



# Increase Occupancy and Profitability by Offering Chattel Financing

By Ben Kadish

*Photo courtesy of Rickert Properties*

**A**s the affordable housing crisis continues to impact the housing market, the demand for affordable living options is rapidly increasing, providing new opportunities to fill this gap in the market. Manufactured housing communities (MHCs) have become a solid affordable housing option for populations being priced out of traditional affordable options. At the same time, many MHCs themselves have undergone a significant transformation over the past two decades. For both already enhanced MHCs and communities still in need of improvements, along with the demand fundamentals of today, new financing opportunities have arisen for MHC owners trying to turn a profit.

## Aesthetics, Affordability Can Co-exist

MHC owners have made great strides toward shifting the perception and the reality of MHC living. Many new MHCs include community-wide amenities like clubhouses, swimming pools and tennis

and basketball courts. The majority of the homes are move-in-ready, three-bedroom houses with full kitchens, baths

---

***"By owning the homes and renting them out to residents, MHC owners can increase cash flow and enhance the communal aspects of the parks."***

— Ben Kadish,  
*Maverick Commercial Mortgage*

---

and laundry. The subdivision setup of MHCs allows for private parking, individual gardens, lawns and patios on small, easy-to-maintain lots.

Affordability comes into play considering that the quality of the MHC units is equal to site-built homes, but the cost comes in at a fraction of that of site-built homes. This allows the residents to save up to hundreds of dollars per month

on their monthly rent or mortgage payments, as well as utilities, when compared with living in an apartment or site-built home.

## The New Normal of MHC Mortgages

Just over a decade ago, MHC residents were able to walk into any manufactured home dealership and purchase their own home to move into their community of choice. In that case, they could apply for a chattel mortgage, allowing them to pay off the home while not owning the land it sits on. These days, the path to manufactured homeownership looks a little different.

Most of these dealerships closed down in the wake of the Great Recession, especially in the Midwest. And in the mobile home parks themselves, vacancies increased — resulting in foreclosures on the homes owned by residents. In these vacant properties, MHC owners have found new opportunities.

*continued on next page*





You  
Build It,  
We'll  
Back You Up.



Together, we build the confidence that sells homes.



**Ron D'Ambra**

National Manufactured  
Modular Program Manager

803.917.1946

rodambra@2-10.com

*continued from previous page*

One method to increase occupancy and profitability is for the MHC to own the new inventory of homes and finance them with chattel financing, or rent the homes to residents. By providing financing to residents, MHC owners can increase the occupancies at the properties and for their entire portfolio. And, when refinancing, MHC owners can receive cash-out components to use toward property improvements. By owning the homes and renting them out to residents, MHC owners can increase cash flow and enhance the communal aspects of the parks, adding further value to the community and its homes.

### Theory in Action

For example, one MHC management firm needed funds to bring in new and used mobile homes to some recently acquired properties in Missouri in 2006. To fund the acquisition of these homes to increase occupancy, the firm established a relationship with a bank to finance its chattel portfolio, and used other financing for new house acquisitions.

The increase in occupancy and value creation allowed the property to be refinanced in 2018 with a substantial cash-out component. They were able to set aside funds for additional site work and down payments for more houses, and the loan has an earn-out component in addition to being non-recourse.

In 2019, 13 years after starting the chattel finance business, the firm refinanced 800 homes with a new chattel financing agreement for \$11 million to fund the acquisition of new homes, as well as the consolidation and reduction of interest rates for the entire portfolio.

In our experience, these loans have been funded by a range of lenders, including agencies, CMBS, banks and debt funds. Many of them had earn-out provisions, so as the property cash flow increased over the loan term, some lenders would fund out cash equity to borrowers, allowing for liquidity events

without going through the entire refinancing of the property.

The dynamics of MHC ownership are changing, and great potential exists for savvy owners who are ready to refresh tired, less desirable properties. At the same time, these owners can provide much-needed affordable options to a housing market that's desperate for them.

For MHC owners that don't have a financial officer who understands these more complex financing options, a commercial mortgage banking firm can help prepare the park and owner. A commercial mortgage firm can visit the property to ensure that it is up to the expectations of the lender, appraiser and engineers. With full cooperation and commitment, mortgage and chattel loans can close in 45 to 75 days. **MHV**

*Ben Kadish, president and founder of Maverick Commercial Mortgage, is a mortgage banking professional with more than 37 years of experience.*



**Reach Over 30,000  
Manufactured Housing  
Professionals in Print and Online**

The *MHInsider*™ is a trusted resource that manufactured housing professionals choose to stay abreast of industry developments and get the information they need to make informed decisions.

