Manufactured Housing in Delaware

A Summary of Information and Issues



DELAWARE STATE HOUSING AUTHORITY

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EXECUTIVE SUMMARY

Purpose

As the State of Delaware's housing finance agency, community development agency and public housing authority for Kent and Sussex Counties, the Delaware State Housing Authority (DSHA) helps Delaware families achieve and maintain homeownership; creates and preserves affordable rental housing; administers federal programs; and provides a wide variety of other affordable housing products and services. DSHA also serves as a source for information and research on affordable housing issues in the state.

The purpose of this paper is to provide a broad and inclusive report on manufactured housing in Delaware, with an overview of statistics, activity and issues at the national level as well as a review of the landscape and challenges in Delaware. DSHA hopes this paper will be a valuable resource for a variety of audiences, including state and local elected officials and policymakers, other state and local government agencies, advocates, manufactured homeowners, community owners, and the general public as manufactured housing and the administrative and legal structures around it continue to evolve.

Summary

With almost 9 million manufactured homes in the United States today, manufactured housing is undeniably a major part of the nation's housing stock and market. As it evolved from the trailers of the past to the large, well-designed, high-quality new homes of today, manufactured housing has become a vital source of affordable housing, both nationally and in Delaware, particularly as a homeownership opportunity for low-income households who otherwise would likely not be able to move into homeownership.

The community development and policy advocacy fields are increasingly recognizing the importance of manufactured housing as part of broader strategies to help low-income families achieve and sustain homeownership and build wealth. Attitudes toward manufactured housing have long been influenced by negative stereotypes of the quality of the housing, its benefit to the consumer, and unfortunately often about consumers themselves. Most do not want it in their backyard, or think that manufactured home owners would simply be better off in other types of housing, or have wished that it would just go away. However, continuing advances in construction, quality, amenities and design, and significant cost savings over site built housing have made manufactured housing a popular and affordable permanent housing choice for millions of Americans and thousands of Delawareans.

In recognition of manufactured housing's enduring role in the housing market, in recent years national and state initiatives have been launched to rethink this negative approach, replacing it with initiatives to look at the sector as a whole and work to improve conditions for manufactured homeowners, both current and future. Model programs are demonstrating that the challenges with tenure and financing that have long limited manufactured homeowners' ability to build wealth through their home and, at worst, left them vulnerable to losing their asset altogether, are not insurmountable.

This paper reviews national and state statistics on manufactured housing, the various issues facing manufactured homeowners, and strategies both national and local to maximize manufactured housing's potential and preserve it as a source of affordable housing.

Key points include:

Manufactured housing is a critical source of affordable housing, especially as homeownership for low-income households. With an estimated almost 41,000 units in Delaware, manufactured housing is 10% of the state's housing stock and home to approximately 70,000 Delawareans.

- Manufactured housing is particularly predominant in Sussex County, where it is popular both as a source of housing for the general local population as well as for retirement homes and vacation homes. Over 60% of the state's manufactured housing is located in Sussex County, and almost a quarter of the County's housing stock is manufactured homes, many of which (32% according to 2005 American Community Survey estimates) are held for seasonal, recreational or occasional use.
- Over half (an estimated 23,122 of 40,673; 57%) of the manufactured homes in Delaware are located on leased land. This is high compared to national estimates of 30 to 35% of homes located on leased land. While land lease communities remain a popular option, the majority of new manufactured homes (74% in 2007, nationally) are placed outside manufactured housing communities. Still, millions of homes nationally, new and existing, are classified as personal property and located on leased land.
- For the vast majority of manufactured homeowners, a manufactured home is a permanent housing product and, once placed, most homes are never moved. Nationally, about 17% of existing homes in 2005 were located on a permanent masonry foundation, but 26% of new homes in 2007 were placed on permanent foundations. For homes not on permanent foundations, relocation is still rare. Moving a home is expensive, exposes the home to damage, reduces the value of the home, and may even be impossible due to post-placement additions or modifications.
- Even in the best circumstances of manufactured housing communities that are operated well and with
 consideration for homeowners' interests, the fact remains that owning a home on rented land over
 which the homeowner has no control, possibly a fairly short-term lease, no predictability of future
 rent costs and the constant possibility of community sale or closure creates a fundamentally
 vulnerable situation for the homeowner.
- The unique placement, titling, land-ownership structure and resale market in the manufactured housing industry make them difficult candidates for long-term conventional mortgages. Conventional financing for manufactured homes placed on the owner's personally owned real estate and permanent foundations has expanded significantly in recent years, but there is little progress for homes titled as personal property and on leased land. For these homes, a personal property loan is generally the only option. As a result, homeowners have fewer protections, face higher costs, and ultimately negative effects on their ability to build wealth through their home.
- Despite widely held views that manufactured housing only depreciates, research indicates that depreciation is not necessarily inherent to manufactured housing itself, but a reflection of issues in the market. Studies show that ownership or control over the land on which the home is placed affects appreciation more than any other factor.
- The 2003 Delaware Manufactured Home Owners and Community Owners Act was a major update of the existing Mobile Home Lots and Leases Act of 1986. Subsequent additions have made several positive steps forward, including:
 - Creation of the Manufactured Home Relocation Trust Fund, with an associated dedicated revenue source, to provide relocation assistance to homeowners in communities closing due to change of land use:
 - A lot rent assistance program for homeowners who are eligible for Social Security Disability or Supplemental Security Income or who are over 62 years old and meet other eligibility requirements;
 - o Creation of a process for resolution of disputes between homeowners and community owners via the Governor's Advisory Council on Manufactured Housing and outside mediators; and
 - o Establishment of a right for manufactured homeowners, as an association or cooperative, to make and match offers for the purchase of their community.

- The 2003 legislative update and other initiatives in recent years have improved conditions and
 protections for homeowners. However, as homeowners on leased land over which they have no
 control, homeowners remain essentially vulnerable, particularly to community closure, but also to
 sale of the community and lot rent increases.
- Resident ownership of manufactured housing communities is a promising means to improve security
 of tenure for manufactured homeowners. Homeowners can achieve greater 1) security against sale or
 closure of the community; 2) predictability of future lot rent costs; and 3) control over the governance
 of their community. The opportunity to purchase the community, comprehensive pre- and postpurchase technical assistance, and financing are key factors for the success of conversions to resident
 ownership.
- Efforts to advance resident ownership of manufactured housing communities in Delaware have not been highly successful to date. However, the combination of the following has created a much more favorable environment for conversions:
 - The passage of an amendment to the Delaware Manufactured Home Owners and Community
 Owners Act giving manufactured homeowners the opportunity to purchase their community when the owner is interested in selling and match other offers;
 - The availability of comprehensive technical assistance and financing through a ROC USATM
 Certified Technical Assistance Provider, Real Estate Advisory and Development Services, Inc.
 (READS); and
 - The real estate slowdown and subsequent drop in inflated real estate values and development pressures, especially in Sussex County.

With continuing advances at the national and state levels, conditions and opportunities for manufactured homeowners are slowly improving. However, as explored in this paper, major challenges remain, many relating directly or indirectly back to issues of titling, land ownership, and financing.

Factory-Built Housing Definitions

There is often misunderstanding about various types of factory-built housing. The two included in this summary are:

Manufactured Home: A factory-built housing unit designed and constructed to meet the U.S. Department of Housing and Urban Development (HUD) Code. A manufactured home is built on a chassis that supports the structural integrity of the home and to allow transport to the site. Factory-built units built to meet the HUD Code and constructed after the code took effect on June 15, 1976 are classified as "manufactured homes".

Mobile Home: A factory-built unit constructed on a chassis and completed before June 15, 1976. Prior to the HUD code, mobile homes were not subject to uniform construction or safety standards.

Other types of factory-built housing not addressed here include:

Trailer: Trailers are technically recreational vehicles that do not conform to either local building codes or the HUD code. While still used by many to refer to mobile or manufactured homes, these are not technically trailers.

Modular Home: While often built in the same factories, modular homes are built to the same state or local building codes as site-built homes and are always placed on permanent foundations. Homes are assembled in pieces at a factory and towed to the building site where they are assembled to construct the unit. This may be as simple as two rectangular pieces, similar to a multi-section manufactured home, or very complex.

Source: Housing Assistance Council, *Manufactured Housing in Rural America* (2005) and Manufactured Housing Institute (http://www.manufacturedhousing.org)

CHARACTERISTICS OF MANUFACTURED HOUSING IN THE U.S. AND DELAWARE

From Trailers to Manufactured Homes

Manufactured homes have become a largely permanent housing choice for millions of households, but the roots of this housing type, and the legal and financial structures around it, are in the much more mobile "travel trailers" of the past. What were first primarily recreational vehicles in the 1920s and 1930s were soon being used by some households as a form of permanent mobile residence, leading to the

development of bigger trailers. In the Great Depression, the use of trailers as residence for transient populations widened, but also contributed to negative perceptions of trailers, those who lived in them, and the parks and camps where they would temporarily locate.



In the 1940s, trailers were used both by the government to house construction

workers in defense production areas as well as by thousands – some estimates of over 120,000 – of migrants working for the war effort. In the coming decades, mobile homes became increasingly larger, less mobile, and designed for permanent living (HAC, 2005). Annual shipments in the 1970s ranged from 200,000 to 300,000 per year, peaking at an incredible 570,000 in 1973.

Data Sources on Manufactured Housing

While some national sources such as the American Housing Survey (AHS) provide a wealth of information on manufactured homes, most of these sources are not available at the state or local level. The decennial Census offers good information on manufactured homes at the local (census tract) level, but the 2000 data is dated at this point. The Census Bureau's annual Manufactured Housing Survey provides information on new home placements, sizes, locations, and prices.

The American Community Survey (ACS) (the new survey that is currently being phased in to replace the housing and economic portions of the Census) has information at the state and County level on manufactured housing. However, as multi-year estimates are still being developed for lower-population areas, much of this is not yet available at the local or even county level for Delaware. Where possible, the most recent information available is used. In most cases, this is the 2005 - 2007 ACS.

Both the Census and ACS record manufactured homes as "mobile homes". In most cases in this report, this has been changed to "manufactured home" for consistency.

In 1976, the implementation of the HUD Code regulating construction quality, standards and safety further bolstered the industry by granting national legitimacy to mobile homes as a form of housing. In the 1980s and 1990s, manufactured homes contributed significantly to new housing starts. Multisection or "double-wide" homes became increasingly popular, and more and more homes were now located on land owned by the homeowner, and placed on permanent foundations. In this time, quality, industry self-regulation, and financing options have improved greatly, and manufactured homes have increasingly broad appeal as the industry has improved marketing, design, and options. However, these advances are still limited in many ways by manufactured housing's roots in the travel trailer. These origins have far-reaching consequences today, affecting how homes are sold, titled, financed, owned, and ultimately, their potential for appreciation and viability as wealth-building assets for their owners.

The 8.67million manufactured homes in the United States constitute 6.91% of the nation's housing stock. Manufactured housing is much more common in the South, Southwest, and rural areas – while the

national percentage is less than 10%, in many areas it may approach or even exceed 20% of the housing stock, as in Sussex County. Statewide, 10.7% of Delaware's housing stock is manufactured housing.

New placements have tapered off in recent years, both as the industry continues to recover from several tumultuous years in the late 1990s – early 2000s and as part of the broader slump in the national housing market. Ninety-five thousand (95,000) new manufactured homes were placed in 2007, 8% of new single family housing starts nationwide, down from a recent high of 373,000 manufactured homes at 23% of new single-family housing starts in 1998 (U.S. Bureau of the Census, Manufactured Housing Survey). Still, manufactured housing is a very popular housing choice for millions of Americans – over 18 million people call it home.

CHART 1 Manufactured Homes as Percentage of New Single Family Housing Starts, United States, 1994 - 2007 30% 25% 15% 10% 1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2005 2006 2007

Source: U.S. Bureau of the Census

Most manufactured homes are owner-occupied.

