

SECTION 4: UNDERSTANDING THE PROCESS OF BUYING A MANUFACTURED HOME

As with any home purchase, buying a manufactured home is a big job that includes a number of tasks, which can take several months or even longer to complete. Your manufactured home buying timeline will depend on how long it takes you to secure financing, find a manufactured home you want to buy, locate a site for your manufactured home (if unsited), and finish other tasks related to your manufactured home purchase. Although the number and order of steps you need to complete may vary depending on the decisions you make about buying a manufactured home, it is valuable for you to have an idea of what to expect during the purchase process.

This section is divided into the process for buying an unsited manufactured home and the process for buying a sited home because the steps and issues are different depending on whether or not the home has been installed.



Steps for Buying an *Unsited* Manufactured Home

If you are planning on buying an unsited manufactured home, some steps differ from the general homebuying process. Much of the complexity involved in buying an unsited manufactured home results from the fact that you must make two major decisions in a sale of this type — first, about the home itself, and second, about where and how to site the home.

Step 1: Prepare for home ownership. Owning any home takes a lot of time, money and energy, so you should carefully weigh the pros and cons of home ownership in general as well as the considerations for owning a manufactured home. Carefully analyze your housing options and their trade-offs to decide which option is best for you. Your housing counselor can provide advice and information to help you make a decision, analyze your financial situation and credit history, and provide recommendations on how to address any of your obstacles to owning a home.

Step 2: Determine the total amount you can afford to spend on a manufactured home, land, site preparation and installation. Get prequalified by your housing counselor or a lender — and consider your budget — to get a rough idea of the total amount you would be able to borrow and the corresponding monthly payment. The total cost of buying a manufactured home includes the cost of installing the home, preparing the home site, and buying or renting land. In order to determine how much money you can spend on a manufactured home, you will first need to know how much money you will need for land, installation and site preparation costs.

Step 3: Determine where you will place your manufactured home. Ideally, you will want to know where you will place your manufactured home, and how much the land costs will be, before you buy one. Your options include private property, a rental community, a subdivision or a cooperative. Each option has special considerations. You must weigh those considerations, such as zoning laws for private property

and rules and regulations for rental communities, to determine which placement option would best fit your needs. Since your financing options may depend on your manufactured home's placement, it is important to determine where you will place your manufactured home before shopping for financing.

Step 4: Secure financing. Shop around for the best lender and loan product by visiting at least three lenders after you have determined your budget and where you will place your manufactured home. When you find the right product for you, meet with the lender to get pre-approved. You should have your first meeting with a lender *before* you start looking for a manufactured home so you will know exactly what you can afford and find the best rates and terms in advance of the purchase. Pre-approval is where you apply for the loan before you find the house you want to buy. A pre-approval is a guarantee that the lender will loan you a fixed amount of money, as long as the property appraises over the amount for which you are qualified and you buy within a certain time period. There is usually a fee for pre-approval, but it helps you shop for a manufactured home with confidence by knowing how much you can afford based on your finances and credit.

Step 5: Choose a foundation type and shop for site preparation and installation work. Before your manufactured home is installed, the site will need to be properly prepared and a foundation will need to be constructed. While you can choose from a variety of foundation types for manufactured homes, there are several factors to consider in your selection aside from cost: your home's financing options, resale value and site conditions. If you are placing your manufactured home on private property, you may be responsible for some aspects of site preparation and installation that require professional expertise. Get firm, line-item bids from at least three reputable, experienced and licensed contractors, and be sure to check references before deciding to hire anyone.

Step 6: Shop for a manufactured home. Determining your housing needs and wants according to your budget *before* you go shopping can help you avoid the disappointment of looking at manufactured homes you cannot afford or do not need. When selecting the size of house, layout, quality of construction and features you want, consider your affordability, family size, lifestyle and special circumstances. Most unsited manufactured homes are sold through retail sales centers. When you visit a retail sales center, a retailer will show you different types of homes. Visit several retail centers to compare and examine the manufactured homes on the market. Finding the best home at the best price can be a challenge. Take your time, take notes, get floor plans and prices, and ask questions. Begin to narrow your search by looking carefully at price, quality and features, and remember that long-term investment value is tied more to quality of construction than cosmetic options on a home. When at last you select a brand and model in your price range, get firm asking prices for the same type of manufactured home from at least three retailers. Also, check references and warranty coverage for the manufacturer, the retailers and the installers.

