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Impactful Returns From Mobile Home Parks

By Ellie Winninghoff

Manufactured homes in mobile home parks were not always an intriguing alternative for low-income people. Homeowners could be evicted on 30 days notice simply because their landlord wanted to do something different with the land. And their value depreciated over time. The New Hampshire Community Loan Fund's transformative work in the mortgage market for these homes has changed that.

"These guys are really, really smart," says George McCarthy, director of metropolitan opportunity at the Ford Foundation. "[Community Loan Fund] president Juliana Eades is creative, thoughtful, and willing to take risks and put the institution and the institution's money on the line to make things happen."

Since 1984, the Concord, N.H.-based community development finance institution, or CDFI, has helped organize and finance more than 100 cooperatives in New Hampshire that allow homeowners to own the mobile home parks underneath their homes. That's more than 20% of the parks in the state, and this does not just give control of the land back to people who were prey to random decisions by landowners.

Contrary to perception, it is also a key reason that 40% of these homes are appreciating in value, according to studies conducted by the Consumer Union and the Joint Center for Housing Studies at Harvard University.

Based on its success in New Hampshire, the Community Loan Fund in 2008 spun off ROC USA, a partnership with the Corporation for Enterprise Development and NCB Capital, to catalyze cooperative ownership of mobile home parks nationwide. And during the last nine years, the Community Loan Fund has also made $25 million in loans to finance 600 homes in those parks in New Hampshire. Loans range from $10,000 to $100,000, and the default rate is 1.6%.

The Community Loan Fund is also lauded for its innovative small business loans for growth businesses, which incorporate royalty financing that goes up and down based on ability to pay.

Individuals can invest in the Community Loan Fund for one to 25 years. Invested money is combined with the Community Loan Fund's own capital to create the pool of funds it lends to create affordable housing and jobs.

Returns range up to 4% (for 7 to 9 years) and 5% (for 10 years-plus.) The Community Loan Fund is rated AAA+2 by the CDFI Assessment and Ratings System, or CARS, and the minimum investment is $1000. Top investors include Ford Foundation, Endowment for Health, Bank of America and Sovereign Bank.

Going Mobile

In 1983 when an elderly couple needed to sell the land that supported 13 manufactured homes so the husband could go to a nursing home, the residents quickly realized there was no place to go and their homes were not really mobile. The group, aided by a board member of the newly forming Community Loan Fund, organized as a cooperative to buy it together. But when no bank would lend them the funds, the Community Loan Fund stepped in with a $43,000 loan so the cooperative could buy 67 acres.

"They weren't imagining themselves to have an access-to-capital problem," says Community Loan Fund president Julie Eades. "They were imagining themselves as having a homelessness eviction lose-their-home problem."

After an article about the venture appeared in a statewide paper and she was flooded with calls about

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evictions so landowners could sell to developers, Eades realized the problem was "systematic rather than a one-off." In 1988, after it financed the second ROC in the state (one in which the cooperative had engaged in a protracted legal battle for its right to own the park), the Community Loan Fund made its real mark.

It worked closely with Elliott Berry, managing attorney of the Manchester office of New Hampshire Legal Assistance, who convinced the state legislature to pass two laws. One required park owners to give residents 18 months notice before closing a park or evicting residents due to a planned change of use. And the other required them to provide residents notice of a proposed sale and to negotiate with them in good faith so they could buy the park.

"It basically let homeowners be part of the transaction in a way they were completely excluded before," Eades recalls. "It was not a right of first refusal. But because we're so active, it operates similarly to a right of first refusal because many sellers don't care who they may sell to as long as they get their price."

There are now 103 resident-owned communities in New Hampshire, more organized and financed by the Community Loan Fund. Not all cooperatives succeed in purchasing their parks, but one the ones that have, none have closed or reverted to investor-ownership. When they do work, studies show, residents not only take control of their future but they plant more flowers, attend more school conferences and the like. In short, they tend to take care of the property and become community members.

And while a 2006 study showed property values increasing 12.5% per year, a study the Community Loan Fund commissioned this summer showed that manufactured homes in ROCs are still appreciating at 3.5% per year.

Throwing Away The Blue Book

According to McCarthy at the Ford Foundation, there are more low-income people living in manufactured housing than in all the country's subsidized housing programs.

But while manufactured homes are high quality these days—there have been housing codes since l976, and many are green and energy efficient—the terms for loans have been abusive. In 2003, the Community Loan Fund began making loans on manufactured homes in ROCs with a view toward system-wide change.

According to Eades, banks don't make loans on manufactured homes for "structural" reasons (the loans are too small, there is no secondary market and no mortgage insurance.) When loans are available, she says, the interest rates are exorbitant and terms limited to 15 years.

But the biggest problem, she says, is that the financial system treats manufactured homes like cars by appraising them on a blue book model. And she says loans are not available at all if the home is more than ten to twelve years old. This means, of course, that a homeowner does not have an asset that is growing in value or even maintaining its value. And it also means that a homeowner was not able to sell a home unless it was virtually brand new.

"We treat [a manufactured house] like a house, because it is a house," she says. "We get an appraisal. And we don't discriminate against a house based on its age."

At a current rate of 8.75%, Eades admits that the Community Loan Fund's loans are not cheap.

"It's better than 14% or nothing," she says, "and it costs us to do this. We're a lender and an organizer. Most lenders don't want to organize, and most organizers don't know anything about lending. The fact that we're a lender helps pay for the organizing."

Three months ago, the Community Loan Fund began offering mortgages in New Hampshire to manufactured homeowners who also own their own land. This should make it easier for people to choose manufactured homes as a housing option, which may be necessary considering there’s an average wait for subsidized housing of one to three years.

"If you clicked your fingers and imagined that manufactured housing would disappear," McCarthy asks, "where would all these people live?"

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NOTE: Factual errors in the online version of this article have been corrected here.