

# Outcomes of State and Local Housing Policy Changes & Manufactured Housing Finance

Testimony for Vermont Senate Committee on Economic Development, Housing and General Affairs

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January 25, 2024

Pew

# Manufactured Homes Can Be a Lower-Cost Housing Option

- **Federal housing standard:** Must be built to a national building code set by the U.S. Department of Housing and Urban Development (HUD) and updated periodically since 1976.
- **Opportunities to fill housing supply shortage:** Lack of new, smaller, and more affordable starter homes – manufactured homes can be EnergyStar certified.
- **Lower cost due to factory efficiency:** According to new research from the Harvard Joint Center for Housing Studies a single-section manufactured home can save over \$100,000 compared to a site-built home.



Photo source: <https://www.claytonhomes.com/homes/34FSN28483CH>

# New Approaches To Development With Manufactured Housing

- Most manufactured homebuyers have historically installed their home on their own land.
- New developments from for-profit and non-profit developers are starting to use manufactured homes on real estate lots.
  - Examples in Hagerstown, MD; Petersburg, VA; Jackson, MS; and San Bernadino, CA.
- In suburban and urban areas developments often using higher-end CrossMod homes.



[Photo: courtesy MH Advisors]

# Modest Lot Sizes Can Make Low-Cost Manufactured Homes Viable

- Land costs are a major driver of housing costs.
- Large minimum lot sizes make manufactured housing less affordable.
- Monthly payment on a 30-year mortgage for a 1,200 square foot manufactured home (\$56,956) with an 8% interest rate (excluding insurance, taxes, etc.):

## Scenario #1:

- Land cost: \$50,000
- Monthly payment: \$785/month

## Scenario #2:

- Land cost: \$250,000
- Monthly payment: \$2,252/month

# Manufactured Homes - Significant Savings With A Mortgage

	Total cost of building and foundation	Interest rate	Term	Monthly payment	Total interest	Total payments
Manufactured home CrossMod	\$147,022	5.55%	30 years	\$839	\$155,159	\$302,181
Site-built with garage (1,568 square feet with garage and porch)	\$200,582	5.55%	30 years	\$1,145	\$211,684	\$412,266
MH CrossMod cost savings (using a mortgage)	\$53,561			\$306	\$56,524	\$110,084

Source: R. Siegel and A. van der Hilst, "Policymakers Can Expand Access to Lower-Cost Housing with Manufactured Homes; Homebuyers See Significant Savings Compared with Buying a New Site-Built Home—Especially When Using a Mortgage," The Pew Charitable Trusts, <https://www.pewtrusts.org/en/research-and-analysis/articles/2023/08/31/policymakers-can-expand-access-to-lower-cost-housing-with-manufactured-homes>.

# Land Ownership and Titling Dictate Buyer's Ability To Get A Mortgage

## Real estate – home and land titled together

- **Mortgage loan:** Home and land both serve as the collateral.
- Lower interest rates.
- Longer repayment (30 years).
- Stronger consumer protections (especially in default).

## Personal property - home titled separately

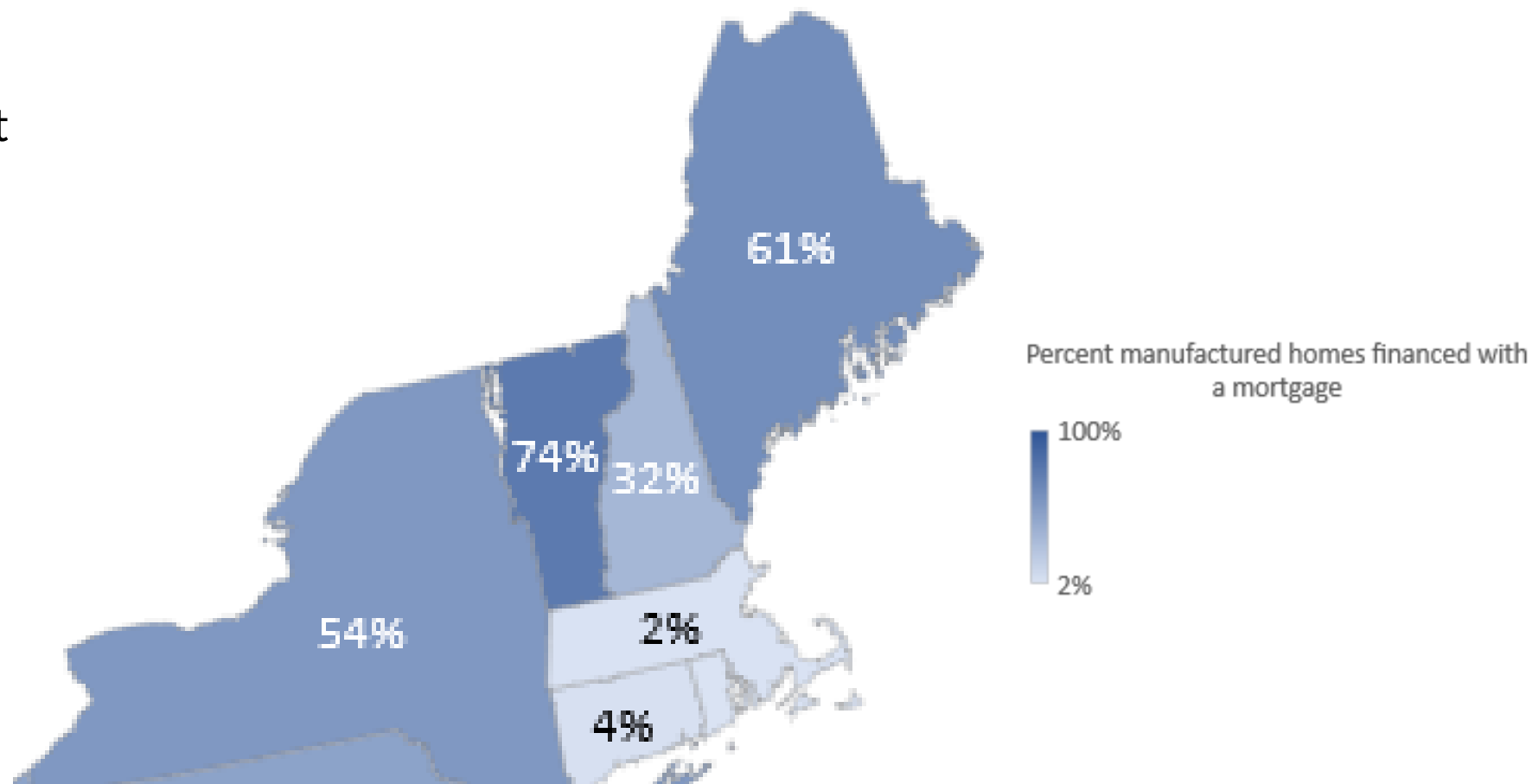
- **Personal property loan:** Only the home serves as the collateral.
- Interest rates often 3-4% higher than mortgages.
- Shorter repayment (usually 23 years).
- Fewer disclosures in the application and origination process. In many states the home can be repossessed if the borrower falls behind on payments.

Source: Russell, J., et al. (2021). Manufactured Housing Finance: New Insights From the Home Mortgage Disclosure Act Data, Consumer Financial Protection Bureau.

# Use and Access To Mortgages Varies Widely By State

Zoning restrictions impact ability to use manufactured housing.

