as possible and live in their own homes as long as possible.

V. How Manufactured Housing Is Financed

Introduction

When the purchase of manufactured housing is financed, it usually occurs in one of three ways. The most typical is use of a personal loan on the home. Next, is standard mortgage financing, covering both the cost of land and the cost of the home. Third, is a relatively new hybrid loan that has some of the features of a mortgage loan but is secured by the home and not the underlying land.

Personal Property Loans

Historically, manufactured housing has been financed with personal property loans since the housing was perceived to be mobile and not permanently attached to a given site. This type of financing has continued to be widely used, even when the home is located on property owned by the homebuyer. There are several reasons for this. First, the retailer through whom the purchaser typically buys the home typically provides one stop service for the purchaser, including arranging for financing and insurance. The financing offered by the retailer is usually a personal property loan. Second, the application process and the loan closing are quicker and simpler using personal property loans as compared to real estate mortgages. Third, while interest rates are higher and loan terms are shorter on such loans as compared to real estate mortgages, the lower costs of manufactured housing plus the fact that the loan does not cover land makes the down payment low and the monthly payments relatively modest. This is true even though the personal property loan has a higher percentage down payment, an interest rate that is two to three percentage points higher than a mortgage loan, and has a shorter term, ranging from 5 to 15 years.

Real Estate Mortgages

The second type of financing used by purchasers of manufactured housing is the standard real estate mortgage. Mortgage financing is restricted to homes that have permanent foundations and are on land owned or being purchased by the buyer. Such loans are not available to home owners whose homes are located on leased land, such as in manufactured housing parks. The advantage of mortgage financing is that it is widely available because of the large secondary market through which such loans are purchased from the originating lender, has a low down payment requirement, low interest rate, and 30-year financing.

Hybrid Loans

Freddie Mac has recently come out with a hybrid type of financing that is somewhere between the personal property loan and a real estate mortgage. It has many of the features of a mortgage, including a similar interest rate and term, but does not cover the cost of the land underlying the structure. Therefore, the loan can be used by residents of manufactured home parks under certain situations. Lenders are willing to make these loans because of the secondary market through Freddie Mac. Key requirements by Freddie Mac are that the home must be permanently affixed to the land, must be taxed and legally defined as real estate, and must have a lease that is at least five years longer than the term of the mortgage. This type of financing is not yet widely in use because the program is relatively new and not many lenders are acquainted with the Freddie Mac requirements. However, this type of loan gives those residents living in manufactured housing parks an attractive alternative to personal property loans. According to the most recent survey (1999) by Foremost Insurance, based on 22,703 respondents, 36 percent of manufactured home owners live in parks where they do not own the land, so this continues to be a very large market.

Cash Transactions

While one of the above three types of financing comes into play in most purchase transactions, a significant number of purchasers are able to purchase their home without outside financing. Sixty-five percent of the respondents to the Foremost survey noted above financed at the time they purchased their manufactured home. Over one-third of the purchasers paid cash. Among the elderly, the number of cash transactions may even be greater. Dr. James Clifton, Vice-President of Economics and Housing Finance for the Manufactured Housing Institute (MHI), claims that about two-thirds of seniors paid cash. This figure comes from a survey that MHI conducted last year of recent purchasers of manufactured homes in age-restricted communities. Many seniors are able to pay cash for their manufactured homes because they have cash from the sale of their previous home.

Relative Costs of Different Financing Options

There has been considerable discussion within the industry regarding the relative cost of personal property financing versus real estate financing. Many variables come into play. Personal property financing may require a higher down payment, a higher interest rate, and a shorter term than mortgage financing. However, personal property loans tend to be for much smaller amounts than mortgages because no land cost is built in and the housing itself is less expensive. Table 3 comes from “Factory and Site-Built Housing, A Comparative Analysis” issued by HUD in October 1998. The chart shows a comparison of financing of “identical” homes. The six homes compared are a site-built home, a modular home, and manufactured housing in four different situations. In one situation, the manufactured home is located on land already owned by the purchaser, so no land costs are included. In the second situation, the manufactured home is located in a private subdivision. The third and fourth situations involve manufactured homes located in parks on leased land. The third situation involves a double section home of 2,000 square feet, which is the same size as the site-built and modular homes. The fourth situation involves a single-section home that is 1,215 square feet, and thereby smaller than all of the other homes in the comparison.

