Manufactured Housing In North Carolina: Current Issues and Future Opportunities

This article reviews the current context of manufactured housing within the nation and North Carolina in particular. Over the past decade, there has been significant growth in the number of North Carolina's mobile home residences, serving as an affordable housing option for low-to-moderate income households. Despite advances in the mobile home industry, five main sources of lingering problems within the industy are identified: financing, land use, quality of constuction and installation, equity-building, and consumer protection. This review is intended to familiarize practitioners with issues related to manufactured housing, and calls for broad reform in the areas of consumer and industry education, state policy, finacing programs, and public perception as a means to ensure that manufactured housing can serve as a viable option for affordable housing.

Courtney Weill

Introduction

Trailers. Mobile Homes. Manufactured Housing. These words often inspire vivid images of shoddy singlewide houses, gravel driveways and poverty. But the landscape of today's manufactured housing is changing. What began as temporary recreational housing driven between campsites is now permanent housing in subdivisions, parks and on private lots. Today, homes range in quality, size, price, and styles. While nondescript singlewide homes still exist, most new manufactured homes are multi-section homes, some with pitched roofs and porches. These manufactured homes could easily blend into most neighborhoods, and the efficiencies of factory production keep them affordable, especially compared to site-built homes. In 2000, multi-section homes composed 70 percent of total manufactured home shipments.[1] However, many older singlewide homes still exist. The disparities between old and new, basic and upscale, pose several problems. They complicate the definition of today's manufactured housing. They make it difficult to eliminate the industry's age-old stigma. And they cloud the question: Is manufactured housing a viable alternative for affordable housing?

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In the 1930s and 1940s, families often took mobile homes on vacations to avoid expensive hotels at tourist spots. When the housing market tightened during World War II, people began using mobile homes as permanent residences. However, the homes remained mobile, allowing owners to move easily from job to job and camp to camp. The supply of mobile homes increased after World War II as the automobile and aircraft industries utilized their excess manufacturing capacity to build homes.[2] As the number of mobile home owners grew, so did the need for regulation. To address safety issues, the N.C. General Assembly passed a law in 1969 that required homes manufactured, sold or offered for sale in the state to meet certain construction standards. Then in 1974, the U.S. Congress preempted the state's actions by passing the National Manufactured Housing Construction and Safety Standards Act, or HUD code. The legislation established federal oversight of the industry to mitigate growing health and safety concerns. The HUD code, which continues to govern production, sets performance-based standards requiring engineers to design houses that meet specific wind, temperature and fire resistance levels. Congress amended the HUD code with the Manufactured Housing Improvement Act of 2000 (S1452), which requires the establishment of a dispute resolution program in every state by 2005. It also encourages government-sponsored housing enterprises to implement secondary market securitization programs for manufactured home loans and asks for a review of the programs for FHA manufactured home loans.

The Basics

Manufactured Home: A home built in a factory to the National Manufactured Housing Standards or HUD code, which was implemented June 15, 1976.

Modular Home: A home built in a factory to the state code where the home will be located.

Mobile Home: A home built in a factory before the enactment of HUD code in June 1976.

HUD: The United States Department of Housing and Urban Development, which has jurisdiction over the manufactured housing industry.

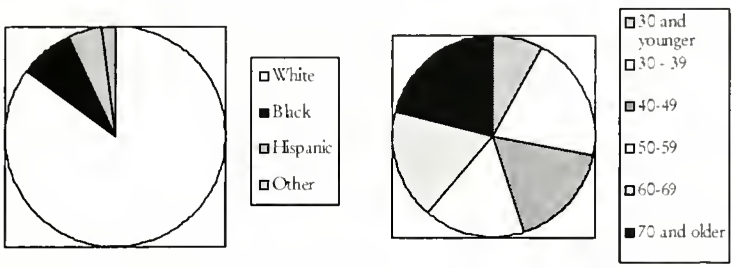
HUD Code: The informal name for the National Manufactured Home Construction and Safety Standards.

Figure 1. *Some basic defintitions.*

North Carolina's lawmakers have acknowledged the opportunities for home ownership created by manufactured housing. In 1987, the General Assembly passed legislation that directed local governments to allow manufactured homes in more residential areas. This legislation intended to require inclusion of manufactured housing; however, it enabled planners to use criteria that can virtually exclude these homes. The state increased its regulation of the industry in 1981, when the General Assembly established the N.C. Manufactured Housing Board to handle consumer complaints and monitor the industry. In 2001, the General Assembly approved a process to classify mobile homes as real property, making it easier to qualify for traditional mortgages. Residents who own land with a manufactured home on a permanent foundation (e.g., concrete blocks and piers) can relinquish the home's personal property title for a real estate deed. The North Carolina Manufactured Housing Institute, a trade association with about 1,200 members in the state, works closely with the state legislature and local governments to promote the industry and clarify these regulations.

Manufactured housing has long been one option for affordable housing. People with low-to-median incomes – including teachers, policemen, janitors – often cannot afford to buy a site-built home. In some areas of the state, existing "fixer-uppers" can be purchased for less than mobile or manufactured homes, said Stan Duncan of the N.C. Department

Who Lives In Manufactured Housing?
A Look at Ethnicity and Age of Residents



Left: Data From the American Housing Survey 1999 as cited by William Apgar, Mark Duda and Madeleine Pill. "The Future of Manufactured Housing: An Update." Manufactured Housing Symposium, February 2002. Right: Data from Foremost Study 1996.

Figure 2. *The demographics of manufactured housing residents.*

of Revenue. "However, the additional cost to clean up these "fixer-uppers" may not be rewarded with a commensurate increase in the value of the property," Duncan said. "Hence the market tends to steer even the informed buyer towards manufactured housing."[3] Renting a home or apartment is the only other option, but the rental housing stock is sparse in many markets, and few new affordable rental units are being built. Manufactured housing is filling this affordable housing void across the nation, especially in North Carolina. Eighteen percent of the state's households live in manufactured homes, and that percentage increases in rural areas. Between 1990 and 2000, there was a 49 percent increase in the state's mobile home residences; as of 2000, there were 640,251 manufactured housing units in the state. [4]

Though the product has progressed through the implementation of the HUD code in 1976 and technological advances, industry regulations on sales and consumer protections have been virtually ignored. High repossession rates, set-up problems, dealer and lender kickbacks, and zoning discrimination have plagued the industry for years. Manufactured housing must resolve its lingering issues and shed its negative reputation to become a more viable option for affordable housing. These issues are most prevalent in five core areas: financing, land use, quality of construction and installation, equity-building, and consumer protection.

Financing. Manufactured housing is often classified as personal property and financed with consumer loans with high interest rates. The dealer often closes loans, and purchases can be quick and high-pressure. Repossession rates continue to climb because lenders accept poor credit ratings and fail to consider the buyer's ability to pay. FHA, VA and Rural Housing Service loans are under-utilized; however, conventional mortgage loans and collateral value are increasing, and more consumer-oriented secondary market investors like Fannie Mae and Freddie Mac are becoming more involved in the manufactured housing market. In other states, non-profit organizations are also beginning to buy or develop land-lease parks as affordable housing.

