

SECTION 2: UNDERSTANDING IF OWNING A MANUFACTURED HOME IS RIGHT FOR YOU

Home ownership is not for everyone. Owning a home has its rewards — stable housing costs, tax benefits, control over your environment and security. But it also requires responsibility to plan for expenses, maintain and repair the home, and make the monthly mortgage payments.

If you think that home ownership is right for you, and a manufactured home is one of your housing options, consider some of the unique advantages and disadvantages of owning one. Consult other sections of this manual for more details about the considerations for buying a manufactured home that are outlined in this section.

Depending on where you live and how much you can afford to spend, you may be thinking of building a new site-built home or buying an unsited manufactured home. Or, if your housing market is too expensive or you need to keep your housing costs more affordable, you may be thinking of buying a home that has already been sited. A manufactured home might provide you with more options in your price range than other ownership options, but you need to make sure you are making the best choices for your situation.

All choices require making trade-offs. When you consider whether to become a homeowner, and whether to buy a manufactured home, you will face many trade-offs and tough choices. This manual, combined with advice from your housing counselor, will help provide information to make these choices. Of course, there are pros and cons of buying a manufactured home. There are also trade-offs depending on the choices you make during the process of buying a manufactured home. We hope that this guide will help you decide whether or not you want to own a manufactured home, and if you do, which options would best suit your needs.

➤ *Important Note*
Sections unique to **sited** homes will be designated by a rooted tree symbol:



Sections unique to **unsited** homes will be designated by a shovel symbol:



What Are the Options for Buying a Manufactured Home?

Manufactured homes come in a variety of styles, sizes, floor plans and price ranges. One of the most basic differences, however, is whether the home has been installed or not. You can buy a manufactured home that is either sited or unsited. Sited homes are available on land you own or in land-lease communities, and in general, you are not going to move them from where they are. Unsited manufactured homes may be new or previously owned, but are not installed on a particular lot. Typically they are in a retailer's lot, or are shipped directly from the factory. Unsited homes can be placed on land you already own or are purchasing, or placed in a land-lease community, sometimes called a park. Depending on which type of home and which land option you choose, you will have some special considerations that will be noted throughout this module. Each option has its trade-offs; ultimately it is up to you to decide which trade-offs you are willing to make when you buy a home.

Important Considerations When Thinking About Buying a Manufactured Home

Potential Cost Savings

Manufactured homes can sometimes give you more options for your money than site-built homes. The biggest savings comes from the lower labor costs of factory production, but manufacturers also save money by buying materials in larger quantities than local builders, and by planning production so as to reduce waste.

Manufactured homes are generally exempt from local building codes. This means all of the homes in a factory assembly line can use interchangeable parts no matter in what location they will be placed. Manufacturers often reduce costs by offering a few standard designs, flattening rooflines, lowering ceilings, and keeping the number of windows and doors to a minimum. Other cost savings occur because manufactured homes usually do not include expensive items, like garages, poured concrete perimeter foundations, and most importantly, land, which are standard with many site-built homes.

Many homebuyers find that if they shop carefully and do their homework, they can save money buying a manufactured home, compared to building a site-built home of similar quality (with the same land costs). Other homebuyers find there simply are no builders willing to build a home to their specifications, price range or time constraints. Remember, however, that many manufactured homes are advertised at prices which do not include a site for the home; the lot has to be purchased or rented separately.²

Understanding Code Standards

Just as site-built homes are constructed according to a specific building code to ensure proper design and safety, manufactured homes are built in accordance with the HUD Code. The HUD Code sets the performance levels a manufactured home should withstand, but generally does not require manufacturers to use specific materials. State and local building codes are different — these codes tell builders what specific materials to use. Research comparisons indicate that the codes are comparable in nature, but many homeowners are surprised by the nature of the lumber, flooring and other materials used in manufactured homes, which are not commonly used in site-built homes.^{3,4} You should examine the construction quality of any home — new or existing, site-built or manufactured — carefully. Because manufactured homes are different, however, it is important you get advice from a home inspector or engineer familiar with the unique features of these homes. Well-built manufactured homes can function as well as high-quality, site-built homes, but like all homes they do require proper upkeep and maintenance. And as with any major purchase, you have to shop wisely. Choosing a low-cost, low-quality home may result in greater repair and maintenance bills later.