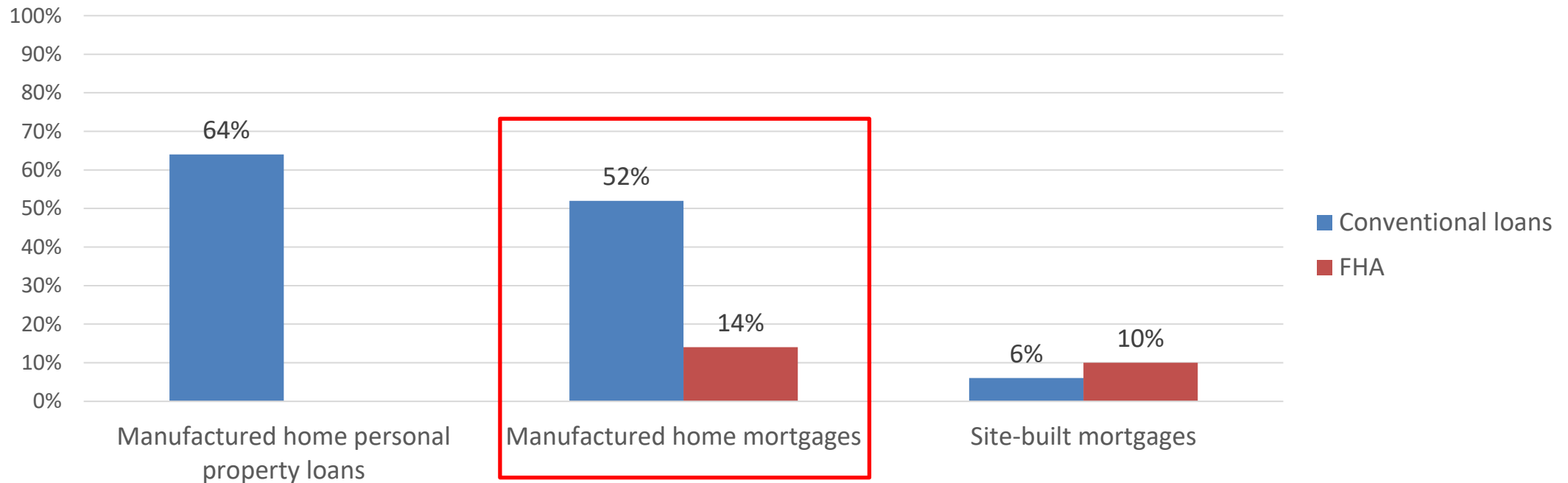
State titling laws sometimes make it difficult for buyers to title a manufactured home as real estate even when they own their land.



Map data source: Russell, J., et al. (2021). Manufactured Housing Finance: New Insights From the Home Mortgage Disclosure Act Data, Consumer Financial Protection Bureau.

# Federal Housing Administration (FHA) Manufactured Home Mortgages Provide An Important Source Of Financing

Denial rates by housing type and federal backing



Source: The Pew Charitable Trusts (2021). "Data Shows Lack of Manufactured Home Financing Shuts Out Many Prospective Buyers; Expansion of federal loan programs could boost access to this path to homeownership." <https://www.pewtrusts.org/en/research-and-analysis/articles/2022/12/07/data-shows-lack-of-manufactured-home-financing-shuts-out-many-prospective-buyers>.



# Federal Home Loan Programs Could Improve Access To Credit For Manufactured Housing



- **FHA Title I updates** – The program should provide FHA insurance and guarantees via Ginnie Mae to improve access to credit for personal property loan borrowers but is currently so out of date that it isn't useable.
  - FHA and Ginnie Mae are in the process of updating loan limits and lender requirements.
- **Freddie Mac** – Has a proposal for a personal property loan pilot which is currently with the Federal Housing Finance Authority for review.
- **Fannie Mae** – Considering expanding pilots for real estate mortgages for homebuyers in resident-owned communities (ROCs) and homes on community land trusts.

# **Housing Shortage Hurts Affordability**

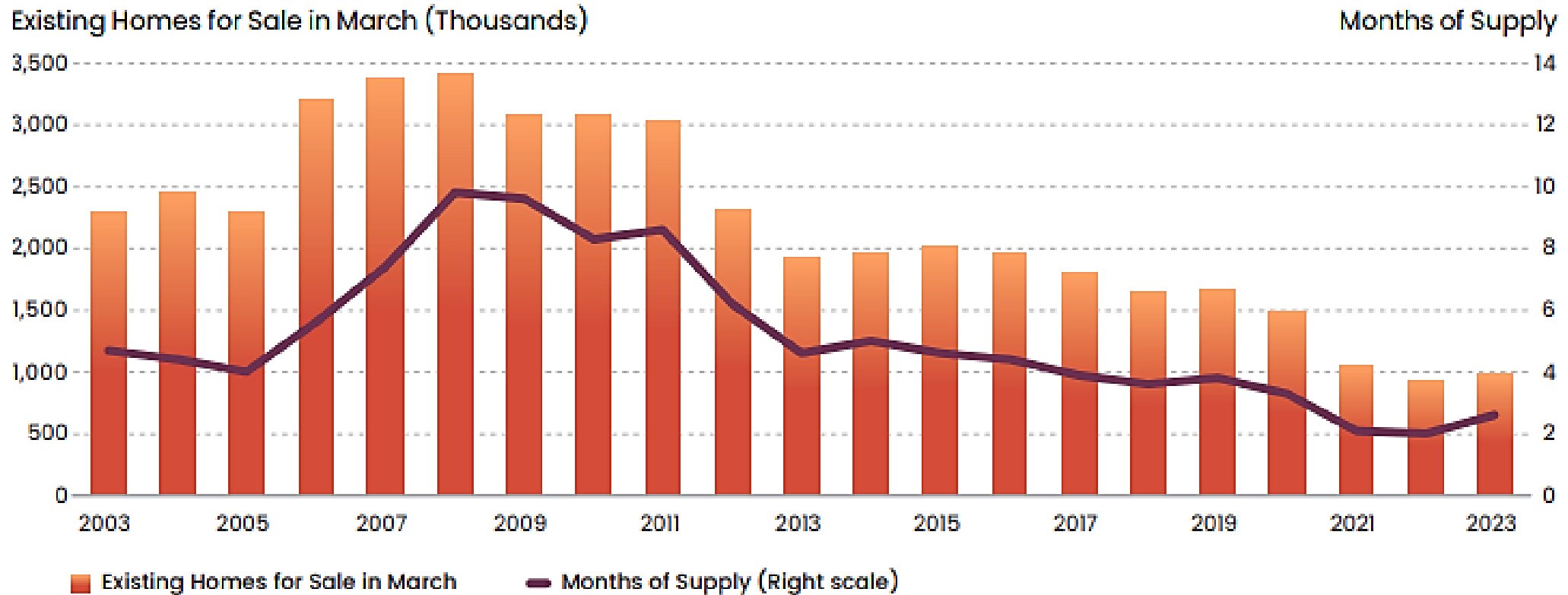
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## Rents Nationally Have Reached an All-Time High in the Past Year

- Half of renters are spending 30% or more of their income on rent.
- One-quarter of renters are spending 50% or more of their income on rent.
- Both figures have doubled since 1960.
- Household size has reached an all-time low of 2.50.
- 64% of households have 1 or 2 people.

# U.S. Supply of Homes Near an All-Time Low

Supply of Homes for Sale Remained Near Record Lows in Early 2023



Notes: Months of supply measures how long it would take homes on the market to sell at the current rate. Six months is typically considered a balanced market.