Land Use. Many municipalities have zoning laws that, in effect, restrict manufactured homes to large lots in rural areas, although the American Planning Association is advocating for the inclusion of manufactured homes in more residential zoning districts.[5] Manufactured housing can fulfill "smart growth" goals through urban infill projects and new in-town subdivisions, or undermine them by pushing growth farther out into rural areas.

Quality of Construction. Manufactured homes are built in accordance with the HUD code and inspected in the plant by a HUD-approved third party certification agency. The foundation, installation and utility connections are inspected by local building officials and must meet the state installation regulations. However, critics say that the HUD code is inadequate. In addition, problems arise during set-up and installation.

Consumer Protection. Unlike automobiles and real estate, the federal government does not directly regulate the sale of manufactured homes. Due to a lack of oversight, common problems include predatory lending, a lack of sticker prices, mandatory binding arbitration, a lack of disclosure, tight relationships between retailer and lender, insufficient warranties, and set-up and installation mishaps. Owners of manufactured housing on rented land must grapple with short-term leases, frequent rent increases, restrictions on the resale of a home, inadequate community facilities, and the threat of park closings. Despite the current problems, this core issue area offers the most opportunity for change through new legislation, advocacy and consumer education.

Equity-Building. Manufactured homes have historically depreciated. However, more stringent building standards and technological advancements have improved the product and its ability to appreciate. Important factors for appreciation include fair up-front pricing, real estate classification, community acceptance, home upkeep, good location and, on leased land, reasonable lot rentals with long term leases.

The intent of this research is to survey manufactured housing issues within the state, while putting them in the context of current initiatives across the nation. This paper aspires to give advocates a foundation of knowledge, not to be an all-inclusive analysis. The following examination of manufactured housing will clarify the true character of today's homes, identify the issues surrounding its poor reputation, and illuminate opportunities for improving the quality of life of its residents.

Financing

Today's financial landscape

Nationally, about 85 percent of new manufactured homes are financed with personal property or chattel loans.[1] However, some predict that the number of these loans will drop significantly during the next few years as consumers and lenders evolve. Personal property loans often have shorter loan terms and higher interest rates than conventional mortgages. In 1999, the average mortgage term for a site-built house was 25 years. During that same year, the average mortgage or loan term for a manufactured home was about 18 years if placed on owned land or 15 years if placed on rented land.[2] Manufactured home buyers often pay anywhere from two to five percentage points higher interest than conventional homebuyers. According to Consumers Union, loans were issued to manufactured home buyers in Texas at interest rates of 9 percent to 13 percent APR. Ordinary home loans during the same period were issued between 7 and 8.5 percent.[3] Most manufactured housing loans finance fees, points and other closing costs and require a minimal down payment.

Banks are often reluctant to pursue this market because the clients have low incomes and sub-prime credit. Consumers often are unaware of the variety of financing options, thanks to the relative absence of marketing by traditional lenders and the saturation of the market by private financiers. In North Carolina, buyers of new multi-section manufactured homes placed on owned land with a permanent foundation can qualify for a 6.125 percent or a 6.375 percent mortgage through the N.C. Housing Finance Agency (NCHFA), but few buyers know about this opportunity. In her 13 years with the NCHFA, Home Ownership Lending Director Sharon Drewyor said she had seen only 25 manufactured home loans come through the agency. In contrast, the Maine State Housing Authority, which serves one-eighth of North Carolina's population, has 2000 manufactured home loans on its books.[4] Both new and existing manufactured homes, depending on their price, also can qualify for a federal mortgage tax credit through the NCHFA that reduces the tax liability of low and moderate-income homeowners.

Greenpoint CEO Thomas Johnson, whose company pulled out of manufactured housing financing, explained the lack of lending standards and regulation in the industry. "There isn't enough discipline among the different layers – the manufacturers, the dealers and the people who do the lending," Johnson said. "In the mortgage business, you are much less reliant (than in the manufactured housing business) on an intermediary who is a kind of mom-and-pop shop .... You are not reliant on more than 5,000 dealers who are not regulated the way mortgage bankers and brokers are."[5]

Manufactured housing sales are often high-pressure deals, where a home is sold on the same day as first contact. Sales are usually driven by a lack of affordable rental housing, said Helen Moore of the Self Help Credit Union in Durham. Buyers often don't know what they should pay and tell the dealer the highest payment that they can afford, Moore said. The dealer then prices the home according to that payment. "By the time they finish, they have paid more than the home is worth," she said.[6] Monthly payments can be misrepresented as well. At a Siler City dealership, a consumer named Roberto was not informed of his monthly payments until after signing a contract. The monthly payments were about $200 more than the salesperson told him in their prior conversations.[7]

Commissions and rebates for dealers also drive these poor lending practices. The industry lacks regulations that require the disclosure of settlement costs or kickbacks.[8] An investigative series into manufactured housing by the Keene (N.H.) Sentinel found that dealers often hiked interest rates to reap their own rewards. A dealership owner revealed that his business was paid a percentage of the loan amount for every percentage point of extra interest it could charge.[9] Sometimes an affiliated mortgage company finances the home; in this situation, the dealer directly profits from high interest rates and fees. Some dealers have falsified information to complete credit reports, putting people in homes they cannot afford. Local critics complain about dealers who create phony paychecks, W-2 forms and other proof of collateral to back up loans. "The day the industry accepts responsibility in its future, it will prosper," said Wesley Layton, owner of Layton Homes in Rocky Mount, a family business for more than 40 years.[10]

In North Carolina, Layton has pioneered the land-home package deal, which combines the home with the property at the time of purchase, opening doors for traditional mortgages. His lobby is filled with brochures from traditional lenders such as RBC Centura and the Carolina Mortgage Group. However, not all land-home package deals are financed as real property through mortgages. Many transactions still title the home as personal property, which is financed with a consumer loan, and tack on the land's deed of trust, which is financed with a traditional mortgage. These separate loans continue to occur, even though almost 70 percent of manufactured homeowners in the Southeast place their home on private land.[11]

High interest rates increase the overall cost of the house, causing consumers to borrow more than the house is actually worth. Over-lending leads to high loan defaults and low lending standards.[12] Currently, 12 percent of manufactured housing loans go into default.[13] This high default rate led to the demise of Greenpoint and falling stock for Conseco, two of the industry's top financiers. In this business, the volume of loans seems to take precedence over the borrower's ability to pay. According to The New York Times, Conseco repossessed 28,466 homes in 2000. "By the time the industry's hangover ends later this decade, hundreds of thousands more low-income borrowers will lose their homes. They will wind up with huge debts and ruined credit because their homes are worth far less than what they owe."[14] In North Carolina, Oakwood Homes sold 4,960 homes in the first quarter of 2001 and repossessed 3,900 due to bad loans in the same period, according to the Raleigh News & Observer. These repossessed homes are resold as used homes, causing new home sales to drop. In North Carolina, manufactured home shipments decreased 29.5 percent, falling from 19,352 shipments in 2000 to 13,649 in 2001.

