2. Cooperative MHCs—the favored park community type of The Loan Fund—have been found to provide additional benefits to residents, compared to those living in investor-owned MHCs. The availability of loan products for MHC residents from mainstream financial institutions may encourage adoption of a cooperative model of ownership of MHCs, and enhance control and stability for low- and moderate-income residents.
3. The Loan Fund is expanding its services nationwide through the creation of ROC USA, a social enterprise aimed at making resident ownership viable in markets across the United States. The availability of loan products for MHC residents from mainstream financial institutions and ultimately capital market investors will allow The Loan Fund and its national partners to share data on the evolution of New Hampshire's cooperative MHC market segment. Documented evidence of performance over time may increase the availability of commercial financing and enhance the effort to achieve scale.

Contextual Considerations and Literature

Is residing in a manufactured home community a viable affordable housing option? According to the National Housing Conference (2005), a "sizable share of the units added to the nation's inventory of affordable housing each year is manufactured in factories, rather than built on site. Nationally, 23 percent of homeownership growth among very-low-income families (<=50 percent area median income (AMI)) between 1993 and 1999 was due to manufactured housing." Moreover, Apgar et al. (2002) state that "[t]here are over eight million manufactured, HUD-code homes in the United States, representing two thirds of affordable units added to the stock in recent years and a growing portion of all new housing. … [Of those living in manufactured homes, almost three million families] live in homes sited in 'land-lease communities', more often called trailer parks or rental communities, where they pay a monthly rent to a landlord in addition to their loan payment for the unit." In New Hampshire, 6.5 percent (35,544 housing units) are manufactured homes (US Census 2000). According to the Manufactured Home Owners and Tenants Association of New Hampshire (2005), the state has approximately 500 manufactured housing parks.

The National Housing Conference (2005) contends that "[t]he primary benefit of manufactured housing is affordability. Manufactured housing is generally (though not always) less expensive than stick-built housing. … However, there are many concerns with manufactured housing. These include …:

- "While manufactured homes on owner-owned land tend to appreciate, those on leased land tend to depreciate, reducing opportunities to build wealth. …
- "Many communities have regulations that prohibit manufactured housing or make it difficult or expensive to utilize it. Such regulations are based on outdated stereotypes of manufactured housing."

There are two types of MHCs: (1) investor-owned parks and (2) resident-owned/ cooperatives. Homeowners in investor-owned MHCs own the physical housing unit and pay rent to the park owner. In return, the park owner allows the residents to occupy space in the park, and provides and maintains shared park facilities and infrastructure (e.g., roads, water and sewage/sanitation systems, power lines). The park owner determines the rental amount, enforces park rules and regulations, and decides on the housing tenure of the residents.

On the other hand, residents of a cooperative MHC individually own their housing units, and each owns one share in the corporation that owns the land where the community is situated. The cooperative manages the provision and maintenance of shared community facilities and infrastructure through a management body and an elected Board. Through the management body and the Board, cooperative members decide on the amount of monthly contributions to pay for mortgage and maintenance-related expenses. They also have a say in the development and implementation of community rules and regulations embodied in the cooperative by-laws (Rivera 2006).

Prior to 1984, the land in all manufactured home parks in New Hampshire was investor-owned. Homeowners in investor-owned MHCs own the physical housing unit and pay rent to the park owner. Living in investor-owned MHCs presents a number of economic and social challenges (Bradley 2000; Nijhuis and Rivera 2005). It is a common occurrence to have frequent rent increases, and ill-maintained community facilities and structures. In cases where community residents are not organized, there may not be a tenant voice and venues for participation in community activities. Community residents are often subjected to negative perceptions (e.g., “trailer trash”) by non-community town/city residents.

There are also cases where park closure threatens tenants’ security of tenure. If the park owner decides to sell the property to another park owner, the rent typically increases. If the park owner decides to sell the property to an entity that intends to convert the park into another land use (e.g., commercial business space), residents are typically compelled to move their housing units out of the park. This is problematic because of the difficulty and cost of locating to another park, and because physically moving a mobile home affects its structural integrity. The option for residents to purchase and manage the park is inhibited by the lack of organization, financial resources to purchase the park, and access to loans from commercial banks (e.g., lack of a credit record, park management capability, and financial resources for a downpayment).

Conversion of “land-lease communities” from investor-owned to cooperative-owned MHCs is seen as a solution to these problems. Nijhuis and Rivera (2005) and Bradley (2000) contend that cooperation provides the venue for residents to directly participate in the management and operation of the community. This includes residents taking part in decision-making on rent amounts, on improvement and maintenance of shared community facilities, and on community rules and regulations.

Since 1984, New Hampshire has experienced a steady increase in the number of cooperative MHCs, mainly through the initiative of the New Hampshire Community Loan Fund. The Loan Fund was founded in 1983. It was re-certified as a CDFI by the Department of Treasury in 2003, and remains in good standing today. Through its Manufactured Housing Park Program, The Loan Fund "assists residents of manufactured housing communities … to buy their parks in cooperative ownership." In 2003, the Loan Fund launched two new programs—the Cooperative Home Loan Program to provide home financing to residents in cooperative communities, and New Production, to develop new cooperative communities (The Loan Fund website).

As of 2007, 87 home communities in New Hampshire are cooperatively owned by their residents. This means that approximately 4,800 homeowners, most living in rural areas, have successfully transitioned from tenants to owners.

Methodology

This section provides a detailed narrative of the study variables and corresponding indicators, data gathering techniques and sources, and data analysis. The study has four main variables related to the research questions raised earlier.

1. The Loan Fund's introduction of a new loan product to an underserved market of cooperative MHCs.
2. Performance of loans financed primarily by The Loan Fund.
3. Adoption of new loan product by mainstream financial institutions.
4. Performance of loans financed primarily by mainstream financial institutions.

These variables are operationally defined by the indicators listed in Exhibit 2 below.

Exhibit 2: Variables and indicators

Variables	Indicators	Data source
Introduction of new loan product by The Loan Fund	Number of cooperative MHCs served	Secondary/archival data
	Type, number and amount of loans provided	Secondary/archival data Key informant interviews
	Types of pre-conversion technical assistance provided	Secondary/archival data Focus group discussions Key informant interviews
	Types of post-conversion technical assistance provided	Secondary/archival data Focus group discussions Key informant interviews
Loan performance (over time)	Repayment rate	Secondary/archival data
	Default rate	Secondary/archival data
	Delinquency rate	Secondary/archival data
Adoption of new loan product by mainstream	Type and number of mainstream financial institutions that adopted new loan product	Secondary/archival data Key informant interviews
	Number of cooperative MHCs served	Secondary/archival data

financial institutions	Number of cooperative MHCs served	Key informant interviews
	Type, number and amount of loans provided	Secondary/archival data Key informant interviews
	Loan-to-value of each loan and change	Secondary/archival data
	Loan terms	Secondary/archival data
	Margin over cost of funds	Secondary/archival data
	Fixed vs. variable rate	Secondary/archival data
	Other assistance provided	Secondary/archival data Focus group discussions Key informant interviews
Economic and social effects of cooperation	Type and number of cooperative MHCs served by The Loan Fund and mainstream financial institutions	Secondary/archival data
	Type, amount, and number of loans received	Secondary/archival data
	Perception of loan process	Survey research Literature review
	Economic benefits	Literature review
	Social benefits	Literature review

Data Collection Techniques and Sources

The variables and corresponding indicators in this study were measured through mixed-method research, i.e., use of a number of quantitative and qualitative measures. Specifically, the study used the following methods: [1] secondary/archival data collection, [2] key informant interviews, [3] survey, [4] focus group discussions, and [5] the literature. The data collection methods and the corresponding data source and analysis depended on the variable and indicator, as listed in Exhibit 2 above and detailed in Appendix B.

Analysis

The Loan Fund has supported the establishment of 87 cooperative MHCs as of 2007. Of these 87 MHCs, 47 were acquired through loans from both mainstream financial institutions (or banks) and The Loan Fund. (The rest were acquired through loans from some other source.) The research intended to cover all 47 of these community acquisition loans—that is, all such loans provided from 1984 through 2007— but only 23 of the 47 cooperative MHCs gave written consent to be included in the study. The research team asked The Loan Fund to follow up on the consent forms and survey questionnaire; the Loan Fund reminded respondents twice to submit these. In the end, only 23 of the 47 MHCs provided a signed consent form. Of the 23, 11 also responded to the survey. Given the relatively low response and participation rates, and the resulting small sample size, inferential analysis and stable findings are not possible for those components of the core research activity. Therefore, emphasis was placed on addressing these questions through qualitative analyses based on informant interviews; the statistical analyses that were conducted were relatively limited, involving descriptive statistics and measures of

association to address the research hypotheses and questions. Specifically, this involved measures of central tendency, frequency distributions, cross-tabulations, chi square, and Cramer's V for nonparametric analyses, and Pearson's r measures. Quantitative data was analyzed using SPSS statistical software.

The survey gathered information on the MHCs' perception of the loan process (i.e., the ease of, or difficulties associated with, the loan process), and accompanying benefits (i.e., whether MHCs were able to access non-acquisition loans subsequent to the land acquisition loans from The Loan Fund and mainstream financial institutions (MFIs)). Given the type of information to be gathered, it made more sense to survey the MHC leaders who participated in the loan process, instead of randomly surveying MHC members. Since only 11 of the 47 cooperative MHCs responded to the survey; these data are treated as exploratory, and represented by descriptive rather than inferential statistical measures. To supplement this, research relied on qualitative data from expert and informed sources, and the relevant literature.

The study is longitudinal in the sense that it looked at trends of loan performance and indicators of product adoption over time, i.e., from the year when the first cooperative MHC was funded by The Loan Fund and mainstream financial institutions (1988) to the last year for which data are available (2007).