Source: JCHS tabulations of NAR, Existing Home Sales

# Low Housing Supply Hurts Affordability

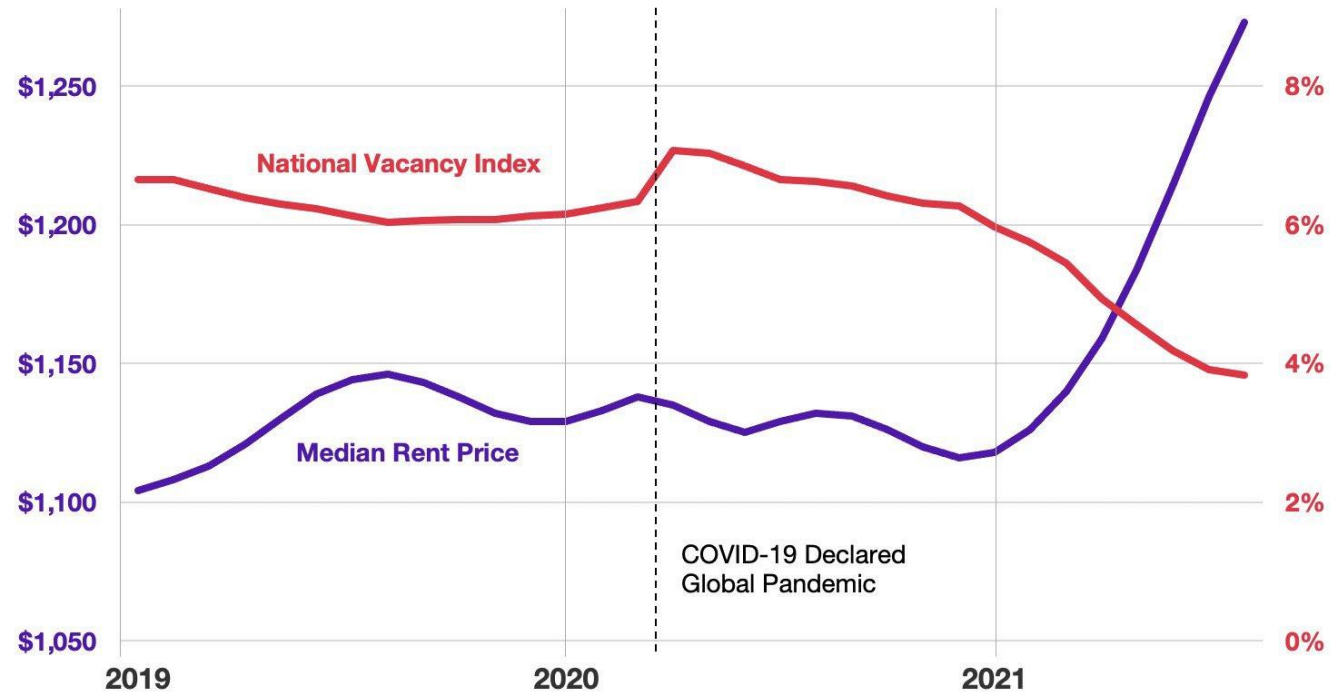


Source: Federal Reserve Economic Data; National Association of Realtors Monthly Supply Data

# Rents Rise Quickly When Shortages Occur

## Median Rent Price in the United States

January 2019 - Present



Source: Apartment List Rent Estimates

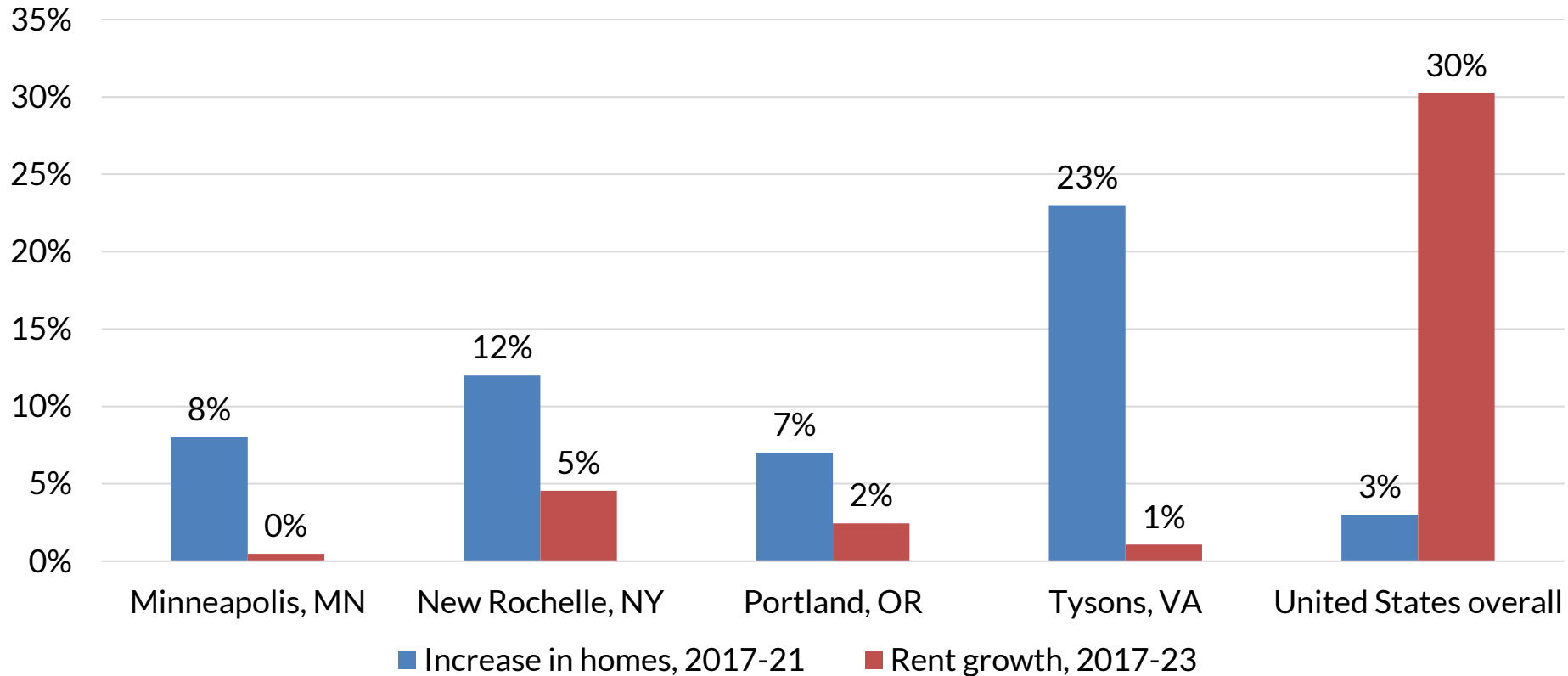
Raw Data: [apartmentlist.com/research/category/data-rent-estimates](https://apartmentlist.com/research/category/data-rent-estimates)

Methodology: [apartmentlist.com/research/rent-estimate-methodology](https://apartmentlist.com/research/rent-estimate-methodology)