Table 3

Comparison of Financing of "Identical" Homes (2,000 square feet)

	Site-Built	Modular	Manufactured Homes			
	Private Land		Private Land		Landlease Community	
			Individual Lot	Subdivision	Double-Section	Single-Section*
Construction Costs	$77,140	$65,560	$47,277	$47,277	$47,277	$26,350
Overhead and Financing	$32,274	$28,950	$15,254	$24,083	$15,554	$8,575
Land Costs	$35,314	$35,314	pre-owned	$35,314	$1,201	$1,000
Delivery and Set Up	--	included	$1,500	$1,500	$1,500	$750
Total Sales Price	**$144,728**	**$129,824**	**$64,031**	**$108,173**	**$65,532**	**$36,675**
Type of Loan	real property	real property	real property	real property	personal property	personal property
Interest Rate	8%	8%	8%	8%	10%	10%
Term	30 years	30 years	20 years	30 years	15 years	15 years
Percent Down Payment	10%	10%	land in lieu	10%	10%	10%
Initial Cash Outlays	**$21,709**	**$19,474**	**$4,364**	**$17,389**	**$11,283**	**$6,389**
Down Payment Price	$14,473	$12,982	--	$10,817	$6,553	$3,668
Closing Costs	$7,236	$6,491	$3,127	$5,334	$3,142	$1,746
Sales Tax (3%)	--	--	$1,238	$1,238	$1,238	$626
Security Deposit	--	--	--	--	$350	$350
Loan Amount	**$130,255**	**$116,841**	**$64,031**	**$97,356**	**$58,979**	**$33,008**
Monthly Loan Payment	**$956**	**$858**	**$535**	**$715**	**$634**	**$355**
Monthly Land Rent	--	--	--	--	$250	$200
Total Monthly Payments	**$956**	**$858**	**$535**	**$715**	**$884**	**$555**

* Square footage is 2,000 in all cases except that the single-section home in a land-lease community is 1,215 square feet.

As can be seen in the analysis, manufactured housing is less expensive on a square-foot basis and that translates into lower selling costs and lower amounts financed. On a monthly payment basis, the lowest payment is for the manufactured home located on private land that is already owned. This lower payment reflects the fact that the land is free and clear and not included in the financing. The next lowest monthly payment is for the single-wide home located in a park. The lower cost is a reflection of the smaller, less costly home and a modest lease rent of $200 per month. Even with the higher cost of personal property financing this option is still less expensive than the manufactured home located in a subdivision. The benefit of mortgage financing over personal property financing is best reflected in a comparison of the identical manufactured home located in a subdivision versus in a park. The thirty-year eight percent financing brings the monthly payment down below that required of the unit in a park that gets fifteen-year ten percent financing. The park rent plus the loan payment on the personal property loan is significantly more than the mortgage payment on the sub-division home. However, the down payment is lower for the unit in the park.

While there continue to be issues in the area of financing manufactured housing, these issues seem less serious for seniors, due to the large number that are able and choose to pay cash for their homes. Those seniors living in parks who need financing are still subject to personal property loans, unless they are able to obtain the Freddie Mac hybrid loan. As the Freddie Mac hybrid financing program becomes better known and more widely offered by mortgage lenders, those who need financing, including seniors, should benefit as well. The author does not agree with the Manufactured Housing Institute that HUD's Title I program should be revitalized for manufactured housing. One reason is that HUD was badly burned by this program several years ago, and is unlikely to respond positively to such a recommendation. The second, and more important reason, is that the future lies with programs such as the Freddie Mac hybrid loans.

They not only provide lower down payments and longer term lower interest rate financing, they also by requiring a long-term lease provide the borrower with predictable lease payments far into the future. This is a protection that seniors and others need in order to avoid the situation of having to move because the rents have suddenly been increased to an amount they cannot afford.

VI. Current Trends in Manufactured Housing

Blurring of Distinction Between Manufactured and Site–Built Housing

Trends in the manufactured housing industry are beginning to blur the distinctions between manufactured housing and other housing. More production is being devoted to multi-section homes, and less to single-section homes. The Final Report of the National Commission on Manufactured Housing states that in 1983, 37% of the new homes sold were multi-section homes. By 1993, 47% of the new homes sold were multi-section homes. According to the HUD study "Factory and Site-Built Housing," in 1996 over half of the new manufactured homes were multi-section homes. More homes are being placed on permanent foundations. A number of manufacturers have built homes with three or more sections, and have developed hinged roofs so that after the house is set up on site it is indistinguishable from site-built or modular housing. Furthermore, a number of manufacturers have expanded into the retail business themselves, cutting back on their dependence on the independent retailer network. In this way, they have more control over the set up of the home and the purchaser is less likely to have problems with the manufacturer and retailer blaming each other when a problem arises with the home.