Nationally, 75.1% of manufactured homes are owner-occupied, compared to the nation's overall homeownership rate of 67.3% in the period from 2005 - 2007. Indeed, manufactured housing is an important door to homeownership for many low-income households and contributes to the nation's and Delaware's high homeownership rate (73.5% in 2005-2007). In all three Delaware counties, the homeownership rate for manufactured homes was over 75% in 2005-2007. In Kent and Sussex Counties, manufactured housing is a sizable portion of the owner-occupied housing stock, at 15.4% in Kent and 22.4% in Sussex.

TABLE 1

Manufactured Homes, Homeownership and Population, United States, Delaware and Counties, 2005-2007 Estimates

	United S	tates	Delaware Kent		nt	New Castle		Sussex		
		Margin		Margin		Margin		Margin of		Margin
	Estimate	of Error	Estimate	of Error	Estimate	of Error	Estimate	Error	Estimate	of Error
Housing Stock										
Manufactured Homes	8,729,075	30,752	40,763	1,362	8,908	649	6,033	592	25,822	1,059
Total	126,237,884	7,902	382,149	130	60,010	90	211,073	146	111,066	143
Manufactured Homes as a % of Housing Stock	6.91%	0.02%	10.67%	0.36%	14.84%	1.08%	2.86%	0.28%	23.25%	0.95%
Homeownership										
Owner-occupied housing units	75,072,666	172,605	236,646	2,326	40,556	916	138,742	1,818	57,348	1,222
Manufactured Homes	5,313,140	17,883	23,907	1,287	6,252	673	4,814	518	12,841	910
Manufactured Homes as % of Owner-										
Occupied Stock	7.08%	0.02%	10.10%	0.53%	15.42%	1.62%	3.47%	0.37%	22.39%	1.51%
Renter-Occupied Units	36,536,963	85,411	85,102	2,506	15,129	945	54,692	1,983	15,281	1,007
Manufactured Homes	1,761,388	15,983	5,323	776	1,912	377	718	294	2,693	516
Manufactured Homes as % of Renter										
-Occupied Stock	4.82%	0.04%	6.25%	0.89%	12.64%	2.36%	1.31%	0.54%	17.62%	3.17%
Homeownership Rate – All Units	67.26%	0.14%	73.55%	0.58%	72.83%	1.41%	71.73%	0.80%	78.96%	1.14%
Homeownership Rate – Manufactured Homes	75.10%	0.36%	81.79%	1.31%	76.58%	3.95%	87.02%	13.25%***	82.66%	1.82%
Population										
Total Population	290,655,225	531,432	827,788	8,932	144,160	3,674	506,504	7,116	177,124	4,032
Population in Manufactured Homes	17,859,281	76,923	69,619	4,208	21,320	2,298	12,451	1,809	35,848	2,763
% of Population in Manufactured Homes	6.14%	0.02%	8.41%	0.50%	14.79%	1.55%	2.46%	0.36%	20.24%	1.49%

Source: U.S. Bureau of the Census, 2005-2007 American Community Survey Estimates

^{*} Margins of error are published with and should be considered when evaluating American Community Survey data. As the samples used in the annual ACS surveys are much smaller than in the decennial Census, three-year estimates give the smallest margin of error, particularly for smaller geographies and subpopulations.

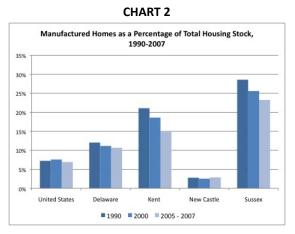
^{**} The estimate is the 90-percent confidence interval. The margin of error means that the estimate is 90% confident that the true value of an estimate lies within the upper and lower bounds of the margin of error. For example, the 2005 - 2007 ACS estimates that there are 40,763 manufactured homes in Delaware, with a margin of error of +/-1,362. This means that the ACS has a 90 percent level of confidence that the actual number of manufactured homes in Delaware lies within the range of 39,401 and 42,125. Margins of error have been calculated for aggregates and percentages derived from the ACS data.

^{***} In some cases the formula to calculate a margin of error for derived percentages will not work, and an alternate formula which produces a more conservative margin of error can be used. This was the case for this estimate of margin of error for the homeownership rate among manufactured homes in New Castle County, leading to a particularly high derived margin of error.

Role in the Delaware Market

Manufactured housing plays an undeniably large role in the Delaware housing market. It is a vital source of affordable and moderately-priced housing for thousands of households, both in manufactured housing communities and when placed on privately owned land.

Strong population growth and overall new housing construction in Kent and Sussex Counties led manufactured housing to decline somewhat as a percentage of the total housing stock since 1990, still exceeding 10% in Kent County and 20% in Sussex, well above the national rate of 7%. As new construction of single-family homes in Delaware has largely targeted higher income markets in recent years, manufactured homes have been an important source for new affordable homeownership housing in the state.



Source: U.S. Bureau of the Census, 1990 Census, 2000 Census, 2007 American Community Survey

The 2005-2007 three-year ACS estimates indicate that 63.3% (25,822) of Delaware's 40,763 manufactured homes are located in Sussex County. While many are on personal property, manufactured housing communities abound in Sussex County, from small, older communities tucked away in rural areas to sprawling communities with numerous amenities near the beach resorts.

TABLE 2
Vacancy Status by Type of Unit, Delaware and Sussex County, 2005

	C	Pelaware	Suss	ex County
	Estimate	Margin of Error	Estimate	Margin of Error
Single-Family Units				
Total Units	263,326	4,876	67,697	2,253
Total Vacant	30,975	2,393	19,413	1,704
Vacancy Rate	11.76%	0.88%	28.68%	2.33%
Vacant for Seasonal, Recreational or Occasional Use	16,404	1,911	15,532	1,697
% of All SF Units Held Vacant for Seasonal, Recreational or Occasional Use	6.23%	0.72%	22.94%	2.39%
Multi-Family Units				
Total Units	50,342	3,595	13,173	1,643
Total Vacant	15,243	2,030	6,991	1,300
Vacancy Rate	30.28%	3.40%	53.07%	7.32%
Vacant for Seasonal, Recreational or Occasional Use	5,673	1,196	5,424	1,110
% of All MF Units Held Vacant for Seasonal, Recreational or Occasional Use	11.27%	2.24%	41.18%	6.68%
Manufactured Homes and all other types of units	1	1		
Total Units	42,488	2,207	26,249	1,827
Total Vacant	11,014	1,516	10,061	1,304
Vacancy Rate	25.92%	3.30%	38.33%	4.19%
Vacant for Seasonal, Recreational or Occasional Use	8,563	1,315	8,386	1,225
% of All MH Units Held Vacant for Seasonal, Recreational or Occasional Use	20.15%	2.91%	31.95%	A 100/
Recreational of Occasional USE	20.15%	2.91%	31.95%	4.10%

Source: U.S. Bureau of the Census, 2005 American Community Survey

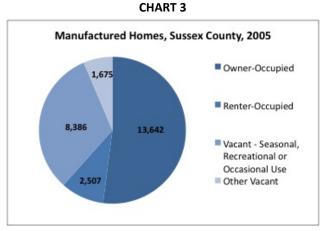
Notes: Data not available for Kent and New Castle Counties. ACS vacancy data group manufactured homes together with "all other types of units", meaning the category "Boat, RV, Van, Etc." However, this additional category is quite small and comprises only 366 total units statewide and 39 units in Sussex County.

As is also the national trend, manufactured homes are popular as vacation homes. As of 2005, over 8,000 of Sussex County's over 26,000 manufactured homes are estimated by the American Community Survey to be held vacant for "seasonal, recreational or occasional use." Still, communities with many vacation homes are also permanent homes for local residents who work in the area and for many retirees who have made it their permanent home.

In eastern Sussex County, high housing prices are a major barrier for low- and moderate-income households; the only option for the vast majority of workers is to commute from other areas.

Manufactured housing communities are one source of affordable homes in this area for year-round residents and local workers.

As in the rest of the nation, manufactured homes in Delaware are frequently being placed on the owner's land instead of on leased land, in a manufactured housing community. However, the most comprehensive sources of information about the housing stock that are available at the local level —



Source: U.S. Bureau of the Census, 2005 American Community Survey

the decennial Census and the American Community Survey (ACS) – do not differentiate between manufactured homes on leased land or on land owned by the homeowner. Both are counted as owner-occupied in the Census and ACS. Information about manufactured housing communities has traditionally been held by a web of different local government offices and not compiled or collected at the state level.

Tracking down the number of communities, their location, and the number of homes/lots in them has been a time-consuming and challenging task in Delaware, one that has largely fallen to the Delaware Manufactured Home Relocation Authority (DMHRA) in its efforts to collect the monthly lot assessment that funds the Manufactured Home Relocation Trust Fund. Looking at materials from the Relocation Authority, approximately 190 communities consisting of over 23,000 leased lots have paid into the Trust Fund. A 2005 study by Dr. Michael Arnold of the University of Delaware estimated a relatively high compliance rate of 85 to 92 percent for communities and lots paying into the Relocation Trust Fund. As

Manufactured Housing = Affordable Housing

"Between 1993 and 1999, manufactured housing accounted for more than one-sixth of the growth in the owner-occupied housing stock. For particular submarkets the share is considerably higher. For example, among households with very-low incomes (that is, less than 50 percent of area median), 23 percent of homeownership growth between 1993 and 1999 came through manufactured housing. For southern households the figure was 30 percent, and for rural households, 35 percent. Indeed, in the rural South manufactured home purchases accounted for a stunning 63 percent of the increase in very-low income homeownership." (Apgar, et al, 2002, p. 3)

the Authority has continued to develop and the Trust Fund is more established, it is likely that compliance has only increased in recent years.

National data indicate that between 30 and 35% of manufactured homes are located on leased land. While this is a rough measure, it is the only one available to estimate the number of manufactured homes in Delaware on leased land, short of an actual list including each community. As the DMHRA assembles such information, an estimate using ACS data is useful for comparison purposes.

Applying the national figure of a 35% probability that a home is located on a leased lot to the American Community Survey estimates indicate about 13,500 manufactured homes on leased lots in Delaware. Clearly, Delaware exceeds the national average of

35% of homes on leased land, as the number of leased lots paying into the Relocation Trust Fund far exceeds 13,500. Simply applying the 23,000 leased lots that have paid into the Relocation Trust Fund to the 2005 – 2007 ACS estimate of 40,763 indicates that at least 56% of manufactured homes in Delaware are located on leased land.

TABLE 3
Estimated Manufactured Homes on Leased Land, Delaware and Counties, 2007

	Lottinated Managed and Medical Land, Delaware and Countries, 2007										
	Manufactured Homes			Leased La	ctured Homes on nd – Estimated at ational average)	Manufac Leased La 65% (For 2002 De	Manufactured Homes on Leased Land –				
	(2005 - 2007 ACS Estimate)	Margin of Error	Range within Margin of Error	Estimate	Range within Margin of Error	Estimate	Range within Margin of Error	DMHRA Records			
Kent County	8,908	649	8,259 – 9,557	3,118	2,891 – 3,345	5,790	5,368 – 6,212	4,521			
New Castle						3,921	3,537 – 4,306				
County	6,033	592	5,441 – 6,625	2,112	1,904 – 2,319			4,939			
Sussex County	25,822	1,059	24,763 – 26,881	9,038	8,667 – 9,408	16,784	16,096 – 17,473	13,501			
Delaware	40,763	1,362	39,401 – 42,125	14,267	13,790 – 14,744	26,496	25,611 – 27,381	23,122*			

Source: U.S. Bureau of the Census, 2005 - 2007 American Community Survey Estimates, Delaware Manufactured Home Relocation Authority information compiled by DSHA, September 2008

Foremost Insurance Group has long conducted a national survey of manufactured homeowners with a variety of questions on income, ownership, demographic and other information. In addition to a national report, state-level reports are also available. There are, however, major drawbacks, particularly non-scientific sampling (the survey is sent to their customers) and, in some states, small sample sizes. For Delaware, the number of respondents is only a few hundred. Without sampling or weighting, it is difficult to apply statistics from these surveys to the entire population of manufactured homeowners in Delaware.