The Linchpin: Real Property Classification

In order to qualify for most traditional mortgages, the manufactured home must be classified as real estate and attached to a permanent foundation. Real estate classification can be a complex process, and permanent foundations are costly, especially after the house has already been placed. Government and financial entities define permanent foundations differently. The state only requires concrete footing and piers for a permanent foundation; however, most mortgage loans require a permanent foundation with a brick or concrete perimeter wall. According to Doug Williams of R-Anell Housing Group, a foundation system typically costs $35 per linear foot for a doublewide home. For a 24-by-60 foot home, a foundation would cost about $6,000.

Real property classification and the traditional loans that follow have many advantages. The federal Real Estate Settlement and Procedures Act (RESPA) applies to real property loans. RESPA requires lenders to provide a Good Faith Estimate of all costs within three days of the loan application and prohibits kickbacks to brokers and dealers. If the manufactured home is considered real property, the owners get the same foreclosure protections as site-built homeowners; but if it is considered personal property, it can be repossessed quickly like an automobile. Real property loans require an independent property appraisal, which prevents consumers from paying more than the home is worth.[15]

In December 2001, North Carolina passed a law that allows manufactured home residents who own both the home and the property to convert their title into a real estate deed. The legislation also amended the definition of real property. Previously, all multi-section homes could be classified as real property, even if on leased land, and all single-section homes were excluded. Now, a home – single or multi-section – is considered real property if it meets the following conditions:

- The home must serve a residential use.
- The moving hitch, wheels and axles must be removed.
- The home must have a permanent concrete foundation, defined as concrete footings and piers. No skirting or masonry is required.
- The home must be located on land owned by the owner of the unit.

Owners of homes that meet these conditions can relinquish their Certificate of Title, similar to an automobile title, to the Department of Motor Vehicles; and they can then petition the register of deeds for real estate classification. According to the N.C. Housing Finance Agency, the bottom line for any traditional lender is real property classification. Classification as real property benefits both local governments by increasing tax revenues and owners by increasing access to traditional mortgages.[16]

Unlike site-built homes, a conversion from personal to real property is necessary. Before it is installed on a site, a manufactured home is appropriately classified as personal property. Only a few states - New Hampshire, Texas and California – have implemented laws that facilitate or require the transition to real estate. Texas converted all manufactured homes placed on land owned by the homeowner to real estate under a bill passed in May 2001. While some states, like North Carolina, have a procedure that allows for canceling the title on a mobile home and making it real property, Texas requires that the title be canceled. The new statute makes property taxes easier to collect in Texas; with a tax lien for the house on the land, the house cannot be repossessed or sold without someone paying taxes. The industry spoke out against the bill partly because RESPA prohibits industry incentives. Consumers Union and the state's taxing authorities supported the bill.

New beginnings

As manufactured housing quality, unit size and land ownership increases, new options are appearing. Though the process is slow, both advocates and the industry foresee a trend toward mainstream mortgage lending for manufactured housing. Freddie Mac and Fannie Mae are purchasing manufactured home mortgage loans. Manufactured housing can qualify for Federal Housing Administration (FHA), Veteran's Administration (VA) and U.S. Department of Agriculture (USDA)/Rural Housing Service (RHS) loans, though they are often underutilized and funding can be stalled. After poor performance and a virtual shutdown, a restructured FHA Title I loan program reopened for business in 2002.

To promote better lending practices and clean-up the industry's reputation, the Manufactured

Housing Institute has developed a voluntary industry program called the Lender Best Practices program. Six lenders have applied to participate including Chase Manufactured Housing (a division of Chase Manhattan Mortgage Corp.), Conseco Finance Corp., Origen Financial L.L.C., Triad Financial Services Inc. Vanderbilt Mortgage and Finance and CIS. Participants must demonstrate to their funding sources that they have the business mechanisms necessary to verify consumer information and prevent fraud. The program establishes a minimum set of performance standards for the entire credit transaction. These standards have not been publicly disclosed. Each lender will undergo an annual audit to ensure these standards are utilized. The Institute should have the first audit reports this summer; these audits check both financial reports and the individual processes for loan approval. While the program should benefit consumers in the end, it is aimed for internal use by the industry to measure benchmarks and restore confidence.[17]

Government-sponsored companies, like Fannie Mae and Freddie Mac, are also making manufactured housing more affordable to the low-income population through the secondary market. Freddie Mac is a private company chartered by Congress that buys mortgages from lenders who support home ownership and rental housing. Their requirements include the following:

- The home must be installed on a foundation system that meets manufacturer's specifications.
- The land must be owned in fee simple or an acceptable leasehold estate (i.e. the lease must be longer than the mortgage and otherwise acceptable to Freddie Mac).
- The home must be classified and taxed as real estate.[18]

Fannie Mae's requirements vary slightly from Freddie Mac. Fannie Mae, a private company operating under a congressional charter to increase homeownership, requires the following:

- The purchase of land and the home must be a single real-estate transaction;
- The home must be built after the HUD Code went into effect on June 15, 1976;
- The home must be installed on a foundation that is appropriate for soil conditions and meets state and local codes.

Both Freddie Mac and Fannie Mae require an appraisal report that demonstrates the market value and marketability of the land and home package. They also set higher credit standards than many manufacture housing lenders who specialize in sub-prime credit.

Freddie Mac's program pertains to both individual manufactured homes on the owner's land and to manufactured housing land-lease communities and subdivisions, said Rick Coffman of Freddie Mac. In their pursuit to bring the traditional mortgage industry to manufactured housing, Freddie Mac representatives have attended Manufactured Housing Institute meetings and reached out to lenders and dealers. "We're going very slowly, but it's working," Coffman said. "We are marketing and our strategy is to work with those folks in the industry who can have as much impact as possible on a broad scale." Though it will take five to ten years for manufactured home financing to resemble home mortgage financing, Coffman said dealers and lenders would eventually see the advantages of a traditional mortgage. "It's going to go slow because we're talking about the melding of two industries," Coffman said. "But Freddie Mac's view is (that manufactured housing is) one of the housing alternatives for the future. It's at a price point that people can afford."[19]

Government loan programs such as FHA, VA and RHS have been underutilized in North Carolina. These programs require thorough loan documentation and slow down the approval process, leading many buyers to the high-interest, quick-approval private financing companies. To overcome this inertia, public finance agencies and government loan administrators should target this market. Consumers need education on the different loans and foundation requirements before purchasing and placing their homes.

Though manufactured homes comprise a large percentage of the rural housing stock, the Rural Housing Service, a division of the USDA, tends to shy away from financing these homes due to the quality of construction and the life expectancy of the product, said Bill Hobbs, the state's director of single family housing for the RHS. The RHS loans aim to give families their first chance to build equity, and putting money in something that may depreciate is a disservice, Hobbs said. If RHS does approve a manufactured home loan, the house most likely has been improved with a permanent foundation, carport, porch, and pitched roof. The service likes homes that are placed in substantial developments where there is no stigma of a "trailer park," Hobbs said. Manufactured homes comprise less than one percent of RHS loans in North Carolina, partly because prospective buyers can get private loans easily and RHS aims to meet unserved credit needs. To obtain a 30-year loan through RHS, buyers must be U.S. citizens or legal aliens with good credit, low income and no other property.[20] RHS also requires installation by approved dealer-contractors who hold a general contractor's license, but there are very few of these specialists in the state.

