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COMMERCIAL REAL ESTATE BROKERS
The Manufactured Housing Community Network

The Northwest Report

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For Owners, Operators and Investors in Manufactured Housing Communities Nationwide

FANNIE MAE & FREDDIE MAC

Fannie Mae and Freddie Mac may soon begin to provide financing for buyers of manufactured homes, according to draft plans released recently. The move is part of an effort by the mortgage-finance giants to ease burdens on low-income borrowers, many of whom turn to factory-built housing as an inexpensive alternative to traditional residences. At the same time, it could also bring criticism from people concerned about the riskiness of lending for the mobile homes, which often sit on leased land and can depreciate quickly in value.

The proposals were outlined by Fannie and Freddie as part of broader plans to address affordable housing challenges. The U.S.-controlled companies need to get sign-off for the pilot programs from their regulator, the Federal Housing Finance Agency.

The 2008 law that authorized the bailouts of Fannie and Freddie also required them to develop plans to serve three target areas: manufactured housing, rural housing and affordable housing preservation. The FHFA didn't begin the extended process of implementing the requirement until 2015. The draft plans released will be open to public comment and subject to review by the FHFA before taking effect in January. Mobile-home builders and some affordable-housing advocates have long called on Fannie and Freddie to support the industry, arguing that such residences are a primary way some low-income borrowers get into the real estate market.

According to the U.S. Census, about 12.3 million Americans owned a manufactured home in 2015, while another 5.4 million rented one. Buyers of manufactured homes typically are ineligible for standard mortgages because they don't own the land where the home sits. Instead, they have to get a personal property or "chattel" loan that carries a higher interest rate and lasts 10 to 20 years, rather than the 30 years of a typical fixed-rate mortgage. Fannie and Freddie already finance some loans for homes on land owned by the borrower and, through their multifamily businesses, to owners of entire mobile-home communities on which owners rent land. The mobile-home industry crashed in the late 1990s and early 2000s, sending some lenders into bankruptcy.

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Mike Dawson, a Freddie single-family vice president, said that lending and manufacturing practices are much different than they were at the time of that collapse. “We want to look at it from a long-term sustainable lens,” Dawson said. “If we participate, we want to make sure that there are responsible lending guidelines associated with it.” Some of the biggest lenders for mobile-home purchases lately have been the manufacturers themselves. Among them are subsidiaries of Berkshire Hathaway Inc.’s Clayton Homes, though they’ve come under criticism in the last couple years for allegedly discriminatory lending practices. The company disputes the claims.

Jeffery Hayward, Fannie’s head of multifamily, said the company through its pilot hopes to collect more data on how chattel loans perform to ensure that they don’t put taxpayers at risk. “Rural and manufactured housing are inextricably linked,” Hayward said. “The most affordable housing you can find is often a manufactured house in a rural area.” Like Freddie’s Dawson, Hayward said the quality of manufactured homes has improved in the last couple decades, making them better collateral. Fannie said it could begin by purchasing 350 to 425 chattel loans per year, which could amount to $20 million to $25 million.

LEGISLATIVE NEWS

The Oregon Legislature did nothing to advance tenant advocate’s cries for help with rent control or no cause evictions when the Bill’s being circulated died in committee and never received hearings or serious contemplation. Nevertheless, the next legislative session expects to be confronted with this issue again, especially as rents continue to rise and vacancies shrink in such popular areas as the metro-Portland market, Bend and Eugene. Because it is not a statewide problem the Legislature was unwilling to enact a statewide change in current laws and regulations, but that could change if the economy continues to grow at such a brisk pace in Oregon.

The Washington Legislature had an equally uneventful session when it relates to manufactured housing, with Bills addressing rural communities, modifications to rental agreements, park closures, income discrimination and park closures were ultimately dismissed with no meaningful changes in store for community owners, at least not right away. An active group of industry professionals, heavily involved in trade association Manufactured Housing Communities of Washington helped again this year with educating lawmakers about the ins and outs of the MH community business, which help to squelch any real efforts to enact drastic changes.

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MONTANA DISCRIMINATION LAWSUIT

A FEDERAL JURY RECENTLY RETURNED A $37,343 VERDICT AGAINST A Montana landlord for charging a resident with physical and psychiatric disabilities $1,000 to have a service animal, according to the Justice Department. The lawsuit alleged that the owner and manager of rental properties in Bozeman discriminated against a resident with a traumatic brain injury by charging her a $1,000 deposit as a condition for allowing her to keep her service dog. The DOJ became involved after the tenant file a complaint with HUD.

At trial the resident, her treating therapist, and an independent expert testified that Riley assisted the resident in living with the symptoms of her disabilities, including providing emotional support, helping to predict migraines, and reducing suicidal thoughts. The resident also testified that she repeatedly informed the landlord that charging a deposit for a service animal was illegal, but the landlord continued to levy this charge and, at one point, threatened to evict her.

The verdict included $31,000 in compensatory damages and punitive damages for the resident, and $6,000 for a fair housing organization that assisted her with her HUD complaint.

CA$H LENDING PROGRAM MAKES IT DEBUT

21st Mortgage Corporation, a subsidiary of Berkshire Hathaway-owned Clayton Homes announced a new lending program called CA$H (Communities Affordable Spec Homes) to industry leaders recently. The program is designed to help community owners purchase new homes and pay for set-up expenses, when these are usually expenses the community owner must pay out-of-pocket. The program also gives you 12-months with no payments, allowing you to fill vacant sites without using your own capital.