² HUD. *Factory and Site-Built Housing: A Comparative Analysis*. Office of Policy Development and Research, February 1999.

³ Gordon, Jeffrey and William B. Rose. *Code Comparison Summary*. University of Illinois at Urbana-Champaign School of Architecture, published by the Manufactured Housing Institute, December 1997.

⁴ HUD. *Factory and Site-Built Housing: A Comparative Analysis*. Office of Policy Development and Research, February 1999.

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Navigating a Confusing Marketplace

Finding solid information about the quality and construction of the manufactured home that you may be interested in purchasing can be complicated. Some retail centers have a limited selection on display, making it difficult to compare brands and models side by side. You may have to rely on descriptions in manufacturer's catalogs and small samples to make one of the largest and most important decisions in your life. At the same time, you will need to decide where to place your home, weighing all the various pros and cons. If you want to buy a manufactured home, be prepared for extra homework on your home and its placement. Buying a sited home is a little easier, but you still need to investigate the quality of the home as well as its location. Moving a manufactured home is very difficult and expensive.

High-Pressure Sales

Unsited manufactured homes are often sold at a retail sales center, and the salesperson is paid a commission. The salesperson knows that you can shop around and choose a similar model at another retail center. Some salespersons will resort to high-pressure sales tactics to try to get you to buy a home before shopping around. Unfortunately, this pressure can cause you to make bad decisions. Remember to stick to your plan and do your homework.

In most cases, sited homes are sold through a real estate professional who is also paid a commission, or else by the existing owner. Real estate professionals also may pressure you to buy a home, and not want you to shop around with anyone else. Buying from an owner can yield a significant savings, but creates additional legal and financial challenges. If you are buying from an owner, be sure to seek home-ownership counseling and legal advice.

Inconsistent Quality

Obviously not all homes are alike. Some homes are high-quality custom homes, others are historic, old, fixer-upper homes, and others are economy models. While it is true that every manufactured home has to meet the HUD Code, clearly this does not mean that all manufactured homes are of equal quality. Some buyers rush to buy the cheapest home they can find, only to face higher-cost repairs and utility bills than they might have had if they had invested in upgrades. A lower-quality home can increase your ongoing maintenance costs and reduce your home's future resale value. Home manufacturers — just like in the automobile industry — have target markets. Some manufacturers have targeted the lowest-budget homebuyer. These homes may just meet HUD Code standards, but offer very affordable prices for buyers with limited budgets. Meanwhile, other manufacturers far exceed code standards to reach higher-budget, quality-conscious consumers. Sometimes one manufacturer will target different market segments with different lines or models. That means you cannot always judge quality by the company's name alone — models and specifications always matter too.

No Guarantees for Building Equity in the Future

There are no guarantees about the future value of any house. Changes in market conditions, wear and tear on the property, or other factors can cause the value of a home to decline. When you buy a manufactured home, some of the initial decisions you make about the quality and age of the home, financing, site placement and foundation type can reduce the potential to sell your home with a gain in value. If

building home equity is important to you, prepare to spend more money on a home and its installation. This section will help you decide which housing options are best for you.