Site-built homeowners have a wide variety of options to refinance their homes, obtain home equity loans, and resell their homes. On the other hand, there are few opportunities for manufactured homeowners to refinance their home. Equity loans are virtually impossible to obtain; many banks do not accept that manufactured homes build equity and, therefore, do not accept them as collateral. The financing of used manufactured homes is even more difficult. When a site-built home is resold, buyers can choose from a wide variety of mortgages. There are no penalties for a "used" home. However, used manufactured homes are seen as obsolete. Fannie Mae and Freddie Mac programs do not always accept them, and traditional banks are wary of even new manufactured homes. Used homes are almost completely financed by private brokers who charge high interest rates and offer few incentives.

For those in land-lease situations such as mobile home parks, non-profit development could be one answer. According to Deane Sargent of PMC Financial Services, non-profit organizations across the country are taking different approaches to manufactured housing. PMC Financial Services is a California-based company that specializes in financing mobile home parks for non-profits and resident groups. Some non-profits buy and operate parks as affordable housing. Others provide down-payment assistance for the purchase of new or used homes, while some refurbish old manufactured homes. Using FHA and tax-exempt bonds, non-profit groups can often finance 100 percent of the park's cost. However, small parks are difficult to finance, and the overall financing process can be lengthy. Despite these obstacles, non-profit and resident owned parks can be found in several states including Vermont, New Hampshire, Utah, Florida, and California. In Vermont, residents own two mobile home parks – Tri-Park in West Brattleboro and Williston Woods in Williston. Not-for-profit housing agencies own 35 other parks in Vermont on behalf of the residents and have built three new parks as affordable housing.[21]

Land Use

Manufactured housing evokes mixed emotions from local officials and planners. It provides a relatively small tax base, and older manufactured homes in crowded parks or remote locations are difficult to reach with city services. Abandoned substandard units that litter the landscape are expensive to dispose of properly. Many municipalities reject proposals for parks and do not allow manufactured homes in existing neighborhoods. On the other hand, manufactured homes provide affordable housing, which is scarce in North Carolina.

The N.C. General Assembly passed a law in

1987 that prevents municipalities from excluding manufactured housing through zoning or other provisions. The law emerged after several local governments adopted zoning regulations that "severely restrict the placement of manufactured homes." The state law recognizes that "manufactured housing offers affordable housing opportunities for low and moderate income residents of this State who could not otherwise afford to own their own home." This law allows municipalities to enforce appearance and size criteria and designate a manufactured home overlay district within a residential district.[22]

Despite the inclusionary intent of the 1987 law, municipalities use these two regulations – appearance criteria and overlay districts - to discourage manufactured housing or at least make the available sites unattractive. According a study done by graduate students at East Carolina University, manufactured housing was located further away than other types of housing from health and emergency rescue services; cultural, recreational and education services; auto, food, shopping and other business services; and major employment centers such as offices and factories. According to the study, manufactured housing was often located near landfill sites, solid waste treatment facilities and flood zones.

Most manufactured homes are located on the edges of towns or in rural areas. According to the 2000 Census Supplementary Survey, manufactured homes accounted for 18 percent of the housing units in North Carolina. However, this percentage skyrockets in rural areas and drops significantly in urban areas. In some rural counties, manufactured housing can account for 50 percent or more of new housing starts, said Stan Duncan of the N.C. Department of Revenue.[23] In the Raleigh-Durham-Chapel Hill Metropolitan Statistic Area, manufactured homes accounted for only 10 percent of housing units.[24] However, the Raleigh City Council recently allowed a custom-designed manufactured home to be placed in the Caraleigh neighborhood of southeast Raleigh as an example of urban infill. Many residents and advocates applauded the design of the house to fit the neighborhood, which had not seen a new home in 30 years, but others questioned the cost and appropriateness of the home, which sold for about $120,000. Infill projects can promote smart growth goals and bring affordable housing to downtowns. The new houses are often cheaper than remodeling deteriorating houses. The Manufactured Housing Institute, the national industry association, is pushing its urban infill initiative by custom designing homes in cities across the United States. However, high volume location of manufactured housing remains a predominately rural phenomenon.

By allowing manufactured housing in more residential districts, local governments could help increase affordable housing opportunities. The American Planning Association (APA) is taking proactive steps to encourage the inclusion of manufactured homes. The APA advocates allowing appropriately designed manufactured homes as a type of housing in many residential zoning districts, not just in separate subdivisions or land-lease communities. The national planning organization aims to develop and recommend model definitions, siting standards and design standards to achieve local design and compatibility goals. The APA supports government regulations that would require certification for manufactured home community owners and managers and create tax equity and consistent valuation.[25]

A View from the Field

Land use issues are decided by local governments, many of which, in North Carolina, have no comprehensive plans and no professional planners. Because of the subjective nature of this topic, planners from three different regions of the state were interviewed on their region's experiences with manufactured housing: Merril Flood, a planner from Greenville; Barry Warren, the Cumberland County planning director; and Paul Robinson, Jr., the Wilkes County planning director.[26]

Greenville is located in Pitt County, where the economy depends on wholesale, retail and manufacturing industries. With a per capita income of $22,772, some form of affordable housing is necessary for the county's 133,798 residents. In this area, manufactured housing is one choice sought by individuals because the area lacks an ample supply of traditional affordable housing, said Merril Flood. The city's main planning issue is how to fund low-income developments and require developers to pay for the added cost of development that a community may experience. Builders, Flood said, often pass on the high development costs to the consumer; therefore, few are interested in building affordable housing because it lowers the profit margin. In Greenville, developers are faced with the same development costs for manufactured housing subdivisions as site-built subdivisions, eliminating some of the cost advantage. While there are a handful of private citizens, builders and nonprofit organizations interested in affordable housing, some do not have the resources to make it happen. Therefore, low-income residents resort to buying manufactured homes and moving to unincorporated areas of the county where land is cheap. Farmers also are starting to rent out lots on their unproductive land. These rural manufactured home parks usually have the worst conditions and leasing practices, he said. He noted that Pitt County has few means of enforcing basic regulations that ensure decent, safe and affordable housing for its residents.

In Cumberland County, manufactured homes account for 15 percent of all housing units.[27] Manufactured homes are allowed in almost all residential zones in the county. This housing is a quick, affordable alternative for lower income residents, Barry Warren said. In this area, the average income is $25,285, and the economy is driven by the military base and manufacturing. Despite their apparent popularity, manufactured home leasing communities often have a poor reputation, Warren said. The stigma evolves from the idea of a park, where the lack of ownership often leads to an absence of pride. These parks tend to be crowded, and in rural areas, can encroach onto the view of a single-family stick built home, Warren said. At public hearings, opposition to manufactured housing often disappears when people learn that the home will be placed on privately owned property. The public, Warren said, often doesn't realize that manufactured housing has changed drastically over the past 20 years. "You have manufactured housing today that you can't tell from a stick-built house," Warren said. "They have everything: shingles, a pitched roof, brick underpinning, fireplaces." Many communities are now encouraging manufactured home subdivisions with half-acre lots that resemble conventional developments. These developments often hold value and would increase the county's tax base. "If any unit is made more attractive, be it a single family house, a stick built house or manufactured housing, it is better accepted," Warren said. The county planning department soon will release a manufactured housing report that will advocate banning the transport of older units into the county, requiring stringent appearance criteria, and devising an effective way to include these homes in the county's property tax base.

