

## Aiding resident ownership in manufactured-home communities: An interview with ROC USA

Published by KIM MARTIN

Since 1984, the New Hampshire Community Loan Fund has been helping homeowners in manufactured home communities purchase the land underneath their homes, and in-turn transform their communities into housing co-ops known as “resident-owned communities” (or, a “ROC”). The premise of the program being that community land ownership, in place of commercial or investor land ownership, more accurately aligns the interests of the residents and the preservation of the land. To the homeowners, community ownership provides market and rent stability, increased property values, and the peace of mind that the land will not be sold. A 2005 study by the Carsey Institute at the University of New Hampshire documented findings that:

“residents who own their manufactured home communities, commonly referred to as mobile home parks, have consistent economic advantages over their counterparts in investor-owned communities, as evidenced by lower lot fees, higher average home sales prices, faster home sales, and access to fixed rate home financing.”

As to the interests of the land, resident ownership is a first step to preserving communities and addressing water quality and conservation issues, energy conservation issues, and possibly increasing investment in infrastructure and sustainable land development.

Since inception in 1984, the Community Loan Fund program has helped 97 communities become resident-owned and preserved 5,400 homes. On the back of the program’s success, the Community Loan Fund vice president Paul Bradley decided the concept of the program could and should be scaled up to reach communities and make resident ownership viable nationwide. In 2008, four non-profits (CFED, NCB Impact, the Community Loan Fund, and NeighborWorks® America) came together with funding from the Ford Foundation and Fannie Mae to launch ROC USA, LLC, a networked business model that includes a formal Network of certified organizations acting locally and a national CDFI. The CDFI, ROC USA Capital, is the first and only national lender specializing in financing the acquisition and long-term operation of ROCs.

The PRI Makers Network interviewed Michael Sloss, Managing Director at ROC USA Capital about the organization and how program-related investments from the Ford Foundation have helped ROC USA successfully make resident ownership nationwide possible.

**KM: ROC USA was created to expand a successful resident ownership program in New Hampshire. Can you tell us more about ROC USA’s beginning, and its current programs?**

MS: ROC USA is the scaling out of a successful resident ownership program which began in New Hampshire in 1984 when the Community Loan Fund helped a group of homeowners in a “mobile home park” buy their community as a housing co-op. The news of the purchase ignited a spark. Homeowners in other parks immediately began calling. One thing was universal: they wanted security. The complaints ranged from problems with excessive rent increases, health threats from poorly maintained water and sewer systems, and community closure – all brought about by the fundamental structure of a resident-owned home on the land of a commercial investor.

The size of this sector – the largest source of unsubsidized affordable housing in the country as the industry tells it – also surprises many. There are 2.7 million US homeowners living in 50,000 manufactured home communities.

By innovating, with single-family lending in these same communities – a program that won the Wachovia NEXT Award in 2009 –and ongoing leadership development within these communities, impressive impacts include faster home sales, better home values and a general sense of security and civic engagement among homeowners in resident-owned communities. The Community Loan Fund has also loaned over \$35MM in co-op purchase loans without a loss.

ROC USA was started by Community Loan Fund vice president Paul Bradley who, in concert with George McCarthy of Ford, theorized that without a networked business model for resident ownership that spanned the nation, the full potential of resident ownership would not be realized at scale. Since 2008, 21 communities in 10 states have been purchased by their residents using ROC USA’s model. Over 1,300 lower-income homeowners have thereby achieved long-term security and the opportunity to build wealth and control future community improvements.

The business model was adapted from what has been market-tested in New Hampshire and focuses on solving the two basic hurdles for resident corporations– access to timely and appropriate technical assistance and community purchase financing – within the context of a standardized, scalable social enterprise business model.