The value of a manufactured home is divided into two components: the structure and the land. Studies indicate that land ownership is a major factor behind increasing a home's future value.⁵ By spending more on a good location and by financing your land and home as real estate, you will maximize your potential to build equity in your home. Homeowners can and do sell manufactured homes on land they do not own in a land-lease community for more than they paid for them, too, under unique circumstances.^{6,7}

Special Concerns for Buying an *Unsite*d Manufactured Home



Customization

Manufacturing technology gives you some flexibility to specify how your house will be designed and built according to your tastes and budget. As with all housing, there is a range from high-end to entry-level manufactured homes — priced accordingly. Designs can be simple or elaborate. New styles of manufactured homes with pitched roofs, decks, porches and two stories are now available, unlike in past decades. If you are willing to spend more, you can customize the layout of your home, cabinetry and finish work, and materials and design to suit your preferences. You can make your own trade-offs between quality, design and cost. Some customization features not only will match your tastes today but also will be attractive to buyers in the future. Other customized designs and upgrades will make your home easier to maintain or cheaper to heat and cool. Some buyers end up regretting spending money on a fancy tub but neglecting to add insulation in the attic. Also, with any custom housing — site-built or manufactured — or even with repairs of existing homes, be careful that the work matches your exact specifications. Be very clear about exactly what you want on the front end, and make sure the home reflects your expectations when completed.

Quick Move In

If you buy a display home from a retail sales center, it can usually be delivered much faster than a site-built home can be built. Often a home can be installed within a week or two of the site being prepared. Delivery takes longer for special-order homes, but still ranges from as little as three to five weeks. The actual delivery time will depend on a number of factors, such as the manufacturer's workload, housing demand at the retail sales center, and the time of year. When demand is unusually strong, delivery can take three months or longer. Most consumers find the speed of construction attractive because even

⁵ Apgar, William, et al. *An Examination of Manufactured Housing as a Community- and Asset-Building Strategy*. NeighborWorks® America, September 2002.

⁶ Genz, Richard. "Market Analysis Mortgage Financing in Manufactured Home Cooperatives." Unpublished study for the Corporation for Enterprise Development, February 2002.

⁷ Loftin, Michael. Unpublished remarks at NeighborWorks® America Symposium, Atlanta, GA, February 2002.

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when delivery times are slow, it is still faster than building a site-built home, which averages five months from start to completion.⁸

Warranties

Most manufacturers offer warranties against major defects in material and workmanship on their manufactured homes. There are differences, however, in the warranties issued by manufacturers. The most common warranties are for one year, but there are a few two- to five-year warranties as well. Some manufacturers have good warranty coverage, good warranty service and few complaints filed against them. Others have limited warranties, poor warranty service and frequent complaints. To protect your investment, shop around for a good warranty plan. You should always ask a lot of questions about what is covered, for how long, and how you would make a claim if you needed to, including who would do the work.

Financing Packages

Many manufactured home retailers will offer to arrange for a loan to buy your home or a loan package to finance your home, land, installation and other costs. Some retailers offer competitive loan packages with good terms. Some consumers, however, after shopping around extensively for their home, neglect to shop around for financing. While a manufactured home is different from other housing types, some private banks, savings and loans, government agencies and nonprofit organizations provide good loan packages. You have to be careful to not be lured into signing a purchase contract with a low monthly payment until you understand the financing package. Shop around for your financing *before* you shop for your home. Fair and affordable loans are available for manufactured homes — especially for newer, multisection homes on private land and a permanent foundation — if you have good credit.

Finding a Site

Particularly in cities, suburban developments and small towns, zoning and property deed restrictions may limit your choices when shopping for a lot on which to place your manufactured home. In certain areas, there may be a prohibition against manufactured homes, or certain requirements regarding their size and exterior appearance. You may have more site-placement options for a multisection manufactured home or in a rural area. When evaluating a potential site for your manufactured home, it is important to investigate local zoning laws and the property's deed restrictions. Your real estate professional, retailer or planning, building and zoning office can help you with the research.