Wilkes County in the western part of the state is predominately rural, and more than 90 percent is not zoned, and therefore, open to manufactured homes, said Paul Robinson. In 2001, 526 manufactured homes were set up inside the county. Only 176 stick-built homes were constructed in that same period. However, in the zoned portions of the county, manufactured housing is either banned or restricted to individual lots. The county is debating the implementation of county-wide zoning and a formal land use plan, which could limit the space for new manufactured homes, Robinson said. These homes, he said, have both advantages and disadvantages for the county's residents. They are affordable, and the sales process is quick and relatively hassle free, he said. However, some landlords and owners are renting substandard homes to residents in Wilkes County. Both HUD-code units and older units are housing immigrants and those with low incomes at very high rents. The practice is so common that Wilkes and surrounding counties have barred the transportation of non-HUD code units into their jurisdictions. Overall, stick-built housing has become so unaffordable in the region, Robinson said, that he cannot foresee an alternative to manufactured housing in the near future. "The environment for manufactured housing in Wilkes is very conducive, primarily because it is becoming a way of life through necessity brought on by the economy," he stated. "The mindset of many is 'why build or buy a house when you can purchase a double-wide.'"

Quality of Construction

Manufactured housing construction is regulated by the U.S. Department of Housing and Urban Development (HUD). Manufactured homes are built in a factory according to the federal National Manufactured Home Construction and Safety Standards or HUD code. The federal government has not performed a full review of the code since its implementation in 1976. However, Congress amended the act in 2000 to require regular updates, creating a consensus committee to reexamine HUD code and recommend changes every two years. Within five years, each state must establish an installation program to create installation standards, train and license home installers and inspect home installation. States must also implement a dispute resolution program in the next five years that resolves complaints during the first year after installation. North Carolina already meets these two requirements.

HUD code prescribes "performance-based" standards, or standards that require engineers to design houses to stand up to specific wind, temperature and fire resistance levels. The N.C. building code has been modeled on the Council of American Building Officials (CABO) One and Two Family Dwelling building code, which assigns prescriptive standards that list specific building component requirements, such as the type and quantity of insulation, to ensure performance. A comparison of CABO code and HUD code found that "on balance, the codes are comparable."[28] Pat Walker, deputy commissioner of the state's Manufactured Building Division, agreed that the codes were "very similar." Hazel Stephenson, hearing officer for the division, noted that many of the materials found in site-built houses, such as sheet rock, were present in manufactured homes.[29]

Pre-1976 homes vary in quality. Some still exist in good condition; others are in disarray. Images of these homes – which often feature metal roofs and metal siding – help propel the general public's negative perception of manufactured homes. As of 1990, pre-76 homes accounted for 38.5 percent of the almost 358,700 occupied manufactured homes in North Carolina. This older stock is often used as rental property and occupied by people with the lowest incomes. This rental market impelled Wilkes County to ban the transport of pre-HUD code homes into its jurisdiction, stated County Planner Paul Robinson.[30] Many other N.C. counties have the same policy. Due to the absence of quality standards, many homes built before 1976 have a shorter lifespan than modern manufactured home, and therefore, they are now quickly deteriorating. However, North Carolina had quality of construction standards for mobile homes before HUD code was enacted. In 1969, the N.C. General Assembly passed a law that required homes manufactured, sold or offered for sale in the state meet the Mobile Home Standard A119.1.

New manufactured homes undergo several inspections between the time the plans are drawn and the house is placed on the lot. Design Approval Primary Inspection Agencies (DAPIAs) inspect concise drawings for each model to ensure the plans meet HUD code, and the manufacturer must build the home to these plans. Third party certification agencies or In Plant Inspection Agencies (IPIAs) approved by HUD inspect the homes in the plant. Each home is inspected in at least one phase of construction. By contrast, each site-built home is inspected at several stages during construction. The manufacturer also has its own quality controls at each station on the assembly line. Once homes reach the dealership, the dealer is responsible for checking for damage during transportation. Once set-up on the residential site, local building officials inspect the foundation, installation and utility connections. According to a new state law passed in September 2001, all local inspectors must enforce the N.C. Regulations for Manufactured and Mobile Homes; if the set-up and installation code is not enforced, a complaint now can be filed with the inspectors' qualifications board. This legislation improves the quality and consistency of inspections by creating a clear incentive to comply with state regulations. Previously, local officials often had performed incomplete inspections that did not enforce all of the state's requirements or enforced requirements that went beyond the code.[31]

North Carolina enforces additional laws regarding manufactured housing. In 1981, the state legislature created the Manufactured Housing Board under the auspices of the N.C. Department of Insurance to regulate the industry and handle consumer complaints. The state licenses all members of the industry – dealers, salespersons, set-up contractors – and requires manufacturers and dealers to post bonds up to $100,000. The state can recover the bond money if a buyer suffers loss or damage due to improper actions by the manufacturer or dealer. Industry licenses must be renewed each year. Thanks to an update of the statute, salespersons must complete six hours of continuing education and set-up contractors must complete four hours of continuing education to renew each year. The state requires at least a year warranty on all structural elements, including any modifications made by the dealer and proper set-up. The state issues a comprehensive manual on manufactured home set-up and installation to the industry and state inspectors. State transportation requirements do not allow for all of the designs and exterior elevations now provided by the industry. North Carolina is one of 41 states that limit transport of 16-foot-wide homes on narrow roads; these homes can be transported only east of Highway 220, which runs from Reidsville to Rockingham.[32]

The Manufactured Building Division of the N.C. Department of Insurance performs additional checks on the industry. The division is the State Administrative Agency responsible for the operation of the Federal Manufactured Housing Program. In 2001, Division staff members participated in 25 week-long HUD audits of manufacturing plants. These audits evaluate the manufacturer's quality control program and the performance of the IPIA responsible for overseeing its production. In 2001, the Division also conducted 78 In-Plant Records Reviews at 25 N.C. manufacturing facilities to ensure the manufacturer investigated all consumer complaints. The review determines if the manufacturer complied with federal regulations and properly handled each complaint item. In 2001, the Division audited 1,491 retail lots to check for transit damage, seal tampering, and licensing of the retailer and salespersons.[33]

R-Anell Housing Group, LLC, is recognized as a top manufacturer of homes. Doug Williams, Vice President of Quality Control, reviewed the strengths and weaknesses of the current regulations and processes to ensure quality construction. Each company's quality control system is submitted for approval to federal or state regulatory agencies and is subject to annual third-party compliance audits, Williams said. The factory process – assembly in controlled stations – ensures that each home meets pre-defined construction standards and eliminates variations in quality from house to house. Every deviation from these standards and the method used to correct them is recorded by the manufacturer and kept on file for external audits. Manufacturers routinely upgrade all aspects of the construction process, including materials, employee training, and construction methods. Despite this system of repeated inspections, deficiencies in quality still surface. These errors, he said, arise because the manufacturing process involves several steps and many people. "Factories build, transport companies haul, installation companies set-up, local subcontractors hook up key systems such as electrical, plumbing, and heat/cooling," Williams stated. "Finally, local building inspectors monitor this on-site work and rule on its level of conformance to codes."[34]