Manufactured Housing Subdivisions

Another significant change, which is blurring the distinction between manufactured and site-built housing, is that traditional site-built home developers are beginning to develop subdivisions using manufactured homes. For example, the Pulte Home Corporation, a very large site-built developer, in 1993 substituted manufactured homes for site-built homes in its subdivision development in Apex, North Carolina. The subdivision is located just outside Raleigh and includes seventy-seven lots. The homes are double or triple-section homes with garages and porches. The initial homes ranged from 1,815 to 2,166 square feet and were located on lots averaging 10,000 square feet. Some smaller models were added later. The homes have roof pitches that are typical of site-built housing in the area, and the appearance of the subdivision is such that one could not tell it was manufactured housing if one did not know that already. The cost savings achieved by using manufactured housing meant that Pulte was able to offer the homes at a cost below site-built comparable units. Initially homes sold so fast that the developer raised prices in order to bring purchases more in line with the production schedule.

In order to facilitate more such developments, the U.S. Department of Housing and Urban Development published in May 2000 two new guides called, "Manufactured Home Producer's Guide to the Site-Built Market" and "Home Builder's Guide to Manufactured Housing." The Pulte project is described in more detail in the first of the two guides.

The use of manufactured housing in subdivisions offers an avenue to nonprofit developers who wish to provide homeownership opportunities to moderate-income households. Such developments have all the advantages of a single-family subdivision (long-term, low-cost financing; real estate appreciation) and at the same time offer the substantial cost savings of manufactured housing. Richard Genz, in his article, “Why Advocates Need to Rethink Manufactured Housing” in Fannie Mae’s Housing Policy Debate, Volume 12, Issue 2, points out the potential role for nonprofit developers to offer buyers real value, not just low prices by undertaking such developments.

Rental Versus Ownership

While most manufactured homes are owned by the resident, there are situations in which manufactured housing is occupied by renters. Owners of farms sometimes utilized manufactured housing to serve their farm workers. Park owners may own a few of the units in their parks, which they rent out on either a temporary or permanent basis. In localities that permit the placement of “granny flats” on a lot with a single-family house, some homeowners may utilize manufactured housing to house elderly parents or in-laws. Nonprofit developers could also utilize manufactured housing to develop multifamily housing projects for seniors by combining homes into duplex or four-plex units. Unfortunately, no data exists which quantifies the number of manufactured housing rental units; so additional research is appropriate in this area.

Perception Versus Reality

Perceptions of manufactured housing and its residents are every bit as important as the reality of manufactured housing because perceptions determine how the product is accepted and where it is able to be located. An enlightening article on this subject is “Not a Trailer Anymore: Perceptions of Manufactured Housing” by Julia O. Beamish, Rosemary C. Goss, Jorge H. Atiles, and Youngjoo Kim, published in Fannie Mae’s Housing Policy Debate, Volume 12, Issue 2. The authors conducted two surveys in eight rural counties in Virginia. They examined the attitudes of manufactured housing residents and nonresidents in the same community. They also examined attitudes about single-section and double-section manufactured homes. Table 4 compares community and manufactured housing resident perceptions with actual residents in the single-section sample. Table 5 compares community and manufactured housing resident perceptions with actual residents in the double-section sample.

Table 4

Comparison of Community and Manufactured Housing Resident Perceptions with Actual Residents: Single-Section Sample

Characteristic	Actual Characteristics Single-Section Sample (%)	Perceived Characteristics: Manufactured Housing Resident Sample (%)	Perceived Characteristics: Community Resident Sample (%)
Education			
High school/GED	44	51	52
Some college/vocational	31	15	8
Income	43 < $20,000	63 low-income	74 low-income
Employment			
Full-time	56	80	79
Retired	21	3	3
Race (white)	91	76	82
Household type			
Small, two-parent families	35	55	58
Couples	21	9	9
Tenure			
Own home and land	73	42	25
Own home/rent land	23	42	48
Foundation			
Blocked and skirted	83	64	67
Permanent	14	13	14
Neighborhood			
Park	15	56	67
Subdivision	9	2	5
Open farm	76	10	10

Table 5

Comparison of Community and Manufactured Housing Resident Perceptions with Actual Residents: Double-Section Sample

Characteristic	Actual Characteristics Double-Section Sample (%)	Perceived Characteristics: Manufactured Housing Resident Sample (%)	Perceived Characteristics: Community Resident Sample (%)
Education			
High school/GED	34	51	58
Some college/vocational	55	34	18
Income	27 < $20,000	16 low-income	74 low-income
Employment			
Full-time	64	87	86
Retired	15	8	2
Race (white)	90	81	76
Household type			
Small, two-parent families	51	66	64
Couples	28	2	9
Tenure			
Own home and land	93	93	74
Own home/rent land	4	4	13
Foundation			
Blocked and skirted	31	31	41
Permanent	68	60	37
Neighborhood			
Park	1	2	22
Subdivision	13	5	8
Open farm	86	18	29

Table 4 displays a discrepancy between the perception of both manufactured housing residents and community residents of the single-section residents in the sample. The reality was that single-section residents had higher incomes and more education than perceived by either group. Far more owned their home and land than were perceived by either group. Far less were located in parks and more on open farms than perceived by either group.