Apartment  List

**New Data Confirms More Supply = Lower Housing Costs**

## Rent Growth Is Low Where Housing Has Been Added



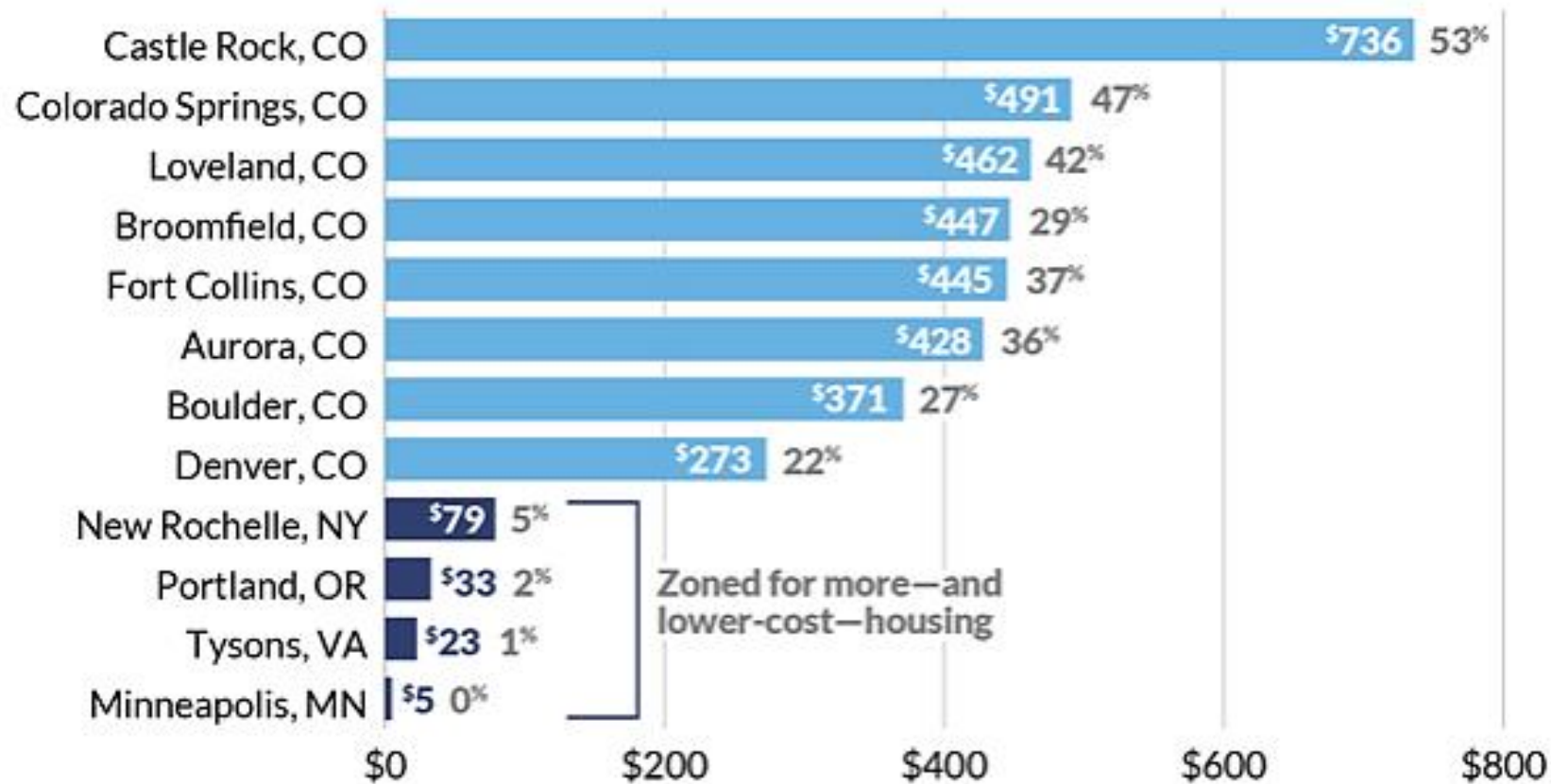
The four local jurisdictions shown also experienced high housing demand—they added proportionally more households than the U.S. overall from 2017-21—and still had low rent growth.

Source: Pew's analysis of Apartment List rent estimate data (Jan. 2017-Jan. 2023) and U.S. Census data on housing units (2017-2021)



# Rents Are Rising Faster in Colorado Than in Jurisdictions That Reformed Zoning

Dollar and percentage increases in median rent estimates, January 2017-January 2023

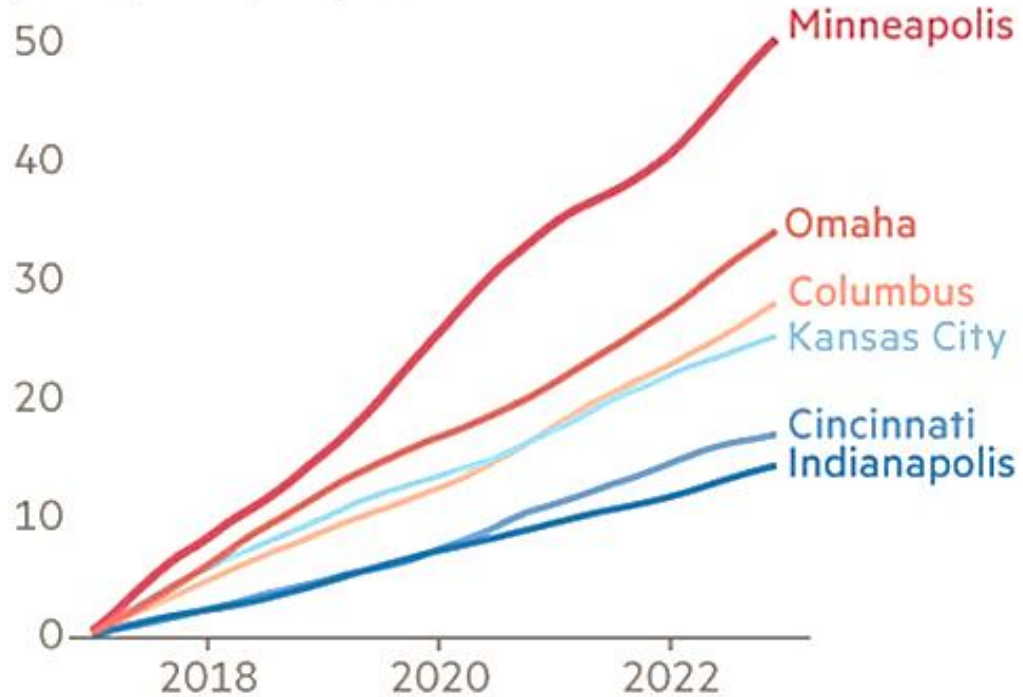


Source: Apartment List Rent Estimate data

# Minneapolis Has Built More Housing Than Other Midwestern Cities...

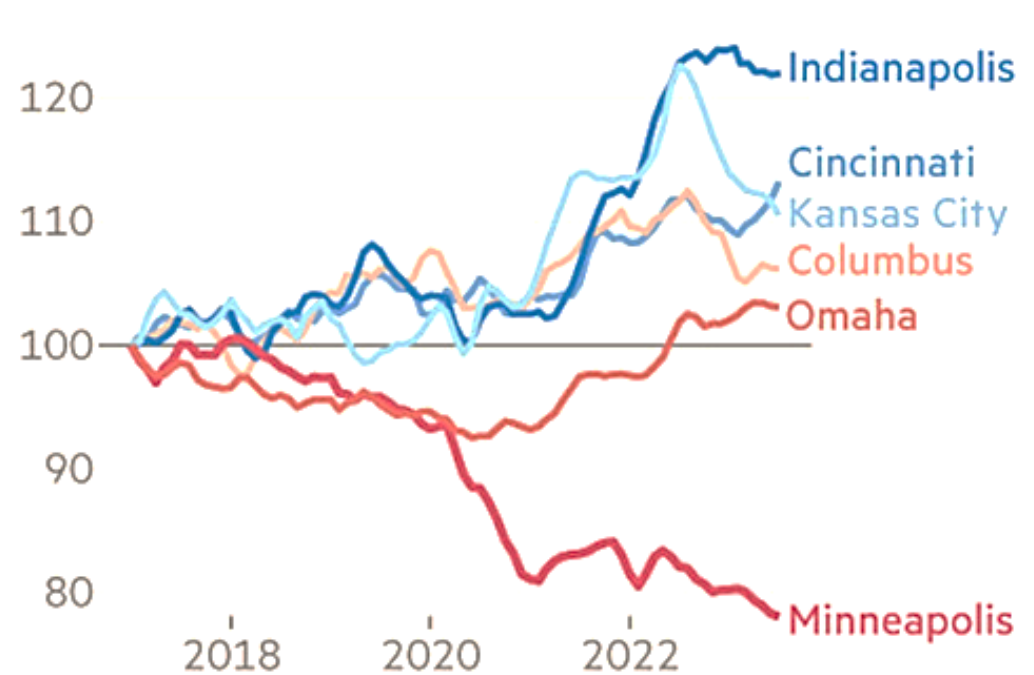
And the city is reaping the rewards as rents fall relative to inflation

Cumulative new dwelling approvals per 1,000 people



Sources: Financial Times analysis of data from State of the Cities Data Systems, Apartment List, BLS, Census Bureau