However, the above analysis using 2005 - 2007 ACS estimates and national averages for percentage of homes on leased land does support Foremost's statistics on whether homes are on the homeowner's personal real estate or leased land. In 2002, Foremost's report for Delaware indicated that only 33% of manufactured homes in Delaware are placed on land owned by the homeowner, compared to 65% nationally.

The real number of manufactured homes on leased land in Delaware is likely somewhere in the middle of these estimates, especially considering that 1) while some established communities continue to expand, few new land-lease manufactured housing communities have opened in Delaware in recent years, and 2) the number of new homes placed on leased land continues to decrease, with only 26% of new homes being placed in manufactured housing communities nationally in 2007 (U.S. Bureau of the Census, *Manufactured Housing Survey*).

Demographics

Owners of manufactured homes generally have lower incomes, are either older or younger households, are more likely to be headed by a white householder, and tend to be in slightly smaller households (U.S. Bureau of the Census, 2000 Census and 2005 - 2007 ACS; HUD, 2007 American Housing Survey).

Average income for owners of manufactured homes is well below income for all owner-occupied housing units - \$39,110 compared to \$68,167 in the 2000 Census. The average income of households renting manufactured homes also lags behind incomes of all renter households, at \$30,269 compared to \$38,246

^{*}Location information not available for 5 communities comprising 66 units.

in 2000. The 2005 American Housing Survey reported median income of \$27,452 for households in manufactured housing, compared to \$44,503 for all households and \$55,211 for households in single-family detached homes.

National statistics on the race of manufactured home occupants are also reflected in Delaware. Owners and renters of manufactured homes are more likely to be white compared to the general population of all households (U.S. Bureau of the Census, 2005 - 2007 ACS). In the period 2005 – 2007, 83.4 percent of households in manufactured housing in Delaware were white, close to the national estimate of 84.6 percent.

Manufactured housing and manufactured housing communities are popular as retirement homes for older Americans. In addition to their appeal and popularity, manufactured housing is a major source of

CHART 4 Average Household Income by Tenure and Manufactured Homes, United States, Delaware and Counties, 2000 \$90,000 \$80,000 \$70,000 \$60,000 \$50,000 \$40,000 \$30,000 \$20,000 \$10,000 \$0 United States All Owner Occupied Units Owner Occupied Manufactured Homes All Renter Occupied Units Renter Occupied Manufactured Homes

Source: U.S. Bureau of the Census, 2000 Census

affordable housing for this population as it is for the general population (Kochera, 2003). Percentages of households aged 55 to 74 are higher in manufactured housing than in the overall stock. Typically fixed incomes make older manufactured homeowners in land-lease communities particularly vulnerable to rent increases and other unexpected costs. HUD's 2007 American Housing Survey reports that, nationally, the median income for an elderly householder in a manufactured or mobile home was \$21,067, compared to \$29,576 for all households in manufactured homes and \$47,632 for all households. Kochera (2003) cites that nationally, about 36% of manufactured homeowners age 65 and older reside in manufactured housing communities.

TABLE 4
Percentage of Households by Race and Manufactured Housing, United States and Delaware, 2005 - 2007 Estimates

		United States				Delaware			
	All Households			nolds in actured sing	All Hou	seholds	Househ Manufa Hou		
	Estimate	Margin of Error	Estimate	Margin of Error	Estimate	Margin of Error	Estimate	Margin of Error	
White Alone Householder	78.12%	0.10%	84.58%	0.02%	76.26%	0.29%	83.41%	6.00%	
Black or African-American Alone Householder	11.68%	0.02%	7.92%	0.10%	18.69%	0.35%	11.96%	1.85%	
Hispanic or Latino Householder	10.71%	0.02%	10.21%	0.03%	4.09%	0.21%	4.70%	0.24%	
Non-Hispanic or Latino Householder	72.25%	0.09%	78.75%	0.04%	73.84%	0.23%	81.30%	5.85%	

Source: U.S. Bureau of the Census, 2005 - 2007 American Community Survey Estimates

TABLE 5
Age of Householder for Manufactured Homes, United States, 2007

	All Households	Percentage of Total	Households in Manufactured Homes	Percentage of Total
Under 25	6,273,000	5.67%	349,000	5.04%
25 to 29	8,809,000	7.96%	485,000	7.01%
30 to 34	9,571,000	8.65%	607,000	8.77%
35 to 44	21,756,000	19.65%	1,262,000	18.24%
45 to 54	23,208,000	20.97%	1,467,000	21.20%
55 to 64	18,211,000	16.45%	1,222,000	17.66%
65 to 74	11,700,000	10.57%	881,000	12.73%
75 and older	11,165,000	10.09%	647,000	9.35%
Total	110,693,000		6,920,000	

Source: HUD, 2007 American Housing Survey

2007 data indicate that nationally, 40% of households in manufactured homes are over the age of 55, compared to 37% of all households. The 2000 Census, the most recent source of data breaking out age of householder by type of unit at the state or local level, indicate a slightly larger gap for Delaware. 41.5% of all households in manufactured homes in Delaware in 2000 were over age 55, compared to 36.6% for all households.

TABLE 6
Age of Householder for Manufactured Homes, Delaware, 2000

	All Households in Age Group	Households in Manufactured Homes	% of all Households In Age Group that are in Manufactured Homes	Age Group as a % of All Households in MH	Age Group as a % of All Households
Under 25	13,885	1,378	9.92%	4.83%	4.65%
25 - 34	49,476	4,948	10.00%	17.35%	16.56%
35 - 44	67,524	5,710	8.46%	20.02%	22.60%
45 - 54	58,524	4,649	7.94%	16.30%	19.59%
55 - 64	41,972	4,525	10.78%	15.87%	14.05%
65 - 74	37,250	4,426	11.88%	15.52%	12.47%
75 +	30,105	2,884	9.58%	10.11%	10.08%
	298,736	28,520			

Source: U.S. Bureau of the Census, 2000 Census

Households in manufactured housing tend to be smaller than households in other homes. Nationally, 63% of households in manufactured homes had only 1 or 2 persons in 2007. Households of this size are only 60% of all households. 1 to 2 person households comprised only 55% of all households in other single-family detached or attached homes.

TABLE 7
Household Size for Households in Manufactured Homes, United States, 2007

	Manufactured Homes	Percentage of Households in MH	All Homes	Percentage of All Households
1 person	2,031,000	29.35%	29,996,000	27.10%
2 persons	2,322,000	33.55%	36,724,000	33.18%
3 persons	928,000	13.41%	17,522,000	15.83%
4 persons	963,000	13.92%	15,712,000	14.19%
5 or more persons	676,000	9.77%	10,737,000	9.69%
Total	6,920,000		110,691,000	

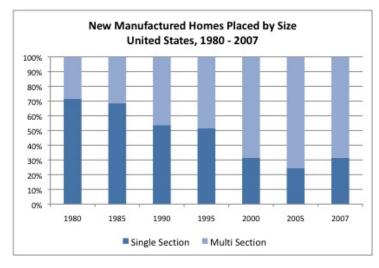
Source: HUD, 2007 American Housing Survey

Unit Characteristics

The HUD Code

All new manufactured homes are built to Manufactured Home Construction and Safety Standards set by the U.S. Department of Housing and Urban Development (HUD). These standards, often called the "HUD

CHART 5



Source: U.S. Bureau of the Census, Manufactured Housing Survey

Code", define a manufactured home as dwelling units of at least 320 square feet in size with a permanent chassis to assure initial and continued transportability. The Code covers Body and Frame Requirements, Thermal Protection, Plumbing, Electrical, Fire Safety, and other aspects of the home. Homes are built to different standards for different Wind Zones and Snow Loads for different areas of the country. Each manufactured home built in the U.S. after June 1976 must contain a red HUD label, certifying that it has been constructed in accordance with the HUD code.

Homes also include a Data Plate, a paper label inside the home (often in a cabinet or closet) containing information about the

manufacturing plant, serial numbers and model designation, date of manufacture, a list of factory-installed equipment such as appliances, and a reference to the Roof Load Zone and Wind Zone to which the home was designed. HUD has agreements with 38 state governments to conduct checks of plant records and respond to consumer complaints related to manufacturing, performance, quality and construction issues. The state government designates a State Administrative Agency (SAA). HUD staff carry out these functions in the other 12 states without SAAs, including Delaware.

Installation

There are two basic types of foundations for manufactured homes, simple and permanent. In a simple foundation, the home is set on steel or concrete piers on top of square footers or pads of concrete. The home is then fastened or anchored to the ground. Types of permanent foundations vary widely, but use permanent full and load-bearing perimeter walls for support. Typically the floor joists are attached to the foundation wall. Multi-section homes, which are the majority of new homes placed, must be joined

together and sealed. The wheels and hitch are removed, and the unit is connected to site utilities. Installers often also add skirting if the unit is not placed on a full foundation, stairs, porches, or other onsite additions (HAC, 2007 and Apgar, et. al, 2002).

Proper installation can have considerable impacts on the future stability, security, and even the condition and wear of the home. While homes are built to the federal HUD code, installation standards have typically been set at the state or local level, often haphazardly. In 2000, the federal Manufactured Housing Improvement Act was passed. This law required each state to institute a manufactured home installation program and dispute resolution program within five years. Specifically, adoption of standards for manufactured home installation, implementation of an installation program addressing training, licensing, certification and inspections, and implementation of a dispute resolution program were required. Over the same time period, HUD developed national standards for manufactured home installation which state standards must meet or exceed.

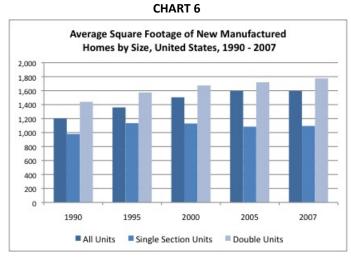
In state legislation signed in July 2005, authority for these programs was assigned to the Delaware Division of Professional Regulation. A Board of Manufactured Home Installation to set standards and fees for licensing of manufactured home installers and installation inspectors was also created by this legislation. Beginning one year from its enactment into law, all manufactured homes in Delaware must be installed by a licensed manufactured home installer and inspected by a Board certified inspector. (24 *Del. C.*, Chapter 44)

Today's Manufactured Housing

Advances in quality and design have made manufactured housing a popular, high-quality product comparable to site-built housing in durability. Construction and transportation advances mean that there is more variation than ever possible in manufactured homes: pitched roofs, bay windows, multi-sections, as well as numerous options for on-site additions like awnings, patio covers, porches, decks, and garages.

Larger, multi-section homes are more and more popular, and among new homes, are much more common than single-section homes. Nationally, 61.6% of manufactured homes are single-section units, 36.7% are double-section, and 1.2% are triple-section or larger (HUD, 2007 American Housing Survey). Affordable prices, a quick sales process and impressive array of available options all make manufactured housing an attractive option for buyers.

Genz (2001, 396-398) identifies three core factors: prices, quality of construction, and marketing. Compared particularly to rental housing, new manufactured homes have strong appeal and value for the money. While interest



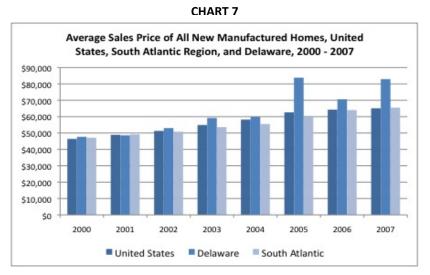
Source: U.S. Bureau of the Census, Manufactured Housing Survey

rates are high, longer loan terms and the low cost of the home itself can make purchase of a new or late model used home comparable to rental costs. Despite long-held stereotypes about low quality and rapid deterioration, several studies indicate that manufactured homes have a fairly long life span, up to 55 years, and the vast majority of new homes feature high-quality construction and attractive designs.

