

Manufactured Housing Education for Consumers

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I. Thinking about manufactured housing?

Whether you are planning to buy your first home or are considering relocating, manufactured housing may be an option worth your consideration. Before learning about the specifics of buying a manufactured home, you may want to know some general information about the product to determine if it is, indeed, the right kind of house for you and your family.

A. What is manufactured housing?

Although the name *manufactured housing* is often used to refer to a wide range of factory-built homes, the term officially applies to only a specific subgroup of these homes. On a basic level, manufactured homes are built entirely in the controlled environment of a factory and are transported to the site only after all work is complete, whereas other factory-built homes may be only partially constructed in a factory. In other words, manufactured homes represent one end of a continuum of amount of industrialization. At the opposite end is the traditional site-built home, which is built on site, probably, using only a few factory-made components, such as roof trusses. There are two more specific distinctions, however, between true manufactured housing and other types of industrialized housing.

The National Manufactured Housing Construction and Safety Standards Act, presented by the U.S. Department of Housing and Urban Development (HUD) and passed by Congress in 1974, officially changed the name of what had been called a *mobile home* to *manufactured home*. Since implementation of the detailed HUD Code on June 15, 1976, all manufactured homes have been required to be built to its national standards. The fact that manufactured homes are required to meet a national building code is one of their defining features and separates them from other forms of factory-built housing, such as modular, panelized, and pre-cut homes. Consequently, manufactured homes are sometimes referred to as *HUD-Code homes*.

The second major distinction between manufactured and other industrialized homes is that only manufactured homes are required to include a permanent metal chassis in each section to assist

in transportation. Despite the chassis, when a manufactured home is placed on a site, it typically closely resembles similarly sized site-built homes. The HUD Code, which will be explained in greater detail later, and the permanent chassis truly are the defining characteristics of manufactured homes. Other aspects of manufactured homes, such as size, building materials, and special features, vary drastically among homes, as they do in site-built homes. Furthermore, the features that are now available in manufactured homes set them apart from the smaller, less personalized trailers and mobile homes of the past.

B. Where is manufactured housing?

Manufactured homes are located across the United States, but they are especially common in the South. Until recently, they have been found almost exclusively in rural areas. As a result, it has been argued that manufactured homes are not as conveniently located in reference to many positive community facilities, such as schools and shopping centers. However, such conclusions should be considered only in light of the benefits that are associated with rural living. In addition, more and more modern manufactured homes are being placed in suburban or even urban areas.

The location of a manufactured home is important, particularly since the manufactured homes of today are usually only transported once—from the factory to the home site. Unlike the pre-1976 mobile homes, which often were moved from their original site, possibly repeatedly, manufactured homes are rarely relocated. In fact, recent data indicate that less than 5% of manufactured homes will be moved from their original site.¹ In addition, more and more areas are accepting manufactured homes, so homeowners are not limited to parks and rural lots. In general, there are four options of placement/ownership status combinations for manufactured homes.

Just as is the case for a site-built home, a manufactured home can be placed on a piece of property owned by, or to be bought by, the future resident. The U.S. Census Bureau reported that a growing percentage of new manufactured homes are being placed on private property—70% in 2003.² Deciding to place a HUD-Code home on private property brings with it advantages (greater freedom, more financing options), as well as disadvantages (paying for land preparation such as clearing, grading, and connecting electricity and water; abiding by zoning restrictions and other regulations), that come with owning a site-built home. Although the placement of manufactured housing is completely forbidden by government-enforced zoning in some areas, many local governments have been growing more accepting of manufactured housing.

Nonetheless, stereotypes of pre-1976 mobile homes linger, which results in zoning barriers persisting. Even in North Carolina, a state that is relatively accepting of manufactured housing, modular homes may not be kept out of neighborhoods, so long as they meet state regulations and rest on permanent foundations, but restrictions on the placement of HUD-Code homes are still allowed. Potential manufactured home buyers should be aware of such restrictions, but they should also be encouraged by the trend toward lessening regulations. Originally manufactured homes were placed primarily on owned land in rural areas only, but recent years have shown

¹ Georgia Manufactured Housing Association. (2003). *Georgia Manufactured Housing Association Fact Sheet*. Atlanta: Author.