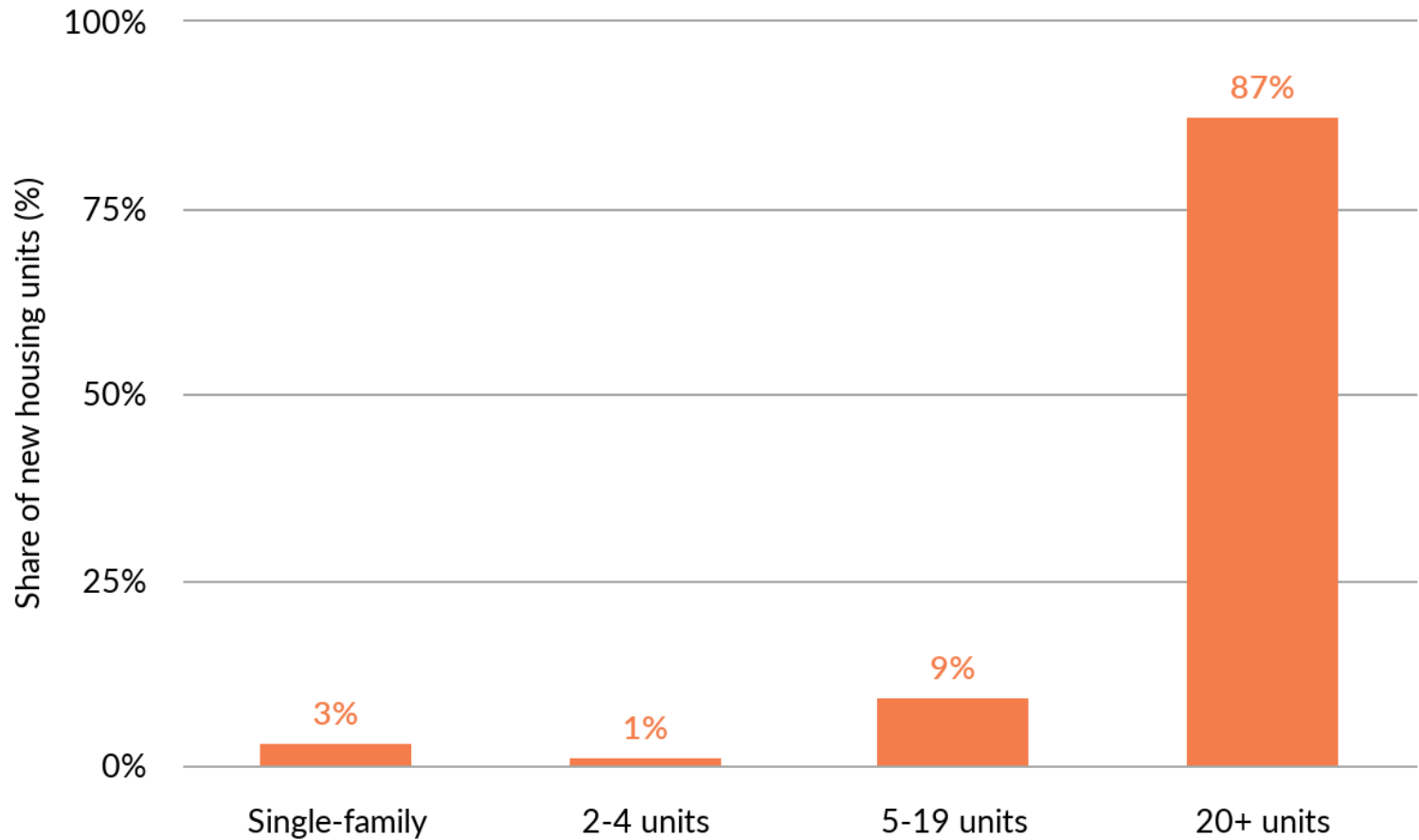
Real-terms change in median rent (Jan 2017 = 100)



\*Rents deflated by average incomes

# Apartment Buildings Near Commerce Boosting Minneapolis Housing

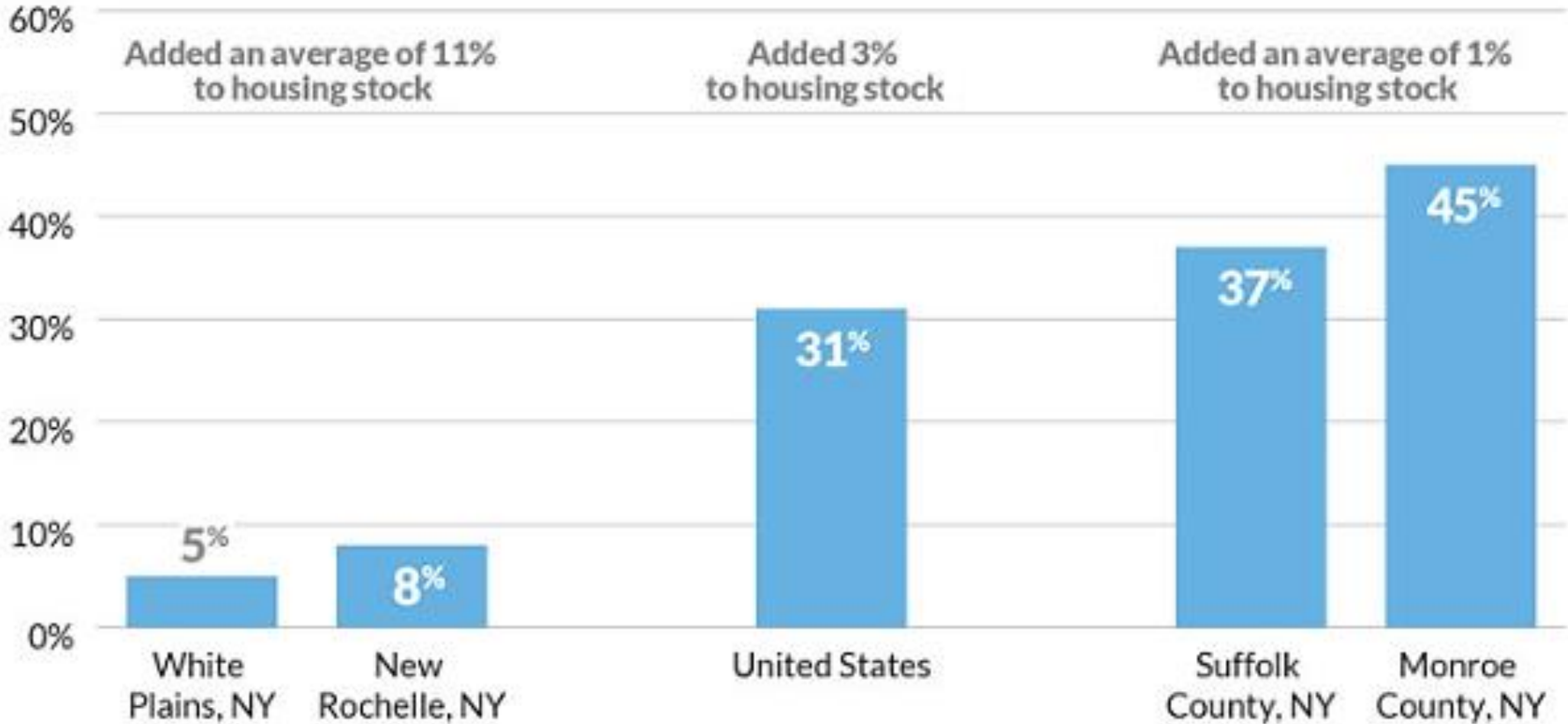
Zoning and permitting reforms to enable apartments and eliminating parking minimums drove success