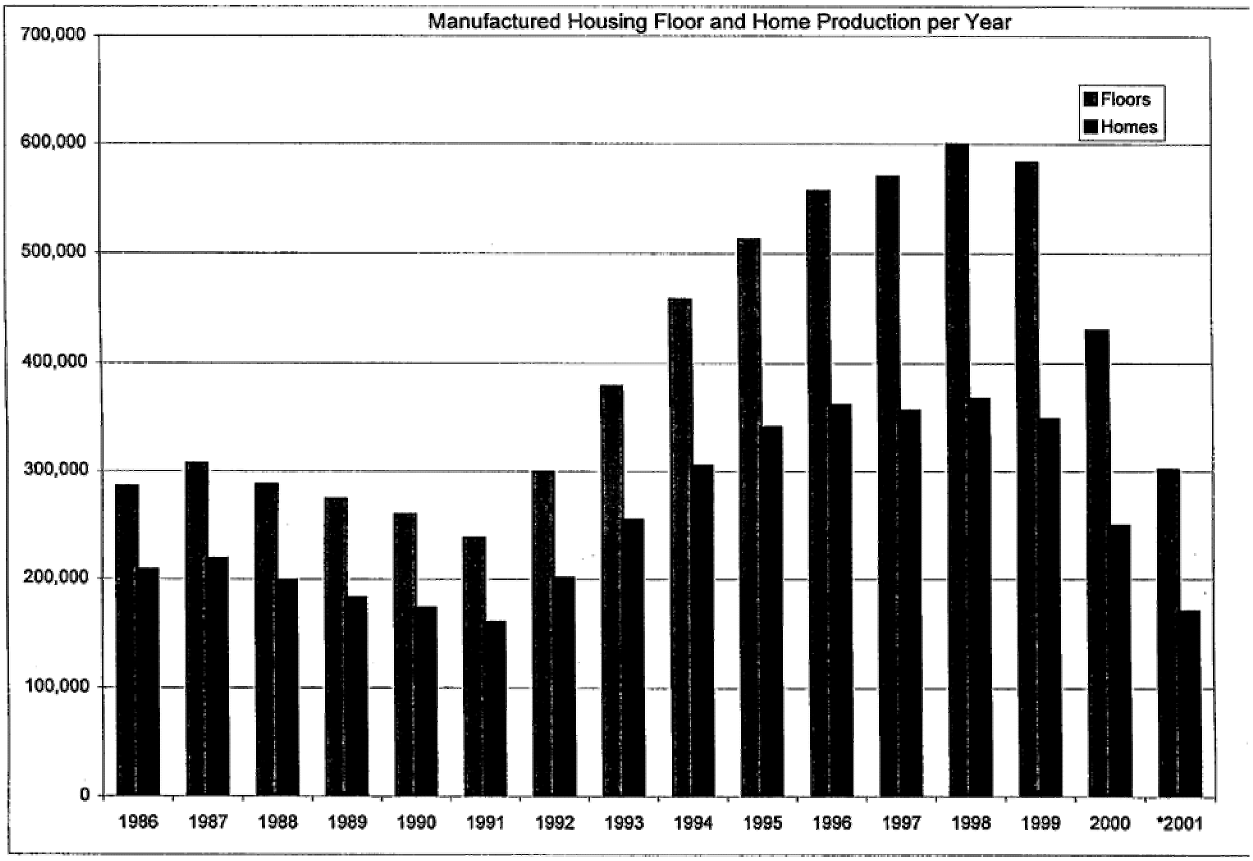
Table 5 displays a similar pattern. The residents of double-section manufactured homes had more education, income, ownership of the land as well as the home, and lived on open farm land in greater numbers than were perceived by either manufactured housing residents or community residents.

The two samples were also asked about the impact of manufactured housing on the neighborhood. Community residents were consistently more negative than manufactured home residents regarding the impact of manufactured housing on the neighborhood. Community residents "think of it as old, having a fairly bad appearance, and housing low-income people who exhibit bad social behavior." Community residents had perceptions of double-section homes that were both unfavorable and inaccurate. The authors state, "It is ironic that homes that could improve the image of manufactured housing might blend into the community so well that any positive influence on perception is negated because people do not recognize them for what they are."