² U.S. Census Bureau. (2003). *Selected Characteristics of New Manufactured Homes Placed, by Region*. Retrieved on 26 July, 2004 from <http://www.census.gov/const/mhs/char03.pdf>

trends toward greater numbers of manufactured homes being placed in traditional suburban subdivisions. Ten percent of all new manufactured homes in 2001 were placed in traditional residential subdivisions.³ Although in this case zoning may no longer be a barrier, residents must be careful to abide by any restricted covenants and deeds enforced by the neighborhood itself.

A second option is to place a manufactured home on a piece of land leased from a developer in a planned manufactured home community. In all states but three, developers are required to allow any home meeting the community's guidelines to be placed on a home site in their community, thereby forbidding developer-retailers from monopolizing sales. There are advantages and disadvantages to being a homeowner yet a land-leaser. Typically, preparing the site and placing the home are easier on leased land than on privately owned land, primarily due to the lack of zoning regulations and other ordinances. Also, manufactured home communities may be planned neighborhoods with amenities such as sidewalks and recreational facilities. In some communities, the monthly cost of the land lease includes services such as trash collection and lawn maintenance. However, potential consumers should be careful to review all park rules and regulations before deciding to move into a community and should be aware especially of regulations related to rent increases, parking, noise, and other issues. Financially, leasing, rather than buying, land may be a more feasible option for many homebuyers. The initial cash outlay is smaller (partially due to the absence of attorney fees and closing costs), and the monthly payment is often much less than it would be if the land were bought. Working to homebuyers' disadvantage, however, are the facts that leasing land often requires the use of a personal property loan, rather than a real estate mortgage, and homeowners cannot realize any gain from appreciated land value when they sell their home.

In addition, most manufactured home residents in such land-lease communities have month-to-month leases, rather than long-term leases. This means that landlords can unexpectedly raise the rent on the lot and/or the utilities and give the residents only 30 days notice. They may also sell the land or decide to use it for another purpose and give the residents only 30 days to move. Despite some of the potential disadvantages, for many homebuyers, a manufactured home in a planned community brings just the right mix of positive benefits related to being a homeowner, living in a nice community, and being able to afford those possibilities.

Thirdly, a manufactured home (either new or pre-owned) may be bought together with a piece of land in a planned community for the best of both options already described. The financing options available to other homebuyers who buy their land are available to these homebuyers as well. Additionally, because the manufactured home will be placed in a planned community, there are few, if any, concerns about zoning regulations, and the amenities of planned communities described above are available.

Finally, most land-lease community developers own at least a few of the homes on their sites and make them available for rent. Rental of manufactured housing is particularly popular in vacation areas and retirement communities.

³ Manufactured Housing Institute. (2003). *Quick Facts 2003: Trends and Information about the Manufactured Housing Industry*. Retrieved on 18 November, 2002 from http://www.manufacturedhousing.org/media_center/quick_facts2003/index.html.

C. How much does manufactured housing cost?

Production in a controlled environment offers many advantages. One advantage is that fewer time delays result; typically, factory-built homes can be completed within three months but sometimes as quickly as one week. Consequently, there is not time for the costs of materials to rise, and there is little or no need for construction loan money. Furthermore, there is no need to hire expensive subcontractors; the skilled, factory employees work together to complete all aspects of the homes. Additionally, factory construction provides better protection from theft and vandalism during construction, and it allows for manufacturers to take advantage of price discounts by ordering supplies and appliances in bulk. Finally, workers can be more efficient because they are working from the inside out. They can also take advantage of computer-assisted design programs. Lower costs on the construction end translate into lower prices for homebuyers.