Finally, Genz identifies the fundamentally different marketing system for manufactured housing as a factor. Comparison shopping for a site-built home, new or existing, is time-consuming, and rests heavily on location. When shopping for a new manufactured home, the consumer sees the home first on the

dealer's lot, and can shop for the same options a buyer of a new site-built home would shop for. While delivery time may vary depending upon whether the home is built to order or purchased off the dealer's

lot and on the amount of site work necessary to prepare the lot, it is still typically very fast compared to new site-built homes. In many cases the dealer helps to coordinate every aspect of the sale, placement and financing. For buyers using a personal-property loan instead of a conventional home loan, the application and approval process for their loan is also significantly easier: "In-house dealer financing programs can accommodate buyers of widely varying qualifications, with approvals coming back in as little as an hour." (Genz, 398)



Source: U.S. Bureau of the Census, Manufactured Housing Survey

As manufactured homes have grown in

popularity as permanent residences, are increasingly placed on private property, and appeal to a broader market, the average size of units has steadily increased, approaching 1,800 square feet for double-section units in 2007, up from about 1,400 square feet for double-section units in 1990. As double or multi-section units become more popular, and as single-section units are more limited by design, the average size of single-section units has not changed as much, only increasing by about 100 square feet since 1990.

Of the existing stock of manufactured housing nationally, 61% are single-section units. However, in recent years double-section units have pulled far ahead as a percentage of new units placed. In 1985, 17% of new units placed in Delaware were double-section, compared to 31% nationally. By 1995, that had increased to 47% in Delaware and 48% nationally. In the mid-2000s, percentages of new units that are double-section hover between 70 and 80% both in Delaware and nationally.

Affordability

Huge variation and options in features, floor plans, and sizes mean that prices for a new manufactured home, without land, can range from \$20,000 for a new single-section home with basic features to well over \$100,000 for a multi-section home with numerous options. Still, manufactured homes are consistently shown to have dramatically lower construction costs per square foot than site-built homes, even when the value of land is removed. The Manufactured Housing Institute estimates that "Depending on the region of the country, construction cost per square foot for a new manufactured home averages anywhere from 10 to 35% less than a comparable site-built home, excluding the cost of land." (http://www.manufacturedhousing.org) What makes manufactured housing so much more affordable? A centralized building code (the HUD Code) and the ability to control and streamline the construction process are major advantages. Apgar, Calder, Collins and Duda (2002) note five factors creating cost savings in the production process:

- Economies of scale in high-volume materials purchase
- Ability to better coordinate production using assembly-line techniques
- A controlled environment devoid of weather or other delays
- Standardized design and materials
- Reduced costs (primarily in time) of securing approval from local code officials

Average sales prices of new homes have risen steadily, although at a higher rate in Delaware in the past few years, likely because the majority of new homes now being placed in the state are double-section homes. In 2007, the average sales price for a new manufactured home in Delaware was \$82,900, compared to \$65,100 nationally. For a double-section unit, the average sales price in Delaware in 2007 was \$88,400, compared to \$74,100 nationally. For single-section homes, the average sales price in Delaware was \$30,200 and \$37,200 nationally. However, it is important to keep in mind that these averages are often based on a fairly small number of units at the state level – about 500 units placed in Delaware in 2007. The nature of averages (being more sensitive to the effects of outliers, or prices at the highest and lowest ends of the range) and the small number of units may explain what look like large year-to-year price fluctuations, as between 2005 and 2007.

Comparing sales prices, average costs per square foot, and values between manufactured homes and site-built homes is challenging. It is difficult to fully correct for the cost and value of land and site work. The Census Bureau does report on this annually and provides a comparison of costs per square foot for new manufactured and new site-built homes. With the average cost per square foot for a new single family site-built home in 2007, excluding the cost of land, more than doubling the average cost per square foot for a new manufactured home, it is apparent that even with added costs for transportation and site work, manufactured housing provides clear cost benefits.

TABLE 8
Cost and Size Comparison: New Manufactured Homes and New Single Family Site-Built Homes

	New M	anufacture	d Homes	New Single Family Site-Built Homes			
	Avg Sales	avg Sales Avg Sq Avg Cost per			Derived Avg	Avg Sq	Avg Price Per Sq
	Price	Foot	Sq Ft	Price	Land Price	Foot	Ft (Excl. Land)
1997	\$39,800	1,420	\$28.03	\$176,200	\$33,227	2,140	\$66.81
2007	\$65,100	1,595	\$40.82	\$313,600	\$84,268	2,479	\$92.51
Increase, 1997 -							
2007	63.57%	12.32%	45.63%	77.98%	153.61%	15.84%	38.47%

Source: U.S. Bureau of the Census

SUMMARY: Characteristics of Manufactured Housing in the U.S. and Delaware

- Manufactured housing is a critical source of affordable housing, especially as homeownership for low-income households, in both the U.S. and Delaware. With almost 41,000 units in Delaware, it is 10% of the state's housing stock and home to approximately 70,000 Delawareans.
- Manufactured housing is especially predominant in Sussex County, home to over 60% of the manufactured homes in the state. Almost a quarter of the County's housing stock is manufactured homes, many of which are held for seasonal, recreational or occasional use.
- While it is difficult to quantify the exact number of manufactured homes on leased land in Delaware, records from the Delaware Manufactured Home Relocation Authority indicate at least 23,000, or 56% of the manufactured homes in the state are on leased land. This is well above cited national figures of 30 to 35%.
- Households in manufactured housing are predominantly white (85% in Delaware as of 2005 2007), more likely to be in smaller households, and slightly more likely to be older households. As of the 2000 Census, 41% of householders in manufactured homes in Delaware were over 55.
- Advances in construction, quality, amenities and design, and significant cost savings over site-built
 housing have made manufactured housing a popular and affordable permanent housing choice for
 millions of Americans and thousands of Delawareans. The majority of manufactured homes, once
 placed, are not moved, and most new homes (close to 80%) are multi-section homes.

LEGAL AND FINANCIAL FRAMEWORK OF MANUFACTURED HOUSING

New manufactured homes today, once placed, are rarely moved. Costs to move a home vary based on the distance of the move, size of the home, and post-placement additions that must be removed, and the amount of utility and other work to prepare the land. For the vast majority of homeowners, a manufactured home is a permanent housing choice, despite legal, financial and tenure structures that continue to treat it as an impermanent and mobile one. As a result, today's manufactured housing exists in a "parallel legal universe" of titling, land ownership, and financing from the rest of the housing stock and market (Genz, 2001).

All manufactured homes in Delaware are initially titled as personal property. In Delaware, as in most states, new manufactured homes are titled and registered through the Department of Motor Vehicles. If a home is to be placed on the buyer's property, typically on a permanent foundation, title can be surrendered and the home can be classified as real estate in a process through the County where it is located. As more and more new homes are placed on the buyer's privately owned land, instead of in land-lease manufactured housing communities, titling as real estate is becoming increasingly common. In 1990, 89% of new manufactured homes nationally were titled as personal property. By 2007, this has decreased to 64%. This has corresponded with an increase in the number of homes placed on "outside manufactured housing communities" the designation used by the Census Manufactured Housing Survey, which

Titling of Manufactured Homes

All new manufactured homes are titled through the Delaware Department of Motor Vehicles (DMV), for a fee of \$25 (\$35 for a home with a lien) plus a 3.75% document fee based on the sale price or current trade-in value of the home, whichever is higher. For new homes, this application process is typically handled by the dealer. Each section of a multi-section home will have its own title. In order to be declared real property – a main requirement in order to access conventional mortgage financing - this Certificate of Title must be surrendered. The process for surrendering the Certificate of Title and classifying a manufactured home as real property is slightly different in each county, but the main steps are:

- 1) Notifying the County to request a surrender of title.
- 2) A form/application/fee is required.
- 3) The home is inspected by a County official to ensure that it is affixed to the land, its wheels and axles removed and it is anchored to the land.
- 4) The County issues a letter or other certification to the DMV that the home meets its requirements to be considered real property.
- 5) The DMV issues a C-grade classification certificate and a notice to the County that the Certificate of Title has been surrendered.

Sources: Fannie Mae Guidance on Manufactured Home Titling in Delaware, Delaware Department of Motor Vehicles

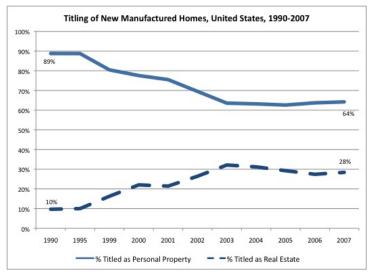
collects and reports this information. From 1990 to 2007, the percentage of homes placed outside manufactured housing communities increased from 59% to 74%, with a correlated decrease in the percentage of homes placed in manufactured housing communities, down from 41% to 28%. Still, millions of homes, new and existing, are classified as personal property, and are located on rented land, generally in investor-owned communities.

The designation of manufactured homes as personal property and land-lease form of tenure combine to form a constellation of legal and financial differences from site-built housing that have a broad impact on asset-building potential for manufactured home owners, with the greatest impact on owners of homes on leased land.

Challenges for Homeowners in Land-Lease Communities

Analysis of HUD American Housing Survey data by the AARP (formerly the American Association of Retired Persons) indicate that 32% of manufactured homes are located in land-lease communities (2004). Foremost Insurance Group, which conducts an annual national survey of manufactured home owners, similarly reports that in 2005, 35% of respondents owned homes in manufactured housing communities where they rented the lot.

CHART 8



Source: U.S. Bureau of the Census, Manufactured Housing Survey

Land-lease communities for manufactured housing have their benefits, particularly for lower-income homebuyers/homeowners in areas where land costs are high and would otherwise make homeownership impossible. For older and retired households, there is often appeal in many services being taken care of in a community. Many communities offer a variety of amenities as well.

However, owning a large, fairly immobile asset on land over which the owner has no control, possibly only a fairly short-term (year or a few years) lease, and no guaranteed predictability of future rent costs is fundamentally insecure. Considering that asset is also often a household's largest asset,

and that asset is also a household's home, creates even more insecurity. While the majority of manufactured housing communities are certainly operated well, reasonably, and with consideration for homeowners, the vulnerability is inherent in the form of tenure itself. Leases can be ended, rents can be increased far beyond homeowners' abilities to pay, communities can be sold and closed.

Community closure is perhaps the greatest risk to homeowners on leased land, and it is a looming threat for many in Delaware. High land values provide strong incentives for community owners to consider selling or converting the use of their land. When a community is closed, the homeowner has no choice but to move or abandon their home. Relocating a home is costly, and homes are subject to damage during transportation. Moving a home has also been shown to affect future appreciation (Jewell, 2003). Many older homes, or homes with various on-site additions or modifications, cannot be moved. There are relatively few open lots in manufactured housing communities, and very few, if any, new communities are opening in Delaware. Many communities have strict design and age standards that exclude homes more than a few years old. In many older communities, homeowners may have no choice but to abandon their homes, which, while of little market value, have immense value to them as a source of affordable housing.

Financing

Issues with how manufactured homes are sited, titled and appraised make them difficult candidates for long-term, conventional mortgages. Results of this include fewer protections for buyers and owners, higher costs, and effects on asset-building for owners. Financing for manufactured housing takes two very different forms: 1) conventional mortgage lending, generally restricted to units on land owned by the homeowner; and 2) chattel lending, or personal property loans, typically for units on leased land or not titled as real estate. Within both of these markets, it is often difficult to secure financing for purchase of an existing manufactured home.

A variety of features of the manufactured housing market combine to create in some cases validly unacceptably high risk for lenders; in others cases, unfamiliarity, stereotypes and negative perceptions of "trailers" have undue impact. The product's (theoretical, at least) mobility, unclear appreciation patterns, typically high loan to value ratios, unstable resale market, and, for homes in communities, insecure land tenancy, unpredictable land lease costs, and classification as personal property pose major challenges to lending. Loosened standards in manufactured home lending in the mid-1990s led to a dramatic rise in defaults and repossessions in the late 1990s through 2002. The lack of an effective resale market further hindered lenders' ability to recoup losses.