Industry Currently in Recession

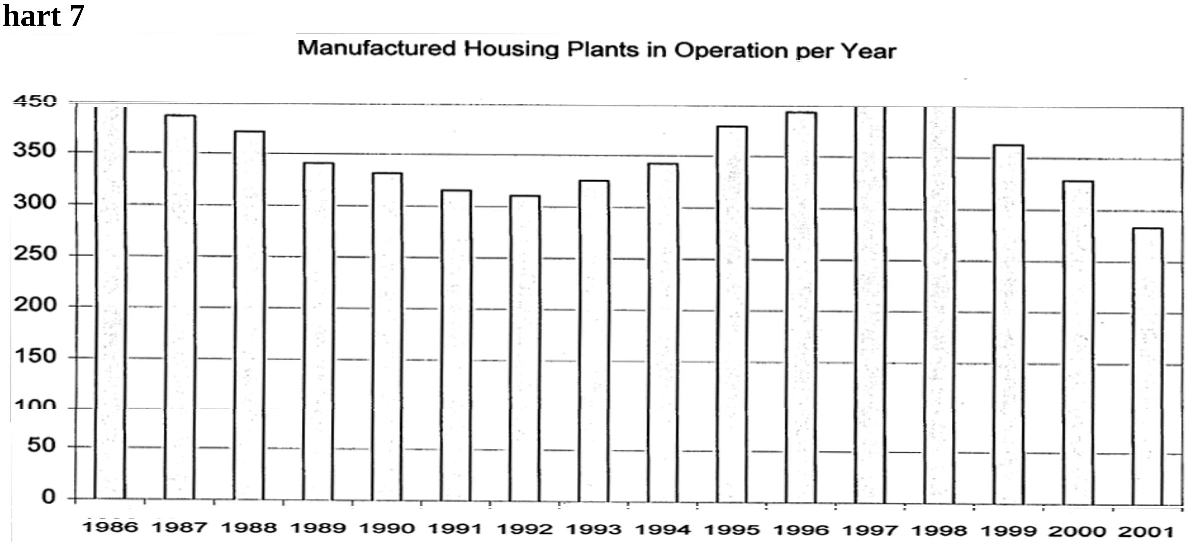
Industry production has been falling for two straight years. Furthermore, there is a glut of new homes unsold that are either in the manufacturers' or the retailers' inventory. There are also a significant number of used homes that are not occupied. These trends suggest that production levels will continue to fall over the next couple of years. Manufacturers count production in two ways. One way is the number of floors (sections) produced. The other way is the number of homes produced. Each floor (section) is required to receive a HUD label before it is shipped from the factory. A single-section home consists of one floor. Multi-section homes can have two or more floors, typically all one level. Housing and Building Technology (HBT), a division of the National Conference on Building Codes and Standards, is the HUD contractor that oversees plant production on behalf of HUD. Chart 6 was provided by HBT, and shows both the number of floors and the number of homes produced each year since 1986. The production number for 2001 is an estimate. Production in 1998 reached nearly 400,000 homes, whereas production estimated for 2001 falls below 200,000 homes.

Chart 6



The drop in production is also reflected in the number of manufacturing plants in operation. Chart 7, which was also provided by HBT, shows the number of plants in operation each year from 1986 through 2001. In 1998 there were over 400 plants in operation whereas in 2001 there are less than 300 plants in operation.

Chart 7



While the industry is currently experiencing economic problems, it continues to provide home ownership opportunities to those who either choose manufactured housing over site-built homes or are unable to afford site-built housing.

VII. Consumer Issues

The National Commission on Manufactured Housing

Congress created the Commission in 1990 with a charge to "develop an action plan containing specific recommendations for legislative and regulatory revisions to the present law." Congress created the Commission to develop recommendations that would resolve issues on which there was disagreement between the industry and its consumers. Among the issues to be addressed were updating of the HUD Code, which was created in 1974 and had subsequently grown out of date, and protections for consumers, some of whom experienced serious structural problems with their homes and were unable to get satisfaction either from the manufacturer or the retailer.

The Commission was composed of representatives of the industry, including manufacturers and retailers, government officials, and consumer advocates. The Commission achieved a broad consensus on the major issues in February, 1993 and issued an interim report to Congress that among other things recommended that a consensus committee representing all affected interests be formed to make recommendations to HUD for updating the HUD code and also recommended the establishment of a five-year structural warranty covering manufacture, transportation, and set up of the home. Manufacturers and retailers would be required to issue the warranty, with each taking responsibility for its actions. Transportation is handled in some cases by the manufacturer and in some cases by the retailer. The retailer typically is responsible for the installation of the home on site, either by doing so directly or by contracting out the installation. Each party would be responsible for warranting its portion of the work. The Commission believed that warranty protections would be more effective than a regulatory structure, in part because HUD is ill-equipped to carry out regulatory functions. The HUD code does not cover installation of the home, although each manufacturer issues its own installation manual.