Analysis and Findings

This section presents the study's findings and provides an analysis of results in the form of statistical measures, narratives, and tables that address the five research questions. The introduction of the financial loan product first provides a contextual base for the main analyses of product performance and product adoption. The last sections explore how adoption was facilitated, and the impact of a broader adoption of the loan product.

Hypothesis 1: Introduction of the financial product

The introduction of the financial product by the Loan Fund included six components that may have played a significant role: (a) support of cooperative conversions, (b) assistance to prospective MHCs, (c) securing financing, (d) loan amounts, (e) post-conversion technical assistance, (f) Loan Fund capacity.

The Loan Fund introduced its Manufactured Housing Park Program (MHPP) in 1984 in response to the economic and social challenges facing residents of in investor-owned parks.[1] The Loan Fund saw conversion of "land-lease communities" from investor-owned to member-owned or cooperative parks as a way to resolve or reduce these challenges. Cooperation provides the venue for residents to directly participate in the

[1] It is a common occurrence in investor-owned parks to have frequent rent increases, and ill-maintained park facilities and structures. There are also cases where tenants' security of tenure is threatened by park closure. In cases where park residents are not organized, there is no tenant voice, and there are minimal venues for participation in community activities. Park residents are also subjected to negative perceptions (e.g., "trailer trash") by non-park town/city members.

management and operation of the park, including taking part in decision-making on rent amounts, improvement and maintenance of shared park facilities, and park rules and regulations. In 2003, The Loan Fund launched what the NHCLF website describes as "two new programs—the Cooperative Home Loan Program to provide home financing to residents in cooperative parks, and New Production, to develop new cooperative parks (NHCLF Website)".

(a) **Support of cooperative conversions**. As of 2007, The Loan Fund has assisted in the cooperative conversion of 87 manufactured home communities in New Hampshire. Exhibit 3 below shows that the number of assisted MHCs has been increasing over time.

Exhibit 3: Frequency distribution of MHCs assisted by The Loan Fund over time

Time period	Frequency	Percentage
1984 – 1988	12	14%
1989 – 1993	13	15%
1994 – 1998	16	18%
1999 – 2003	22	25%
2004 – 2007	24	28%
Total	87	100%

(b) **Assistance to prospective MHCs**. The assistance that the Loan Fund provides to prospective MHCs is an important consideration in the introduction of this financial product. The Loan Fund takes on a significant role in the conversion of MHCs from investor to member ownership. Information on the NHCLF's website indicates that pre-conversion assistance can be in the form of "(a)ssisting homeowners in organizing as a cooperative and establishing a board of directors and committees" (NHCLF website)." MHPP created a document in 2003 that outlined all conversion processes that need to be covered in the 60 days prior to closing. The information outlined in the document was provided in a basic form. Specific points in the corporate resolution section that are more sophisticated were included, since these had often been overlooked in the past. By-laws are written earlier, and the team provides many more of the base tools that help co-ops do the work on their own.

(c) **Securing financing**. Another pre-conversion form of assistance is described on the NHCLF's website as "(h)elping to arrange financing and/or lending funds to the resident-owned cooperative for predevelopment work, deposit financing, purchase and rehab (from NHCLF's website)." The Loan Fund was able to assist the MHCs in availing of acquisition loans from various sources. The majority of these loans (47 loans or 54 percent) were financed by a combination of funds from The Loan Fund and banks. Exhibit 4 enumerates the range of sources of acquisition loans.

Exhibit 4: Frequency and percentage distribution of MHCs' sources of acquisition loans

Sources	Frequency	Percentage
Banks and NHCLF	47	54%
NHCLF only	14	16%
NHHFA (New Hampshire Housing Finance Authority) and/or NHCLF	14	16%
NHCLF and family trusts	6	7%
NHCLF and Community Development Block Grant (CDBG)	2	2%
Others/no records	4	5%
Total	87	100%

As stated above, this study focused on the 47 MHCs that were funded through a combination of loans from bank loans and The Loan Fund. Data on the other loans are incomplete and, in addition, these data are not accurate. Therefore, we did not attempt to compare the characteristics of loans jointly financed by banks and The Loan Fund with characteristics of the other loans.

Prior to 2000, staff from The Loan Fund would help the cooperative's Board members submit requests to banks for financing, as well as accompany the Board in visits to the banks. Starting in 2000, with guidance from The Loan Fund, the MHCs became directly involved and took the lead in the process. MHCs began the practice of sending letters to five banks, enjoining them to "compete" for their loan application. These letters contain the names of all banks to approach (typically five banks), and a set of preferred conditions, e.g., interest rates, loan terms, and the like. The banks do not oppose this competitive process; in fact, bank officers interviewed by the study said that:

> *[1] "Banks are fairly aware of who the competitors are for these loans and how they may need to price their bids to be competitive."*
>
> *[2] "Competition amongst the financial institutions is a very normal part of our lending activities today. We expect that Borrowers will seek offers from a variety of Banks and respect that this is in their best interest."*
>
> *[3] "Banks are always competing with other banks for all types of loans on a daily basis. As long as the process is fair to all it's not a problem."*

(d) **Loan amounts**. The acquisition loans vary in amount. For instance, based on available data on loans of 75 of the 87 MHCs, the lowest loan amount is $43,000, while the highest is $16,218,000. A plurality of loans (31 loans, or 41 percent) are between $100,000 and $499,999. Exhibit 5 shows the distribution of acquisition loan amounts.

Exhibit 5: Frequency distribution of total acquisition loan amounts by MHCs

Acquisition loan amounts (grouped)	Frequency	Percentage
Less than $100,000	2	2.7%
Between $100,000 and $499,999	31	41.3%
Between $500,000 and $999,999	17	22.7%
Between $1,000,000 and $2,999,999	17	22.7%
Between $3,000,000 and $5,999,999	6	8.0%
$6,000,000 or higher	2	2.7%
Total	75	100.0%

While the median loan amount for the 75 MHC loans is about half a million dollars, the average amount is more than double the median value, mainly because of a few outliers at the upper limit of the distribution. A more realistic picture can be achieved by computing for these measures of central tendency taking out these outliers, along with a corresponding number of lower-limit outliers. This is shown as a comparative picture of acquisition loan amounts in Exhibit 6.

Exhibit 6: Descriptive statistics of total acquisition loan amounts received by MHCs

Descriptive measures (in US$)	75 MHCs with loan data	71 MHC with loan data (2 loans of more than $6M and 2 loans of less than $100K excluded)
Mean	1,436,689.43	1,106,024.05
Median	611,000.00	611,000.00
Std. deviation	2,480,627.23	1,158,141.58
Range	16,218,000.00	5,280,000.00
Minimum	43,000.00	140,000.00
Maximum	16,261,000.00	5,420,000.00

The loan amounts have increased over time. This is validated by a Gamma value of 0.40, i.e., a moderate association between loan amounts and year of acquisition, suggesting that loan amounts tended to increase over time. For instance, 70 percent of the loans between 1984 and 1988 were less than $500,000; in contrast, 71 percent of the loans were $500,000 or more between 2004 and 2007. Exhibit 7 presents this association.

Exhibit 7: Cross tabulation of acquisition loan amounts by year of acquisition

Acquisition loan amounts	Year of acquisition (grouped)					Total
	’84 – ‘88	‘89 – ‘93	’94 – ‘98	‘99 – ‘03	‘04 – ‘07	
< $100K	20%					3%
$100K - < $500K	50%	29%	75%	36%	29%	41%
$500K - < $1M	20%	43%	17%	27%	17%	23%
$1M - < $3M		28%	8%	23%	38%	23%
$3M - < $6M	10%			14%	8%	8%
$6M or up					8%	2%
Total	100%	100%	100%	100%	100%	100%

Gamma = 0.40

(e) **Post-conversion technical assistance**. Technical assistance from The Loan Fund continues even after the formation of cooperative MHCs. Post-conversion technical assistance comes in various forms. According to a focus group discussion comprising the top management of The Loan Fund and staff of the Manufactured Housing Park Program (MHPP), the types of technical assistance that The Loan Fund provides to MHCs have evolved through time. Up until the late 1990s, MHPP had a small team; thus, the level of technical assistance was much less than what is provided now. Gradually, specialists were brought into the team, for example, finance specialists, community organizers, and the like. Today, a small MHC is offered the same general set of assistance as an MHC with hundreds of housing units.

A post-conversion technical assistance service that The Loan Fund provides is leadership skills building. The first Management Guide was written in 2003, and includes technical, management and volunteer information, among other information, that is needed to run a cooperative park. MHC Board members were provided with management templates and tools, along with a face-to-face training from a Loan Fund staff member.

To some extent, the MHC residents themselves determine the type of technical assistance provided them. According to the focus group discussion, it all depends on the group. Knowledgeable residents may include people who challenge many of the actions of the cooperative. The organizational process takes more time for some due to the characteristics of the individuals. Some may come from a more professional background, compared to those with little board experience. There may be high turnover for specific positions and issues over record-keeping may arise. To address these issues and ensure implementation, within two months after the acquisition is completed, staff from The Loan Fund meet with the Board to go over the by-laws that were created prior to the conversion.

(f) **Loan Fund capacity**. The significant inflow of funds into the Loan Fund (i.e., from $3 million to $33 million over nine years) allowed for more diversity in the types of technical assistance. When there were few resources, there was a strong tension between pre- and post-conversion support. Additional specialists and more funds have allowed the post-conversion assistance to be better funded and supported. This shift occurred in 2000.

