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COMMERCIAL REAL ESTATE BROKERS
The Manufactured Housing Community Network

The Northwest Report

Issue 60 June 2018

For Owners, Operators and Investors in Manufactured Housing Communities Nationwide

Expansions and New Construction Highlights Manufactured Home Community Rebound

With the demand for manufactured housing strong the need for manufactured home sites continues to escalate. Recently a number of manufactured housing communities in the Pacific Northwest announced expansion plans and others report filling all of their previously vacant sites with new manufactured homes. In some markets the construction of new manufactured home communities has been announced and developers are now inquiring about the feasibility of developing vacant land they own as a manufactured housing community.

This is clearly positive news for the industry and it points to long-term projected industry growth that should last for the foreseeable future. However, one obstacle developers are experiencing is finding land use planners and decision makers at the various governing agencies who were around the last time a manufactured home community was built in their city or county. It has been so long since a new community was built in most areas that the city or county staff members who understood this unique real estate asset class and its special kind of development standards have left or retired. Today, most zoning and planning people have never reviewed plans for a proposed manufactured housing community, much less overseen the approval and construction process.

This dilemma will require the re-education of those people in charge of land-use in the developer/investor’s particular jurisdiction if the timely issuance of a building permit is a possibility. What can really help developers and investors is the involvement of our state associations to assist in educating governing land-use staff in the construction of manufactured home communities and how manufactured homes are an excellent way to provide much needed affordable, medium density housing. Almost every town or city in the Pacific Northwest has a shortage of affordable housing and the media reports daily on how the government is trying to find solutions to their housing crisis. Do these officials truly understand manufactured housing? “Tiny Homes” and other segments of factory-built housing have caught the publics interest but true family-sized manufactured homes are still a housing choice most young planning and zoning people know little about.

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President Trump Signs Manufactured Housing Legislation

On May 24th the U.S. House of Representatives (House) passed legislation clarifying that a manufactured housing retailer or seller is not inappropriately considered a mortgage "loan originator" simply because they provide a customer with some assistance in the mortgage loan process. This provision was included in S. 2155, the "Economic Growth, Regulatory Relief, and Consumer Protection Act," a package of reforms intended to improve the national financial regulatory framework and promote economic growth. With S. 2155 already passed by the U.S. Senate in March, this legislation has now been signed by President Trump.

The passage of S. 2155 by the House is a result of the Manufactured Housing Institutes ongoing efforts to protect manufactured housing retailers and sellers from liability under federal consumer protection mortgage rules for the loan portion of a consumer transaction. MHI has continually argued that if a retailer or seller does not receive compensation or gain related to the loan, they should not be considered a loan originator simply because they help borrowers identify potential lenders or provide minimal assistance during the loan process.

MHI’s government affairs team worked closely with both Congressional leadership on Capitol Hill and champions of manufactured housing to secure passage of this important provision. The grassroots outreach from MHI members and state executive directors – totaling more than 15,000 calls and emails – was instrumental in helping Members of Congress understand the importance of this provision to their constituents.

Upon passage of the bill, U.S. Representative Andy Barr (R-KY), long-time supporter of manufactured housing and author of the Preserving Access to Manufactured Housing Act (H.R. 1699), said, “Dodd-Frank’s one-size-fits-all ‘loan originator’ definition failed to account for the unique nature of the manufactured housing market. The result: hard-working, low and moderate-income Americans have lost access to affordable manufactured housing. The Preserving Access to Manufactured Housing Act, included in S. 2155, fixes this problem and enables more Americans to achieve the American Dream of homeownership.”