"Even though a manufactured home today bears no resemblance to a "trailer," it is still all too frequently sold and financed like one."

(West, 2006, p. 36)

Overall, the result is that buyers of manufactured homes simply pay more. The 2007 American Housing Survey indicates that while only 10.3% of all homes have a current mortgage interest rate over 8%, a third (33.1%) of manufactured homes have rates over 8%. The comparison with recently constructed homes is even more stark: only 6.8% of new homes built in the four years before the survey (2002-2006) had interest rates over 8%. The median mortgage interest rate on manufactured homes is almost a percentage point higher: 7.2%, compared to 6.4% for all homes.

TABLE 9
Current Mortgage Interest Rate, United States, 2007

	All Units % of All		New Construction	% of All New	Manufactured	% of all Manufactured
	All Offics	Units	4 Years	Construction	Homes	Homes
Less than 6%	17,937,000	38.61%	1,450,000	37.85%	547,000	26.37%
6 to 7.9%	23,744,000	51.11%	2,121,000	55.36%	840,000	40.50%
8 to 9.9%	3,613,000	7.78%	200,000	5.22%	399,000	19.24%
10 to 11.9%	814,000	1.75%	35,000	0.91%	192,000	9.26%
12 to 13.9%	214,000	0.46%	18,000	0.47%	60,000	2.89%
14 to 15.9%	73,000	0.16%	5,000	0.13%	18,000	0.87%
16 to 17.9%	15,000	0.03%	ı	ı	6,000	0.29%
18 to 19.9%	30,000	0.06%	ı	ı	ı	ı
20% or more	21,000	0.05%	2000	0.05%	12,000	0.58%
Median	6.4		6.4		7.2	

Source: U.S. Bureau of the Census, 2007 American Housing Survey

Conventional Financing

To access conventional financing, manufactured homes generally must be on a permanent foundation, located on the owner's land, and be titled as real property. For some lenders and programs, only new homes will qualify. Appraisal requirements for manufactured homes are also often stringent. Analysis of 2006 Home Mortgage Disclosure Act (HMDA) data, which include only conventional mortgage loans, indicate that even when manufactured home buyers are able to access conventional financing, their loans are generally more expensive than site-built home loans. Banks are required to report pricing information when a loan is more than 3% above the Treasury rate. Almost half (47%) of all conventional loans for manufactured homes fell in this category, compared to only 25% of conventional 1- to 4-family home purchase loans.

The haphazard resale market for manufactured homes also affects their viability for financing. Many standards for accessing conventional mortgage financing for a manufactured home do not allow the purchase of anything but new homes, which limits the availability and increases the cost of loans –

reducing what buyers can afford to pay for an existing home – further affecting appreciation potential for *new* homes. As West (2006) notes:

"Inasmuch as the lack of a resale market limits the collateral value of manufactured homes, a vicious cycle is created. The lack of credit available for purchase of existing manufactured homes severely restricts the pool of potential buyers. Fewer buyers who are willing and able to buy an existing home means lower collateral value: as demand shrinks, lenders' perception of risk – for both new and existing manufactured housing - grows. After all, what would happen if the home owner needs to sell before the loan is paid off?" (40)

West (2006) and others (Jewell, 2003, Apgar et al, 2002) have also identified the lack of a robust secondary market for conventional manufactured home loans as an issue, which reduces the volume of loans available and increases costs. This situation is improving, and both Fannie Mae and Freddie Mac have standard guidelines for manufactured home loans and will purchase mortgages on manufactured homes titled as real estate via approved lender partners using their standard MH underwriting and appraisal guidelines. Fannie Mae has also developed a "MH SelectTM Intiatitve," a collaborative effort between Fannie Mae and the industry Manufactured Housing Institute. The program offers more financing flexibility for high quality manufactured homes when manufacturers and dealers/retailers commit to specific design and service standards.

Government Programs

Financing for manufactured homes is increasingly available through traditional government homeownership programs, although this is largely limited to homes titled as real estate and placed on the owner's privately owned property. The U.S. Department of Agriculture (USDA) Rural Development (RD) 502 Direct Loan purchase program allows the financing of HUD-certified manufactured homes, when purchased through RD-approved dealers and placed on a permanent foundation. The extremely low interest rates available through the 502 Direct Loan program make it an important resource for low-income buyers in rural areas. Loans can include the home itself as well as related site development work.

The Federal Housing Administration (FHA) provides mortgage insurance on loans made by FHA-approved lenders nationally. The FHA Title I program may be used for the purchase or refinancing of a manufactured home, including those designated as personal property and on leased land. The Title II program may be used for the purchase of a home when placed on a permanent foundation and classified as real estate. Low loan limits have long limited the scope of this program, although they can be increased up to 85% in designated high-cost areas. The program allows for a maximum loan term of 25 years for a multi-section home and lot combination, requires a 5% down payment and owner-occupancy. While challenged by a history of high default rates and low usage (only slightly more than 1,400 loans in 2006), FHA Title I is the only active federal program offering insurance for loans on a manufactured home only, without associated land.

The Housing and Economic Recovery Act (HERA) of 2008 included several provisions to modernize FHA's manufactured housing programs, including increases to loan limits; codification of a previous regulation applying a section of the Real Estate Settlement Procedures Act (RESPA) prohibiting the referral of fees by a lender to dealers, manufacturers, or other parties for the Title I program; requiring a three year lease term for home-only loans on leased land in Title I; and allowing long-term leasehold arrangements under Title II. These changes are expected to increase volume and provide leadership in the industry. The Act also includes a directive for Fannie Mae and Freddie Mac to provide leadership in the manufactured housing market and facilitate a secondary market for manufactured housing loans for low- and moderate-income homeowners.

State housing finance agency programs also are increasingly inclusive of manufactured housing. In Delaware, the Delaware State Housing Authority's (DSHA) main homeownership programs, the Single Family Mortgage Revenue Bond (SFMRB), which provides low-interest mortgages through participating lenders, and downpayment and settlement assistance programs allow for manufactured homes. Homes must be on a permanent foundation, classified as real estate, and meet any other requirements of the lender and insurer, which may vary.

While great advances have been made in access to conventional financing for buyers of manufactured homes that will be titled as real estate and placed on personal property, there are few government programs providing financing for either existing homes in, or new homes to be placed in, manufactured housing communities. The challenges that make financing for these homes difficult in the private market are equally difficult to housing finance agencies. In New Hampshire, where nonprofit and public agencies have made major strides in advancing resident ownership of manufactured housing communities, the New Hampshire Community Loan Fund (NHCLF) recognized that "while resident ownership secures the land for the benefit of the homeowners in a community, the lack of conventional financing still undermines homeownership on that land." (Bradley, 2003) In 2003, the NHCLF originated retail mortgage lending services, for new home purchase, existing home purchase, refinancing and repair loans to residents of the almost 80 manufactured housing communities it has helped convert to resident ownership. It also provides first-time buyers access to state HFA loans. Advances in financing for manufactured housing in New Hampshire have also benefited greatly from state law that allows titling of manufactured homes placed on leased land as real estate (George and Barr, 2005). As discussed in the next section, resident ownership of MHCs can positively impact many of the barriers that have long made lending for homes on leased land challenging.

Personal Property Lending

To purchase a new home that will not be titled as real estate, buyers must use personal property, or "chattel" loans. Even some buyers who will place the home on their own land may still use personal property loans and finance the land separately. Personal property loans for manufactured homes are largely dominated by consumer finance companies and a few that specialize in manufactured home finance. These loans have much higher costs – the price of fast decisions, easy approval processes, and looser credit requirements. Analysis of Affordable Housing Survey data in Apgar, et. al (2002) indicated that manufactured homes on rented land had median terms of 9 percent interest for 15 years (or 8.7% interest for 18 years if on owned land) compared to median terms of 7.5% interest over 25 years for single-family site-built homes. A less formal survey conducted by the Consumers Union in Austin, Texas, found that a borrower with good credit and a five percent down payment would likely have been charged anywhere from 2 to 4 percentage points more by manufactured housing lenders than by a conventional mortgage (Consumers Union, 2000). While the industry has made great strides to reverse the negative stereotypes of high-pressure sales, inflating prices, steering to loans with kickbacks for the retailer, and predatory lending, studies of consumer complaints indicate that some of these concerns are indeed still grounded in practice in some areas of the industry (Consumers Union, 2003).

Further, chattel loans are not subject to many consumer protection laws that apply to conventional mortgages, such as the Truth in Lending Act, Home Ownership and Equity Protection Act (HOEPA), and Real Estate Settlement Procedures Act (RESPA), nor are they subject to Home Mortgage Disclosure Act (HMDA) reporting requirements. RESPA requires disclosure of settlement costs and prohibits kickbacks or referral fees, meaning that retailers "can and frequently do earn commissions, rebates or other payments on loan originations, credit life insurance, property insurance, and other services arranged for at the time the loan is closed." (HUD and NAHB, 2000, 41) Consumer protections for foreclosure on conventional mortgage loans are also far broader than for personal property loans.

Appreciation

A core challenge to improving financing for buyers and wealth-building opportunities for owners is understanding the value of manufactured homes, how it changes, and why. That manufactured homes only depreciate is a widely-held belief, but numerous studies indicate that this is not necessarily the truth, nor is depreciation inherent to the home itself. Further, imperfections in the manufactured housing

"Contrary to popular belief, depreciation is not inherent to the housing unit; it is a matter of market function. By focusing on land ownership and access to decent financing, communities and affordable housing can be successfully preserved and individuals can build a housing asset in manufactured home communities."

(Ward, French and Giraud, 2006, p. 3)

finance market and the overall legal structure of manufactured home ownership and placement have serious effects on appreciation. As noted earlier, the turmoil in the manufactured housing market in the early part of this decade only worsened perceptions of risk and appreciation in manufactured housing.

The Consumers Union completed one of the most comprehensive studies on manufactured housing appreciation in 2003, using data from the 1985-1999 AHS Panel as well as county appraisal data from several counties

in Texas and extensive literature review. The study sought to investigate the question of, if depreciation is not inherent to the product itself, what is the source of the depreciation (or lack of appreciation) in manufactured homes? And, why do some manufactured homes appreciate more than others. The Consumers Union study found that, overall, average appreciation rates of manufactured homes packaged with owned land are statistically in line with the site-built market. Just like site-built homes, the value of manufactured homes are affected strongly by their location, condition and maintenance. Land ownership, location, purchase price and maintenance expenditures are among the factors that predict appreciation in

manufactured homes. Key findings of the report are that:

- In total, manufactured homes appreciated 6% less per year than site-built homes, but those packaged with land appreciated similarly to site-built homes. On average, manufactured homes on leased land depreciated.
- Manufactured homes, both on owned and rented land, had significantly less predictability and higher variation in the appreciation of the units.
- Factors driving appreciation of manufactured homes are structurally different than the factors driving site-built appreciation (p 9).

The Consumers Union (2003) report identified the following as factors influencing appreciation in manufactured housing:

- As in site-built housing, manufactured homes are affected by the appreciation of homes in their neighborhood.
- Owning the lot leads to higher appreciation of the home itself.
- Larger homes appreciate more.
- Intensive use and overcrowding lower appreciation.
- Investing one percent of the value of the home in maintenance yields a half percent improvement in the value.
- Moving a home has a negative effect on its future appreciation: homes still on their first site tended to have greater appreciation than other homes.
- Homes in "urban" census areas did better than rural homes.
- The fact that a home was built since 1980 (a proxy for 1976, the implementation of the HUD Code) does not ensure higher appreciation. While positive, this was not a significant factor.
- For homes placed on the owner's personal property, lot size was significant, with homes on larger lots performing better.
- For those homes located in communities, higher starting lot rent translated to higher appreciation.

A clear message from the research on value

and appreciation in manufactured housing is that ownership of land is, by far, the most important factor driving appreciation in manufactured homes. While numerous other factors affect appreciation of manufactured homes, just as in site-built homes, insecure land tenure is of paramount concern and is

"the single most important attribute for equity growth for this type of housing" (HAC, 2005, 29). Two results of this form of tenure – titling as personal property and subsequent lack of conventional financing – further challenge equity growth for owners of manufactured homes.