Just as with site-built homes, the ranges of sizes and types of manufactured homes are wide. Consequently, the price range of new manufactured homes is also wide, with prices, excluding land, ranging nationally from \$20,000 to over \$100,000. The important point, however, is that, on average, manufactured homes tend to be less expensive than site-built homes. Manufactured housing offers the potential of homeownership to more Americans because of its lower cost. Indeed, according to a study done by the Foremost Insurance Group, 82% of manufactured home buyers indicated that the home's lower price was their primary reason for purchasing the home.⁴ Nationwide, manufactured home construction costs 20-50% less per square foot than construction of comparable site-built housing.⁵ In 2002, the average sales price, less the cost of land, for new single-family, site-built homes was \$174,140. In that same year, the average sales price, excluding land but including installation, of new multi-section manufactured homes was \$56,200.⁶ In 2003, the average cost of a new manufactured home in Georgia was \$52,300.⁷ Appraisal guides, which are often available at public libraries, can give a prospective homebuyer a better idea of what the cost will be for various types and sizes of manufactured homes.

As would be necessary when thinking about purchasing any new home, it is important to remember the other costs involved, those costs beyond monthly mortgage or loan payments. One cost that is incurred right away is the cost of professionally moving and installing a home. This is usually several thousand dollars, but it often is included in the total price of the home. Other costs include, but are not limited to, land purchase or rental, utilities, property taxes, maintenance, and insurance. On average, insurance for manufactured homes is more expensive per dollar of house value than insurance for site-built homes. Part of the reason for the difference, however, is that insurance policies for manufactured homes are more comprehensive. They include flood and earthquake coverage, which is not available in traditional homeowners

⁴ Manufactured Housing Institute. (n.d.). *Manufactured Housing Loans? In YOUR Portfolio? Oh, Yes!* [Brochure]. Arlington, VA: Author.

⁵ Manufactured Housing Institute. (n.d.). *Consumer Guide to Today's Manufactured Housing* [Brochure]. Arlington, VA: Author.

⁶ Manufactured Housing Institute. (2004). *Quick Facts 2004: Trends and Information about the Manufactured Housing Industry*. Retrieved on 9 July, 2004 from http://www.manufacturedhousing.org/media_center/quick_facts2004/index.html

⁷ U.S. Census Bureau. (2003). *Average Sales Price of New Manufactured Homes Placed, by Size of Home by State*. Retrieved on 26 July, 2004 from <http://www.census.gov/const/mhs/stavg03.pdf>

insurance. But there is a trade-off because most manufactured home owners incur lower property taxes than do owners of similar site-built homes.

In addition, some states (including Georgia) require that all manufactured home owners obtain a vehicle title, regardless of whether or not the owners intend to move the home. There is a procedure for changing a manufactured home to being considered real (as opposed to personal) property. If this procedure (discussed later in these materials) is followed, then a vehicle title will no longer be required.

Although extra costs should not deter anyone from purchasing a manufactured home, such costs should be included in prospective buyers' budgets to ensure that they will be able to keep up with monthly payments. Regardless of the type of financing obtained, one bonus of owning a home rather than renting one is the fact that interest payments on the mortgage or chattel loan are tax deductible.

D. Who lives in manufactured housing?

Over 22 million Americans, including over one million Georgians, currently live in HUD-Code housing. According to periodic studies conducted by Foremost Insurance Group, there are few significant differences between manufactured home residents and residents of site-built housing. The average age of manufactured home residents in Georgia is 53, but about one quarter of all residents are under 40 years of age. Somewhat surprisingly, nationwide, 19% are over the age of 69. The average household income is just over \$29,000 among Georgia's manufactured home owners. Nationwide, 55% of heads of household are employed full time, and 30% are retired. The most common household configuration is a household of two members.⁸

E. Who sells manufactured housing?

Most manufactured homes are bought from retailers who work out of retail centers or model homes in planned communities. Many retailers are also builders or developers, but most retailers sell homes built by several different manufacturers. Choosing a good retailer is important because he will help in picking out a home and will be in charge of many key aspects of its delivery and placement. Additionally, a good retailer can assist in financing arrangements. The retailer also will be a primary contact for warranty information. Finally, if the land is being leased, then the retailer will be the lessor. Therefore, it is important to speak with many retailers and, whenever possible, to talk to people who have purchased homes from them.