Unfortunately, when the industry representatives on the Commission went out to gain the approval of industry leaders of the Commission's recommendations, they encountered considerable resistance on the part of retailers. Manufacturers generally issue a one-year warranty, and seemed willing to go along with the five-year structural warranty. However, the retailers, who typically do not issue any warranty covering transportation or installation of the home, refused to participate in a five-year structural warranty. As a result, the manufacturers, not wanting to split the industry, backed away from the agreement and when the Commissioners representing the industry reported back to the Commission, they took a united position against the compromise reflected in the interim report to Congress. As a result, the Commission's final report reflected the split between the industry and the rest of the Commission. Although legislative language had been prepared to implement the recommendations contained in the interim report to Congress, the Congress chose not to act on the matter. For more information on the interaction between consumers and public officials on the one hand, and industry representatives on the other hand, see "Manufactured Housing: A Study in Power and Reform in

Industry Regulation" by Robert W. Wilden in the Fannie Mae publication "Housing Policy Debate", Volume 6, Issue 2 published in 1995.

AARP National Survey of Manufactured Home Owners

AARP was an active participant in the National Commission on Manufactured Housing, with its representative serving as Commission Chairperson. AARP has a significant interest in manufactured housing because a substantial number of the elderly live in manufactured housing. AARP commissioned a survey of manufactured housing homeowners in 1999 to "document the extent to which home owners have experienced problems with the construction and/or installation of their mobile homes, and to explore how they dealt with and/or resolved these problems."

The reason AARP commissioned its survey was that the manufactured housing industry was lobbying Congress for changes favorable to the industry and when AARP raised concerns about consumers, the industry position was that there were no significant problems being experienced by consumers. In order to get factual information, AARP commissioned this survey.

Since the AARP study consistently refers to "manufactured housing" as "mobile homes," this section will use the term "mobile home" although the rest of the paper does not because the amended legislation now refers to "manufactured housing" rather than "mobile homes". The AARP sample consisted of 933 respondents.

The key findings of the AARP survey are as follows:

(1) Problems Reported with Homes

+ Seventy-seven percent of mobile home owners reported at least one problem with the construction, installation, systems, or appliances of their homes. Those who paid under $35,000 for their homes generally reported more problems than those with more expensive homes.

+ The most frequently mentioned problems home owners had with their homes were: interior fit or finish, such as cabinets, etc. (37%); improper fit (or leaks) in doors or windows (35%); and problems with actual construction such as cracks or separation of walls (31%).

+ Six in ten (61%) of the problems of greatest concern occurred during the first year of ownership, while another 14% occurred during the second year, and 14% during years three through five.

(2) Installation of Homes

+ Over eight in ten mobile homes (81%) were installed on blocks or piers with anchors or tie-downs. Fifteen percent said they experienced problems with set-up or installation of the home. This type of problem was more frequent in newer and more costly homes. Other problems resulting from faulty installation accounted for one-fifth of the problems of most trouble or concern for the home owner.

(3) Resolution of Problems

+ About half (54%) of the problems of most concern to home owners entailed out-of-pocket repair costs for home owners averaging $1,140 per problem. Average out-of-pocket repairs ranged from a low of $420 to a high of $2,240, depending on the type of problem.

+ In 40% of attempts to use warranties to resolve problems, home owners were unsuccessful.

+ For all problems of top concern for home owners, about one-third (35%) were repaired under warranty. For 31% of the problems, the home owner fixed it at his/her expense, and for another 30% of the problems, nothing was done at all (problem still exists).

+ The reasons most often given for unsuccessful attempts to use the warranty were that respondents did not get a response to their calls, or the dealer would not honor the warranty (21%), the problem recurred or was not fixed properly the first time (17%), the warranty had expired (17%), or they were told the problems were not covered under the warranty (16%)

(4) Satisfaction Levels

+ Home owners' satisfaction with the quality of construction of their homes averages 4.0 (on a five-point scale where "1" is very dissatisfied and "5" is very satisfied). However, these average ratings vary significantly by whether or not a problem is reported, and by the type of problem reported.

+ About half (49%) of the total problems reported had a less than satisfactory outcome in attempts to resolve them. Problems reported by those with only a one-year warranty had less than satisfactory resolutions more often than those of homes with longer warranties.

This survey suggests that the warranty problems that the Commission on Manufactured Housing tried to address are a persistent unresolved issue for the manufacturers, retailers and home owners.