Over time, The Loan Fund checks in with the MHCs to look at organizational structure, financial issues, and infrastructure needs (i.e., capital improvements). It was noted during the focus group discussion with staff of The Loan Fund that there seems to be a high degree of independence among MHCs. Many do not even ask for assistance, even if needs are immediately detected once The Loan Fund reaches out.

Technical assistance is also provided even if an MHC has fully repaid its loan. It is offered for a fee of $250 per year, and conferences are offered to all Coop Directors. Many of the MHCs return to the Loan Fund when there are infrastructure changes.

The Loan Fund is planning to offer a training curriculum in regions throughout the state because it is no longer possible to do individual trainings for each MHC. The training will cover organization, finance, and capital improvements.

The Loan Fund estimates that 39 individuals from MHCs have participated in Leadership Training in the last three years. . It is possible that these individuals will begin to offer training to other MHCs within the area. These MHCs may begin to buy heating oil or insurance or work with a common accountant so that they have better opportunities financially.

In sum, The Loan Fund's pre- and post-conversion assistance contributed to the creation of cooperative MHPs. Moreover, this enabled to cooperatives to access acquisition loans from banks. Statements from bank officers attest to this:

> *[1] "Banks make these loans for several reasons: the support the Co-op receives from the NHCLF, it satisfies a bank's requirement to make community development loans, and because it's the right thing to do. … The [Loan Fund] trains and provides assistance to the co-op as well as loaning adequate 'equity' into the project."*
>
> *[2] "The NHCLF provides excellent support and guidance to the members of the cooperative and the Board of Directors that will lead the organization. These folks are often very inexperienced in the areas that they become involved, such as managing real estate, developing budgets and financial statements, understanding issues associated with infrastructure of the MHP. The BOD and members are able to access the vast knowledge and experience of the CDFI staff for the duration of the financing. This is viewed as a very strong enhancement to the Borrower's leadership. The NHCLF also has greater flexibility than other financial institutions to customize loan terms in ways that Bank's are not due to our regulatory environment (i.e. deferment of interest) Without the involvement of the NHCLF the loans would be considered a greater risk, similar in nature to a startup business, and would be more difficult to underwrite."*
>
> *[3] "NHCLF involvement as subordinate lender provides the 'equity' piece of the transaction that makes the purchase possible. Their continued involvement as a lender and technical assistance provider helps to mitigate the risks of lending to a borrower with no track record."*

The new financial product seems to have succeeded in supporting the six activities identified: The Loan Fund (a) helped increase cooperative conversions, (b) provided early assistance to prospective MHCs, (c) helped arrange needed financing, (d) helped increase loan amounts over time, (e) followed through and provided post-conversion technical assistance, and (f) enhanced its own lending and operational capacity to serve MHC clients.

Hypothesis 2: Loan product performance

Loan performance is a necessary antecedent to banks' adoption of the loan product. Analyses show a consistent picture of strong loan product performance. Of the 47 MHC loans funded by both The Loan Fund and banks, 12 are already paid in full, while 33 are active and on time with their mortgage payments. Exhibit 8 shows the distribution of the current status of MHC loans.

Exhibit 8: Frequency and percentage distribution of current status of loans

Current loan status	Frequency	Percentage
Active	33	70%
Paid in full	12	26%
Rolled over	2	4%
Total	47	100%

While half of the loans funded between 1984 and 1988 remain active, a majority of the loans funded during the periods 1989-1993 and 1994-1998 are already paid in full (60 percent and 78 percent, respectively). As expected, a vast majority of recently funded loans (i.e., during the periods 1999-2003 and 2004-2007) are not yet fully paid (92 percent and 100 percent respectively). A Cramer's V value of 0.633 indicates a strong association between current loan status and the year when the loan was funded. Detailed percentages are shown in Exhibit 9.

Exhibit 9: Cross-tabulation of current loan status by year of acquisition

Current loan status	Year of acquisition (grouped)					Total
	'84 – '88	'89 – '93	'94 – '98	'99 – '03	'04 – '07	
Active	50%	40%	22%	92%	100%	70%
Paid in full	17%	60%	78%	8%		26%
Rolled over	33%					4%
Total	100%	100%	100%	100%	100%	100%

Cramer's V = 0.633

Of the 23 MHC loans from banks (for which the study has a signed consent form), there was only one report of delinquency in the past, and this delinquent loan was rectified within three months. For the 47 MHC loans from The Loan Fund, four had a history of delinquency, in all cases short-term and involving a small amount. All four loans are current with their payments.

According to interviews with bank loan officers, the fact that the loan default rate is zero and instances of delinquency are rare are among the main reasons why banks continue to adopt the loan product. As two bank officers put it,

> *[1] "[a]s is often the case, the performance of a particular segment of lending activity will cause banks to be drawn to want to expand their lending in that area. We are always seeking new opportunities for community development lending and the track history of this type of lending makes it an attractive opportunity for us."*

> *[2] "the success of the program—no failures—ha[s] made this type of loans more comfortable for banks to be involved in."*

Loan performance of the product developed by the NHCLF is one of the major research questions in this study. Performance is conceptualized as a necessary but not sufficient antecedent to adoption by banks. Thus, performance and adoption are the main effects addressed in this study. The evidence presented herein supports the hypothesis that predicted a strong performance by the loan product. The analysis section that follows looks at the question of adoption of the loan product by mainstream banks, and explores how performance may help adoption and mainstreaming.

Hypothesis 3: Adoption of the loan product by mainstream financial institutions

While performance data above supported the adoption hypothesis, it does not fully answer it. It is important to address whether increased use of the loan product in shared financing by banks jointly with the Loan Fund reflects the gradual adoption of this loan product by mainstream financial institutions (as hypothesized in this study), or can it be equally explained by an opposing alternative interpretation of no effect (i.e., more loans are merely more loans by NHCLF over time, and do not reflect adoption of the product by banks). Since the limitations of the quantitative data created by issues of sampling and participation do not allow an unequivocal answer to this question, the answer can only be approximated by the weight or persuasiveness of the related quantitative and, particularly, qualitative data (expert and informant interviews). Data persuasiveness in this case effectively means that if related quantitative and qualitative data provide evidence that can be explained by the adoption hypothesis but not by the alternative (no effect) hypothesis, then the adoption hypothesis prevails. This will add new knowledge relevant to CDFIs, and allow the adoption hypothesis to be considered in program planning. Ultimately, the alternative (no effect) hypothesis must be put to rest by future research based on a larger sample to unequivocally answer this question.

As shown earlier, 47 of the 87 cooperative MHCs relied on loans that were funded by both The Loan Fund and mainstream financial institutions (or banks). A total of 19 banks were involved in co-financing the 47 MHCs. These banks range from those that operate regionally or nationwide, to those that operate in certain parts of New Hampshire.

One indicator of adoption of the loan product by banks is the number of loans financed over time. Historically, local and regional banks were not actively engaged in financing MHCs in New Hampshire. Typically, banks did not see that MHCs met reasonable criteria for financing. According to one bank officer:

> "*[f]irst understand that the Coop, while non-profit, is a business that provides affordable space for individuals to locate their own homes. Almost all the Coops come to the bank for funding as startup operations and they have no capital to invest and they have no experience running this type of business.*"

Current data shows an increase in the number of NHCLF loans funded by banks over time. This is depicted in Exhibit 10 below. For example, while there were five to six loans funded by banks in the early five-year periods between 1984 and 1988, and 1989 and 1993, the number more than doubled in recent periods including the current four years between 2004 and 2007. At the same time, as shown in Exhibit 3, the total numbers of loans to MHCs, with and without participation by mainstream financial institutions, also increased over time, so the data do not show unambiguously that banks were increasingly willing to participate in financing MHCs.

Exhibit 10: Frequency distribution of MHC loans funded by both banks and The Loan Fund over time

Time period	Frequency	Percentage
1984 – 1988	6	13%
1989 – 1993	5	11%
1994 – 1998	9	19%
1999 – 2003	13	28%
2004 – 2007	14	30%
Total	47	100%

A second indicator of adoption of the loan product is the increase in the loan amount funded jointly by the banks and The Loan Fund. Data from The Loan Fund and banks indicate a significant increase in the loan amounts. While 83 percent of loans funded between 1984 and 1988 were less than $500,000, 86 percent of loans funded between 2003 and 2007 are valued at $1 million or higher. This is reflected by a Gamma value of 0.695, which suggests a strong association between the loan amounts and the year of acquisition. Exhibit 11 below illustrates this association.

Exhibit 11: Cross tabulation of acquisition loan amounts funded by both banks and The Loan Fund by year of acquisition

Acquisition loan amounts (grouped)	Year of acquisition (grouped)					Total
	’84 – 88	‘89 – ‘93	‘94 – ‘98	‘99 – ‘03	‘04 – ‘07	
< $500K	83%	20%	67%	8%		28%
$500K - < $1M	17%	40%	22%	38%	14%	25%
$1M - < $3M		40%	11%	31%	57%	32%
$3M - < $6M				23%	14%	11%
$6M or up					15%	4%
Total	100%	100%	100%	100%	100%	100%

Gamma = 0.695

A third indicator is the bank’s share of total development costs (TDC). The loan amount funded by banks is a portion of the total development cost associated with the acquisition of the manufactured home park. Total development costs include acquisition cost, capital improvements, bank due diligence, loan origination fee, capital reserve (i.e., funds set

aside in case something goes wrong with the loan) and, in the case of earlier loans, three months' worth of mortgage payments.

The total development costs and the amount funded by banks vary from one MHC financing pro forma to another. Exhibit 12 below shows total development costs and the loan amount from the banks for each MHC acquisition loan; MHC loans are listed below from earliest (1987) to most recent (2007).