SUMMARY – Legal and Financial Framework of Manufactured Housing

- For the vast majority of manufactured homeowners, a manufactured home is a permanent housing product, despite legal, financial and tenure structures that continue to treat it as an impermanent and highly mobile one.
- All new manufactured homes are titled as personal property. Homes placed on a permanent foundation, typically on the owners property, can have the title surrendered to become classified as real estate.
- While land lease communities remain a popular option, the majority of new manufactured homes (74% in 2007, nationally) are placed outside manufactured housing communities. Subsequently, a steadily increasing percentage is titled as real estate. Still, millions of homes, new and existing, are classified as personal property and located on leased land.
- While the majority of manufactured housing communities are operated well and with
 consideration for homeowners' interests, the fact remains that owning a home on rented land
 over which the homeowner has no control, possibly a fairly short-term lease, and no predictability
 of future rent costs and the constant possibility of community sale or closure creates a
 fundamentally vulnerable situation for the homeowner. As an extension of that vulnerability, the
 unique legal situation of manufactured housing creates issues with how homes are titled and
 financed.
- Legally, manufactured homes are often still treated as mobile and impermanent housing, even
 though this is accurate for an increasingly small portion of the industry and homeowners. This
 creates issues with how homes are titled, valued, and resold that, combined, make them difficult
 candidates for long-term conventional mortgages. Conventional financing for manufactured
 homes placed on personal property and permanent foundations has expanded significantly in
 recent years, but there is little progress for homes titled as personal property and on leased land.
 For these homes, a personal property loan is generally the only option. As a result, homeowners
 have fewer protections, face higher costs, and ultimately negative effects on their ability to build
 wealth through their home.
- Despite widely held views that manufactured housing only depreciates, research indicates that
 depreciation is not necessarily inherent to manufactured housing itself, but a reflection of issues I
 the market. Just like site-built homes, the value of manufactured homes are affected strongly by
 their location, condition and maintenance. Studies show that ownership or control over the land
 on which the home is placed affects appreciation more than any other factor. Less directly,
 appreciation in manufactured housing is also affected by the availability of financing, which is also
 tied to how homes are titled and sited.

RESIDENT OWNED COMMUNITIES (ROCS)

The steady expansion of conventional lending for manufactured homes placed on private property indicates that many of the issues with lending for manufactured homes placed in manufactured housing communities are not the result of deficiencies in the product itself, as many have long believed. Rather, in many ways these challenges are in fact artifacts, direct and indirect, of this ultimately insecure form of tenure. The two main recommendations to improve appreciation (and subsequently asset-building opportunities for owners) in manufactured housing are to 1) gain control of the land on which the home is sited; and 2) gain access to favorable home loans as close to conventional mortgages as possible (Jewell, 2003).

The most common form of resident ownership for manufactured housing communities is a cooperative corporation. In this model, homeowners join together to form a corporation operating on one-member/one-vote rule. Every household in a community can become a member and participate in the governance and operation of the community. Each household owns a share in the cooperative, which is governed by a member Board elected by the membership. In smaller communities, the Board and Committees may do the work of managing and operating the community directly; in larger ones, the Board may arrange for the contracting of a management agent.

Stable rents, more secure tenure, having a voice in community management, and capital improvements are all clear benefits of resident ownership. While rents may be lower for homeowners in ROCs over time, there is not always an immediate drop in rents as new ROCs must often make major investments in the community's infrastructure, such as water and septic systems and roads. In New Hampshire, where almost 90 communities have converted to resident ownership over the last 25 years, a recent evaluation study showed that homeowners in resident owned communities have "significant economic advantages over counterparts in investor-owned communities, as evidenced by higher average home sales prices, faster home sales, and access to fixed rate home financing. Additionally, residents who own their communities consistently perceive greater control over and stability in their lot rents and governance, and worry less about being displaced because of park closure for redevelopment." (Ward, French & Giraud, 2006, p. 4)

While there are strong initiatives to convert MHCs to resident ownership in several states, notably Minnesota, California and Vermont, the work of the New Hampshire Community Loan Fund (NHCLF) stands out as a national model. Since the mid-1980s, the NHCLF has provided financing and technical assistance resulting in the creation of almost 90 resident-owned communities, 20% of the MHCs in the state. None of these communities has failed, defaulted or been sold.

Key Elements for ROC Success

The NHCLF's strategy to convert MHCs to resident ownership recognized the short and long-term elements for success. NHCLF's comprehensive technical assistance addresses everything from community organizing to the provision of financing tools and long-term technical assistance, particularly in organizing, management, and planning for and financing major community improvements. Conversion to resident ownership is a complicated process, especially as it is often under time constraints. Pre-purchase, the community must organize, develop the cooperative structure and leadership, educate members, assemble the deal, legal documents, engineering, engage in negotiations for purchase, and financing. Post-purchase, the cooperative is faced with developing and implementing a management plan, training

the Board, membership and committees, engaging contractors and third parties, and developing leadership.

Unfortunately, comprehensive short and long-term technical assistance and access to financing are of little use if homeowners simply do not have the opportunity to purchase the community. In New Hampshire, a strong right of first refusal law has been critical to the success of NHCLF's efforts. New Hampshire's right of first refusal law gives homeowners time to form a cooperative, get financing, and make an offer on their community. Community owners are required to give homeowners 18 months notice of park closure, and 60day window of notice before sale to an outside investor, during which the homeowners can organize the cooperative and match the outside offer. This law has played a critical role in most of New Hampshire's ROC conversions.

Several other states have similar laws, with various features. For example, Vermont's law gives tax benefits to park owners who sell to residents in addition to a right of first refusal. California, home to over 5,400 manufactured housing communities, has also made great strides in resident ownership, although an exact

I'M HOME in Delaware: New Horizons

The Delaware Housing Coalition (DHC) and Diamond State CLT (DSCLT) are I'M HOME local partners in Delaware. During the grant period, the coalition and its partners developed an implementation plan for the Diamond State CLT's first manufactured housing community, New Horizons Cooperative. The New Horizons Cooperative is an organization of poultry workers and other low income workers who are creating a manufactured housing community with an agricultural enterprise in Sussex County. The homes will be affordable to households at 50% of area median income. The parcel will be located on Diamond State CLT land.

Formed initially as a group of displaced manufactured housing park residents, New Horizons formed in 2003 in response to an unfair eviction notice, issued because residents had complained to the state about the use of illegal cesspools and lack of drinkable water. With DHC's help, New Horizons fought the eviction as a violation of residents' fair housing rights and also offered to buy the land from the owner. While neither of these ultimately worked, New Horizons were able to win a one-year, court-mandated extension to their collective lease. "Eventually we had to leave," says Rene. "Though we have been separated for the last year, we have continued to develop our cooperative and to work on coming back together as a stronger community than before." With DHC and other local partners – agricultural extension agents, members of the nearby Presbyterian church, a local law firm and the DSCLT – cooperative members worked steadily toward buying land for their new community in an agricultural area where they would be able to farm part of the land together. In September 2007, the group parlayed their savings into a contract for the property on which they will build their new home.

(http://www.diamondstateclt.org/docs/imhome_delaware.pdf)

number of how many have converted is unclear. The state Department of Housing and Community Development operates a Mobilehome Park Resident Ownership Program, enacted in 1984, to provide loans to homeowner groups to purchase their communities. Funds are also available to nonprofit sponsors. Funded by an annual \$5 assessment on leased lots, the program has provided funds for 74 conversions, over 12,000 lots, as of December 2006.

Initiatives to Advance ROCs

As news of the success of the New Hampshire Community Loan Fund (NHCLF)'s activities to convert manufactured housing communities to resident ownership spread, many other states hoped to develop similar technical assistance and financing resources. Some have been successful, but national funders and groups recognized the need for a national-level initiative to advance resident ownership in more areas without having to recreate a technical assistance and financing network in each state.

In May 2008, the New Hampshire Community Loan Fund and Corporation for Enterprise Development (CFED) launched ROC USA[™], which will take the model developed in New Hampshire to scale nationally. A network of Certified Technical Assistance Providers (CTAPs) will provide pre-purchase and post-purchase

training and technical assistance to residents of manufactured housing communities in 29 states. In addition to technical assistance through CTAPs, ROC USATM will also provide financing for conversions as well. The initiative launched with investments exceeding \$8 million from the Ford Foundation, Fannie Mae, CFED, NCB Capital Impact, and the Loan Fund.

Recognizing the importance – and potential - of manufactured housing as a source of affordable housing for millions of households, in 2005 the Corporation for Enterprise Development (CFED) launched Innovations in Manufactured Homes (I'M HOME), a comprehensive initiative to improve conditions for existing manufactured home owners, expand the supply of good quality, affordable housing, and to make sure that families who choose a manufactured home receive the same treatment and benefits as owners of any other type of home. With national and local partners and support from the Ford Foundation, I'M HOME invests resources to build capacity and carry out demonstration projects to:

- build high-quality manufactured homes;
- develop and provide access to fair and responsibly-priced mortgage financing;
- address the challenges facing residents in manufactured housing park communities; and
- advocate for public policies that help owners of manufactured homes.

SUMMARY – Resident Owned Communities

- Resident ownership of manufactured housing communities is a promising means to improve security of tenure for manufactured homeowners. In the most common form, a cooperative corporation, homeowners form and become members of a cooperative that purchases and operates the community. By owning a share of the corporation and having a say in the community's ownership, homeowners can have greater 1) security against sale or closure of the community; 2) predictability of future lot rent costs; and 3) control over the governance of their community.
- The opportunity to purchase the community, comprehensive pre- and post-purchase technical assistance, and financing are key factors for the success of conversions to resident ownership.
- Initiatives to advance resident ownership of manufactured housing communities have been very
 successful in some areas, and those successes are having real results for homeowners. A study
 done in New Hampshire, where the New Hampshire Community Loan Fund (NHCLF) has helped
 homeowners in 90 communities purchase their communities, indicates that homeowners in
 resident-owned communities have "significant economic advantages over counterparts in
 investor-owned communities, as evidenced by higher average home sales prices, faster home
 sales, and access to fixed rate home financing." (Ward, French & Giraud, 2006, p. 4)

MANUFACTURED HOUSING TENURE ISSUES IN DELAWARE

Landlord/Tenant Code

The Delaware Manufactured Home Owners and Community Owners Act (25 Del.C. §7001 to 7027) took effect on August 23, 2003. A major rewrite of the Mobile Home Lots and Leases Act, the new Act regulates and determines the rights, remedies and obligations of all parties to a rental agreement for a lot for a manufactured home in a manufactured housing community in Delaware.

The new Act set out new and detailed standards for rental agreements, landlord and tenant obligations, fees, rules, home standards, sale of homes, termination of lease, and provisions intended to protect and assist homeowners in the event of a change of land use. It also created the Delaware Manufactured Home Relocation Trust Fund and Authority, which has proved an important resource to assist homeowners to relocate or be compensated for the abandonment of their homes as a result of community closure. A detailed summary of the law is available online at

http://attorneygeneral.delaware.gov/media/pdf/manuhoussumm.pdf.

While the new Act was a major step forward in improving protections for manufactured home owners in land-lease communities, issues remained. In the midst of the real estate boom, demand for land and prices developers were willing to pay, especially in Sussex County, skyrocketed. Several communities closed following sales and change of land use, and many others felt the pressure. Several large communities in Delaware were also sold to national investment companies, leaving homeowners feeling even more at risk. In Eastern Sussex County's resort areas, many homeowners were faced with large and unexpected rent increases that many felt were essentially a form of "financial eviction" in order to reinvent communities as resort and retirement locations.

Growing concerns about park closures and the lack of recourse for homeowners facing such rent increases led advocates to work to advance a variety of measures, notably a resident notification/right of first refusal and rent justification bills. Over the course of several years, numerous versions of these bills have been developed, introduced and debated. The various rent justification bills – which would require that lot rent increases be justified by increased operating costs or market conditions - have been most contentious. Rent justification remains a priority for the Delaware Manufactured Home Owners Association (DMHOA) in the future.

