Manufactured Housing
Housing & Economic Development track

Stacey Epperson, Next Step, Moderator
Kelly Fleck, Frontier Housing
Damon Allen, Federal Home Loan Bank Bank Cincinnati
Dennis Smith, Freddie Mac
Carl Hill, Clayton Built
Robert Sowers, Fannie Mae
## Workshop Notes - Reclaiming Appalachia Rural Conference

<table>
<thead>
<tr>
<th>Title of Workshop: Manufactured Housing - Supporting Homeownership in Rural Communities</th>
<th>Note Taker: Trisha Guditz</th>
</tr>
</thead>
<tbody>
<tr>
<td>Date: September 10, 2019</td>
<td>Note Taker email: <a href="mailto:tguditz@nw.org">tguditz@nw.org</a></td>
</tr>
<tr>
<td>Presenters: Stacey Epperson, Next Step Network (Moderator), Carl Hill, Clayton Home, Kelly Fleck, Frontier Housing, Damon Allen, FHLB of Cincinnati, Dennis Smith, Freddie Mac, Robert Sowers, Fannie Mae</td>
<td>Approx # of Attendees: Full room</td>
</tr>
</tbody>
</table>

### Workshop Description:

As rural communities face continued economic challenges, the possibility of affordable homeownership becomes more difficult to obtain. Prospective home buyers need the support, resources and education to make informed purchase decisions. More nonprofit affordable housing developers are seeking out factory-built housing as a viable, scalable housing solution. Come to this session to see and hear about innovations in factory-built housing construction and finance, and what tools are available to assist those seeking to buy their own home.

### Key Discussion Points

- Site-built housing becoming more expensive and incomes are not going up
- Clayton Home: really interesting visuals. Description of a new class of homes that are more detailed and include more features. Using innovative products. Houses look like more traditional building types (site-built look). All homes built to wind zone where they’re located. All houses are on traditional foundations.
- Frontier Housing: Freddie and Next Step partnership
- Prosperity Now and Next Step partnership for counseling and homebuyer education
- FHLB AHP application: Manufactured housing is eligible for funding; conforms with federal HUD code
- New AHP regulation effective 1/1/21: Permits targeted funds, exploring feasibility of a targeted fund for mobile home replacement, don’t allow chattel loans, open to hearing how the program should work
- Freddie—“Duty to serve”. Working on broader support for underserved markets, housing counseling emphasis, “off-site built housing” (changing the terminology), working with Appraisal Institute to update their thinking. Call it a “choice home”
- MH not on MLS—can’t find appraisals. Freddie saying it is ok to appraise as a site-built home
- Fannie has a MH Advantage product
- Duty to serve loans, duty to serve is statutory; three-year plan

### Themes/Overall Impressions

- MH can achieve the same look as stick built construction
- A lot of progress is being made on MH lending, protections for residents in MH parks (there are landlord and tenant protections)
- A lot of HFAs are providing more offerings
- Congress recognizes the value of MH
Reclaiming Appalachia
Manufactured Housing – Supporting Homeownership in Rural Communities
Carl Hill
Vice President of Marketing,
Clayton Homes
Main Topics

• Affordability Crisis

• Benefits of off-site built housing

• A new class of homes
Affordable Housing Crisis

In the US, only 35 AFFORDABLE HOMES are available for every 100 EXTREMELY LOW-INCOME RENTER HOUSEHOLDS.

AFFORDABLE HOUSING can directly impact EDUCATIONAL ACHIEVEMENTS by reducing disruptive moves, housing-related health hazards and supporting spending on enrichment activities.*

*National Housing Conference
Affordable Housing Crisis

POOR HOUSING CAN IMPACT HEALTH RISKS:

- Respiratory and cardiovascular diseases from indoor air pollution
- Communicable diseases spread because of poor living conditions
- Illness and deaths from temperature extremes
- Risks of home injuries

*World Health Organization
Fannie and Freddie’s Latest Push: Factory-Built Homes

Mortgage giants hope to help low- and middle-class Americans buy homes but programs’ narrow reach and consumer bias impede progress.