Quality Questions

Despite the checks and balances of regulatory agencies and inspectors, problems with the quality of manufactured homes still arise. Critics worry that HUD code is outdated, although the Manufactured Housing Improvement Act of 2000 requires regular revisions of the code. A subsequent revision has not been completed. The only significant revisions to the HUD code occurred after Hurricane Andrew destroyed almost all of the mobile homes in the southern part of Dade County, Florida in 1992, and yet fewer than 30 percent of the site-built homes in the area suffered irreparable damage.[35] In July 1994, the federal government issued revisions to the wind safety provisions or the Basic Wind Zone map. The revisions strengthened building standards for homes in areas likely to encounter hurricane force winds.[36]

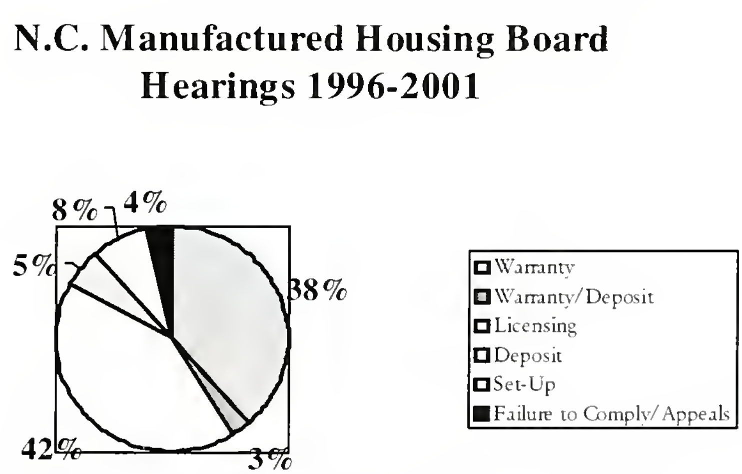
Many manufactured homes were destroyed in North Carolina during Hurricane Floyd's run through the state in 1999; however, site-built homes in the same areas were ruined as well. Some homes did withstand the hurricane's fury well. After Hurricane Fran, a North Carolina HUD official recalled, "I saw a couple of standing, apparently unharmed, manufactured units on Wrightsville Beach – the stick-built units on either side were nearly demolished. That got me interested and I've looked at manufactured housing as a possible asset since that time."[37] However, no recent comprehensive studies exist on how well these homes endure hurricanes and other natural disasters.

Critics also complain about improper installation. There are no federal guidelines for installation, and only 23 states, including North Carolina, license or certify installers.[38] When a home is installed incorrectly, repairs can be costly if they are at all possible.

According to a 1999 survey sponsored by the American Association of Retired Persons, 77 percent of owners reported having at least one problem with the construction, installation or appliances of their new homes, and 57 percent reported multiple problems. Common problems included interior fit and finishes, improper fit or leaks in doors and windows and problems with general construction such as cracks or separation of walls and plumbing.[39] Between 1996 and 2001, the N.C. Manufactured Housing Board held 137 individual hearings, and 42 percent of those hearings addressed warranty issues. Warranty issues ranged from defective I-beams to cabinets not closing properly. Five percent addressed problems with the set-up and installation of the home.

Since most manufactured homes are less than 35 years old, their long-term durability is still in question. Nationally, about 70 percent of manufactured homes have been built since 1975, and about 98 percent of the current stock was built after 1960.[40] According to a 1998 study commissioned by the Manufactured Housing Institute, the average life span of a home is 57.5 years.[41] However, other researchers in the field question the study's methodology and its findings. Consumer Reports stated, "manufactured housing can last as long as site-built housing;" however, they did qualify their report by noting that expensive homes pose fewer problems than lower cost ones.[42] In other words, cost and quality are tied closely together.

Whatever the life span, manufactured housing has been and will continue to be a major force in North Carolina. In the United States, North Carolina ranks second in manufactured housing sales and fourth in production. The $3.85 billion industry within the state employs more than 15,000 people in 29 manufactured housing plants and 735 retail sales centers.[43]



During these six years, the board held 137 hearings, which represented 570 individual cases.

***Figure 4**. Issues raised at board hearings.*

Consumer Protection

Consumer Concerns

Some homeowners have an easy buying and living experience with their manufactured home. Others encounter serious problems.

Financing problems seem to be most prevalent and costly. People often buy homes at inflated prices with payments that they cannot afford, resulting in a loss of shelter and ruined credit. In 1998, 12 percent of manufactured housing loans went into default, [44] and the percentage increased with the recent economic downturn. The N.C. General Assembly recently addressed questionable home lending standards with its groundbreaking predatory lending law, but the new legislation does not apply to all manufactured home transactions. When a manufactured home is financed as a real estate transaction, the finance company must adhere to the state's new predatory lending law. One section of law addresses high cost home loans and residential home loans of $240,000 or less that have either high fees (more than 5 percent of the loan amount) or high interest rates (10 percent or more than the comparable Treasury bond rate). High fees and interest rates can apply to manufactured home sales. These high cost home loans must conform to a new set of rules that ban balloon payments and the financing of upfront fees and insurance premiums. The new terms require high-cost loan borrowers to undergo counseling and lenders to consider the consumer's ability to repay by examining the ratio of income and expenditures.[45]

Manufactured home sales and financing are further clouded by the unusually close relationship between dealer and lender. Many dealers have their own in-house firms that finance homes. The dealer can offer a homebuyer an extremely low price on a home and then profit through financing with high interest rates, exorbitant fees, kickbacks, and bonuses from the lender.

Manufactured homes, like automobiles, are sold with an order that lists features and prices. Critics note the inadequacy of a simple checklist for such a complex purchase. A dealer's lot contains many models for customers to peruse; the customers pick the features that they want, and the dealer sends an order to the manufacturer. Most homes are special ordered in this manner and never feature sticker prices. The lack of clear price disclosure opens the door for fraud: some buyers complain of touring one type of home and having another type delivered to their site.

Juane Speller of Williamston filed a complaint to the Attorney General's office when she received a home that was not what she expected. "My home was delivered two weeks later with no washer and dryer, air conditioner (or) skirting, unfurnished and severely damaged. I have made several calls to A& E Homes only to be told that they are not a charity organization and that there is no one available to help me get what is rightfully mine."[46] A & E Homes later filed bankruptcy and went out of business. Sticker prices would allow buyers to determine what they can afford and what to order without the help of a salesperson who may or may not have the buyer's best interests at heart.

Sales contracts sometimes include a mandatory binding arbitration agreement. If a person signs one of these agreements, he or she gives up the right to go to court to have a claim resolved in court. These agreements remove an incentive for dealers to follow up on their promises. Warranty issues comprise a majority of the cases brought to the attention of the Manufactured Housing Board and the Attorney General's office

Consumers often complain about dealers retaining their deposits. A contract to purchase must be signed at the time a deposit is made. After signing the contract, consumers have three business days to cancel the contract in writing to receive a full refund. However, since consumers do not always have their home or their final financing papers at the end of three days, they have no reason to cancel, only a "cooling-off" period. Deposit disputes accounted for 5 percent of the hearings held by the N.C. Manufactured Housing Board from 1996 to 2001.