Exhibit 12: Total development cost and bank loan amount by MHC

MHC (earliest to most recent)	Total development cost (TDC)	Bank loan amount	Share of TDC by bank	Loan to value (from banks)
1	153,000.00	91,125.00	0.60	NA
2	650,000.00	316,500.00	0.49	NA
3	1,132,000.00	950,000.00	0.84	NA
4	1,090,900.00	900,900.00	0.83	NA
5	241,835.00	156,400.00	0.65	0.75
6	2,412,000.00	1,725,000.00	0.72	0.75
7	878,414.00	617,000.00	0.70	0.75
8	549,800.00	371,250.00	0.68	0.85
9	NA	1,750,000.00	NA	0.80
10	1,380,000.00	880,000.00	0.64	0.80
11	1,335,400.00	1,006,400.00	0.75	0.80
12	NA	322,400.00	NA	0.80
13	5,511,788.00	3,920,000.00	0.71	0.80
14	1,350,642.00	1,062,500.00	0.79	0.85
15	659,349.00	510,000.00	0.77	0.85
16	1,805,000.00	1,632,000.00	0.90	0.85
17	11,140,000.00	9,095,000.00	0.82	0.85
18	2,323,344.00	1,800,000.00	0.77	0.80
19	3,921,180.00	3,276,000.00	0.84	0.85
20	672,473.00	540,000.00	0.80	0.80
21	4,698,850.00	3,195,000.00	0.68	0.80
22	1,774,274.00	1,017,000.00	0.57	0.80
23	1,779,000.00	1,440,000.00	0.81	0.90

Exhibit 12 suggests a trend of increasing loan amounts from banks over time. However, the association is weak, as shown by a Gamma value of only 0.093. This is because the trend is affected by unusually high loans at different points during this period. If the first two loans are considered outliers, there is no trend.

We also looked at whether the total development costs for loans in which banks participated increased over time. We removed the years for which data is missing (pair-wise deletion) and divided the resulting 21 data years into three equal cohorts ranging from earliest to most recent. This is shown in Exhibit 13 below. The result shows that aggregate TDC roughly doubled each 7-year period, from $6.5 million to $12.6 million, to $26.3 million. The same pattern holds if we replace these data with the amount of TDC

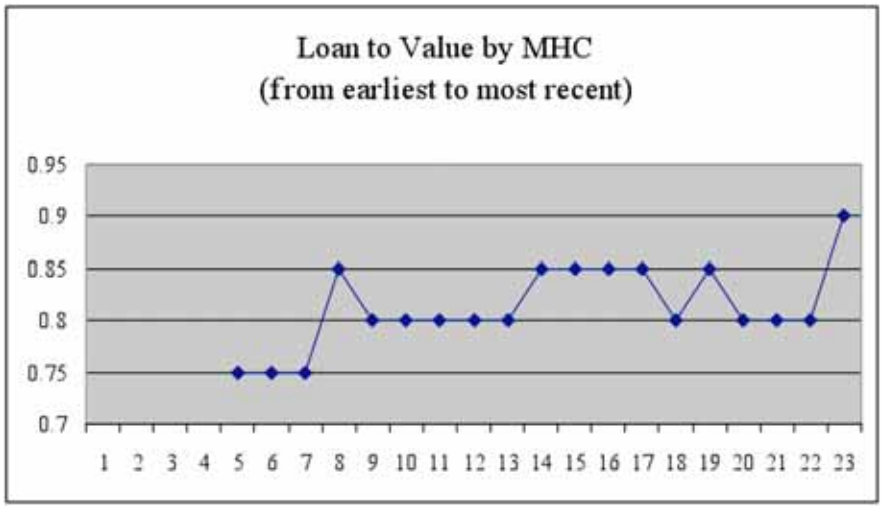
financed by the bank (not shown). Moreover, if we remove the outlier high loans from each cohort (i.e., $2,412,000 in year 6, $5,511,788 in year 13, and $11,140,000 in year 17, all shaded in the table below), the same pattern remains (not shown): aggregate TDC minus outliers roughly doubled each 7-year period, from $4.1 million to $7.1 million, to $15.2 million. Indeed, TDC quadrupled over the 21 data years, Clearly, TDC increased over time.

Exhibit 13: TDC by MHC grouped into equal 7-year cohorts

Cohorts	Years 1-7	Years 8-14	Years 15-21
	153,000.00	549,800.00	11,140,000.00
	650,000.00	1,380,000.00	2,323,344.00
	1,132,000.00	1,335,400.00	3,921,180.00
	1,090,900.00	5,511,788.00	672,473.00
	241,835.00	1,350,642.00	4,698,850.00
	2,412,000.00	659,349.00	1,774,274.00
	878,414.00	1,805,000.00	1,779,000.00
Sum	6,558,149	12,591,979	26,309,121
Average	$936,878.43	$1,798,854.14	$3,758,445.86

A fourth indicator of adoption of the loan product is loan-to-value ratio (LTV). The loan to value of each bank loan is the percentage of the acquisition cost that the bank is willing to cover. The remaining portion of the acquisition cost, along with the rest of the TDC, is covered by The Loan Fund. The loan-to-value ratio of bank loans is shown in the last column of Exhibit 12 above. Loan to value increases over time. This observation is validated by a Gamma value of 0.608, which suggests that the loan to value increases over time. The first few MHC loans funded by banks had a loan-to-value ratio of 0.75; these were then followed by loan-to-value ratios that range from 0.80 to 0.85. The most recent MHC loan year had a bank loan-to-value ratio of 0.90. Exhibit 14 below graphically depicts the pattern of increasing loan-to-value ratios. It illustrates that, once again, if the earliest loans are omitted, there is no strong trend. Here as elsewhere, the fact that we were able to acquire loan-level data on only 23 of 47 loans means that the quantitative analysis is suggestive, but not conclusive, and we must rely mainly on the interviews with bank officers for evidence of willingness of banks to provide favorable loan terms when they participate with The Loan Fund in financing MHCs.

Exhibit 14: Loan to value by MHC over 23 years



The qualitative supports the hypothesis that banks were willing to make loans on favorable terms. For example, bank loan officers interviewed explained:

> *"the 80-85% [of acquisition cost that the bank funds] is a more favorable advance rate than our average, and yet provides us some protection in the event that the value of the collateral property declines during the tenure of the loan."*

> *"[g]enerally, a [foreclosed] property sells for 70-80% or appraised value – or less, depending upon the economic conditions of the time."*

> *"[t]ypically, banks lend a percentage of the value that is based in some understanding of the risk that the value of that type of property will decline. Advance rates average 60%-70% for undeveloped land, 70% - 75% for many types of commercial property, and so on. The 80-85% is a more favorable advance rate than our average and yet provides us some protection in the event that the value of the collateral property declines during the tenure of the loan."*

However, MHCs need to borrow 100 percent of acquisition cost because they have no source of funds for a downpayment, and banks will never offer an LTV of 100 percent. According to one bank officer interviewed by the study,

> *"[b]anks have restrictions (internal and regulatory) that limit the maximum loan to value ratios and the type/amount of risk they can take on a loan. Banks need to protect depositors' funds when making loans by minimizing any potential risk. Banks are [neither] partners nor investors in the business; they are providers of funds when borrowers need additional funds above and beyond borrower's initial investment in their business. Banks do not fund 100% of capital need."*

Key informant interviews with a number of loan officers of the lending banks revealed that they would have even offered an even higher loan to value ratio, yet decided against it in order to avoid the concerns of regulators.

A fifth set of adoption indicators are changes in the interest rate and cost of funds through time. Exhibit 15 below shows loan characteristics for MHC loans, listed from the earliest (1987) to the most recent (2007).

Exhibit 15: Interest rate and cost of funds by MHC (earliest to most recent)

MHC (earliest to most recent)	Interest rate	Cost of funds (all FHLB CIP + basis point spread, unless indicated)
1	Not available	Not available
2	11.00	Not available
3	Not available	Not available
4	10.00	Not available
5	8.15	200 basis pt. spread
6	8.01	200 basis pt. spread
7	8.75	200 basis pt. spread
8	7.50	150 basis pt. spread
9	7.72	140 basis pt. spread
10	7.38	200 basis pt. spread
11	7.88	145 basis pt. spread
12	6.02	140 basis pt. spread
13	6.89	140 basis pt. spread
14	Not available	150 basis pt. spread
15	6.93	150 basis pt. spread
16	Not available	150 basis pt. spread
17	6.57	Hedge swap rate (LIBOR based)
18	6.71	Hedge swap rate (LIBOR based)
19	6.62	140 basis pt. spread
20	6.89	140 basis pt. spread
21	6.95	140 basis pt. spread
22	6.47	140 basis pt. spread
23	6.64	140 basis pt. spread

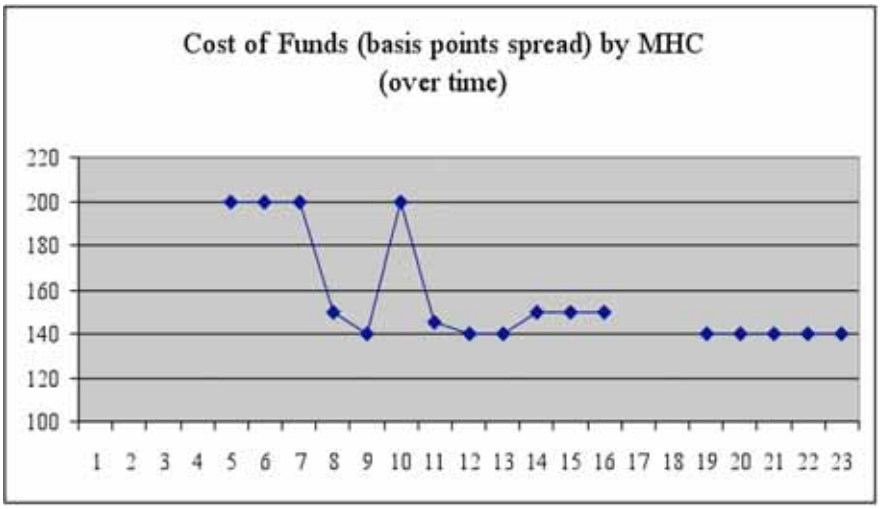
Note: LIBOR: London interbank offer rate

Exhibit 15 shows a pattern of decreasing bank loan interest rates through time. This is confirmed by a Gamma value of – 0.647, reflecting a strong negative association between interest rate and the passing of time.