Sources: Department of Housing and Urban Development, Census Bureau

# Some New York Jurisdictions Added Housing and Kept Rent Growth Low

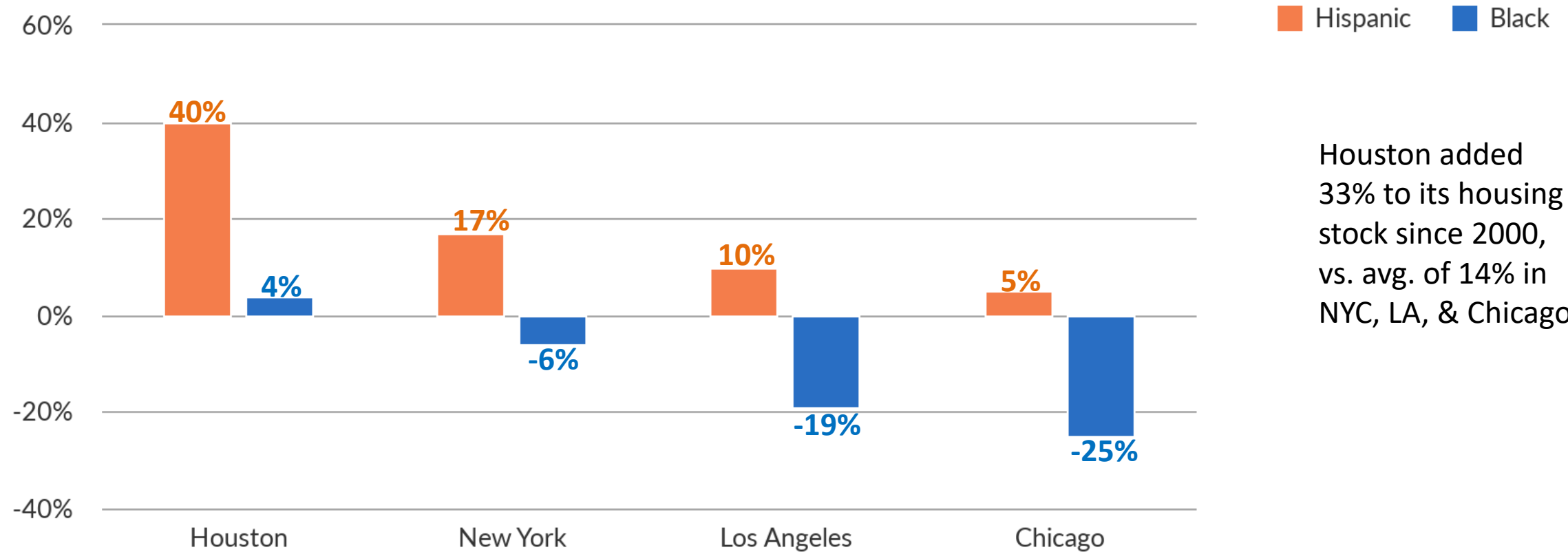
Growth in median rent between February 2017-February 2023



Sources: ACS Census Bureau and Apartment List Rent Estimate data

# Allowing More Housing Reduces Displacement

Percentage change in Black and Hispanic populations by city, 2000-21

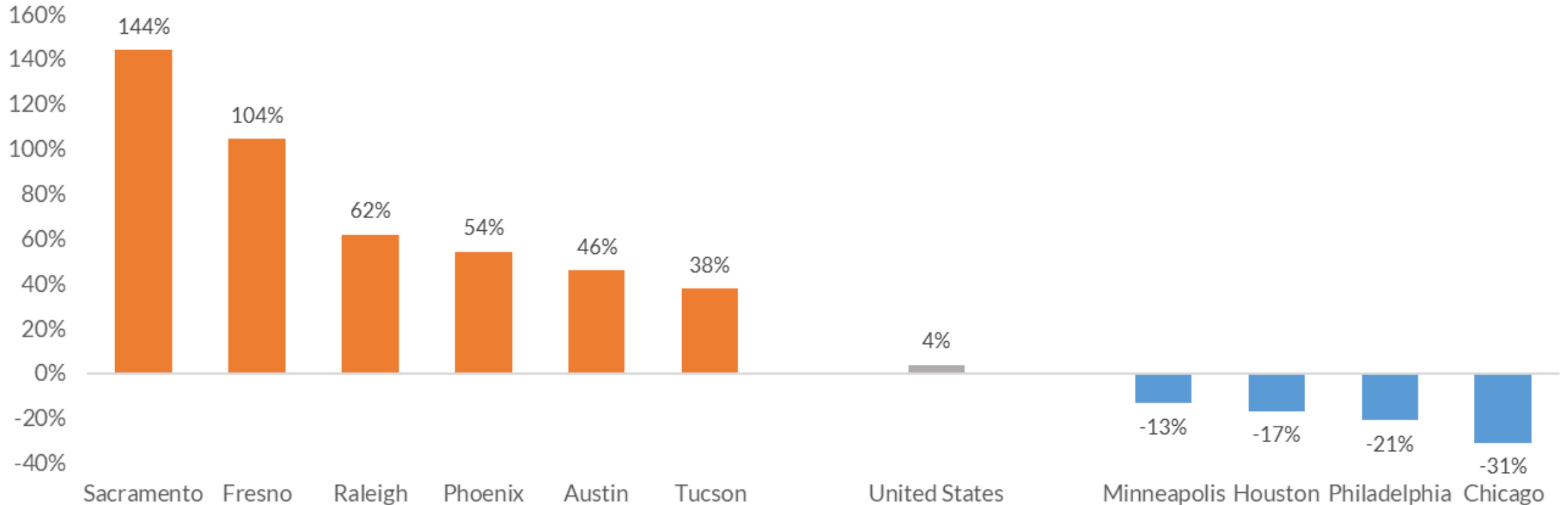


Source: ACS Census Bureau data

# How Housing Costs Drive Homelessness Levels

# Homelessness Increased in Areas Where Rents Soared

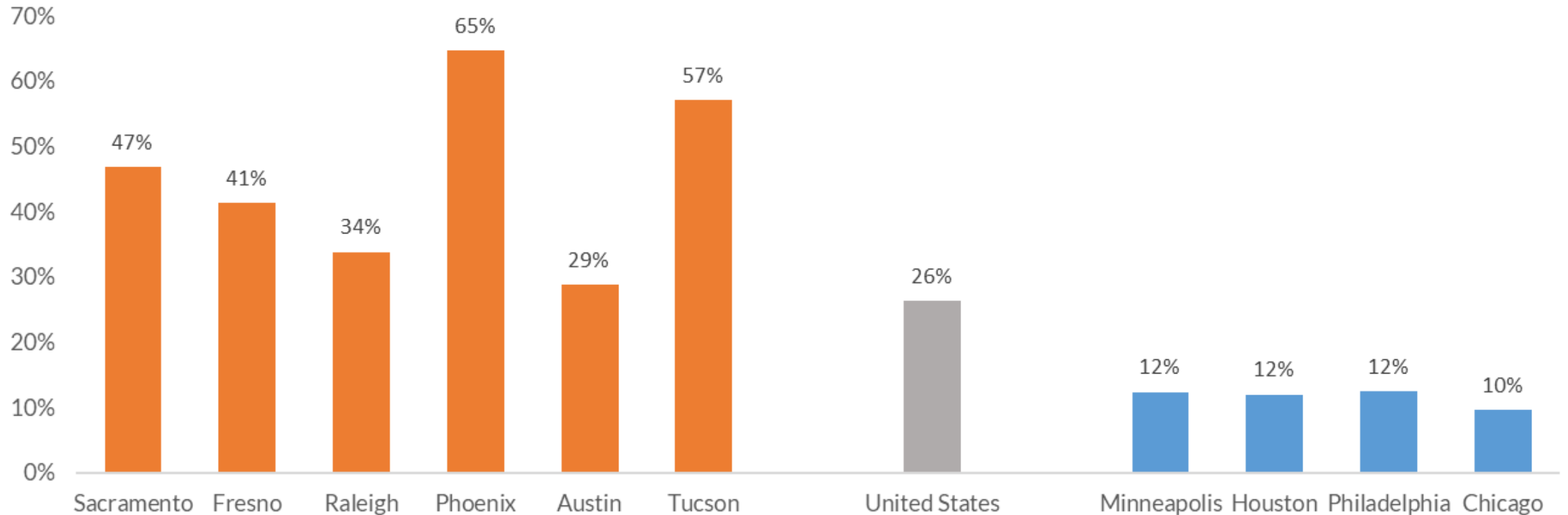
Percent change in homelessness per 10,000 residents, 2017-2022



Sources: Homelessness data come from the Department of Housing and Urban Development's Point-in-Time estimates in 2017 and 2022. Population data comes from the 2017 and 2021 American Community Survey (ACS) 1-year population estimates from the U.S. Census Bureau. Rent levels come from Apartment List's Rent Estimate data in January 2017 and January 2022, downloaded on June 15, 2023. The city names listed refer to the Continuum of Care (CoC) covering this city, which are most often the county, but sometimes cover multiple counties (Wake County for Raleigh, Maricopa County for Phoenix, Hennepin County for Minneapolis, etc.). When CoCs cover multiple counties, rent data for the largest county in the CoC was used.