Land-leasing concerns

More than 3 million American homeowners own their manufactured homes on rented land. These manufactured homeowners grapple with additional issues. Some common problems are frequent rent increases, restrictions on home resale, harsh park rules, and poor community facilities. Though somewhat less infrequent, the most formidable problem facing those on rented land is eviction and park closings. Evictions without tenant cause and closings can come with little notice, forcing residents, who live on low or fixed incomes, to spend large sums to move their home or lose it. In the future, evictions could become more frequent as the demand for land increases whether through environmental regulations or market demand for development. As land becomes scarcer, "the demand will grow for property currently in a low intensity use to be converted to some other use that will yield a greater net return to the owner," said Stan Duncan of the N.C. Department of Revenue.

In March 2002, a mobile home park in Holly Springs closed down. Residents were given two months notice, which is a month more than required by state law. Despite their name, however, mobile homes are not very mobile. It costs $1,500 to $5,000 to move them, and communities frequently prohibit or restrict the placement of older homes. Many families feared homelessness, and children, whose parents were fortunate enough to find new sites, had to change schools mid-year. Owner David Hawks had tried for more than three years to win approval from local officials to expand the development. "I've never in my life tried to improve something and met so much resistance," Hawks said. According to Hawks and other industry members, the expansion and renovation plans would have served as a national model. The land-lease community would have included gated entrances, walking trails, overflow parking areas, paved driveways, playgrounds, open space, a day-care center, and other amenities. As the battle between Hawks and local officials ended, residents scrambled to find new lots for their homes. Resident Trudy Savacool, a retired woman in her 70s, was lucky. With her savings, she found a nice lot in Willow Springs, a nearby town, for her home. "It's going to take everything I've got to move," Savacool said. "I just don't want to move. I've been here since 1988. But when they close the park, you've got to go."[47]

In New Hampshire, park closings often result in happier endings. The New Hampshire Community Loan Fund has helped organize and finance mobile home park cooperatives since 1988. The state has 52 cooperative parks, where the 2,500 members own the land where their homes sit. A co-op gives residents maximum control over their park, creating stronger and often cleaner communities. A co-op eliminates exorbitant rent increases and ensures that profits are used to improve community infrastructure. These co-op parks are made possible by the state's "right of first refusal" law. If an outside offer is made on a "for sale" mobile home park, the residents have the first option on the purchase under New Hampshire law. Residents have 60 days to form a cooperative and find funding. If the residents match the purchase offer, they become the new owners.[48]

The People's Court

In North Carolina, consumers have two places to address issues with their manufactured homes: the N.C. Manufactured Housing Board, which is run through the Department of Insurance, and the consumer protection division of the Attorney General's office. The Attorney General's office accepts all consumer complaints, whereas the Manufactured Housing Board addresses set-up, construction and installation issues.

The Manufactured Housing Board, which meets the new national dispute requirement, consists of nine members: the commissioner of insurance or his designee (chairman), a home manufacturer, a manufactured home dealer, a representative of the banking and finance business, a representative of the insurance industry, a manufactured home supplier, a set-up contractor and two representatives of the general public. Appointments are delegated between the Speaker of the House, President Pro Tempore of the Senate, the Governor and the Commissioner of Insurance. The board licenses all members of the industry –

dealers, salespersons, set-up contractors – and requires manufacturers and dealers to post bonds. The state will recover the bond money if a buyer of a manufactured home suffers any loss or damage due to improper actions by the manufacturer or dealer. The state requires at least a year warranty on all structural elements, including any modifications made by the dealer and proper set-up. Buyers have three business days to cancel their purchase, and purchase agreements must list a description, price, deposit, date sold, and interest rate. The legislature recently amended the law to require continuing education for industry members each year. The Board only addresses consumer complaints and licensing questions. The complaints must be made within the one-year warranty, otherwise consumers are sent to the Attorney General's office.

In 2001, the Board received 2,190 requests for consumer complaint forms and opened 880 consumer complaint cases (578 warranty issues and 302 deposit cases). The division closed 759 cases (through settlement or the determination of an insufficient claim) and inspected 556 homes. They held 161 pre-conference hearings where mediation occurs between the affected parties, and 36 docket hearings in front of a full board. In handling those 36 cases, the board issued five licenses, suspended one license, revoked four licenses and denied six licenses. The board issued two letters of reprimand and levied seven fines totaling $16,500. The board returned one deposit and ordered repairs in five cases. No action was taken on four cases and five cases were continued. Two cases were dismissed and six cases were cancelled.[49] Some complain that the board is too laden with representatives from the industry and does not take enough action. Carlene McNulty, a lawyer with the N.C. Justice and Community Development Center, suggested that the board include consumers and advocates. McNulty said the Board needed to resolve and enforce problems more effectively. Even Board members question its merit. "It's not nearly as strict as it should be, but we're further ahead today than five or 10 years ago," said Wesley Layton, a board member and dealership owner. "If we want to preserve our place in the housing industry, we have to move at a faster pace."

The Attorney General's office addresses complaints through the consumer protection division. Common complaints include the following: undelivered sales promises (e.g., furniture, home availability), incomplete contracts (e.g., missing interest rate, incomplete loan terms), and unreturned deposits. Consumers must request and complete an official written complaint form from the division before the division will begin an investigation. The Attorney General's office also distributes a list of tips for buying a manufactured home. They include the following:

- Get all verbal promises in writing on the contract.
- Do not sign incomplete documents, and retain a copy of all documents relating to the purchase of your home.
- Check out the dealer with the Attorney General's office or the Better Business Bureau.
- Make sure the set-up completion date is part of the contract.
- Within 30 days after moving into a home, make a list of items that need repairing and mail it to the dealership. If the company does not respond within 30 days, contact the Manufactured Housing Board or the Attorney General's office.

Equity Building

All homes can build equity for their owners, but there are no guarantees; many factors contribute to the appreciation and depreciation of homes. Land value, initial cost, size, proper maintenance, and urban location often increase the value of manufactured homes. Overcrowding, deterioration and relocation can decrease their value. Basic market forces of supply and demand and consumer preferences also determine appreciation and depreciation. Home value reflects the health of the local housing market; unlike manufactured homes, stick-built homes are perceived to constantly appreciate, but they also can lose value in a weak housing market or poor location. Since it is a scarce resource, land tends to drive the market for both stick-built and manufactured homes. Homeownership, in general, allows people to invest in their community and receive a mortgage tax deduction. And for those with substandard credit and low savings, manufactured housing is often the only option for homeownership. In Henderson County, for example, a person earning the average county wage cannot afford to buy a stick-built home at the median selling price of new homes or existing homes. [50]

Land ownership is key to building equity for all homes. Land is a scarce resource, and according to basic economic theory, a low supply of a resource tends to increase market prices. William Agpar of Harvard University found that the value of land increased at a much higher rate than the housing structure. Between 1990 and 2000, a site-built home, including the land, increased in value from $100,000 to $142,499. The value of the actual unit increased by 2.9 percent in 2000 dollars. The value of the land increased by 23.9 percent. In that same time period, the value of a manufactured home, including land, increased from $37,800 to $53,549. The value of the land increased by 23.9 percent, while the structure increased in value by only 1.6 percent.[51]