We do have a solution - “People are talking”
Main Topics

• Affordability Crisis

• Benefits of off-site built Housing

• A new class of homes
Off-site built housing is certified by third-party inspectors before leaving the home building facility to ensure:

- Indoor Air Quality
- Federal Code Compliance
- Structural Strength and Safety
- Plumbing Plans and Systems
- Fire Safety
Economies of Scale

- Ecobee smart thermostats
- Duracraft wood cabinets
- Building efficiencies – robotics, builder tech and material conveyance

Sustainability.

- ISO 14001
- Reduce/recycle building material and scraps
- Energy efficiency packages
- Energy Smart Home and ENERGY STAR ®
Production
- Lux Windows
- DuraCraft
- Interior Trim
- Laminated Wallboards
- Frame Components
- Lumber
- Trusses

Distribution
- Exterior Doors
- Interior Doors
- Water Heaters
- Furnaces
- Carpet
- Adhesives
- Fireplaces
- Toilets
- Underlayment
What’s Next...

- Site-Built Panel and Truss Facility
- Interior Doors
- Exterior Doors
- Tubs and Showers
- And more...
Main Topics

• Affordability Crisis

• Benefits of off-site built housing

• A new class of homes
Edgewood Mobile Homes of Williamsburg

Availability
Size
Square Feet
Beds
Manufacturer
View All

REVOLUTION 52
SATISFACTION
REVOLUTION 60
THE LIZA JANE
MARVEL
THE LULABELLE
A new class of homes

**Purpose.**
- Bringing affordability to more Americans
- Democratizing attainable housing
- Resale Value & Equity-building
- 10% vs 46% of single family homes
A new class of homes

**Home Features**

- Garage
- Covered porch
- Elevated roof pitch (4/12 minimum)
- Drywall
- Energy Efficient Enhancements (Low-E winders, 33/11/22 insulation, smart thermostat)

**Likely to purchase**

- Site-built – 69%
- New class – 46%
- MH – 9%
Innovative Products
Thank you.
Kelly Fleck
Director of Homeownership,
Frontier KY
Damon Allen
Senior Vice President and Community Investment Officer, Federal Home Loan Bank of Cincinnati
Respondents in Occupied Mobile and Manufactured Homes Built Between 1970-1979

Legend
Respondents in Occupied Mobile and Manufactured Homes Built Between 1970-1979 (as a % of total occupied mobile homes)
- 2.0 - 4.0
- 4.1 - 6.0
- 6.1 - 8.0
- 8.1 - 10
- 10.1 - 11.0

Virginia Center for Housing Research

Source: American Community Survey 2013 5 Year Data
Respondents with Red Flag Conditions in Mobile and Manufactured Homes Built Before 1980

Legend
Respondents with Red Flag Conditions in Mobile and Manufactured Homes Built Before 1980 (as a % of total occupied mobile homes built before 1980)
- 0
- 0.1 - 2.0
- 2.1 - 3.0
- 3.1 - 4.0
- 4.1 - 6.0

Source: American Community Survey 2013 5 Year Data

Virginia Center for Housing Research
FHLB Eligible Manufactured Housing

- Must comply with federal HUD Code.
- Multi- or single-section homes qualify.
  - Single-section must be ENERGY STAR-certified.
- Installed on FHA Title II permanent foundation system.
- Home and lot taxed as real property.
New AHP Regulation

- Effective January 1, 2021.
- Permits Targeted Funds.
- Exploring feasibility of a Targeted Fund for mobile home replacement.
Dennis Smith
Affordable Lending Manager,
Freddie Mac
Expanding Our Mission

- **Deliver broader support for 3 underserved markets**
  - Manufactured housing
  - Rural housing
  - Affordable housing preservation

- **Address communities’ needs in sustainable ways**

- **Focus on very low-, low-, and moderate-income households**
  Design solutions that bolster affordable lending and the housing market nationwide