Site Preparation

Finding your own piece of land, financing it, and developing it into an appropriate site for a manufactured home requires the most time and effort. If you decide to buy and prepare a site on your own, you may need to install a foundation, clear a driveway, arrange for proper drainage, perform landscaping, establish utility services, and secure water and sewerage or septic services. While it can be expensive, proper site development can have a big impact on your manufactured home's lifespan and resale value. Many manufactured home retailers can assist you with site preparation or recommend general

⁸ Ahluwalia, Gopal. "Factory-Made Housing." National Association of Home Builders, *Housing Economics*: November 2001.

contractors familiar with the site preparation and installation of manufactured homes. Be sure to find an experienced specialist you trust to do this important work.

Special Concerns for Placing or Buying a Manufactured Home in a Land-Lease Community

Lower Upfront Costs

With a site-built home, you usually have to buy the home and the land on which it stands. In some locations, a popular option is to place or buy a manufactured home in a land-lease community. A land-lease community allows you to become a homeowner without having to finance the land, which often reduces your up-front and monthly costs. However, you have to make rental payments on the lot under your home. If you do not, you could be evicted from your lot and face expensive moving costs. Your rent will likely increase each year. In return for lower up-front costs, you are taking a risk on your future housing payments that you do not face when you own land. Bear in mind, however, that every homeowner is subject to tax and insurance increases.

Community Amenities

Land-lease communities usually offer conveniences and amenities that are not available on private land, such as social clubs, utility services, recreational facilities and other services. Many land-lease communities cater to a specific market, such as seniors, families or other groups. Some residents of land-lease communities also note the “neighborhood feel” of their communities.

Limited Financing Options

Your financing options will be more limited when you buy a manufactured home to be placed or already sited in a land-lease community — especially for an older home. Loans available are usually personal property loans, not mortgages, and have higher interest rates and higher monthly payments than those offered for homes on owned land. It is important to shop around for the best financing rates and terms that you can find. Nevertheless, in general, your cost of financing will be lower if you own the land under your home, although the amount you have to borrow may be much larger.

Limited Relocation Options

Contrary to popular belief, manufactured homes are rarely moved once installed. Moving a manufactured home can be expensive and difficult, and other appropriate locations for your home may be limited in your area. If you have to move from a land-lease community, you may try to find a new buyer for your manufactured home rather than take it with you. However, depending on your market, finding an interested buyer quickly could be difficult. Plus, potential buyers will have to meet the community’s requirements for residency.

Rent Increases

In a land-lease community, you will be subject to rent increases. Some states and local jurisdictions have laws that control rent increases, the eviction process and other aspects of land-lease community living, but some homebuyers do not understand their rights or responsibilities. Be prepared to investigate the features of a community and its history. Find out how much rents have increased each year and if a rent

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increase is planned in the coming years. Plan ahead and think about if you are prepared to pay for increases if they occur. Remember, once your home is sited, it is very difficult and expensive to move it — even a short distance.



Rules and Regulations

Some communities have rules and regulations about the appearance and condition of homes, anchoring systems and maintenance of the site. Before you choose a community, make sure you agree with and can tolerate its rules and regulations. Communities can set rules about your lawn and yard, the condition of your home, and car parking. While you need to abide by these rules, so do your neighbors, which means they can help set standards for the maintenance and attractiveness of the community.

Below is a table that highlights some of the trade-offs relative to each other for four options when purchasing a manufactured home.

Relative Trade-Offs: Analyzing Options

Overall Ratings (relative to the other options in the table): Good 😊 Fair 😐 Poor 😞

MANUFACTURED HOME AND PLACEMENT OPTIONS	TOTAL COST (HOME + LAND)	POTENTIAL FOR FUTURE VALUE INCREASE ^{9,10,11}	EASE OF FINDING A HOME	COST AND EASE OF OBTAINING FINANCING	EASE OF SELLING HOME	CUSTOMIZATION	COMMUNITY AMENITIES
UNSITED							
 Placed on Land You Own	Highest	😊	😊	😊	😊	😊	😞 Rare
	High	😊	😊	😊	😊	😊	😊 Common
SITED							
 Placed on Land You Own	Varies by age of home	😊	😊	Varies by age of home	😊	Varies by age of home	😞 Rare
	Lowest	😞	😞	😞	😞	😞	😊 Common

⁹ Apgar, William, et al. *An Examination of Manufactured Housing as a Community- and Asset-Building Strategy*. NeighborWorks® America, September 2002.