Land is often more valuable in areas in close proximity to urban centers. Manufactured housing values on owned land in the Triad and Triangle regions are performing well, said Jack Coleman of Atlantic Appraisal Associates, a N.C. certified real estate appraisal company. As one travels farther east along the Interstate 40 corridor from Raleigh, the appreciation of manufactured homes becomes "becomes virtually stagnant until one encounters the impetus provided by the Wilmington market," said Coleman. "Due to the relative economic strengths of the areas, Raleigh performs at a higher level than Wilmington." In Wake County, 68 homes were sold (both new and used) between April 2000 and April 2001, and the average price was $89,908. Between April 2001 and April 2002, 67 homes were sold, and the average price increased by nine percent to $98,566. In rural areas, the recent recession and distance from urban centers caused manufactured home values and prices to decline or at best show very limited appreciation. Due to the saturation of the market by repossessed manufactured homes and an oversupply of new inventory, manufactured home values in rural areas are declining. In his report, Coleman stated, "Appraisers in Fayetteville, Wilmington, New Bern, Greenville and Rocky Mount noted overall flat markets at the current time. With the alleviating concerns over the economy ... the general consensus is that these markets will return to a more typical appreciation rate of two or three percent in the future; such a rate is typical of the general market and does not distinguish between manufactured and conventional stick-built homes."[52]

While land ownership is a leveling force between site-built and manufactured housing, the resale market divides them. Consumers expect to pay an equal amount or more for a "used" site-built home. Realtors list and sell both new and used site-built homes. There are many statistics on resale values for traditional homes. On the other hand, the resale market for manufactured homes is dismal. There are few established broker sales networks for used manufactured homes, forcing owners to sell the homes themselves and often settle for lower prices. According to Ted Boers of Datacomp USA, "markets that have an organized resale network ... have greater pricing stability and homes tend to sell for a higher price on average than in markets with no organized resale network."[53] Used manufactured homes are financed at an even higher cost, which changes the market of consumers for these homes. These obstacles to the resale of manufactured homes tend to push the selling price down, regardless of home value, and increase the rate of depreciation.

Tax assessments have no impact on market value; however, they are supposed to be based on market value. Therefore, tax assessments give some insight on appreciation and depreciation of home value. The state's emerging tax-based outlook on manufactured housing was sparked by

House Bill 253, which was passed by the General Assembly in December 2001. The statute amends the definition of real property and allows certain homeowners to relinquish their personal property title for a real estate deed. It also outlines the process for combining the home and the land into one real property deed. This combination opens the door for traditional lending institutions.

Classification as real property benefits counties and municipalities by increasing tax revenues, and benefits the homeowners by increasing access to tax deductions and traditional mortgages.[54] Manufactured homes, classified as personal property, depreciate each year according to a blue book value. Therefore, taxes dwindle as well. But real estate classification allows for regular assessment of the home, acknowledging market value and property upkeep. In North Carolina, individual counties want the revenue increases that accompany the conversion to real property, said Stan Duncan of the N.C. Department of Revenue. Property tax pays for community services like schools, and many manufactured homes are undervalued by the blue book method, Duncan said. A Cumberland County task force recently reported that the county could boost annual revenue $600,000 if it reclassified all eligible mobile homes.[55] Henderson County will reclassify all of its eligible manufactured housing next year. Mark Edney, the county's reappraisal director, expects county revenues to increase by at least a third. He expects individual taxes to double when the homes are changed from personal property to real property.[56]

This new law will force counties to treat more manufactured homes as real property, with tax assessments that accurately reflect current market value, not a scheduled blue-book depreciation. The new approach might change the old adage that manufactured homes will always depreciate. In fact, market values in some western North Carolina parks, such as River Wind, are skyrocketing. River Wind is a 134-home subdivision about 10 miles west of Hendersonville. According to Property Manager Bob McKelvey, the average selling price has increased over the past six years from $90,000 to $118,000. During his tenure, he has seen home sales range from $69,900 to $154,000. The homes are appreciating, McKelvey said, because the community is well maintained and the competition is fierce. "People are generally surprised when they come and look," he said. "The community doesn't fit their perceived notions."[57] However, appreciation is still the anomaly. In a 1995 Consumer Reports survey of more than 1,000 manufactured homeowners, two thirds replied that their manufactured home would sell for less than they had paid for it.[58]

Conclusion

Manufactured housing's persistent negative reputation does not reflect today's reality. Advances in technology have resulted in cost-effective, quality homes that are far different than yesterday's metal trailer. Those nondescript singlewide homes have given way to impressive multi-section homes with pitched roofs, brick masonry, built-on carports, and porches. Most homes are constructed with quality materials, and despite popular opinion, they can withstand natural disasters. In this aspect, today's manufactured homes are not the same homes built 20 or 30 years ago. According to a spokesman for R-Anell Homes, "construction methods are routinely changed based on each year's performance-based data, the industry is highly regulated, and building materials are significantly improved. The home built today has little correlation to the home built even five years ago."[59]

Manufactured housing paves an easy and oft-traveled path to homeownership for the lower income residents of North Carolina. In many areas of the state, the rental housing stock is often sparse and zoning is uncommon, opening the door for manufactured housing development. These homes offer a much-needed housing option for lower income residents. Most dealers will work from an estimated monthly payment that rivals a community's affordable rental properties and site-built starter homes. Consumers can select a wide range of home features and styles. Sales are quick, and private finance companies often accept poor credit records, although recently they have increased their standards. Where land costs too much, consumers have the option of placing their home in rental communities or on family land.

However, the convenience of manufactured housing can give way to serious problems. Because of the quick approval process and high pressure sales, some consumers fail to think through their purchases and end up in homes that they cannot afford. Those who live on leased land can be evicted with only a month's notice, forcing them to raise a large sum to move the home or lose it. Sales are not strictly regulated, opening the door for fraud and other breaches of consumer protection. The state does not recognize all manufactured homes as real property. Many owners, including all who own homes on leased land, cannot benefit from the consumer protections of the Real Estate Settlement and Procedures Act or gain access to traditional mortgages.

The "trailer park" stigma will not disappear until the state, the industry and advocates pursue broad reforms. For example, consumers should be more informed about the N.C. Manufactured Housing Board and the state's one-year warranty law; the General Assembly should pass a right of first refusal law that gives residents 60 days to purchase the park they live in before it is sold to other buyers; and advocates and the industry should educate the public on manufactured housing as an affordable housing option. Massive consumer and industry education is key in improving the lives of those residents living in manufactured homes.

Almost one-fifth of the state's housing units are manufactured homes; government officials and consumer advocates must recognize these homes as a permanent feature of the N.C. housing market. In order to protect the state's residents, these leaders must pursue reforms in the areas of consumer education, state policy, financing programs, and even public perception. Manufactured housing should be a viable affordable housing option that enables the state's low-income residents to build equity and enjoy safe and decent shelter.

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