Really, only in one situation would a homebuyer need to work with anyone other than a retailer to purchase a manufactured home. If a pre-owned manufactured home is purchased with the land on which it is sited, then the current owner or a real estate agent may be in control of the sale.

II. In the market for manufactured housing?

⁸ Georgia Manufactured Housing Association. (2003). *Georgia Manufactured Housing Association Fact Sheet*. Atlanta: Author.

Manufactured Housing Institute. (2004). *Quick Facts 2004: Trends and Information about the Manufactured Housing Industry*. Retrieved on 9 July, 2004 from

http://www.manufacturedhousing.org/media_center/quick_facts2004/index.html

Manufactured Housing Institute. (2004). *Understanding Today's Manufactured Housing*. Retrieved on 9 July, 2004 from http://www.manufacturedhousing.org/understanding_today2004/index.htm

Once you have decided to purchase a manufactured home, there are many things you will need to take into consideration. Some of these are similar to issues you would deal with in buying a site-built home, but others are unique to manufactured homes. A few words of advice are in order before focusing on the details. First, talk with other people who have purchased manufactured homes. Find out about the manufacturers and retailers they used and if they would recommend those companies and their products to you. Another word of caution is to be wary of packaged deals. Retailers who want to sell you a home, serve as the mortgage broker, and sell you extras, such as insurance and furniture, are almost always presenting you with a bad deal. You will pay for the convenience of one-stop shopping with higher mortgage payments and a longer amount of time required to build equity in your home. Any home purchase is the single largest investment most people make in their lives and requires careful consideration. Do not let a retailer pressure you into deciding until you are ready, and do not sign anything until you have read it and understand it. Finally, remember that it is the total cost of the home—not the amount of the monthly payments—that matters. Never tell a retailer how much you can afford in monthly payments. With those words of caution as background, the remainder of this section will be devoted to introducing you to some of the terminology regarding manufactured housing and some of the decisions that homebuyers face.

A. Regulations

1. **The HUD Code.** The term *manufactured housing* conjures images in the minds of many people of run-down trailer parks and nondescript doublewides. To a great extent, these stereotypes developed naturally over the history of manufactured housing, but they represent a view far from valid in today's dynamic and versatile manufactured sector. In order to understand the current state of HUD-Code homes, it is important to know their history.

The factory-built housing industry actually grew out of the recreational vehicle industry, which got its start in 1921 with the release of tent trailers. The 1940s were a time of boom in the manufactured sector, mostly fueled by government demand for temporary and emergency housing due to the war efforts. Despite low standards of quality, the decade of the forties also proved to be a transition from *trailers* to *mobile homes*, and by 1950, only one percent of all units were for vacation purposes. Yearly production grew throughout the 1960s, and in 1969 mobile homes accounted for 40% of all single-family home starts. In the early 1970s, however, concern built over the quality of the construction and installation of mobile homes, and battling with the typical negative trailer park image became an issue for many manufacturers and potential consumers. Despite the growing size of mobile homes and the introduction of the doublewide, sales declined in the seventies. Although the battle against preconceived notions is ongoing, the manufactured housing sector thrives today. There are an estimated ten million manufactured homes in the United States.⁹ In 2002, HUD-Code homes accounted for approximately 11% of all new single-family homes.¹⁰ In Georgia, one out of every five permits

⁹ Manufactured Housing Institute. (2004). *Understanding Today's Manufactured Housing*. Retrieved on 9 July, 2004 from http://www.manufacturedhousing.org/understanding_today2004/index.htm

¹⁰ Manufactured Housing Institute. (2004). *Quick Facts 2004: Trends and Information about the Manufactured Housing Industry*. Retrieved on 9 July, 2004 from http://www.manufacturedhousing.org/media_center/quick_facts2004/index.html

issued for single-family housing is for a manufactured home.¹¹ Much of the credit for the rebound of the manufactured sector can be attributed to the HUD Code.