# Homelessness Increased in Areas Where Rents Soared

Percent change in rents, 2017-2022

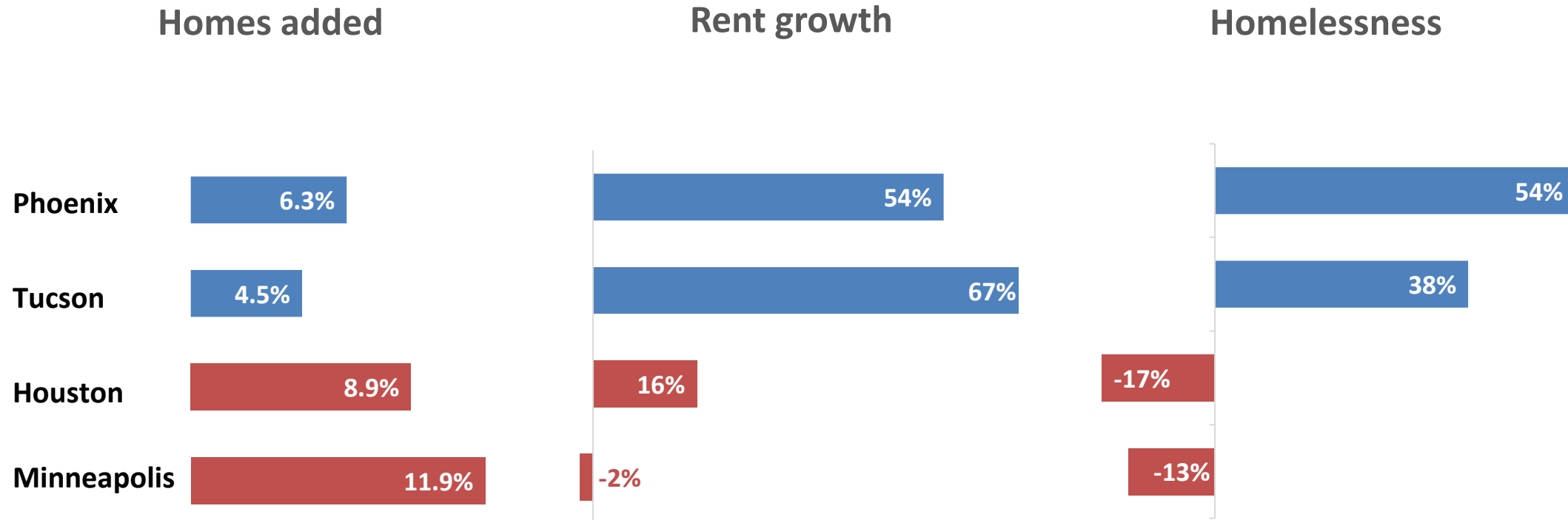


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# Homelessness Is Higher Where Housing Shortages Have Pushed Up Rents

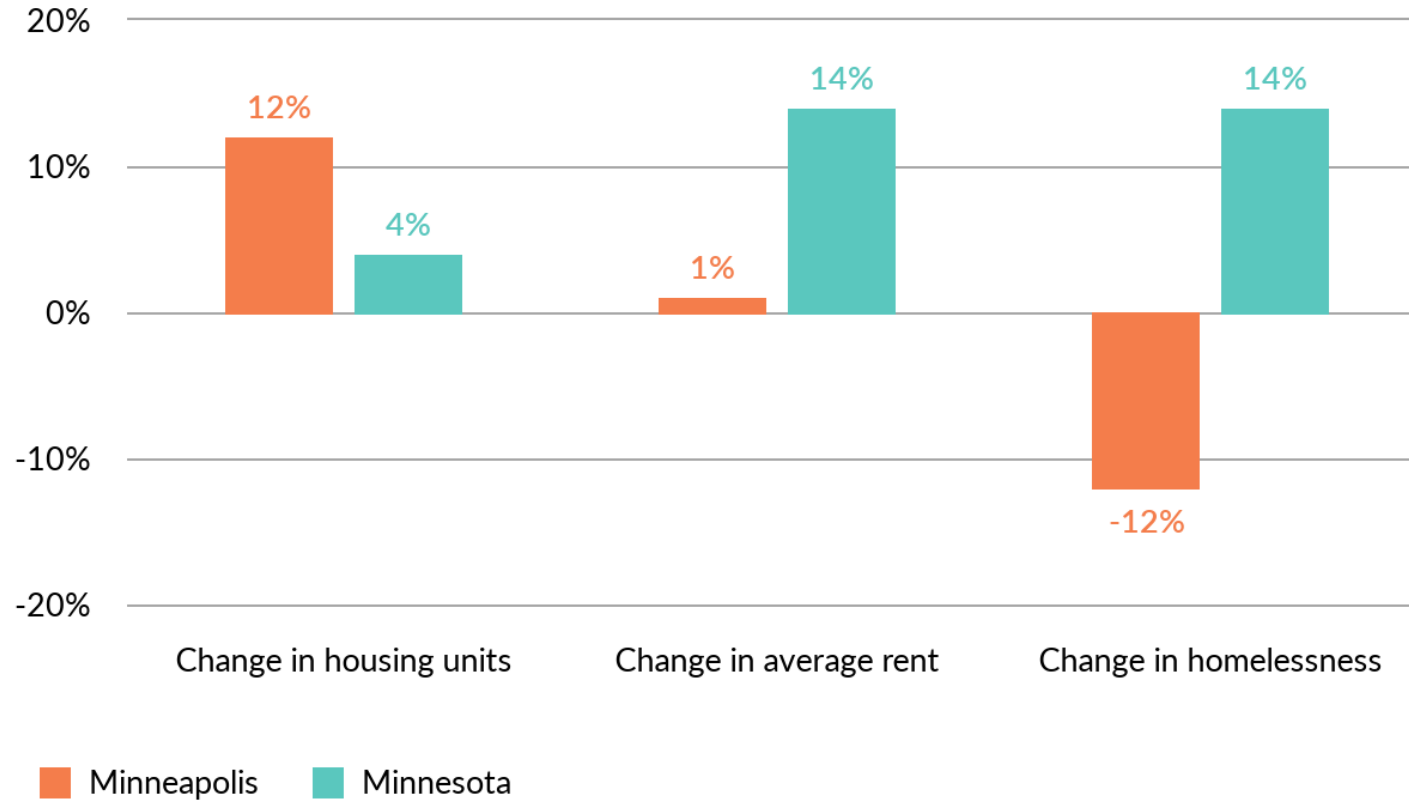
Percent changes, 2017-2022



Sources: Department of Housing and Urban Development, Apartment List, Census

# With More Homes, Minneapolis Saw Low Rent Growth, Lower Homelessness

Income needed to afford median apartment dropped from 87% of area median to 72% from 2017-2022