This provision passed with strong bipartisan support in both the House and the Senate. In March the Senate passed S. 2155 by a vote of 67 to 31. The House has now passed this same bill by a vote of 258 to 159. ***(From MHI and other industry reports).***

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MHARR Continues to Press Fannie Mae & Freddie Mac to Fully Engage Duty-To-Serve

Washington, D.C., May 30, 2018 – The Manufactured Housing Association for Regulatory Reform (MHARR) in written comments filed on May 30, 2018, has called on the Federal Housing Finance Agency (FHFA) -- the federal regulator of mortgage giants Fannie Mae and Freddie Mac -- to significantly revise and amend the final rule that it issued on December 29, 2016 to implement the Duty to Serve Underserved Markets (DTS) mandate incorporated by Congress in the Housing and Economic Recovery Act of 2008 (HERA) and related FHFA "guidance" for evaluating the Government Sponsored Enterprises' supposed DTS compliance plans that became effective on January 1, 2018.

Based on this request – and in order to bring both Fannie Mae and Freddie Mac into full compliance with DTS -- MHARR's comments call for substantial amendments to: (1) FHFA's final DTS implementation rule; (2) FHFA's DTS plan "Evaluation Guidance;" and (3) Fannie Mae and Freddie Mac's DTS implementation plans themselves, given the patent failure and inability of these regulatory actions to effectively implement the DTS mandate in a market-significant and timely manner.

In part, MHARR's comments stress that a supposed "lack of information" regarding the performance of manufactured home chattel loans – which comprise upwards of 80% of the HUD Code market) – more than a decade after the enactment of DTS is both disingenuous and evidence of the type of continuing bias against manufactured housing and manufactured homebuyers at Fannie Mae and Freddie Mac that DTS was meant to remedy in the first place. Further, the comments note that the supposed chattel loan "pilot programs" included in the Enterprises' DTS "implementation" plans, are little more than token efforts that would serve slightly more than 1% of the manufactured housing market with no assurance whatsoever of expanded secondary market or securitization support for manufactured housing chattel loans at any time in the foreseeable future. As such, the supposed DTS compliance plans – and the final DTS rule and Evaluation Guidance that they are based on – are wholly inadequate to "effectively" implement DTS and must be revised in accordance with FHFA's 2012 Regulatory Review process.

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In Washington, D.C. MHARR President and CEO Mark Weiss stated: "The continuing failure of FHFA, Fannie Mae and Freddie Mac – more than a decade after the enactment of DTS – to take concrete and market-significant steps to increase the availability of chattel loans for lower and moderate-income manufactured homebuyers is inexcusable and in defiance of the law and the will of Congress. Using the alleged lack of chattel loan "data" as a risible excuse, FHFA, Fannie Mae and Freddie Mac are standing in the way of greater competition in the manufactured housing finance market and lower, more competitive interest rates for consumers that would allow many more Americans to purchase a truly affordable home of their own. Conversely, the failure to implement DTS as written and intended by Congress, will have the negative consequence of driving more consumers into the arms of the current industry-dominant lenders and their higher-cost loans. DTS is far too important to allow it to be emasculated by Fannie Mae and Freddie Mac and their enablers within and outside their agencies.

U.S. Senate Confirms Industry's Choice for Federal Housing Commissioner

In May the United States Senate approved by a bipartisan vote of 74 to 23 the nomination of Brian Montgomery to be HUD's Assistant Secretary for the Department of Housing and Federal Housing Administration (FHA) Commissioner. Since his nomination in September of 2017 the manufactured housing industry has urged his confirmation. As FHA Commissioner Mr. Montgomery will oversee the federal Manufactured Housing Program. Having previously served as FHA Commissioner under President George W. Bush from 2005 to 2009, Mr. Montgomery has historically demonstrated his understanding of the importance and benefits of manufactured housing. He recently reiterated his support of manufactured housing during his confirmation hearing before the Senate Banking Committee. He said: "We need to make sure FHA's manufactured housing rules undergo a rigorous cost-benefit analysis to ensure we are balancing important product safety considerations with affordability and access. If confirmed, you have my commitment this will be a priority."

Home Sales Prices Underline Affordability

It wasn't long ago the thought a of manufactured home in a "park" or land-lease rental community selling for $100,000 or more seemed unthinkable. Yet when you compare the escalating cost of a site-built home in both urban and suburban areas in 2018 to the cost of a new, energy efficient manufactured home, our homes are a real bargain.