The Manufactured Housing Improvement Act of 2000

The industry has continued to lobby Congress on establishing a consensus committee to make recommendations to HUD on changes to the HUD code. AARP also testified before Congress in 1999, supporting: (1) A more balanced consensus committee for making recommendations to the Secretary of HUD to periodically update standards under the 1974 Act. A reformulated committee would reflect a better balance between consumer and industry views on enforceable national construction and safety standards than is currently proposed; (2) Federal minimum level requirements for a manufacturer's warranty, and for a state recovery fund; and (3) a nationally mandated, performance-based installation standard.

Congress enacted changes in 2000. The Act provides for a consensus committee to make recommendations to HUD for improvement to the HUD code. The Act also provides for a five-year period beginning with the date of enactment in order for HUD to establish installation standards and a dispute resolution process. These standards would apply in those states that have not developed their own installation standards and dispute resolution process that meet the requirements of the Act. Once the dispute resolution process is in place, consumers will be able to use it to resolve disagreements between the manufacturer, the retailer and the homeowner regarding installation problems during the one-year warranty period. The Act does not extend the period of the manufacturer's warranty or require a warranty of the installation. It also does not address the need for state recovery funds.

Concerns of Consumers Including Seniors

The success of the manufacturing housing industry in lobbying Congress, along with the relative weakness of the manufactured home owners' association in representing their interests to Congress results in a situation in which consumers are not well served. This is evident in two areas.

Warranty Protection

Most manufacturers provide a one-year warranty and most retailers provide no warranty. The result, as is evident in the AARP survey, is that consumers whose homes develop structural problems as a result of damage received during transportation or an improper installation continue to have difficulty in getting resolution to their problems. Some manufacturers and retailers are sufficiently concerned about their customers that they will work to resolve such problems. The difficulty is that the regulatory system may not require them to do so, and the lack of sufficient warranties gives them cover when they choose not to fix the problem.

Related to the need for warranty protections is the need for recovery funds. Some states, such as Arkansas, have such funds, whereas many others do not. Recovery funds are necessary to protect consumers when manufacturers or retailers go bankrupt or go out of business, leaving no other recourse for repairing defects in the home.

Industry Regulation

Manufactured housing is unique in that it is subject only to the HUD code, which preempts all state and local codes. Manufacturers are required to hire HUD-approved inspection agencies that conduct in plant inspections under the supervision of HUD's agent, Housing and Building Technology. The HUD regulations require that each floor in production be inspected during at least one stage of construction in order to be eligible to receive a HUD label. Each plant is required to have a quality control manual and the inspection agency is required to check to be sure that the quality control manual is being followed on the production line. The inspections required are less stringent than those that apply to site-built and modular housing, where local inspectors are involved in every stage of construction. While the industry benefits from what amounts to minimal regulation, the industry associations continue to maintain in their dealings with Congress that the industry is over-regulated. HUD has fewer staff currently to oversee the program than in the past, yet the industry continues to lobby for reductions in the HUD budget.

The regulatory system allows states to enact enforcement standards covering the production, distribution, installation, and sale or resale of manufactured housing. The State of Oregon has developed comprehensive legislation giving it the authority to regulate the construction of homes (the state is the inspection agency which conducts in-plant inspections), the installation of homes (the state has an installation standard and requires the licensing of installers), and manufactured housing parks (the state conducts inspections and has dispute resolution requirements). Oregon also functions as the State Administrative Agency (SAA) and handles consumer complaints. Anecdotal information suggests that residents of manufactured housing in Oregon generally receive satisfaction of their complaints. Most states do not take as active a part in regulating manufactured housing as does Oregon. Some states take a minimal role, leaving the SAA process to HUD Headquarters. Residents of such states are not well served, since HUD is neither staffed nor set up to perform regulatory functions.

Given the situation at both the federal and state level, there is a risk that the regulatory system will break down to the detriment of consumers if sufficient resources and staff are not dedicated to this program at both the federal and state level.

VIII. Identification of Policy Issues for Discussion by Commission

Introduction

There are two issues regarding manufactured housing that should be addressed by the Commission on Affordable Housing and Health Facility Needs for Seniors in the 21st Century. The first issue has to do with bridging the gap in perception between manufactured housing and all other housing. The second is to create networking opportunities that will link manufactured housing park owners to owners of subsidized elderly projects so that both can benefit from the efforts and experience of each to deal with issues related to aging in place.