**To advertise, call:  
1-877-406-0232**

**HURRY! DEADLINE FOR THE  
JULY/AUGUST ISSUE IS MAY 24, 2019!**



ing through his brother's professional experience, and said he was impressed with how the product had taken great strides in quality, design and aesthetics.

"I felt that modular was a viable solution to the affordable housing problem here, and I'm pleased to see this pilot program going so well," DeLong said. "InnovaLab has launched a pilot with a lot of promise."

### More Modular Homes to Follow

Since the original three homes were installed last summer, the program has continued its trajectory.

Another 10 modular residences have been installed, with more orders being taken.

During a recent installation on the southeast side of the city, an agent for the home listings as well as nearby residents and business employees watched a crane lower pieces of two modular homes as work crews fixed them into place.

Tanya Powell-May is CEO of Legacy Housing GR, a Keller Williams agency.

"My team and I will list these three properties in a couple of months," Powell-May said. "These are our first modular homes. We sold over 77 homes last year, but none were modular.

"I look at how quickly that home went up... that's amazing," she said. "We have a crisis here in terms of affordable housing. If we can get quality housing for people who need homes at this price point, that's great. All over the nation there's a shortage in inventory, especially at this price point."

Bobbie Locke, who works at a consulting agency across the street from the new homes, said it was "incredibly exciting" to see the new homes installed so efficiently.

"What a beautiful thing for the neighborhood," she said. "The architecture is a perfect fit. Though the neighborhood is mature and established, they'll fit right in. It's a wonderful opportunity.

"It doesn't just mean good housing, it means fast housing," Locke said. "The fact they can do it so quickly means people who are waiting are going to get into homes faster."

### How Modular Homes Are Sold

Potential buyers can also treat these new modular homes as they would any other home for sale. When completed and priced, the homes are listed on the metro multiple listing service and will be open for offers. Allen said if developers — whether in the for-profit or nonprofit sector — can make the math work for the land, the only obstacle is people's general perception of off-site built homes.

Typically, that perception is changed with a walk-through of a modular home.

"The stigma associated with off-site modular homes is not well placed," Van Eck said, noting how auto manufacturing has thrived with continued improved processes. "Like automobiles, it is time for housing to modernize its processes to focus on efficiency as well as quality." **MHV**

*Matt Milkovich, MHInsider's managing editor, has an extensive background in journalism. He was managing editor of two agricultural trade magazines for several years, and was a reporter for local newspapers before that.*



*Patrick Revere is executive editor for the MHInsider magazine, as well as the MHInsider blog and MHVillager, a lifestyle and resources blog for homeowners and residents. He is an award-winning journalist and writer who has written extensively about manufacturing, real estate, management, technology, the building trades and the labor markets.*



## MAVERICK COMMERCIAL MORTGAGE, INC.

### 2019 COMMITMENTS & CLOSINGS



Midwest Chattel Portfolio  
February 2019



Agency Permanent Financing in Indiana  
March 2019



Acquisition Financing in Oklahoma  
January 2019



Acquisition Financing in Texas  
February 2019

**MHC Financing Professionals:**  
"We start closing from the first conversation."

**2018 MHC Closings:**  
\$80,000,000



Contact us today:  
**Ben Kadish** • ben.kadish@mavcm.com  
312-268-6000 | 312-953-4344

FOR THE LATEST  
INDUSTRY NEWS VISIT  
**WWW.MHINSIDER.COM**



MAY/JUNE 2019 | MHINSIDER.COM

# MHINSIDER™

THE MAGAZINE FOR MANUFACTURED HOUSING PROFESSIONALS


## MODULAR INFILL IN URBAN AREAS

### IN THIS ISSUE:

- Innovative Financing Options for Affordable Housing
- Legacy Housing: From West Texas to Wall Street
- Relationships Matter When Selling Pre-Owned Homes

A Publication of **MHVillage**

CHICAGO IL 60642-4132  
 853 N ELSTON AVE STE 1  
 MAVERICK COMMERCIAL MORTGAGE  
 BENJAMIN KADISH  
 9 6  
 \*\*\*\*\*AUTO\*\*3-DIGIT 606



PRSRST STD  
 U.S. POSTAGE  
 PAID  
 RAVENNA MI  
 PERMIT NO 320

9  
 6  
 \*\*\*\*\*AUTO\*\*3-DIGIT 606

2600 S MILE RD NE  
 GRAND RAPIDS MI 49525

MHVILLAGE, INC  
 ELECTRONIC SERVICE REQUESTED