¹⁰ Genz, Richard. “Market Analysis Mortgage Financing in Manufactured Home Cooperatives.” Unpublished study for the Corporation for Enterprise Development, February 2002.

¹¹ Loftin, Michael. Unpublished remarks at NeighborWorks® America Symposium. Atlanta, GA, February 2002.

Important Trade-Offs Only You Can Decide

You have many options when choosing a place to live. Because your money is a limited resource, it is difficult to satisfy all of your housing wants and needs. Thus, choices require trade-offs. For example, if you have the money for either a down payment on a home or a vacation, and you choose the home, you lose the opportunity to take the vacation. Making the right housing choices for you depends on your finances, values and goals. If your goal is to buy a home, and a manufactured home is one of your options, below are some important considerations. Making trade-offs for anything is difficult. Ultimately, you have to make these decisions for yourself based on where you are now and what you think you might want in the future. No manual or housing counselor, however skilled, can make these decisions for you. Take the time to weigh all of your options carefully.

- *What do you value?* Start by prioritizing your values about buying a home. Many people buy homes as a long-term financial investment (see note at right). However, there are other reasons to buy a home. Perhaps you are looking for more privacy, affordable monthly payments or enhanced quality of life, relative to where you are now. Ask yourself, “Why do I want to buy a home? Do I need to buy now, or can I wait?” Understanding what is most important to you now and what will be in the future will start to help you make the appropriate housing choices.
- *Will you be better off?* Analyze the trade-offs for each of your housing options in relation to your current living situation and each other. Every option has its pros and cons. Determine how each relates to your values. Ask yourself what you will have to give up with a given option. In particular, consider the trade-offs between quality of life, monthly payments and equity for each option. Ask yourself, “What will I give up? What will I gain?” In particular, consider three critical issues for most families: (1) quality of life, (2) monthly payments and (3) potential for building equity in the future. Take a look at the examples below.

Example 1: Maria’s Analysis

	<i>Current Living Arrangement</i>	<i>Potential New Arrangement</i>
1. Monthly Cost	\$100 (rent to mother)	\$750 loan + \$200 lease + utilities
2. Quality of Life	No privacy; too small	Private; spacious
3. Equity Potential	None	Some, but also risky

If Maria wants privacy and to build equity, she may be willing to pay more each month to get a home of her own. Maria could also decide that she is willing to pay even more — more for the house and each month — to buy a high-quality, well-sited manufactured home if she wants to build equity. Or, she may choose to wait for 12 months, save more money, and use her savings to pay for additional housing features she values.

Example 2: Joe’s Analysis

	<i>Current Living Arrangement</i>	<i>Potential New Arrangement</i>
1. Monthly Cost	\$900 rent + utilities	\$750 mortgage + \$200 tax/insurance
2. Quality of Life	Good; no yard	Land; same size space
3. Equity Potential	None	Yes, but also risky

➤ *Important Note About Housing and Wealth*

The majority of the average American’s wealth is stored as home equity. Because homes are both a place to live and can offer “forced savings,” you can build up home equity simply by keeping up with mortgage payments over time. Plus, depending on the housing market, you might also gain from increases in the value of your property if you sell it in the future.

But owning a home also entails added responsibility and risks. If you do not keep up with your payments, for example, you can lose your home.

Most families have found that owning a home is worth the responsibility, and have been able to accumulate home equity. Nevertheless, if you want to build wealth through home ownership, plan ahead for it.

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Although Joe would like to have a yard, he does not want to have a mortgage payment that is greater than his current rent. Equity is not critical to him right now. Joe thinks he may need to move to another state and fears that he could lose money in buying and selling a home. Joe may decide to stay to put because he is not ready to pay more each month.