Exhibit 15 also provides a standardized measure of the cost of funds. Standardization is achieved by computing the difference (basis-point spread) between the cost of funds and a uniform rate. In most instances, the uniform rate used is the prevailing Federal Home Loan Bank-Community Investment Program (FHLB-CIP) rate. Using these standardized rates, Exhibit 15 shows a pattern of decreasing basis-point spread over time. This is

confirmed by a Gamma value of -.688. This suggests that banks have offered more beneficial lower basis-point spreads over time. Specifically, the margin has decreased from 200 basis points for the earliest MHC loans to 140 basis points for the more recent loans. However, once again, the trend disappears if the earliest loans for which we have loan level data are not included, as shown by Exhibit 16.

Exhibit 16: Cost of funds over time



Qualitative data suggests that the interest rates offered by banks are as favorable as could be expected. For example, a bank loan officer interviewed by the study explained:

> *"the terms for these loans are very favorable when compared to a loan portfolio as a whole, and even more favorable when compared with loans of similar risk profile." Another bank loan officer said that " [a 120-140 basis point spread] is more favorable than the average spread—which would be nearer to 200 – 250 basis point spread."*

A sixth set of indicators of banks' adoption of the MHC loan product are changes in a number of loan characteristics through time. Exhibit 17 enumerates these loan characteristics for MHC loans, listed from earliest (1987) to most recent (2007).

Exhibit 17: Amortization period, loan terms, and fixed vs. variable rates by MHC

MHC (earliest to most recent)	Amortization (in months)	Loan terms (in months)	Fixed vs. variable rate
1	300	60	Variable
2	360	360	Variable
3	Not available	Not available	Not available
4	240	120	Not available
5	300	240	Fixed
6	300	240	Fixed
7	360	240	Fixed
8	300	120	Fixed
9	300	180	Fixed
10	360	240	Fixed
11	360	240	Fixed
12	360	240	Fixed
13	360	240	Fixed
14	360	360	Fixed
15	360	360	Fixed
16	Not available	Not available	Fixed
17	360	360	Fixed
18	360	360	Fixed
19	360	240	Fixed
20	360	240	Fixed
21	360	240	Fixed
22	360	240	Fixed
23	360	240	Fixed

Exhibit 17 above shows that the amortization period, for the most part, has not changed over time. Whether loan rates shift from variable to fixed over time could also support adoption, but this cannot be concluded from these data because, for the most part, banks have been offering fixed rates since 1987. Again, qualitative interview data indicates that these terms should be considered very favorable. For example, two loan officers explained:

> *[1] "Terms for these loans are very favorable when compared to a commercial loan portfolio as a whole, and even more favorable when compared with loans of similar risk profile."*
>
> *[2] "[c]urrent Cooperative funding, because of its affordable housing status, receives higher LTV's, longer term, long term fixed rates, smaller margins, and lower debt coverage ratios than a private park buyer would receive."*

The other three research questions that follow are generally exploratory and secondary to performance and adoption, but help explain both adoption and the benefits that derive from adoption of this product.

Hypothesis 4: Effects of the loan product on the cooperative MHCs

This section discusses the results of a literature review of past studies that looked at the effects of cooperation on MHC residents, in general. It also discusses the results of a survey questionnaire sent to the 47 MHCs that availed of acquisition loans from both The Loan Fund and banks. However, only 11 MHCs responded to the survey, despite efforts by the research team and The Loan Fund. Thus, the discussion can not be taken as representative of the experience of the 47 MHCs with regard to their acquisition loans.

Of the 11 MHCs who responded to the survey, only one took out some other loan (i.e., a loan to purchase a truck). The respondent claims that the MHC's experience with the acquisition loan was helpful in successfully obtaining the truck loan. One MHC said that it did not have a need for another loan. The rest did not provide an answer.

The study hypothesized that MHCs would gain confidence in taking out additional loans if they had a positive experience with The Loan Fund and banks in the land acquisition loan. However, it is difficult to test this hypothesis because only one of the responding MHCs actually used another loan. This finding is inconclusive, but has some support in the hypothesized direction.

A majority of the 11 MHCs responding claim to have had a positive experience with their loans from banks, as shown in Exhibits 18 and 19 below.

Exhibit 18: Frequency distribution of satisfaction with bank loan

	Agree a lot	Agree	Neither agree nor disagree	Disagree	Disagree a lot
Bank explained loan well	2	7	0	0	2
Bank explained interest rate well	2	7	0	0	2
Bank explained loan amortization well	3	5	1	0	2
Bank explained loan terms well	3	6	0	0	2
Bank approved loan in reasonable time	4	4	0	0	3

Exhibit 19: Frequency distribution of satisfaction with NHCLF loan

	Agree a lot	Agree	Neither agree nor disagree	Disagree	Disagree a lot
Loan Fund explained loan well	3	6	0	0	2
Loan Fund explained interest rate well	3	6	0	0	2
Loan Fund explained loan amortization well	3	6	0	0	2
Loan Fund explained loan terms well	3	6	0	0	2
Loan Fund approved loan in reasonable time	4	5	0	0	2

A majority of the MHCs (7 of 11) learned about the availability of funds to acquire the land from The Loan Fund. Seven of the 11 MHCs said that the decision to secure the bank loan was voted on by the cooperative members; 5 of the 11 said that the decision was also made by the cooperative's Board. Exhibit 20 enumerates the bases for making the decision.

Exhibit 20: Frequency distribution of basis for decision to apply for bank loan

Basis	Frequency (N = 11)
Only loan available	3
Favorable repayment period	4
Affordable monthly payment	4
Fixed interest rate	2
NHCLF advice	3
Best overall loan conditions when compared four other potential lenders	1
Don't know	1

A literature review was conducted to capture the documented effects of cooperation on a number of economic and social factors affecting park residents. A study by Rivera (2006) found that cooperative MHCs in a New Hampshire city with a high concentration of manufactured homes (almost 20 percent of homes) have better housing characteristics compared to non-cooperative MHCs. Cooperative MHCs are newer, larger, have more rooms, are closer to commercial amenities and roads, and have better park layout. Cooperative MHC residents also pay lower monthly rents and have access to non-subprime housing loans. Exhibit 21 below provides a comparative summary of housing characteristics between cooperative and non-cooperative MHCs. Chi-square and t-test values indicate that there is a statistically significant difference between cooperative and non-cooperative MHCs for each of the housing characteristics shown in Exhibit 21.

Exhibit 21: Comparative summary of housing characteristics between cooperative and non-cooperative MHCs

Housing characteristics of homes in parks	Homes in cooperative MHCs	Homes in non-cooperative MHCs	Statistics
Percentage of housing units below 20 years old	65%	42%	$\chi^2 = 196.80$ ($p < .01$)
Percentage of housing units with 5 or more rooms	68%	40%	$\chi^2 = 100.80$ ($p < .01$)
Finished area (in sq.ft.)	1,059	978	$t = -6.10$ ($p < .01$)
Index of park layout (range: 0 to 1; 0 = worst, 1 = best)	0.93	0.64	$t = -31.24$ ($p < .01$)
Index of park location (range: 0 to 1; 0 = best, 1 = worst)	0.42	0.47	$t = 10.50$ ($p < .01$)
Average monthly rent amount	$278.42	$303.00	$t = 14.70$ ($p < .01$)
Annual rate of rent increase	3.9%	4.5%	$t = 6.83$ ($p < .01$)
Percentage of housing units bought with mortgage	88%	34%	$\chi^2 = 52.41$ ($p < .01$); $\varphi = 0.49$ ($p < .01$)

Rivera, 2006.

In terms of assessed values and selling prices, homes in cooperative MHCs have higher values compared to those in non-cooperative MHCs with comparable housing characteristics. Exhibit 22 below highlights the differences in median and mean values of homes in cooperative and non-cooperative MHCs. Chi-square and t-test values (in 4th column of table) indicate that there is a statistically significant difference between cooperative and non-cooperative MHCs in terms of each of the measures of home value found in Exhibit 22.

Exhibit 22: Comparative summary of assessed values and selling prices between cooperative and non-cooperative MHCs

Housing values of homes in parks	Homes in cooperative MHCs	Homes in non-cooperative MHCs	Statistics
Median (*and mean*) 2005 adjusted assessed value of housing unit	$52,748.41 (*$56,533.31*)	$36,575.05 (*$46,683.43*)	$t = -7.71$ ($p < .01$)
Median (*and mean*) 2000 adjusted assessed value of housing unit	$27,897.00 (*$30,343.10*)	$19,420.60 (*$26,472.16*)	$t = -4.76$ ($p < .01$)
Median (*and mean*) 2004-2005 selling price	$48,533.00 (*$51,942.51*)	$37,000.00 (*$44,656.62*)	$t = -2.26$ ($p < .03$)

Rivera, 2006.