Sources: Department of Housing and Urban Development, Apartment List, Census

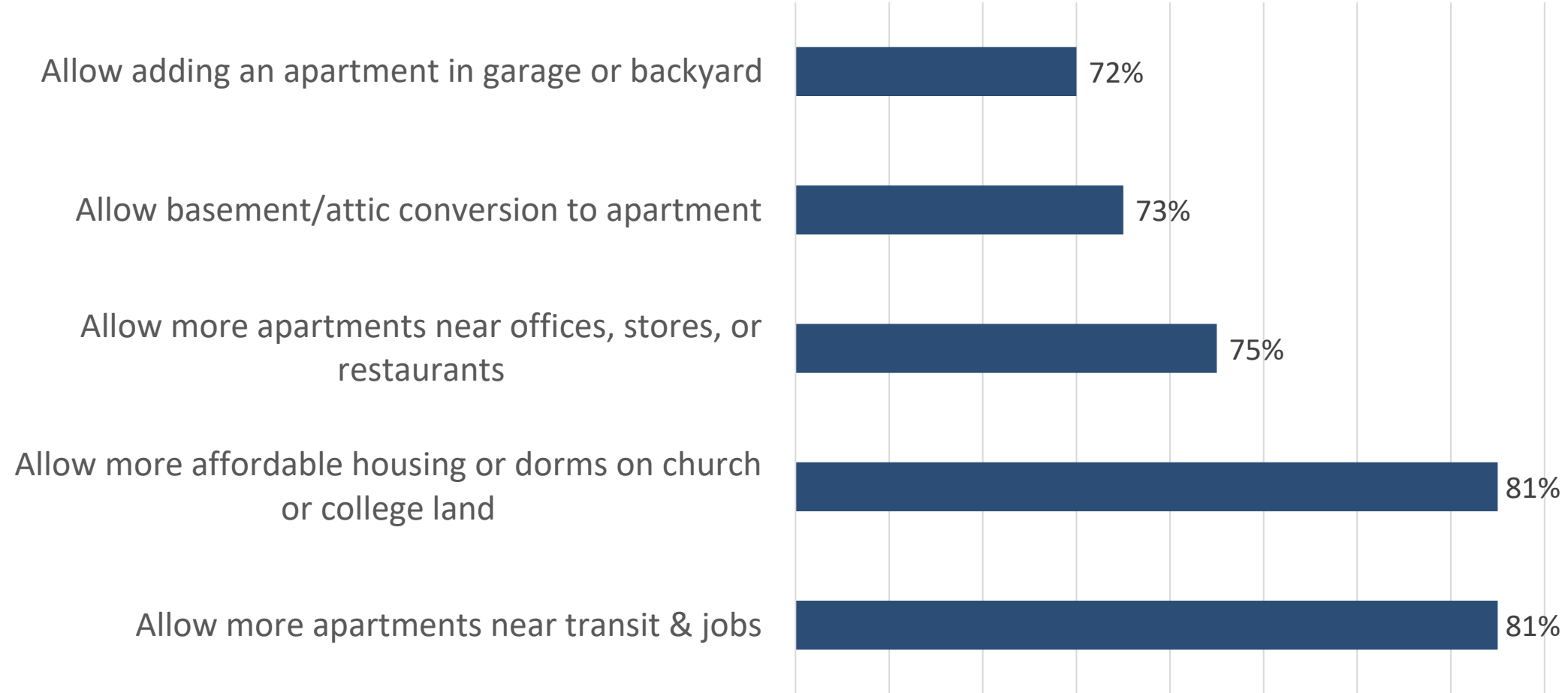
# **How State Policymakers Have Engaged On Housing**

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## States Ensuring Localities Enable More Housing

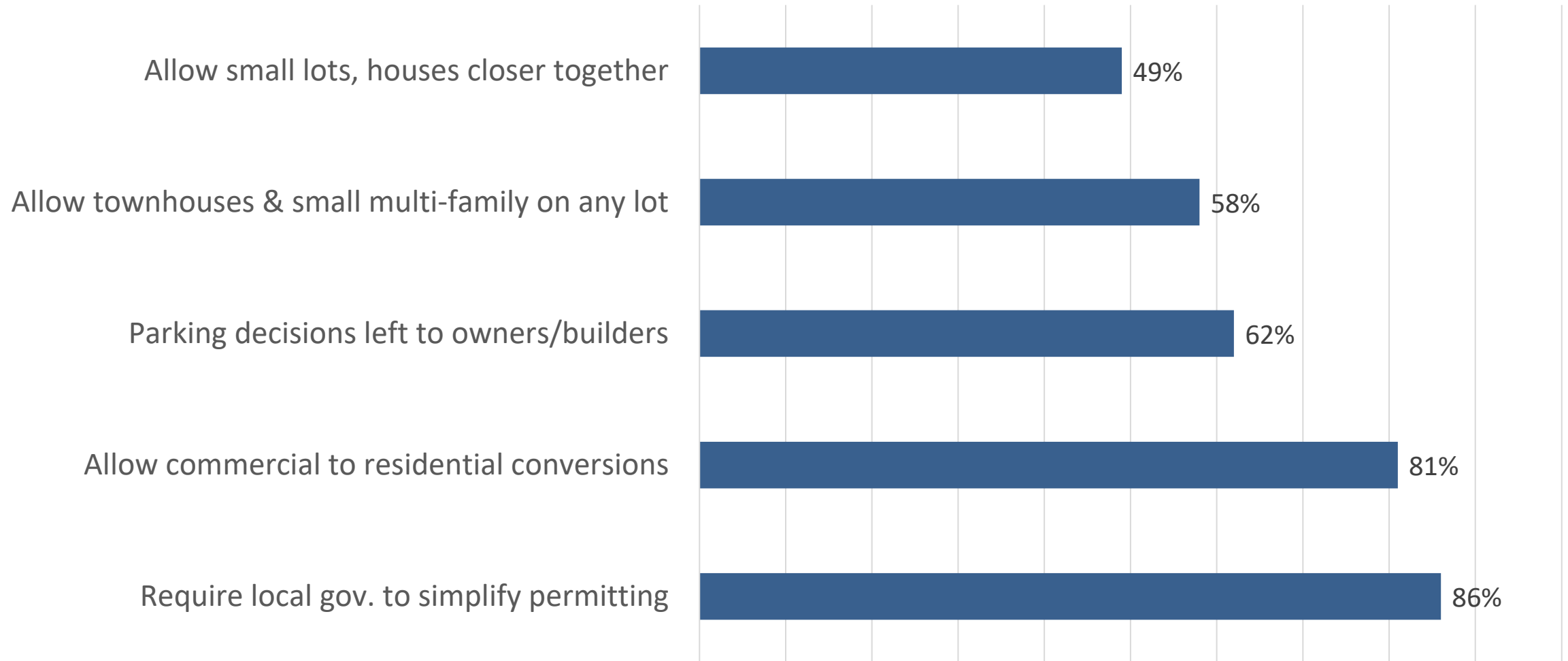
- Legalizing accessory dwelling units (ADUs) (WA, UT)
- Legalizing small multifamily housing in many places (OR, VT)
- Legalizing multifamily housing in commercial areas (CA, MT)
- Streamlining permit approval processes (RI, TX)

# New Pew Survey: Share of Americans Favoring Each Policy



Source: The Pew Charitable Trusts, <https://www.pewtrusts.org/en/research-and-analysis/articles/2023/11/30/survey-finds-large-majorities-favor-policies-to-enable-more-housing>

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# Research Consensus: Strict Zoning Regulations Increase Costs, Slow Growth

In jurisdictions that heavily regulate their housing supply...

- Large minimum lot sizes
- Single unit per lot limits
- Strict parking and floor-area requirements
- Apartment bans
- Long or conditional permitting process



Housing costs are higher



Economic growth is slower



Fewer homes are built

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