Bridging the Perception Gap

It is tragic that manufactured housing, which houses more elderly persons (mostly of modest income) than all of the HUD subsidized housing programs, is rarely on the radar scope of housing advocates other than the manufactured housing industry associations, such as the

Manufactured Housing Institute. The Commission needs to use its prestige and resources to introduce manufactured housing to other housing advocacy groups, such as the Low Income Housing Coalition, the National Housing Conference, the National Association of Housing and Redevelopment Officials (NAHRO), the American Association of Homes and Services for the Aging (AAHSA), the National Council of State Agencies, the National Association of Home Builders (NAHB), and the Mortgage Bankers Association (MBA). It is not that these organizations have never heard of manufactured housing, but rather they have tended to view it as the black sheep of the housing industry, have not looked at its current or potential impact on homeownership for lower income and elderly persons, and have behaved as though it doesn't exist. Given the affordable housing needs of this country, and the limited public resources available to directly subsidize such housing to make it affordable to low income persons, any national housing strategy must include manufactured housing as a major component. Manufactured housing needs to be viewed as a legitimate player in the moderate-income housing field. One of the benefits of engaging the manufactured housing industry rather than ignoring it is that it then becomes possible to influence the industry, hopefully in a way that will improve the weak regulatory system and provide better protection for consumers.

The Commission can have an impact in this area by including manufactured housing as both legitimate and needed in addressing the affordable housing needs of the elderly and by communicating its action to the various organizations listed above. Those organizations need to support manufactured housing as a component of a national affordable housing strategy that meets the homeownership needs of a major segment of the population that is either unable or chooses not to incur the expense of purchasing a site-built home. In addition to telephone and mail contact with the above organizations, the Commission might consider devoting a special session at which representatives of the above organizations were invited to discuss manufactured housing and provide materials that offer an objective view of its role in providing affordable housing

The Commission can also include and legitimize manufactured housing in its dealings with Congress and HUD. Both Congress and HUD tend to overlook manufactured housing when they develop strategies to house lower income persons including seniors.

Creating Networking Opportunities

The second issue relates to creating networking opportunities between owners of manufactured housing parks and owners of subsidized housing for the elderly. The entry point into the network of park owners is George Allen. George is a Certified Property Manager of the Institute of Real Estate Management who has worked for many years to professionalize the management of manufactured housing parks. He has put together a network of over 700 park owners that own thousands of parks housing nearly a million households. His newsletters are widely circulated among such owners. He is himself a park owner, and has displayed great interest in the aging-in-place issue and the work of this Commission in particular. The common interest in figuring out how to deal with aging-in-place issues creates the opportunity to link this network with the network of owners represented by AAHSA. The recently published AARP issue paper entitled, "Adding Assisted Living Services to Subsidized Housing: Serving Frail Older Persons with Low Incomes" should be of interest to both groups. While the owners of subsidized housing for the elderly may be a bit further along in dealing with the aging-in-place issues, both groups are at the early stages of addressing this problem and each could benefit from the experience of the other.

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Exhibits

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TO: Owner/Operators of Senior Oriented Communities

FROM: Robert W. Wilden
Consultant to Commission on Affordable Housing and Health Facilities Needs for Seniors in the 21st Century

SUBJECT: Information on How Communities Are Responding to Aging In Place

The information requested below includes questions both on your total inventory of communities and on how many of those communities serve primarily those over 55 years of age. Specific information (other than inventory numbers) is requested only on the communities primarily serving those over 55 years of age.
This information is for use by the Commission on Affordable Housing and Health Facility Needs for Senior in the 21st Century. The Commission was created by Congress, and is interested in manufactured housing as it relates to the elderly and aging in place. Individual questionnaires become the property of the Commission and are confidential. DEADLINE FOR SUBMISSION IS DECEMBER 15, 2001.

Questions

1. Name of Ownership Entity ____

2. Name of Contact Person ___________________________ Telephone Number _______________

3. How many parks/sites (both elderly and non-elderly) do you have in inventory?

_____________ Parks ______________________________ Sites

4. How many parks/sites are restricted to households with a member over 55 years of age?

________________Parks ___________________________Sites

a. Physical Features

Wheelchair accessible?

Swimming pool _____all parks _____ some parks ____no parks ___yes ___no

Health club _____all parks ______some parks _____no parks ____yes ___no

Common areas ____all parks ____some parks _____no parks ____yes ___no

Central dining room ____all parks ____some parks ____no parks ____yes ___no

Offices for service providers ___all parks ___some parks ___no parks ___yes ___no

Other (describe) ____

________________ ____all parks ____some parks ____no parks ____yes ___no

b. Service Features

Average # meals

Meals program ____all parks ____some parks ____no parks ___per day ___days per week

(OVER)

Housekeeping services ____all parks ____some parks ____no parks

Services coordinator _____all parks ____some parks ____no parks

Preventive health care services ____all parks ____some parks ____no parks

Other (describe) ____

________________ ____all parks ____some parks ____no parks

PLEASE RETURN COMPLETED QUESTIONNAIRE BY DECEMBER 15 TO:

Robert Wilden
Fax (703) 534-4504