Secondly, the program provides consumer financing at affordable rates for home buyers with all credit scores and they will finance homes 1976 or newer with a minimum loan amount of $10,000. Additionally, the program will allow you to rent the home with 21st financing the rental home, offering a low-down payment to the community owner and providing 10-15-year terms. Marketing and customer lending support is also provided.

More information can be obtained from a Business Development Manager at 21st Mortgage Corporation by calling 800-995-0021 ext. 1157 or emailing: prospect@21mortgage.com

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INCREASES REPORTED IN PRODUCTION AND SHIPMENTS

According to official statistics compiled on behalf of the U.S. Department of Housing and Urban Development (HUD), year over year manufactured housing production increased substantially during the past several months. The latest statistics available track home production through June of 2017 and they indicate that HUD Code manufacturers produced 8,152 homes in June, an 11.7% increase over the 7,299 built in June of 2016. Cumulative industry production for 2017 now totals 46,602 homes, a 16.9% increase over the 39,869 HUD Code manufactured homes produced over the same period in 2016. Increases were seen in both single and multi-section home production.

Further examination of official industry statistics shows that the top ten shipment starts from the beginning of the industry production rebound in August 2011 through June 2017 are: Texas, Louisiana, Florida, Alabama, North Carolina, Mississippi, California, Michigan, Kentucky and Tennessee. Michigan continues to defy odds and report significant growth.

There are 37,624 manufactured housing land-lease communities in America, providing a total of 4.2 million home sites. 22 million American's live in manufactured homes and 35% of all new manufactured homes built in America are placed in land-lease communities. The average annual site lease increase is just 3%, and the industry contributes 3 billion dollars and 40,000 jobs to the U.S. economy, according to statistics compiled by the industry.

The steady increase in HUD Code home production since 2011 is clear and undisputable evidence that manufactured homes not only continue to serve a vital role in our nation's housing market, but that today's high-quality manufactured homes are attracting ever-larger numbers of homebuyers.

ACTIVITY IS BRISK, BUSINESS REMAINS STRONG

The Summer "selling season" has proven to be a very strong one in the manufactured housing industry, especially in the Pacific Northwest. Numerous reports are surfacing of manufactured home community operators looking to expand their own communities, or in a few cases actually develop new communities from the ground up. After more than a decade of struggling to survive, the sustained industry turnaround has been met with open arms by homebuyers. It is a great time to be in the manufactured home business.

The "site built" housing industry has become too expensive for many homebuyers and a new manufactured home in a land-lease community, even at $150,000 or more is now considered very affordable and easily obtainable. Considering the energy efficiency and quality of today's new manufactured home it is no wonder factories have 2-3-month backlogs and demand exceeds supply.

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GREEN COURTE PARTNERS LLC RE-ENTERS INDUSTRY

Green Courte Partners LLC of Chicago, once one of the nation's leaders in the acquisition and management of manufactured housing land-lease communities before selling their platform to Sun Communities a few years back, has announced its re-entry into the industry. In a July 27th announcement, Green Courte said it is "seeking land-lease investments" and that it will actively pursue investment opportunities within the land-lease community sector in both the U.S. and Canada, with interest in both manufactured housing and recreational vehicle communities. Their new $500 million fund will focus on MH and RV properties. Northwest Park Brokerage has an active relationship and Green Courte and would be happy to market your community to Green Courte should the opportunity arise.

FINANCING A MANUFACTURED HOME COMMUNITY

Interest rates have stabilized and in some cases decreased slightly as the mortgage market continues to experience strong, solid growth while sticking to prudent underwriting practices. Financing remains readily available to real estate asset classes, including manufactured home communities.

The latest interest rates for manufactured housing community financing or refinancing on the West Coast remain at or near these rates: Three-year fixed, 3.875%, five-year fixed, 4.005%, seven-year fixed, 4.175%, ten-year fixed, 4.315% and fifteen-year fixed at 4.225%. This represents yet another slight decrease over previously advertised rates and they certainly remain very attractive. Rates can vary depending on the quality and location of the asset and other determining factors. Annual renewable mortgages (ARM) are as low as 2.300% for highly qualified borrowers.

CONSIDERING A PURCHASE OR SALE?

No brokerage firm in the Pacific Northwest or on the entire West Coast has a better grasp of market conditions than **Northwest Park Brokerage**. We intimately understand the business and have relationships with buyers and sellers who are serious, qualified and motivated. Additionally, now might be the perfect time to consider a market evaluation of your community if selling is in your future. There is a big demand for large and small communities in both metro and rural locations. **Give us a call at 206.652.4100.**

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Upcoming Events

George Allen's 26th Annual
International Networking Roundtable
September 6-8, 2017
Location to be Announced Soon
George Allen – 877-663-4764

MHCW Washington Events
Inland Empire Unit Meeting – September 12th
Spokane Training Session – September 13th
Yakima Training Session – September 14th

2017 MHI Annual Meeting
September 17-19, 2017
Disney's Grand Floridian Resort
Orlando, FL

2017 NCC Fall Leadership Conference
November 1-3, 2017
Westin Michigan Avenue
Chicago, IL

Over $550,000,000 in park sales. Visit our website at www.nwparks.com

For more information on manufactured home communities for sale or an assessment of your community call Bill Jackson of Northwest Park Brokerage at 206.652.4100 or email Bill at: billj@nwparks.com

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