Step 7: Make an offer. When you find the home you want to buy, you will need to decide what you are willing to pay for it. Most retailers will negotiate on the asking price of a manufactured home. In order to negotiate for the best price with a retailer, you will want to research the home's value by visiting several retailers, looking at the factory invoice, checking the prices of other types of housing available in your area, and hiring an appraiser. Once a price has been agreed upon, you will sign a contract to

➤ *Important Note About the Steps for Buying a New Manufactured Home*
Being properly prepared — by knowing how much you can afford and where you will place your home — *before* you go shopping for a manufactured home is critical, because it could save you time, money and aggravation.

While some of the steps in the new manufactured home purchase process may vary from buyer to buyer depending on the circumstances, it is generally good practice for you to consider all of your housing options, determine how much you can afford to spend, secure financing, and shop for a location for your home *before* you shop for a manufactured home. Doing your homework up front offers you protection from high-pressure sales tactics that could cause you to make bad decisions.

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purchase, give the retailer a small cash deposit, and ask the lender to send the retailer your pre-approval, or commitment, letter. Make sure you look at the total cost of buying a manufactured home and not just the monthly payments. Do not sign the contract until you know that the home is the best option for you and what the final loan terms are.

Step 8: Complete the loan application. You should already have shopped around for the best financing and chosen the lender and program for pre-approval, so you can complete the loan application with that lender using your purchase agreement for the home, your purchase or rental agreement for the land, and any bids for site preparation. The lender uses the application to determine whether to approve or reject your request for credit.

Step 9: Obtain insurance and get a survey done (if required). After your offer has been accepted, you will have to shop for and buy homeowners insurance to protect against losses that result from liability or damage to your home. Other kinds of insurance may be required or desired for things not covered by the standard homeowners insurance policy. If you are buying land, there will be a title search done by a title company or attorney depending on your state to make sure that the seller really owns the land being sold, and a title insurance policy will be issued to protect the lender against any defects. The lender may also require you to have a professional survey performed to determine the legal boundaries of the property.

Step 10: Hire contractors for site preparation. Based on the written estimates you obtained previously, hire any necessary contractors to prepare the home site for your manufactured home. Meet with your contractors to review your plans, sign work agreements, and settle on a payment schedule based on your loan. Stay in close contact with your contractors, and inspect the work regularly while in process and upon completion. When site preparation and the foundation are completed to your satisfaction, notify the retailer to have your manufactured home delivered.

Step 11: Perform inspections. Before you move into your manufactured home, you will want to inspect it thoroughly several times. For example, if you have special-ordered a home, you will want to inspect it at the retail sales center upon delivery. You will also need to perform inspections after delivery to the home site, after installation and before move in. While you may conduct your own inspections with the aid of your retailer, it is in your best interest to hire a third-party professional with experience in manufactured homes to inspect your home after installation and before move in. It is important to discover problems with your manufactured home early and report them to the manufacturer, retailer or installer (whomever the responsible party is) within the warranty's time limits and coverage.

Step 12: Close the loan. The final step in the purchase process is called the closing (or settlement). Depending on your home's placement and financing, you may have one closing to pay for the home, land and site preparation altogether, or multiple closings to pay for the land, site preparation and home separately. Closing is when you sign documents related to financing and transferring ownership of property and pay down payment and closing costs. The "final" closing on a home generally occurs after the home has been installed and is held at the office of an escrow company, title company or attorney depending on your state.

Steps for Buying a *Sited* Manufactured Home

The steps for buying a sited manufactured home, which include some of the same steps for buying an unsited manufactured home, are basically the same as the general homebuying process:

- Step 1: Prepare for home ownership.
- Step 2: Determine how much you can afford to spend.
- Step 3: Secure financing.
- Step 4: Decide what kind of manufactured home you want and need.
- Step 5: Shop for a manufactured home.
- Step 6: Make an offer.
- Step 7: Get a professional home inspection.
- Step 8: Complete the loan application.
- Step 9: Obtain insurance and order additional inspections.
- Step 10: Close the loan.

For details about the steps in the general homebuying process, please refer to *Realizing the American Dream*.



➤ *Important Note About Buying an Existing Manufactured Home in a Rental Community*

If you are purchasing an existing manufactured home in a rental community, there may be some additional steps before you should agree to the purchase. These steps might involve the management company's approving the home for resale and qualifying you for residency. Keep in mind that future buyers will have to meet the same residency requirements.