- *What trade-offs are worth making, given what you value?* Choose the housing option that offers the desirable benefits with the fewest trade-offs. For example, you may decide you want to buy a manufactured home, and are willing to trade off a lower monthly payment for a larger payment on a monthly basis because you want a home with more potential to build equity. Therefore, you might choose a home that is placed on a poured concrete perimeter foundation on land you own because you believe it will sell for a greater value in the future. As a trade-off, this option requires you to spend more now to pay for your home, land and the down payment, as well as on a monthly basis. Will your budget allow you to do this? Is the future value of the home and potential wealth you could build up important to you?

Another example may be that you want to improve your quality of life by moving out of your parent's home. You could choose to spend less money now and on a monthly basis to buy a basic manufactured home that is placed in a low-cost land-lease community. In return, you might be forced to use a high-rate personal property loan and have a reduced potential to sell your home with any gain in value. However, if quality of life considerations are most important to you, and you cannot wait to save more money or make larger monthly payments, and the potential for building equity is not critical, you may be willing to make the trade-offs.

- When you buy a home, you are likely to spend more for it than for anything else you will ever buy. Give your purchase decision the time, research and patience it deserves. The decision-making worksheet on the next page can help you make the best housing choice based on your values and each of the option's trade-offs. Just remember, you have to follow the path that is best for you.

Housing Options Decision-Making Worksheet

1. Why do you want to buy a home? Rank in priority order, using 1 as the top priority and 10 as the lowest priority. Then circle your top three priorities.

- ___ Better quality of life
- ___ More stability and consistent housing costs
- ___ Potential to build equity
- ___ More affordable monthly payments
- ___ Increased security
- ___ More control over what you can do with your living space
- ___ Greater privacy
- ___ More space
- ___ Yard
- ___ Other: _____

2. Where are you living now? Check all that apply.

- I live with family members or parents, and:
 - do not pay rent.
 - pay a low rent.
- I rent an apartment.
- I rent a single-family home.
- I own land, but not a suitable home.
- Other: I _____

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3. What are the trade-offs for each housing option in relation to where you are now?

<i>Ratings:</i>	Worse ↓	No change —	Better ↑
Buy a site-built home.			
Quality of life	↓	—	↑
Monthly payments	↓	—	↑
Equity potential	↓	—	↑
Buy a sited manufactured home on private property.			
Quality of life	↓	—	↑
Monthly payments	↓	—	↑
Equity potential	↓	—	↑
Buy a sited manufactured home in a land-lease community.			
Quality of life	↓	—	↑
Monthly payments	↓	—	↑
Equity potential	↓	—	↑
Buy an unsited manufactured home and place it on private property.			
Quality of life	↓	—	↑
Monthly payments	↓	—	↑
Equity potential	↓	—	↑
Buy an unsited manufactured home and place it in a land-lease community.			
Quality of life	↓	—	↑
Monthly payments	↓	—	↑
Equity potential	↓	—	↑
Rent an apartment or house.			
Quality of life	↓	—	↑
Monthly payments	↓	—	↑
Equity potential	↓	—	↑
Other: _____			
Quality of life	↓	—	↑
Monthly payments	↓	—	↑
Equity potential	↓	—	↑

4. What is the best housing choice for you? *Look at your top three priorities circled in question #1, and then your responses for each of your housing options in #3 to answer the following questions.*

a. How do these choices feel to you? Hard Easy Confusing

Why? _____

b. Are these good trade-offs for you? Yes No

Why? _____

c. Do they match your values now?

Priority 1: _____ Yes No

Priority 2: _____ Yes No

Priority 3: _____ Yes No

d. Do you think this will be a good decision in one year? Yes No Unsure

Why? _____

e. Do you think this will be a good decision in five years? Yes No Unsure

Why? _____

f. Do you think this will be a good decision in 20 years? Yes No Unsure

Why? _____
