

Manufactured Home Advantage Program

New York State Homes and Community Renewal
Homeownership: Empowering New Buyers

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State of New York Mortgage Agency
Manufactured Home Loans
NCSHA 2019 Awards Application
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Manufactured housing is the largest unsubsidized affordable housing stock in the United States. Twenty-two million Americans live in manufactured homes nationwide. In New York State, there are nearly 200,000 manufactured homes, approximately one-third of which are in park communities and the remainder on land owned by the homeowner. There are 1,874 registered park communities, comprising of approximately 80,000 pads.

As a result of attrition and lack of access to private capital, a number of these park communities have large numbers of vacancies where new housing could be brought in to significantly expand the number of families who could access affordable housing, including individuals and families who are currently trapped in the cycle of homelessness.

Many of the presently occupied homes were built in the mid 1980's and are in significant need of capital improvement; and in some cases, the housing stock warrants complete replacement. Recent advances in the factory production and placement of this housing stock has led to opportunities to create scalable, energy-efficient and technologically advanced housing communities, while preserving deep affordability. Many of these models are more efficient and more resilient than "sticks and bricks" housing, are aesthetically identical to traditional site-constructed units, but cost less than half as much to produce.

Historically, available financing to replace substandard homes or fill vacancies has been limited to chattel loans, with interest rates averaging two to five percent higher than the conventional real estate loans. Other common types of sub-optimal financing have been retail installment and rent to own contracts. Regulators, including the New York State Attorney General, have been cracking down on abusive rent-to-own deals where people shell out thousands of dollars for old homes that they never actually get to buy.

This is why the State of New York Mortgage Agency (SONYMA) now offers mortgage financing to purchasers of manufactured homes, including those looking to site their home on leased land, such as in manufactured home park communities. This unprecedented mortgage product promotes a safe, stable, and affordable path to homeownership and wealth creation for low- and moderate-income residents of manufactured housing. To this effect, we are extremely pleased to make affordable capital available to manufactured home buyers.

Challenge Overcome: Loan Originations

Like many State HFA's single-family lending agency, SONYMA partners with approved participating mortgage lenders across the state to offer our products. But lenders in New York were hesitant to originate small balance loans under \$100,000, which tends to be the breakeven point to process a loan in terms of the bank's revenues and expenses.

To overcome this challenge, SONYMA on-boarded a Community Development Financial Institution (CDFI) to function as the sole participating lender and originate the small balance mortgages on SONYMA's behalf. But without office locations throughout the state, the CDFI is unable to meet face-to-face with potential borrowers so they then subcontracted with a network of local nonprofit housing agencies to provide loan packaging and document collections services.

Challenge Overcome: Credit Standards

Manufactured housing serves some of the lowest-income New Yorkers. For many low-income individuals with no credit or poor credit, the ability to establish a good credit history is hampered by lack of access to affordable mainstream credit building financial products. Individuals with poor or no credit often rely on payday loans - or as with manufactured housing, chattel loans - to meet their needs. The high-cost of these loans, combined with the fact that on-time payments are not reported to the credit bureaus, prevent people from building credit and other assets, often across generations. Without a strong credit history, it is difficult, if not impossible, for households to get and stay ahead.

By statute, SONYMA mortgages must be insured by the New York State Mortgage Insurance Fund (MIF) and therefore a standard credit review of qualifying buyers is necessary. Some of our first manufactured home loan applicants did not qualify under the MIF's credit standards.

This is why we created a 'Second Look Credit Pilot Program', which is based on emerging behavioral economic theories, that look to a comprehensive assessment of a borrower's past behaviors to reveal a willingness and ability to pay, as opposed to an assessment of traditional credit scores. Behavioral characteristics include, but are not limited to, paying rent on time for the past two years, taking proactive steps towards repairing credit or refinancing debt, sticking to a prescribed budget, or having stable and long-standing employment.

Challenge Overcome: Real Estate on Leased-Land

By statute, SONYMA can only make real estate loans so creating a chattel product, such as Fannie Mae and Freddy Mac have recently done, was neither a legal nor desired option. To make these loans, manufactured homes must be recorded as real estate, encumbering the landlord's property. To comply with all State and federal laws, the manufactured home is recorded at the county clerk's office as real estate and with the New York State Department of Motor Vehicles as chattel.

New York State has strong consumer protections from foreclosure, resulting in an average foreclosure timeline of five-years from the date of the first missed payment to the sale of the home. For

manufactured home park owners to agree to the recording on real estate on their land and triggering these consumer protection laws, SONYMA offers to pay lot rents in the case of default by the borrower and throughout the foreclosure process.

To accomplish this new type of lending, SONYMA executes a Tri-Party Agreement with both the borrower and the park owner, guaranteeing not only lot rent during foreclosure but also guarantees certain protections to help the borrower avoid financial hardship that might trigger a default. These protections include a cap on increases in lot-rents to ensure long-term affordability for the borrower and a right to remain on the lot for the duration of the mortgage, with the only exceptions being egregious actions by the borrower that would call for a court-ordered eviction.

Challenge Overcome: Reaching Prospective Borrowers

To reach this niche market, many of whom have never had access to conventional mortgage financing, a level of education is needed in addition to traditional advertising. Consumers and industry stakeholders need to know that mortgage financing is now available with practical information on how prospective borrowers can apply.

With an award from the Corporation for National and Community Service for nine AmeriCorps VISTA members, and a grant from the New York State Attorney General's Office for a settlement with J.P. Morgan Chase, three nonprofit housing companies across Upstate New York can each hire one dedicated staff member for two years who will host and supervise the VISTA members and conduct community education and outreach in their region of the state. These grass-roots teams will meet with industry stakeholders, such as manufactured home retailers and park owners and will conduct informational sessions and flyer prospective homebuyers.