In 2008, advocates focused on achieving a right of first refusal to guarantee homeowners the opportunity to purchase their communities cooperatively, if the community is otherwise to be sold. After a lengthy negotiation process, representatives of manufactured home owners and community owners reached an agreement on House Bill 504 late in the 2008 session of the 144th General Assembly. The bill, which amends the Delaware Manufactured Home Owners and Community Owners Act, institutes strong provisions for manufactured home owners who wish to purchase their community.

HB 504 guarantees homeowners, through a homeowners association or cooperative, a right of first offer. Community owners are required to give residents advance notice of their decision to sell, transfer or convey the land, regardless of whether it will result in a change of land use or not. It also requires that the Delaware Manufactured Home Relocation Authority, the homeowners association if one exists, and the Delaware Manufactured Home Owners Association be notified. The notice is accompanied by the price, any special conditions affecting the sale, and information on operating expenses and capital expenditure costs. A homeowners association then has 30 days to respond to the notice with its intent to accept or reject the offer or make a counteroffer.

An offer from the homeowners association is valid for 12 months, unless withdrawn, and in that time period, the community owner may not sell the community at or less than the price offered in the offer from the homeowners association. The community owner may accept a higher offer without any obligation to the homeowners association, unless the higher offer is within a certain percentage of the homeowners association offer. In this case, the homeowners association must be given seven business days to match the higher offer. The Act also includes model bylaws for homeowners associations, to serve as guidelines for what qualifies as a homeowners association.

Efforts to Advance ROCs in Delaware

Efforts to advance resident owned communities in Delaware have faced several challenges, the two broadest being 1) the lack of a guaranteed opportunity to be aware of the sale of a community before it happens and thus no opportunity for residents to purchase it directly; and 2) the lack of specialized and coordinated technical assistance for communities pursuing conversion. While these challenges are faced by many states, communities seeking conversion in Delaware have faced particular roadblocks.

Many of the communities where homeowners feel the most risk and vulnerability to community closure or sale are in Sussex County's beach resort areas. However, in these areas the exact conditions that put homeowners at higher risk may make conversion efforts particularly difficult. As ROC USATM notes on their website, homeowners can afford to compete with other potential buyers because "communities are ultimately bought and sold based upon cash flow – the monthly site rents that homeowners pay, plus any other income generated by that parcel of real estate and business operation. The cash flow can be the same for homeowner groups as for any competing buyer." (http://www.rocusa.org) In some areas in the recent real estate boom, land prices were so high that the homeowners cannot compete with either the community owners' desired price or the price developers planning a change of land use are willing to pay. In other cases, a community may be organized and wish to convert to resident ownership, but with an owner who is not interested in selling, or at least not to the homeowners.

The passage of HB 504 granting residents a right of first offer to purchase their communities is a major leap forward in the effort to advance conversion to resident ownership in Delaware. Successes around the country demonstrate that statutes providing homeowners with the opportunity to purchase their homes – either through a first offer, matching offer, or right of first refusal – are critical to large-scale successes. Without them, conversions can only be piecemeal at best and rely on a series of unlikely and unpredictable coincidences to succeed.

Following close on the passage of HB 504, Delaware was also added by ROC USATM as a state where manufactured homeowners associations/cooperatives will be eligible to receive technical assistance to pursue conversion to cooperative ownership. Real Estate Advisory and Development Services, Inc. (READS), a technical assistance provider through ROC USATM, was approved in July 2008 to expand its service area to include Delaware. As of October 2008, DMHOA and READS were working with three communities up for sale, two in Kent County and one in New Castle County.

Since the creation of the Delaware Manufactured Home Relocation Trust Fund, there has been some interest in expanding the uses of the trust fund to include not only assistance to homeowners in communities where closure is imminent, but possibly also proactive assistance in the form of startup, feasibility or capital funding to homeowner associations seeking to convert to cooperative ownership. While this has not moved forward yet, it could be a useful tool in addressing the need for financing for conversions.

Dispute Resolution

Authorized by Title 29, Section 2519(b) of the Delaware Code, the Delaware Council on Manufactured Housing is intended to advise the Division of Consumer Protection in the Attorney General's office on matters relating to manufactured home owners and tenants, manufactured housing and manufactured home communities. The Council is composed of 14 members including representatives of the manufactured housing industry and both renters and owners of manufactured homes from all three Counties, and is supported by staff from the Division of Consumer Protection.

The Council also reviews grievances between manufactured home community owners and tenants or groups of tenants in accordance with the Delaware Manufactured Housing Alternative Dispute Resolution Act (25 Del.C. § 7001). The Act provides a means to resolve disputes about rules and regulations, leases, or alleged violation of manufactured housing laws without litigation by using alternative dispute resolution techniques. The Council, by an affirmative vote of a majority of its members, determines that an existing dispute or grievance between a community owner and tenant or group of tenants should be referred to alternative dispute resolution. These efforts have been very successful and all cases referred to mediators to date have been resolved successfully.

Lot Rent Assistance Program

In 2005, community owners and the First State Manufactured Housing Association developed a voluntary lot rent assistance program to help very low-income homeowners facing high lot rent costs. In 2006, this program was made mandatory for owners of communities of more than 25 lots through an amendment to the Manufactured Home Owners and Community Owners Act. Homeowners are eligible for lot rent assistance when they meet the following criteria:

- 1) eligible for Social Security Disability or Supplemental Security Income benefits, or are 62 years of age or older;
- 2) have owned their home and/or resided in the home in the manufactured housing community prior to July 1, 2006;
- 3) reside full time and exclusively in the manufactured home in the manufactured home community, and it must be the homeowner's only residence;
- 4) have liquid assets of less than \$50,000; and
- 5) not be recipients of any other rental assistance funding.

In addition, the homeowner/household's income must be less than 40% of the Area Median Income for the county where the community is located, adjusted for household size. In 2008, for a family of four, this would mean an annual income of \$23,480 in Kent County, \$22,080 in Sussex County, and \$28,840 in New Castle County. In addition, the lot rent, excluding utility charges and other charges, fees and assessments must exceed 30% of the income, adjusted for household size, based on 40% of the county's median income. For a family of four in 2008, this would mean that lot rent must equal or exceed \$587/month in Kent County, \$552/month in Sussex County, and \$721/month in New Castle County. The lot rent assistance provided is in the form of a credit for the amount that the lot rent exceeds 30% of the income for a household with income of 40% of the county median income, adjusted for household size. Eligibility must be recertified annually.

To date, no state-level summary statistics are being kept on the number of applicants and number of households participating in the lot rent program. However, it is expected that the number is fairly low, due to the strict eligibility requirements. On July 1, 2008, a bill was introduced in the General Assembly to expand the eligibility requirements for the program to households with incomes of less than 50% of Area

Median Income and increasing the liquid assets limit to \$65,000. It was assigned to the House Subcommittee on Manufactured Housing.

Delaware Manufactured Home Relocation Authority

The Delaware Manufactured Home Relocation Authority (DMHRA) was established by the Delaware Legislature as part of the Delaware Manufactured Home Owners and Community Owners Act. The primary purposes of the Authority are to provide financial assistance to manufactured home owners who are tenants in a manufactured home community where the community owner changes the use of the land; and to provide financial assistance to manufactured home community owners for the removal and/or disposal of unrelocatable or abandoned manufactured homes when there is a change in use or a conversion. This is accomplished through the Delaware Manufactured Home Relocation Trust Fund, which is funded by a special assessment of \$3.00 per month per leased lot.

Through the Trust Fund, homeowners can apply for reimbursement of costs to relocate a home (maximum reimbursement of \$4,000 for a single-section home or \$8,000 for a multi-section home), or abandonment, or for fair market value up to a cap set by DMHRA if the home is judged to be unmovable. Landlords can also be eligible for up to \$4,000 for a single wide and \$8,000 for a multi-section home, to remove and dispose of homes abandoned by their owners or deemed to be unrelocatable. In just its first few years of existence, the trust fund has proved a valuable and necessary resource for many homeowners, assisting approximately 137 homeowners with \$497,057 in relocation assistance since its creation in April 2004 through September 2008.

The enabling legislation for the Fund and Authority limits reimbursement to homeowners whose homes cannot be moved to a cap to be set by the Board of DMHRA. The Board has worked to establish these caps for non-relocatable homes but has not been successful in approving any proposed caps with a ¾ majority. A continuing concern is that without a cap and at the current monthly assessment rate of only \$3 per leased lot, the Fund has very high exposure to be liable for large reimbursements to homeowners of non-relocatable homes. Community closures resulting in a large number of claims for high-value non-relocatable homes could conceivably threaten the Fund's solvency.

Enforcement also remains a challenge for the DMHRA. At its inception, there was little compiled information about manufactured housing communities in Delaware. Information was fragmented among various county and state offices. Simply assembling a comprehensive and current list of all active communities in Delaware, their owners, location and size in order to make sure all are paying into the Trust Fund as required has been a difficult task. Other aspects of enforcement exist on the opposite end, as claims are made and reimbursements issued: ensuring that homes are moved or disposed of as planned and communities filing change of land use actually are closed. In 2006, SB 388 created civil penalties, including repayment of all assistance provided from the Trust Fund, for owners of communities who claim a change of land use and either 1) fail to pursue changing the subdivision plan or zoning designation or 2) reuse the land for manufactured home or other dwelling lot rentals, as has been the case in at least one community where a change of land use was claimed. In 2008, DMHRA is expanding its staff to include a Code Enforcement Officer.

SUMMARY - MANUFACTURED HOUSING TENURE ISSUES IN DELAWARE

The 2003 Delaware Manufactured Home Owners and Community Owners Act, a major update of the
existing Mobile Home Lots and Leases Act, and subsequent additions have made several positive steps
forward, including:

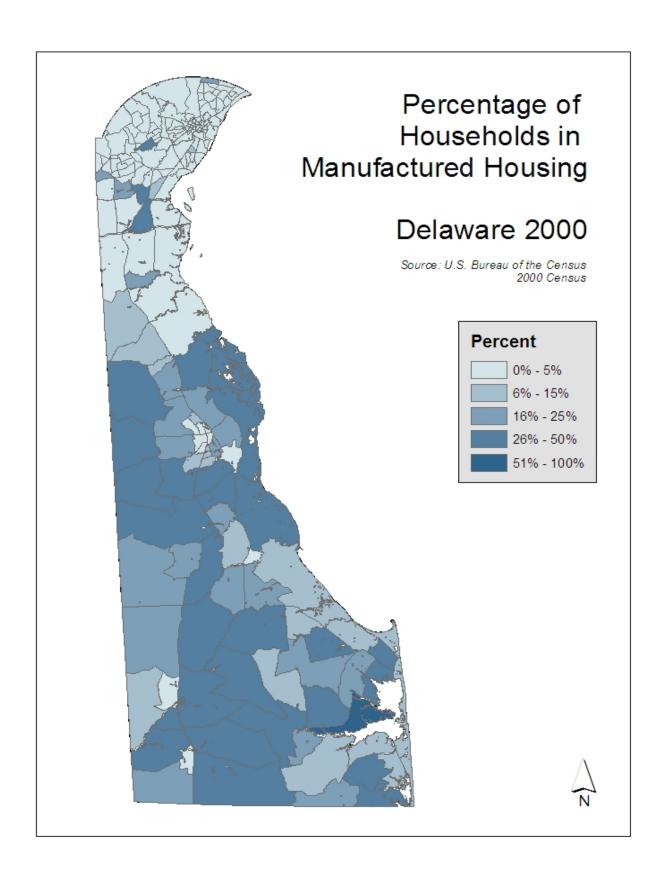
- Creation of the Manufactured Home Relocation Trust Fund, with an associated dedicated revenue source, to provide relocation assistance to homeowners in communities closing due to change of land use;
- A lot rent assistance program for homeowners who are eligible for Social Security Disability or
 Supplemental Security Income or who are over 62 years old and meet other eligibility requirements;
- o Creation of a process for resolution of disputes between homeowners and community owners via the Governor's Advisory Council on Manufactured Housing and outside mediators; and
- o Establishment of a right for manufactured homeowners, as an association or cooperative, to make and match offers for the purchase of their community.
- While the 2003 legislative update and other initiatives in recent years have improved conditions for homeowners, as homeowners on leased land over which they have no control, they remain essentially vulnerable, particularly to community closure, but also to sale of the community and lot rent increases.
- Efforts to advance resident ownership of manufactured housing communities in Delaware have not been highly successful to date. However, the combination of the following has created a much more favorable environment for conversions:
 - The passage of an amendment to the Delaware Manufactured Home Owners and Community Owners Act (HB 504) giving manufactured homeowners the right to make a first offer on their community when the owner is interested in selling;
 - o The availability of technical assistance and financing through a ROC USA[™] Certified Technical Assistance Provider, READS NJ; and
 - The real estate slowdown and subsequent drop in real estate values and development pressures, especially in Sussex County.

