Freddie Mac: Manufactured Housing Residents Face Challenges in Establishing Resident-Owned Communities

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MCLEAN, Va., Nov. 19, 2019 (GLOBE NEWSWIRE) -- Freddie Mac (OTCQB: FMCC) today released an analysis of Manufactured Housing Resident-Owned Communities (MHROCs). Although the white paper shows that MHROCs make up just 2.4% of manufactured housing communities (MHCs), and an estimated 0.9% of households in the United States, they are a unique source of affordable housing where the residents gather together to purchase their community, converting it from rental to resident ownership. The paper also finds that residents face an uphill battle when seeking to convert investor-owned rental communities to resident ownership and often require third-party financial and technical support to succeed.

The paper, titled “Manufactured Housing Resident-Owned Communities (MHROCs)”, is part of Freddie Mac’s three-year Duty to Serve plan to increase rental and homeownership opportunities in historically underserved markets throughout the nation. This is the third of seven Duty to Serve papers the Multifamily line of business is planning to release during the year.

“MHROCs are a valuable source of affordable housing, but they have not been the subject of extensive research,” said Steve Guggenmos, vice president of Multifamily Research and Modeling at Freddie Mac. “The research and data collected by Freddie Mac informs housing market stakeholders on the prevalence of these communities, the challenges residents face in converting their communities to self-ownership, and also the role MHROCs can play in giving their residents peace of mind and financial security.”

Key Findings:

- **MHROCs are one of the few sources of unsubsidized naturally occurring affordable housing in the country.** Since these communities are owned by the residents, they are not subject to market-based rent increases.
- **MHROCs only make up a very small portion of MHCs and U.S. households:** Out of the approximately 45,600 MHCs in the United States, we found that only 1,065, or 2.4%, are resident-owned, representing an estimated 0.09% of households in the country.
- **More than three quarters of the resident-owned communities in the country are in three states.** Florida, California and New Hampshire have the highest concentration of MHROCs, accounting for three out of four MHROCs in the country. The success of MHROCs in these states can at least partially be attributed to the tenant protection laws in place.
- **Converting from an investor-owned community to a resident-owned manufactured housing community is difficult.** Due to a tight transition timeline, the conversion often requires advanced planning, expert assistance and a favorable alignment of circumstances.
- **There are two commonly used models for converting investor-owned communities into MHROCs.** The limited-equity model is characterized by a low share price and higher debt, resulting in higher monthly fees. Separately, the market-rate model has a higher share price, lower debt and lower monthly fees.
- **There are several sources of funding residents can utilize to provide financing for MHROCs**: Government-sponsored enterprises, Community Development Financial Institutions such as ROC USA, public programs and CMBS lenders have provided funding for MHROCs to date.

Freddie Mac Multifamily is the nation's multifamily housing finance leader. Historically, more than 90% of the eligible rental units we fund are affordable to families with low-to-moderate incomes earning up to 120% of area median income.

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