Whattaya Expect?

Last month a lady at one of our land lease communities (LLC) walked into the office, handed the keys to her doublewide to our manager, and asked him to call her finance company and tell them to come get the house. This morning I received an email note from another community owner (CO) describing a similar incident at his LLC. In both cases the residents had excellent lot rent payment histories. In both cases finances had gotten a little tight, work needed to be done on the homes, and the buyers realized they still had 70% of their original loan yet to pay, despite making payments over the past 15 years.

As that scene plays out in one LLC after another across the country, COs are shaking their heads and wondering how anyone could be dumb enough to structure a high-interest, 25-year loan on a depreciating asset, or slick enough to sell millions of those loans to Wall Street investors, or dumb enough to buy those "asset based securities".

Unfortunately that's only the tip of iceberg of financing mistakes that took our industry from producing lots of homes and having many lenders to choose from, to producing very few homes and no lenders to choose from. Back in "the day", most manufactured homes (MH) were placed, and financed, in LLCs. If the lender needed to get a message to the borrower, he called the "park" office and asked someone to pass the word. If the borrower defaulted, the home was easily secured, efficiently rehabbed, and quickly resold.

Then someone decided that if financing a MH on a rental lot was good business, financing a MH on real estate that went with the home must really be good business. It didn't matter that that real estate was on a gravel road across from the county dump. As soon as the resident changed phone numbers the centrally-located-highly-efficient call center was about as useful as a toter without a granny gear. By the time the lender repoed the MH everything but the shell of the house had "walked away" – including appliances, A/C, light fixtures, sinks, lavatories, and toilets. The first move of the home was to a retailer's rehab facility where "technicians" tried to work miracles on a "pigs ear". Then came the challenge of selling the used home among a lot of sparkling new ones. Then came move number two, another 25-year loan, and another train wreck left the station.

No industry can survive without financing – and financing depreciating assets in the middle of nowhere over 25 years at excessively high interest rates isn't going to work for those whose idea of long-range planning extends past next week. COs are willing to work with lenders to create in-community financing that are win-win transactions for the lender, the CO, and the home buyer – not to mention the factories, transporters, installers, service suppliers, etc. Some COs are willing to guarantee the loans. Some will even fully collateralize default costs with liquid assets. Why not? Those same COs are financing the MHs themselves right now.

The SAFE Act, Dodd-Frank Act, absence of industry financing, community series homes (CSHs), business development managers (BDMs), inability of prospective buyers to qualify for site-built mortgages, good rental rates, and demand for affordable housing have created an unprecedented financing opportunity for those lenders willing to think out of the box (ie – do business the old fashioned way). Let's get COs and lenders together to come up with a financing program that'll really move some (manufactured) homes!

Spencer Roane, Atlanta, GA, owns and manages four land lease communities in Georgia and Texas. His firm has sold manufactured homes on Lease-Option contracts in his communities over the past 20 years, involving more than 600 transactions. He serves on the Georgia Manufactured Housing Association board of directors and MHI's NCC and Disaster Housing Task Force. He holds both Mortgage Loan Originator and Mortgage Broker SAFE Act licenses. Other articles, Lease-Option documentation, and the HUD Final SAFE Act Rule are posted at www.LeaseOptionMHSales.com. Contact him at spencer@roane.com or (678) 428-0212.