The same study also found that manufactured homes appreciated in value over time. The study also revealed that living next to manufactured communities does not decrease the value of abutting homes. In conclusion, the study by Rivera (2006) states that:

> *"[V]alue appreciation of abutting homes is not associated with their being located next to manufactured home parks. This and the previous conclusions should restrain local and state policymakers and executives from enacting laws and executive orders that are biased against manufactured home parks. Living next to home parks does not decrease the value of abutting homes; thus, they cannot be accused of diminishing the city's revenues emanating from property taxes. Moreover, the value of manufactured homes is appreciating at a rate that is higher than the county and state appreciation rates; this only means that the city generates more property tax revenues from them. This is especially true for homes in member-owned parks."*

What the 2006 Rivera study does not show is the direction of causality. Manufactured home parks may have been good candidates for conversion to MHCs—or for development as MHCs—because they were in better locations and had housing stock in better condition than other manufactured housing in non-cooperative parks.

Another study of manufactured home communities in New Hampshire by the Carsey Institute (2005) concludes:

> *"The economic impacts of [cooperative MHCs] are an important, emerging beneficial resource for the low- and moderate-income population of New Hampshire. The data is clear: Homeowners perceive and enjoy real economic benefits from resident ownership of manufactured home communities. They feel their monthly fees are stable and they have more control over the land. Home values are higher …, considerably more home mortgage loans have become available to [cooperative MHCs] residents since 2002, and the loans that [cooperative MHCs] residents have are the more desirable fixed rate loans."*

Conclusions and Recommendations

Based on the study results and findings, this section provides conclusions related to the study's main hypothesis (i.e., The Loan Fund's effective introduction of the new loan product, coupled with excellent loan performance, led mainstream financial institutions to adopt the loan product). The discussion of the study's conclusions is in the form of answers to the five questions addressed by the research, namely:

1. How did The Loan Fund introduce its manufactured home community loans to resident-owned, cooperative manufactured home communities? Did this approach help the subsequent adoption of the loan product?

2. How did MHC loans perform over time?
3. Were these loan products to cooperative MHCs adopted by commercial banks and other mainstream financial institutions, and why?
4. What are the social and economic effects of these products on MHC residents?
5. Is this model replicable to a large national rollout of the resident-owned manufactured home model, particularly in rural areas?

Was introduction of the financial loan product effective? (How?)

The assistance that the Loan Fund provides to prospective MHCs is an important consideration in the introduction of this financial product. The effectiveness of the Loan Fund in introducing the financial product could be gauged by six factors that included the large number of MHPs that converted into cooperatives, more than half of which were able to access land acquisition loans from banks. This was accomplished by the Loan Fund taking on the role of subordinate lender, and by providing pre- and post-conversation technical assistance, which led to the creation of cooperative MHPs.

Did the loan product perform well?

Loan product performance is one of the major research questions in this study. Loan performance is conceptualized as a necessary but not sufficient antecedent to adoption of the loan product by banks. Performance and adoption are the main effects addressed in this study. Analyses in this area consistently showed strong loan product performance. This evidence supports the hypothesis of a strong performance by the loan product. Next, we look at the question of adoption of the loan product by mainstream banks, and explore how performance may help adoption and mainstreaming.

Did banks adopt the loan product introduced by The Loan Fund?

A key question to be resolved was whether increased use of the loan product in shared financing by banks jointly with the Loan Fund reflects the gradual adoption of this loan product by mainstream financial institutions, as hypothesized, or can it be equally explained by an opposing alternative interpretation of no effect (i.e., more loans are merely more loans by NHCLF and do not reflect increasing adoption of the product by banks). Given the limitations of the quantitative data created by issues of sampling and participation, an unequivocal quantitative answer was not possible. Therefore, the question was addressed by assessing the persuasiveness of related qualitative data, including expert and informant interviews.

Six sets of indicators were used, which are summarized below:

1. The number of loans financed..
2. The loan amount funded jointly by the banks and The Loan Fund.
3. The bank's share of total development costs (TDC).
4. Loan to value.
5. Interest rate and cost of funds over time.
6. Loan characteristics over time.

First, the number of MHC land acquisition loans funded by banks increased over time. The number of loans extended to MHCs increased, from 6 during the first five years of the initiative (1984-1988), to 14 in the last four years (2004-2007). This pattern indicates the banks' confidence in the loan product, although the percentage of MHC loans that involved joint financing did not increase. Since 2000 banks have competed with each other for MHC loans. Typically an MHC, with Loan Fund assistance, will put its loan out "to bid" to five different banks and choose the bank that offers the most favorable terms.

Second, the loan amount funded jointly by the banks and The Loan Fund increased over time. While 83 percent of loans funded between 1984 and 1988 were less than $500,000, 86 percent of loans funded between 2003 and 2007 are valued at $1 million or higher.

Third**,** aggregate TDC roughly doubled each 7-year period, from $6.5 million to $12.6 million, to $26.3 million. The same pattern holds if we replace these data with the amount of TDC financed by banks. Indeed, TDC quadrupled over the 21 data years, which clearly indicates that TDC increased over time.

Fourth, the banks' loan-to-value ratio for MHC loans may have increased over time in a manner favorable to MHCs, athough the pattern is inconclusive if the first few MHC loans are not considered. The first few MHC loans funded by banks had a loan-to-value ratio of 0.75; these were them followed by loan-to-value ratios that range from 0.80 to 0.85.

Fifth, the interest rate and cost of funds appear to be as favorable as could be expected, based on the interviews with bank officers and the suggestive evidence that, if the earliest loans are included, the margin over cost of funds decreased over time.

Loan characteristics have been stable. Except for a few early loans, the amortization period has remained at 360 months for all MHC loans funded by banks. A vast majority of the MHCs loans have a fixed interest rate; only a few early loans had variable interest rates.

Because of the limited quantitative data available for this project, all we can say is that banks were willing to finance MHCs jointly with The Loan Fund. Evidence that terms became more favorable over time is inconclusive. However, the interviews with loan officers suggest that the terms offered by banks to MHCs were as favorable as could be expected.

What factors led to the adoption of the loan product?

Key informant interviews with nine current and former loan officers of banks that approved these loans offered four reasons for adopting the loan product.

First, the excellent performance of the MHC loans was a major factor that the loan officers cited. There were no loan defaults or foreclosures, and there were very few and short-term delinquencies; these were easily resolved within a short period of time.

Second, the technical assistance provided by the Loan Fund around pro-formas, infrastructure liabilities, and management was another key factor that led banks to adopt the loan product. All of the loan officers interviewed said that they would not lend to park tenant associations unless they underwent The Loan Fund's training and technical assistance. The loan officers said that the resident groups are amateurs when it comes to business (planning and conduct), and that The Loan Fund's training makes them behave in a business-like manner and helps them to package the loan application appropriately.

Third, some of the loan officers said that the loans extended to cooperative MHCs boosted the banks' CRA performance. The cooperative MHC loans were not only a source of good business; investing in affordable housing/community development activities also helped meet CRA lending requirements.

Fourth, the loan officers said that the MHCs generate excellent cash flow. The mortgages are saleable and banks can obtain outside financing from sources such as the Federal Home Loan Bank, if need be. As one loan officer puts it, knowing that The Loan Fund was backing the MHC loans had a "profound" effect in the bank's decision. The other loan officers shared this sentiment. When asked whether the banks would do business again with their MHC-clients in the future, all lenders indicated willingness to do so without hesitation.

What are NHCLF's prospects for a national rollout of the resident-owned manufactured home model?

The Loan Fund is planning a national rollout of the cooperative MHC model. The plan involves the creation of ROC USA, LLC as the organization that will manage the rollout. ROC USA, LLC, a 501(c)3 organization, includes a number of nonprofit members (i.e. co-owners) each investing equity capital and management resources. A single-member subsidiary, ROC USA Network, will handle the provision of technical assistance to resident-owned communities via ROC USA-certified TA providers (CTAPs). The Network was launched in May 2008 with nine nonprofit CTAPs operating in 28 states. A second wholly-owned subsidiary, ROC USA Capital, will finance community purchases for homeowner groups supported by a local CTAP.

ROC USA "is dedicated to making quality, resident-ownership viable nationwide." It claims the following competitive advantages in pursuing its mission: [1] qualified technical assistance, [2] high loan-to-value lending, [3] a rich experience in New Hampshire, and [4] expertise in market development.

The results of this research suggest that ROC USA will enjoy competitive advantages in this initiative. The archival data shows that cooperative MHCs are a viable market for manufactured home community acquisition loans. The advantages identified in this study that support The Loan Fund's plans (through ROC USA) to expand nationwide include the following.

First, the study shows that The Loan Fund has been able to provide effective technical assistance. A majority of the cooperative MHCs who responded to the survey are satisfied with the assistance provided by The Loan Fund. Moreover, banks assert that one major reason why they extended loans to MHCs is because of the technical assistance the Loan Fund provided.

Second, the research shows that The Loan Fund can achieve beneficial loan-to-value ratios for cooperative MHC loans. The fact that banks are willing to fund loans at 85 percent to 90 percent loan-to-value ratios makes it easier for the Loan Fund to extend loans to cooperative MHCs with high loan-to-value ratios. Loan fund participation in financing of MHPs often increases overall LTVs to 100 percent or even higher.

Third, the study documents The Loan Fund's experience in partnering with cooperative MHCs. As of 2007, The Loan Fund has 23 years of experience, and partnerships with 87 cooperative MHCs in New Hampshire. This represents about 20 percent of the market share in the state, and has benefitted more than 4,800 homeowners. The Loan Fund has leveraged $140 million in acquisition lending to date, and has not experienced any charge-offs or foreclosures.

Fourth**,** the Loan Fund model of MHC financing has gained the support and investment dollars from national experts.