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Today, a consumer can purchase an extremely high-quality, energy efficient, spacious brand new manufactured home in a very desirable community, including carport or garage, decks and landscaping for $150,000 or less, making it significantly less expensive than a much smaller site-built structure. Just consider the incredible high standards that every new manufactured home is built to and compare that to buying a pre-owned site built home where, after inspection, it may need electrical upgrades, sewer repairs, a new roof, improved insulation, paint, window coverings and more. Also, it probably contains used appliances and components that will require repair or replacement years before the same components in a new manufactured home will need attention. Our homes, and communities are truly affordable. Let's spread the good news.

Latest Statistics Show Steady Growth

According to official statistics compiled on behalf of the U.S. Department of Housing and Urban Development (HUD) and The Manufactured Housing Association for Regulatory Reform (MHARR), year-over-year manufactured housing production grew again, according to the latest production reports. The latest statistics available track home production through March 2018 and they indicate that HUD Code manufacturers produced 8,830 homes in March, a 7.0% increase over the 8,245 HUD-Code homes built in March of 2017. Cumulative industry production for 2018 now totals 25,531 homes, a 9.1% increase over the 23,384 HUD code homes produced over the same period inn 2017.

Further examination of official industry statistics shows that the top ten shipment states from the beginning of the industry production rebound in August 2011 through March 2018 are once again: Texas, Louisiana, Florida, Alabama, North Carolina, Mississippi, California, Kentucky, Michigan and Tennessee.

The steady increase in HUD Code home production 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. Backlogs at the manufacturing plants are yet more proof that demand is surging as the gap between the cost of a site-built home and a manufactured home continues to grow wider, making manufactured housing as affordable as it has ever been.

Financing a Manufactured Home Community

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Interest rates have been subject to slight changes as the mortgage market continues to experience solid growth and the threat of inflation begins to worry economists. Nevertheless, financing remains readily available to real estate asset classes, including manufactured home communities and other multi-family housing assets. The latest interest rates for manufactured housing community financing or refinancing on the West Coast remain at or near these rates, which continue to fluctuate and have dipped slightly in the past few weeks. Three-year fixed, 4.505%, five-year fixed, 4.565%, seven-year fixed, 4.585%, ten-year fixed, 4.625% and fifteen-year fixed at 4.595%. Rates can vary depending on the quality and location of the asset and other determining factors. Annual renewable mortgages (ARM) are as low as 2.25% for highly qualified borrowers.

Upcoming Events

MHCO Management Training Seminar

June 13, 2018
Rogue Regency Inn, Medford, Oregon
Contact Manufactured Housing Communities of Oregon
503-391-4496

MHCW Training Schedule

September

12th, Creekside Estates, 5101 NE 121st, Vancouver
18th, Lazy Acres, 111 Dryke Road, Sequim
19th, Belmar Mobile Home Park, 2101 324th, Federal Way
20th, Mountain Green, 5140 Yelm Highway SE, Lacey

October

16th, Quail Run, 200 Bridle Way, Yakima
18th, Contempo Mobile Home Park, 1250 E. Lyons Ave., Spokane

November

7th, Lakeway, 1200 Lincoln Street, Bellingham
8th., Lago De Plata, 620 112th St. SE, Everett

MHI Legislative Summer Fly-In

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June 24-26, 2018
Washington D.C.

MHI Annual Meeting
September 23-25, 2018
Pasea Hotel
Huntington Beach, CA

2018 NCC Fall Leadership Conference
November 7-9, 2018
Westin Michigan Ave., Chicago, IL

Just Announced – New Orleans 2019!

MHI National Congress & Expo
May 6-9, 2019
Hyatt Regency, New Orleans, LA

Engage the Best

There is no doubt about it, 2018 is definitely another great year for **Northwest Park Brokerage.** Without question, 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 have our pulse on the industry, we intimately understand the business, and we have relationships with buyers and sellers who are serious, qualified and motivated. Let us help you evaluate your community. **Give us a call at 206.652.4100.**

Over $700,000,000 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