**KM: The Ford Foundation has been an active funder for ROC USA. Recently, the Foundation invested in ROC USA Capital (the CDFI subsidiary of ROC USA, LLC) through a PRI intended to support the conversion of low-income manufactured housing communities to resident ownership. How is the PRI used by ROC USA Capital?**

MS: ROC USA Capital finances the purchase of manufactured home communities by resident corporations, using a long-term first mortgage commercial loan product. A certified CDFI, ROC USA Capital raises both balance sheet equity and debt (like Ford’s PRI) to fund the junior portion of these mortgage loans. Generally, in order to leverage its position, it will participate out the senior tranche of the loan to HFAs, bank consortia, CDFIs, or institutional lenders. ROC USA Capital effectively credit enhances senior loan participants in three important ways: a) through its ongoing loan servicing on behalf of senior loan participants; b) its retained junior position in each loan, and c) by ensuring that borrowers receive ongoing community ownership training and assistance throughout the life of the loan from a ROC USA Network certified Technical Assistance Provider.

**KM: The Ford PRI also provided financing for green infrastructure and green in-fill development for the placement of new energy efficient homes on vacant lots in resident-owned communities. Can you tell us more about these green initiatives?**

MS: These represent new efforts within our “Greening ROC USA Communities” Initiative and we’re still very early in the design of the program. That said, we see resident ownership as the first step in preserving communities and we see great potential for addressing energy and water conservation both at the community and individual home level through lending, resource linkages and education. This is an exciting area for us, and we are beginning to attract other capital to this initiative.

**KM: The Ford Foundation committed \$5 million through their PRI to ROC USA. How is the investment structured?**

MS: The PRI carries a one percent interest rate and a 15-year loan term. ROC USA Capital makes interest payments on a quarterly basis. It’s pretty straight-forward and similar to the Bank of America, Calvert Foundation and Deutsche Bank loans which ROC USA Capital has also secured in its first two full fiscal years.

**KM: What are the lessons learned from this investment for other program-related investors?**

MS: Ford’s PRIs are stellar for size, rate and term. Shorter-term loans are hard to use when our customers want security and our mission is based in providing such security along with long-term affordability. If our PRI investors lend only with five-year terms, it is impossible to make long-term loans to resident corporations representing low-income homeowners. We can deploy some shorter-term money, but the long-term funds provide the true ballast for both ROC USA™ Capital’s operations and the financing needs of our customers..

**KM: What can others do to promote affordable housing and green building through ROC USA?**

MS: Manufactured housing has operated in a parallel universe to residential real estate from its start sixty years ago. The parallel universe has not served low-income homeowners well. There are both regulatory and market-based problems which, in sum, can be fixed by moving the entire sector more in line with the residential market.

The first step – for those 2.7 million homeowners in communities – is aligning the ownership interest between home and land. We do this through co-op ownership of the land by resident corporations organized by homeowner members. Cooperatively-owned and managed MHC have been shown to be secure, effectively managed and affordable for low-income homeowners over many years. These results have attracted conventional single-family lenders – including Fannie Mae, NH Housing Finance Authority and USDA – to lend on homes in resident-owned communities. To support ROC USA’s work in enabling more MHC to become resident-owned, ROC USA Capital is accepting both balance sheet investments like the Ford PRI and senior loan participation capital from private and public partners.

Beyond securing resident ownership of manufactured home communities, our ultimate aim is to leverage all of the available single-family resources that are used to make site-built residential properties affordable to working families. This includes weatherization resources, home replacement subsidies, down-payment assistance, conventional home loans, etc. For those in the affordable housing field, the question is: What resources do you make available to homebuyers and homeowners on fee simple lots and how can you make them available to low-income owners of manufactured homes in resident-owned communities?

For both private and public investors with a history supporting affordable homeownership initiatives, it is a question of why would I open my program to MH? Consider this: 26 percent of low-income homeowners in rural America own a mobile or manufactured home and 12 percent of all low-income homeowners nationwide own a manufactured or mobile home. If you serve low-income homeowners, how can you not serve these homeowners with a consumer-oriented agenda? ROC USA and ROC USA Capital are positioned in the affordable homeownership market to serve as the intermediaries to make such investments financially secure and environmentally sustainable while delivering lasting value for lower-income homeowners and communities.