In 1974 Congress passed the National Manufactured Housing Construction and Safety Standards Act, legislation that empowered HUD to regulate the construction and installation of manufactured homes nationwide. Two years later HUD adopted a national code of standards for all manufactured homes. In general, the HUD Code regulates aspects of manufactured housing relating to design, construction, safety, strength, durability, transportability, fire resistance, energy efficiency, and quality. Performance standards were also established for the heating, air conditioning, plumbing, thermal, and electrical systems. Additionally, the HUD Code calls for inspections of manufactured homes by private or state agencies, which must be monitored by the National Conference of States on Building Codes and Standards (NCSBCS). Finally, the HUD Code established a process through which buyers could register complaints. Each homeowner is provided with an owner's manual that provides information on maintenance and safety, as well as the names of state enforcement agencies with which complaints can be filed. In each state, a State Administrative Agency (SAA) administers and enforces the HUD Code. In Georgia, the State Fire Marshall acts as the SAA.

The HUD Code for manufactured housing is the only national building code, it preempts all other building codes, and it was designed specifically for manufactured housing. All other homes, including other types of industrialized homes, are built to possibly less stringent local, regional, and state codes. Regardless of where a new manufactured home is purchased, there is no question about the quality of the home's construction. One added advantage is that homes built in one part of the country are easily accepted in other areas because there is confidence in construction quality.

Finally, because the HUD Code is performance based, rather than materials based, manufacturers can take advantage of new technologies quickly. Unlike many site-built home contractors, manufacturers do not have to wait for changes in their building code before adopting new approaches, as long as the final product meets the standards of construction. Therefore, manufacturers are encouraged to be innovative with the newest technologies, which can result in better-quality and lower-cost homes.

The Manufactured Housing Improvement Act of 2000 was passed to ensure that the HUD Code would be periodically updated to accommodate for changes in the industry. If the industry is to fill the nation's growing need for affordable housing, it is pivotal that the HUD Code incorporate new innovations and technologies that can improve construction and quality and potentially lower costs.

2. Inspections. Before transportation, each section of a HUD-Code home must display a red label certifying that it has passed all inspections. The inspection process is conducted through a federal and state cooperative agreement. At the national level, HUD sets the standards, and at the state level, inspection teams actually check for compliance.

¹¹ Georgia Manufactured Housing Association. (2003). *Georgia Manufactured Housing Association Fact Sheet*. Atlanta: Author.

Inspection of manufactured homes occurs on three levels. Before any construction takes place, all designs (blueprints) and factories are inspected for compliance with HUD-Code standards. This inspection is conducted by the Design Approval Primary Inspection Agency (DAPIA), a third-party inspection agency. Requirements for design approval of manufactured homes are much more comprehensive and strict than are similar requirements for site-built homes. In addition, manufacturers are required to submit a quality assurance manual, which is not asked of site builders. Second, each factory is monitored to ensure that production actually unfolds as it was described in the design proposal. This inspection is conducted by another third-party agency, the In-Plant Primary Inspection Agency (IPIA). In Georgia, the State's Comptroller General's Office acts as the IPIA. Finally, each manufacturer thoroughly inspects each home that leaves his assembly line. The official HUD IPIA inspection occurs only after the manufacturer has conducted his own inspection.

It is important to note that each home is not inspected by IPIA at each stage in the manufacturing process. However, the inspection process ensures that each home is inspected enough to approve it with confidence. Three conditions for IPIA inspection are important. First, all homes are inspected by the IPIA in at least one stage of the production process. Second, when IPIA inspectors visit a plant, they thoroughly inspect all stages of production by inspecting every visible part of every home in each production stage. Third, the first home produced by a new manufacturing plant is completely inspected by IPIA at all stages of production. Such thorough inspection ensures that the manufacturer is able to build homes according to the quality assurance standards.