George McCarthy, Senior Program Officer for the Ford Foundation noted that,

> *Homeownership in the US is considered to be one of the primary strategies for achieving financial security and building wealth. Sixty percent of low-income homeowners' net worth is in the form of equity in the home they own. And, since 30 percent of homes owned by low-income households are manufactured or "mobile" homes, doing something to improve the asset performance for owners of these homes is valuable work. ROC USA has developed a successful model for organizing and financing MHC's that we believe can be successful at a national level. We have invested $5 million of the Foundation's funds to support that development.*

Andrea Levere, President of CfED, a national nonprofit organization working on asset-building strategies, stated:

> *"As an organization dedicated to helping low-income Americans build assets, CFED is orchestrating a 10-year strategy to improve the construction, ownership and financing of manufactured housing by testing and spreading solutions that will help families begin to build home equity and to find economic security. The creation of ROC USA is a giant step forward in helping residents of manufactured home communities purchase their communities and build wealth by creating the financing tools and the technical assistance to make that possible.*

The Loan Fund successfully introduced a loan product for an underserved market that performed well, built confidence, and has been adopted by mainstream financial institutions. A statement from one bank officer sums up the results of the study:

"NHCLF as been involved with 88 or more start up cooperatives. They have assisted with capital and training and follow up. They have worked with coops until the coop qualifies for bank financing. They have over 25 years experience doing this and have had no failures."

Author Biographies

Michael Swack has over 25 years experience in the fields of community economic development, microfinance, development finance and development banking and is considered a pioneer in the field of community development lending and investment. He is the founder and former Dean of the School of Community Economic Development (CED) at Southern New Hampshire University where he is also a professor and teaches courses in finance, microfinance, economic development and negotiations. He was the first Chairman and served for 17 years as a board member of the New Hampshire Community Development Finance Authority (CDFA), a state-chartered equity fund for community economic development ventures and projects. He is the founding president and a current board member of the New Hampshire Community Loan Fund. Dr. Swack has published in the areas of community economic development and development finance. He received his doctorate from Columbia University, his masters degree from Harvard University and his bachelors degree from the University of Wisconsin-Madison.

Jolan Rivera is an Assistant Professor at the School of Community Economic Development (CED), Southern New Hampshire University. He teaches graduate-level courses in Project Design and Management, Principles and Practice of CED, Economics and CED, Development Economics, Organizational Analysis, and Research and Statistics. He shares his knowledge and experience in community economic development through formal classroom instruction, training of community organizations, and consulting work. His previous work experience includes teaching at the University of the Philippines – Baguio, and working with a number of national and international NGOs in the Philippines. In the United States, he has recently conducted collaborative academic and action research, participatory planning, organizational analysis and program evaluation on topics that include cooperative housing, asset accumulation for people with disabilities, responsible parenthood, and community-based crime prevention. He completed his Ph.D. in CED last May 2006.

Appendices

Appendix A: Bibliography

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Appendix B: Details of Data Gathering Methods and Sources

The data gathering methods used and the corresponding data source and analysis depended on the variable and indicator.

Varia-bles	Indicators	Data gathering method	Sources	Data analysis
Intro-duction of new loan product by The Loan Fund	Number of cooperative MHCs served over time	Secondary data collection	The Loan Fund records	Descriptive statistics (central tendency measures; frequency distribution; cross-tabulation) Measure of association (Gamma)
	Type, number, and amount of loans provided over time	• Secondary data collection • Key informant interviews	• The Loan Fund records • The Loan Fund staff	
	Loan-to-value	Secondary data collection	The Loan Fund records	
	Terms	Secondary data collection	The Loan Fund records	
	Margin over cost of funds (difference between cost of funds and the Fannie Mae multi-family 30-year funds cash delivery rate when loan was granted; the study will also use two other rates, i.e., [1] Federal Home Loan Bank rate and [2] the 10-year Treasury Note rate)	Secondary data collection	• The Loan Fund records • Banking industry records	
	Fixed vs. variable rate	Secondary data collection	The Loan Fund records	
	Types of organizing and other technical assistance provided	• Secondary data collection • Key informant interviews	• The Loan Fund records • The Loan Fund staff	Qualitative narrative
	Advocated policies in place	• Secondary data collection • Key informant interviews	• The Loan Fund records • The Loan Fund staff	

Loan perfor-mance (over time)	Repayment rate	Secondary data collection	• The Loan Fund records • Mainstream financial institutions' (MFIs') records	Descriptive statistics (central tendency measures; frequency distribution; cross-tabulation) Measure of association (Gamma)
	Default rate	Secondary data collection	• The Loan Fund records • MFIs' records	
	Delinquency rate	Secondary data collection	• The Loan Fund records • MFIs' records	
Adoption of new loan product by main-stream financial institu-tions (over time)	Type and number of MFIs that adopted new loan product	• Secondary data collection • Key informant interviews	• MFIs' records • MFIs' staff	Descriptive statistics (central tendency measures; frequency distribution; cross-tabulation) Measure of association (Gamma)
	Number of cooperative MHCs served over time	• Secondary data collection • Key informant interviews	• MFIs' records • MFIs' staff	
	Type, number, and amount of loans provided over time	• Secondary data collection • Key informant interviews	• MFIs' records • MFIs' staff	
	Loan-to-value	Secondary data collection	MFIs' records	
	Terms	Secondary data collection	MFIs' records	
	Margin over cost of funds (difference between cost of funds and the Fannie Mae multi-family 30-year funds cash delivery rate when loan was granted; the study will also use two other rates, i.e., [1] Federal Home Loan Bank rate and [2] the 10-year Treasury Note rate)	Secondary data collection	• MFIs' records • Banking industry records	
	Fixed vs. variable rate	Secondary data collection	MFIs' records	

	Other assistance provided	• Secondary data collection • Key informant interviews	• MFIs' records • MFIs' staff	Qualitative narrative
Consumer product satisfaction (over time)	Cooperative MHC conversion rate	• Secondary data collection • Key informant interviews	• The Loan Fund and MFIs' records • The Loan Fund and MFIs' staff	Descriptive statistics (central tendency measures; frequency distribution; cross-tabulation) Measure of association (Gamma)
	Perception of loan process and benefits	Survey	Leaders of Cooperative MHCs	

Appendix C: Research Team Members

Co-Principal Investigators:

- Michael Swack, Ph.D.
- Jolan Rivera, Ph.D.

Student-Researchers

- Klaas Nijhuis
- Sanjeev Sharma
- Karen Song

External Expert

- David Berge

Appendix D: Key Informant Interview Guide

Date of Interview: _____
Conducted by: SNHU researcher: _____
By phone/In Person

Coop Name:
Municipality:
Loan Closing Date:

Originating Financial Institution:
Current Financial Institution Holding Loan:
If different, explain: Merger/Acquisition/Resolution Loan Sold Other:
Person Contacted:
Was this the person who served as loan officer for this loan? Yes No
Address:
Tel No:
e-mail address:

Loan Officer (LO) at Time of Origination:
Is Loan Officer Still at Bank? Yes No
LO Contact Info:

Is Loan Origination File Available? Yes No
Was it used in answering the following questions? Yes No N/A

In regards to the loan with the Coop:

Who first contacted you in regards to applying for this loan (Name)? From (Coop, NHCLF, Other)? When (date)? How (Phone, In Person, Other)?

Other Contacts prior to filing application:
Date Name Representing How Contacted? (Phone, In Person, Other)

Date Loan Application was completed:
Date Loan needed to close by:

Date decision made by Financial Institution:
Who made the decision? Loan Officer, Loan Committee, Bank Officer?

Are you aware of any competing offers for this loan? Yes, No, Not Applicable, Don't Know

Which Financial Institution(s)?

Terms of Competing Offer?
Loan to value at time of Origination: _____ How did this compare to similar loans made at this time?
Was the loan for acquisition only? Yes No If no, what else was financed through this loan:
Closing costs of $_____, capital Improvements valued at:
$_____
Other: $_____ explain:
Type of Loan:
Principal amount:
Due Date:
Interest Rate: Fixed or Variable, if variable by how much and when?

How was the interest rate established?

LIBOR-based, Prime Plus, Fannie Mae Cash Delivery Rate, 10 Yr Fed Home Loan, 10 Year Treasury Rate?
How did this rate and other terms compare to other comparable loans extended around this time period by the financial institution?
Number of Periods: _____- months
Amortizing? Y N, Other (explain):
How is loan secured:
Were there other or third party loan guarantees?
Were there loan programs extended by the Federal Home Loan Bank or Others that the Financial Institution used in originating this loan (Describe program and terms as well as benefits to the Financial Institution for using this program)?
At the time of origination was it the intention of the financial institution to hold or resell this loan?

What factored into the decision to offer this loan to the Coop?

To what extent did knowing that CLF was backing the program influence Bank's decision or terms?

Why?