- **Support affordable housing and access to credit**
  - More loan purchases
  - New offerings
  - Market research
  - More homebuyer education
  - Industry outreach and education
Affordable Lending Ecosystem

- Local government
- LOS vendors
- Loan officers
- Builders & developers
- Mortgage & banking executives
- Real estate professionals
- State government
- Non-profit organizations
- Appraisers
- Housing finance agencies
- Housing counselors
Sharpening Focus on High-needs Rural Regions

Source: fhfa.gov
Sharpening Focus on Manufactured Housing

Then … … and now
Creating Parity in Financing with CHOICEHome℠

Minimum roof pitch of 5/12

Attached or detached garage/carport

Energy efficiencies, including insulation minimums, Low-E windows, programmable thermostat

≥1,200 sq. ft. gross living space, multiple sections

Drywall throughout the interior

Permanent foundation with masonry perimeter or perimeter blocking
CHOICEHome Financing

- **Product flexibilities**
  - Home Possible® 97% LTV/105% TLTV with Affordable Seconds®
  - HomeOneSM 97% LTV/105% TLTV with Affordable Seconds
  - Construction to permanent financing

- **Appraisal flexibilities**
  - Manufactured home appraisal Form 70B
  - Site-built comparable sales permitted for the three minimum comparable sales if CHOICEHome sales are not available

**Pricing**
- 50 basis point manufactured home credit fee does not apply
Meeting Evolving Needs with CHOICERenovation℠

- Helps address the shortage of available, safe, affordable housing
- Helps address changing demographics
- Finances cost of renovation up to 75% of the appraised as-completed value of property
- Supports a broader range of renovations and greater amount of financing – including to repair or help prevent damage from natural disasters
- May be used for factory-built homes

Sweat equity may be applied to down payment and closing costs when financing the home with a Home Possible® mortgage
Calculating Maximum Allowable Renovation Costs: Example

Property sales price $75,000
+ Cost of improvements $180,000
Total acquisition cost $255,000

As-completed value $250,000

Maximum allowable renovation costs $187,500
(≤ 75% of $250,000)

Maximum loan amount $242,500
(≤ 97% loan-to-value ratio)

For factory-built homes, total financed renovation costs must not exceed either $50,000 or 50% of the appraised as-completed value of the property, whichever is less.
Promoting Energy-efficiency Improvements with GreenCHOICE Mortgages℠

- Supports home improvements that lead to utility-cost savings
- Finances the cost of eligible improvements ≤15% of the appraised as-completed property value
- Requires an energy report only if the aggregate cost of improvements <$6,500
- Allows for delivery of the mortgage before improvements are completed
- Gives the lender $500 toward credit fees in price when the loan is delivered
- May be used for factory-built homes, if the improvements don’t affect the structural integrity
Eligible Basic Energy-efficiency Improvements

- Programmable thermostats
- Replacement of windows and doors
- Caulking or weather stripping
- Additional insulation for ceiling, wall, floor
- Air sealing
- Air conditioning/heating replacement to high efficiency
- High-efficiency refrigerators/freezer, water heaters, and light bulbs
- Low-flow water fixtures
- Solar water heaters
Sharing Industry-leading Insights

- **Conducting and publishing research**
  - Manufactured housing consumer buying behaviors
  - Potential effect of standardization on financing factory-built housing – home only
  - Impact of energy-efficient features on home value and loan performance
  - Performance of home loans in high-needs rural areas

- **Holding the first Rural Research Symposium**
  - Attract a broad spectrum of housing experts
  - Taking place in November
All for Home, All for a Better Future
Robert Sowers
Affordable Lending Manager,
Community Lending Specialist
NEXT

4:30 – 6:00 pm: Informal Networking & Group Photo

6:00 – 7:30 pm: Awards Dinner

7:30 pm: Tell Your Own Rural Story with Kiran Singh Sirah & Adam Booth