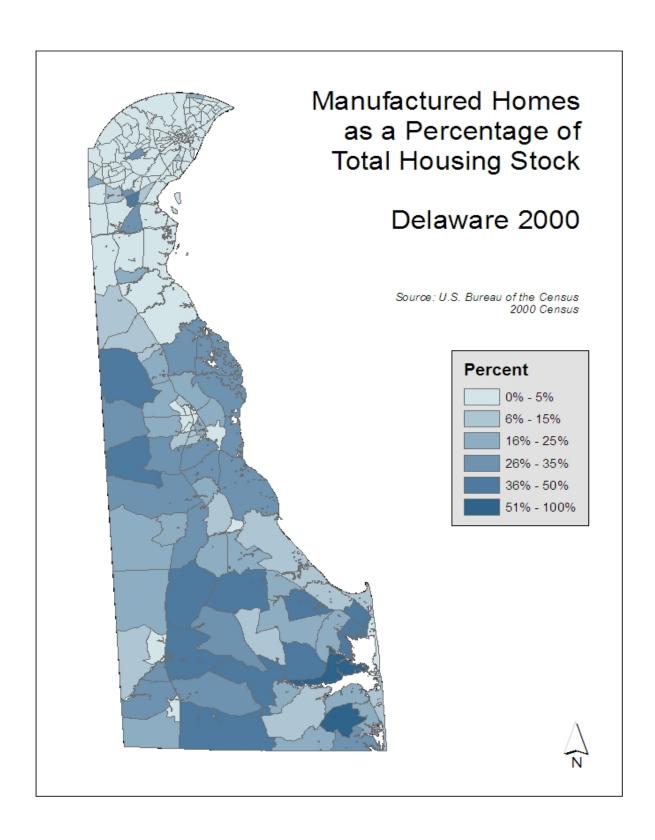
CONCLUSION

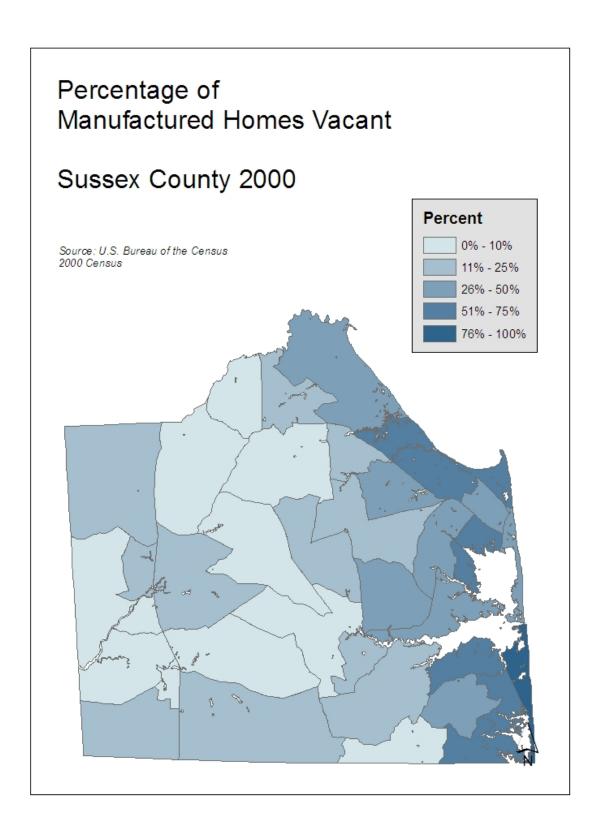
The importance and permanence of manufactured homes as a source of affordable housing in the United States has long been underestimated and plagued by unfamiliarity, negative stereotypes, and often outright dismissal. But for decades, manufactured housing has played a major role in housing millions of Americans. In many areas it has been a driving force in the expansion of homeownership among lowincome families.

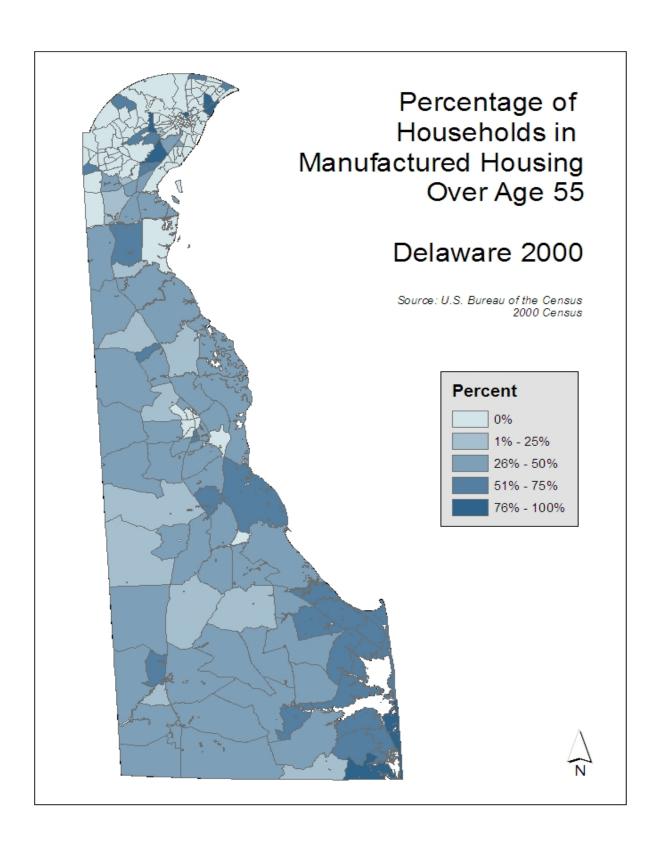
Examples and groundbreaking work at the national and local level demonstrate that there are sector-wide solutions to some of the sector-wide challenges that ultimately have great impact on manufactured homeowners' housing security and ability to build wealth through their home. Delaware has a large stock of manufactured homes, a high percentage of homes in land-lease communities, and many homes near resort areas. Measures to protect manufactured homeowners in Delaware are critical. Fortunately, there have been many positive steps, including comprehensive revision of the landlord/tenant code for manufactured housing; the development of the Delaware Manufactured Home Relocation Trust Fund; and recent passage of amendments to the Manufactured Home Owners and Community Owners Act requiring that homeowners be notified of planned sale of their community and have the opportunity to pursue purchase and conversion to resident ownership.

Another area for continued effort in Delaware is the coordination of governmental responsibility and resources related to manufactured housing. Responsibility for manufactured housing issues in Delaware is fractured among many different entities and levels of government. Current and future manufactured homeowners would benefit from efforts to improve coordination between the various levels of government, agencies and entities responsible for different aspects of manufactured housing.









Government Resources for Homeowners

U.S. Department of Housing and Urban Development

http://www.hud.gov/offices/hsg/sfh/mhs/mhshome.cfm

HUD has agreements with 38 state governments to conduct checks of plant records and respond to consumer complaints related to manufacturing, performance, quality and construction issues. The state government designates a State Administrative Agency. HUD staff carry out these functions in the other 12 states without SAAs, including Delaware. Contact for complaints:

Office of Manufactured Housing Programs Phone: 1-800-927-2891

Office of Regulatory Affairs & Manufactured Housing Pax: (202) 708-4213

Department of Housing and Urban Development mhs@hud.gov

451 7th St. SW, Room 9164 Washington, DC 20410-8000

Delaware Office of the Attorney General - Consumer Protection Unit

http://attorneygeneral.delaware.gov/consumers/protection/manuhousing.shtml

The Consumer Protection Unit is responsible for the enforcement of the Delaware Manufactured Home Owners and Community Owners Act, as well as Delaware's general landlord/tenant code. Homeowners with questions about their rights can contact the Consumer Protection Unit. Summaries of the law and information about Alternative Dispute Resolution are available on the Unit's website.

Carvel State Office Building New Castle County: 302-577-8600

820 N. French St Kent and Sussex Counties: 1-800-220-5424

Wilmington, DE 19801 consumerprotection@state.de.us

Delaware Manufactured Housing Relocation Authority

http://www.demhra.delaware.gov/index.shtml

The Delaware Manufactured Housing Relocation Authority provides relocation assistance to manufactured homeowners in communities that are closing. This can take the form of assistance with costs to move a home, or compensation if the home cannot be moved and must be abandoned. Assistance is also available to community owners to help with costs to dispose of abandoned homes. Application forms are available on the Authority's website.

PO Box 370 Phone: (302) 674-7768 Camden, DE 19934 <u>demhra@verizon.net</u>

Delaware Board of Manufactured Home Installation

http://www.dpr.delaware.gov/boards/manufactoredhomes/index.shtml

The Board of Manufactured Home Installation licenses manufactured home installers and certifies inspectors. The Board has the authority to discipline licensees. Detailed instructions to file a complaint about a licensed installer or to report unlicensed activity are on the Board's website.

Cannon Building, Suite 203 Phone: (302) 744-4500 861 Silver Lake Blvd. Fax: (302) 739-2711

Dover, DE 19904 customerservice.dpr@state.de.us

Resources

Delaware Manufactured Home Owners Association (DMHOA)

http://www.dmhoa.org

The Delaware Manufactured Home Owners Association is Delaware's statewide membership and advocacy organization for owners of manufactured homes on leased land. DMHOA members, including homeowner associations in about 60 communities, are active in many groups and initiatives around manufactured housing in Delaware and are active advocates for homeowners' interests in the state legislature.

4590 Highway One PMB 112 Phone: (302) 945-2122

Rehoboth Beach, DE 19971

First State Manufactured Housing Association (FSMHA)

http://www.firststatemha.org

First State Manufactured Housing Association is an association of businesses in the manufactured housing industry in Delaware, including community owners, retailers, manufacturers, lenders, insurers, and others. FSMHA staff and members are active in many various groups and initiatives around manufactured housing in Delaware.

2 N. State St. Phone: (302) 674-5868
PO Box 1829 Fax: (302) 674-5960
Dover, DE 19903-1829 info@firststatemha.org

ROC USA[™]

http://www.rocusa.org

ROC USATM is a national organization working with local technical assistance providers to provide pre- and post-purchase training and technical assistance to manufactured homeowner groups to buy and sustain their communities. In Delaware, these services are available through New Jersey-based Real Estate Advisory and Development Services (READS).

7 Wall Street Phone: (603) 856-0246 Concord, NH 03301 Fax: (603) 225-7425 info@rocusa.org

Real Estate Advisory and Development Services (READS)

http://www.readsnj.com

READS is a nonprofit real estate development and consulting firm with a focus on community and economic development. A Certified Technical Assistance Provider (CTAP) through ROC USATM, READS can deliver pre- and post-purchase technical assistance, including help in securing financing, to manufactured homeowner groups seeking to purchase their communities in Delaware and New Jersey.

280 Amboy Ave., 3rd Floor Phone: (732) 635-1000 Metuchen, NJ 08840 Fax: (732) 635-2000

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