What other factors? Internal/External
Registry Book and Page _____/_____: At which County Registry?
_____
Date Filed:
Current Disposition of Loan: Current, Delinquent (explain), Repaid; Refinanced (Terms, and by whom)
Did the terms of the loan have to change since origination (such as through workout)?
Yes No

Details of Changes:

Reason for Changes:

Date of refinance or repayment:
What is the outstanding principal amount due on this date?
Payment History:

Would you do business with this cooperative in the future? Why/why not, and under what terms:

Other Comments:

Appendix E: List of Cooperative Manufactured Home Communities (87 MHCs)

Name of cooperative	Location	Loan date
Meredith Center Coop	Meredith	06/01/84
Greenville Estates Tenant Coop	Greenville	12/30/86
Souhegan Valley MH Coop	Milford	12/30/86
So Weare Mobile Home Park Coop	Weare	03/31/87
Country Ridge Coop	Rochester	08/21/87
Duval's Coop Mobile Home Park	Jaffrey	12/31/87
Monadnock Tenant's	Rindge	1/1/1988
Ashley Park Cooperative	Pembroke	02/22/88
Wagon Wheels Tenants	Londonderry	7/1/1988
Deanbrook Village Coop	Groveton	08/19/88
Shirley Avenue Co-Op, Inc	Rochester	8/25/1988
Huse Road MH Coop	Manchester	09/09/88
Cochecho River Coop	Dover	05/03/89
Whip-O-Will Mobile Home Park	Plymouth	7/1/1989
Old Colonial Mobile Home Park	Meredith	8/1/1989
Elm Street Coop	Winchester	03/08/90
Windy Hills Housing Coop	Lochemere	04/18/90
Pleasant Valley Estates	Claremont	9/1/1991
South Parrish Road Coop	Winchester	05/13/92
Hideaway Village Coop	Rochester	6/24/1992
Cardinal Haven Coop	Charlestown	06/25/92
White Rock	Tilton	8/1/1992
Breezy Acres	Epsom	9/1/1992
Windy Acres Coop	Charlestown	08/19/93
Fieldstone Village	Rochester	11/1/1993
Fisherville Coop #82	Concord	03/31/94
Fisherville Coop #107	Concord	03/31/94
G & M	Hooksett	4/1/1994
Lilac Drive Coop	Raymond	06/22/94
Woody Hollow Coop	Boscawen	08/12/94
Seabrook Village	Seabrook	9/1/1994
Frost Resident	Derry	2/1/1995
Mountain View Housing	Gilford	5/1/1995
Madbury Coop	Madbury	06/02/95
New Beginnings Coop	Winchester	07/15/95
Bristol Freedom Coop	Bristol	6/21/1996
Rambling Woods Cooperative	Bethlehem	04/17/97
Little Falls Coop	Rochester	12/8/1997
White Rock Coop	Tilton	12/18/1997
Silverbell Coop	Rochester	04/15/98
Camp Sargent Road Coop, Inc.	Merrimack	8/17/1998
Brook View Cooperative	Groveton	3/17/1999

Name of cooperative	Location	Loan date
Exeter-Hampton Coop, Inc.	Exeter	9/1/1999
North Woods MHP Coop	Berlin	3/31/2000
Plainfield Village Coop	Plainfield	4/2/2001
Sugar River Co-Op	Claremont	5/11/2001
Birches Of Wolfeboro Coop	Wolfeboro	5/23/2001
Tower View Co-Op	Northwood	8/2/2001
Woodstock Cooperative Inc.	Woodstock	8/23/2001
Freedom Hill Cooperative	Loudon	1/8/2002
Soda Brook Cooperative	Northfield	1/31/2002
Tucker Drive Coop	Hopkinton	2/14/2002
Barrington Oaks Coop	Barrington	3/1/2002
North Country Village Coop	C. Tuftonboro	4/1/2002
Hill Top Cooperative, Inc.	Raymond	9/9/2002
108 Hill Top Coop., Inc.	Somersworth	9/27/2002
Pine Grove MHP Coop	West Swanzey	11/8/2002
Otarnic Pond Coop, Inc.	Hudson	6/2/2003
Page Hill MHP Coop, Inc.	Lancaster	5/15/2003
East Milford Coop, Inc.	Milford	11/5/2003
Windswept Acres Coop.	Rochester	11/14/2003
Crown Point MHP Coop, Inc.	Charlestown	12/2/2003
Sandy Ridge Estates Coop, Inc.	Ossipee	4/29/2004
Oak Ridge Coop, Inc.	N. Haverhill	5/27/2004
Old Lake Shore Coop, Inc.	Gilford	6/29/2004
River Pines Coop, Inc.	Allenstown	8/11/2004
Gaslight Village Coop, Inc.	Tilton	10/15/2004
Lamprey River Coop, Inc.	Raymond	12/1/2004
Top Of The Notch Coop, Inc.	Franconia	12/16/2004
Hedgehog Community Coop, Inc.	Deering	1/25/2005
Forest Park Tenants' Assoc. Coop.	Jaffrey	4/19/2005
Friendship Drive Coop, Inc.	Salem	9/6/2005
Well Hill Cooperative, Inc.	Alstead	2/17/2006
The Medvil Cooperative Assoc.	Goffstown	3/28/2006
Tamworth Pines Cooperative	Tamworth	3/29/2006
Ossipee Mtns. Estates Coop	Center Ossipee	3/30/2006
Running Brook Cooperative, Inc.	Derry	4/14/2006
Emerald Acres Cooperative, Inc.	Barrington	4/18/2006
Sandy Pines Cooperative, Inc.	Lee	7/11/2006
Icey Hill Cooperative, Inc.	Exeter	10/13/2006
Stonebridge Cooperative, Inc.	Hillsborough	11/16/2006
Family Estates Coop, Inc.	Epsom	12/8/2006
Ash Swamp Brook Coop, Inc.	Hinsdale	2/8/2007
Base Hill Cooperative, Inc.	Keene	2/8/2007
Olde Towne Homeowners Co-Op, Inc.	Allenstown	2/21/2007
Exeter River MHP Cooperative, Inc.	Exeter	4/10/2007

Appendix F: List of Cooperative Manufactured Home Communities Funded by Banks and The Loan Fund (47 MHCs)

Name of cooperative	Location	Loan date
So Weare Mobile Home Park Coop	Weare	03/31/87
Country Ridge Coop	Rochester	08/21/87
Duval's Coop Mobile Home Park	Jaffrey	12/31/87
Ashley Park Cooperative	Pembroke	02/22/88
Deanbrook Village Coop	Groveton	08/19/88
Huse Road MH Coop	Manchester	09/09/88
Elm Street Coop	Winchester	03/08/90
Windy Hills Housing Coop	Lochemere	04/18/90
South Parrish Road Coop	Winchester	05/13/92
Hideaway Village Coop	Rochester	6/24/1992
Cardinal Haven Coop	Charlestown	06/25/92
Fisherville Coop #82	Concord	03/31/94
Fisherville Coop #107	Concord	03/31/94
Lilac Drive Coop	Raymond	06/22/94
Woody Hollow Coop	Boscawen	08/12/94
Madbury Coop	Madbury	06/02/95
Little Falls Coop	Rochester	12/8/1997
White Rock Coop	Tilton	12/18/1997
Silverbell Coop	Rochester	04/15/98
Camp Sargent Road Coop, Inc.	Merrimack	8/17/1998
Exeter-Hampton Coop, Inc.	Exeter	9/1/1999
Plainfield Village Coop	Plainfield	4/2/2001
Sugar River Co-Op	Claremont	5/11/2001
Birches Of Wolfeboro Coop	Wolfeboro	5/23/2001
Lakes Region MHP Co-Op	Belmont	6/26/2001
Freedom Hill Cooperative	Loudon	1/8/2002
Tucker Drive Coop	Hopkinton	2/14/2002
Barrington Oaks Coop	Barrington	3/1/2002
North Country Village Coop	C. Tuftonboro	4/1/2002
Pine Grove MHP Coop	West Swanzey	11/8/2002
Otarnic Pond Coop, Inc.	Hudson	6/2/2003
Page Hill MHP Coop, Inc.	Lancaster	5/15/2003
Windswept Acres Coop.	Rochester	11/14/2003
Old Lake Shore Coop, Inc.	Gilford	6/29/2004
River Pines Coop, Inc.	Allenstown	8/11/2004
Forest Park Tenants' Assoc. Coop.	Jaffrey	4/19/2005
Friendship Drive Coop, Inc.	Salem	9/6/2005
The Medvil Cooperative Assoc.	Goffstown	3/28/2006
Tamworth Pines Cooperative	Tamworth	3/29/2006
Ossipee Mtns. Estates Coop	Center Ossipee	3/30/2006
Running Brook Cooperative, Inc.	Derry	4/14/2006
Emerald Acres Cooperative, Inc.	Barrington	4/18/2006
Stonebridge Cooperative, Inc.	Hillsborough	11/16/2006
Ash Swamp Brook Coop, Inc.	Hinsdale	2/8/2007
Base Hill Cooperative, Inc.	Keene	2/8/2007
Olde Towne Homeowners Co-Op, Inc.	Allenstown	2/21/2007
Exeter River MHP Cooperative, Inc.	Exeter	4/10/2007

Appendix G: List of Banks that Initially Provided Loans to 47 MHCs Funded by Banks and The Loan Fund

1. United Savings Bank
2. Indian Head Bank and Trust
3. Merrimack County Savings Bank
4. HomeBank
5. Nashua Federal Saving
6. First Cheshire Bank
7. Bank East
8. Vermont National Bank
9. Fleet Bank of New Hampshire
10. Concord Savings Bank
11. First New Hampshire Bank
12. First National Bank of Portsmouth
13. Bank of New Hampshire
14. Citizens Bank
15. Laconia Savings Bank
16. TD Bank North
17. First Colebrook Bank
18. Ocean National

Appendix H: List of Banks that Currently Hold Loans to 23 MHCs Participating in the Study

1. Bank of America
2. Chittendon Bank
3. Sovereign Bank
4. TD Bank North
5. Citizens Bank
6. Laconia Savings Bank
7. Ocean Bank

Appendix I: List of Key Informant Interviewees (Bank Loan Officers)

Name	Bank
Ben Asselin	Bank of America
Arne Hammarlund	Chittendon Bank
Thomas Potter	TD Bank North
Linda Tremblay	Citizens Bank
Brian Tufts	Laconia Savings Bank
Janet Brewer	Ocean Bank

Appendix J: List of Focus Group Discussion Participants from The Loan Fund

Name	Position
Juliana Eades	President
Paul Bradley	Vice President; Director (ROC USA)
Peter Rhoads	Program Manager, Cooperative Assistance Team
Nadine Salley	Director of Lending
Chris Clasby	Project Director, Cooperative Assistance Team
Carrie French	Executive Coordinator