In addition to the official inspections described above, some HUD factories allow visitors, in which case it might be possible for a homebuyer to inspect his future home informally at various stages of production. Even if identification of a particular home were not possible, the consumer could assess how well the factory seemed to be operating.

3. Certification. As an assurance to the homebuyer of the inspection process, a certification label is placed on each section of each manufactured home. These numbered labels certify that the home meets the high standards set by HUD. No one should accept a HUD-Code home that is delivered without these inspection labels in place.

4. Real vs. personal property (GA House Bill 506). A manufactured home can be considered real property or personal property, but all manufactured homes in Georgia are considered personal property unless the homeowner acts to change the classification. Regulations for changing the classification of a home between personal and real property were specified in House Bill 506 from the 2003 Georgia General Assembly. It is important to remember the tax implications of such changes in classification. Any home that undergoes a change from personal to real property will be taxed as real property after the change.

For a manufactured home in Georgia to be considered real property, two criteria must be met. First, the home must be permanently attached to land in which one or more of the homeowners must also have an ownership interest. Second, a Certificate of Permanent Location must be filed in the real estate records of the county where the home is permanently placed **and** with the commissioner of motor vehicle safety. All homeowners should be sure to get a certified copy of the certificate. The process of changing a home's classification from personal to real property is

not free; a fee of \$18 will be charged by the commissioner of motor vehicle safety. Once a home has been converted from personal to real property, it may not be relocated without the consent of the property owner(s) and those who hold security interests in the property.

Just as a home can be converted from personal to real property, it can also be converted back from real to personal property. The process is similar; a manufactured home will be considered personal property under two conditions. First, the home is going to be moved with the written consent of the property owner and all holders of security interests in the home. Second, a Certificate of Removal from Permanent Location is filed in the same way that the Certificate of Permanent Location was filed. Again, a fee of \$18 will be charged, and the homeowner should be sure to get a certified copy of the certificate.

Finally, if a home that is currently, or has been previously, real property is to be destroyed, a Certificate of Destruction must be filed in the same manner that the other certificates were filed. Again, the fee is \$18, and a certified copy of the certificate should be obtained.

B. Personalizing your manufactured home.

Most people's images of manufactured homes are of one or more nondescript box-like structures. Despite the cookie-cutter image associated with HUD-Code homes, many options for innovations in home design are available. Homes can range in size from 900 to 2,500 square feet, depending on the preferences and budgets of the home buyers. The average new manufactured home in 2003 had 1,615 square feet.¹² A homeowner can personalize the exterior and/or the interior of his home, and he can specify appliances for the home.

1. Exterior features. Modern manufactured homes often include trussed roofs with overhangs or awnings, hinged roofs, skirting, steps, carports, garages, screened porches, patios, decks, or even second stories. In 2001, most new homes had pitched roofs with shingles and gabled ends, features that are especially important in preventing water damage. The first two-story manufactured home project in the U.S. was completed recently in Maryland. In addition, all of the homes in that community are situated over basements. (As of 2004, manufactured homes with basements are not yet possible in Georgia.) Another two-story manufactured home community, which includes town-house-style manufactured homes, was built in Seattle. In Tucson, Arizona, another recent manufactured home development contains only homes with permanent foundations and attached garages. Of all new manufactured homes in the U.S. in 2003, 30% had permanent masonry foundations.¹³

One important decision that will need to be made after opting to add a structural feature to a manufactured home is whether the feature should be manufactured or built on-site. The latter option is more common, but there are pros and cons to both decisions. Add-ons built on-site by a contractor will not be required to meet the HUD Code, but rather local, regional, or state codes will be in effect. Therefore, be sure that the on-site builder provides a warranty for his add-on. It is important to keep in mind how such additions will affect the structural integrity of a manufactured home since the builder will, most likely, not be concerned with HUD regulations.

¹² U.S. Census Bureau. (2003). *Selected Characteristics of New Manufactured Homes Placed, by Region*. Retrieved on 26 July, 2004 from <http://www.census.gov/const/mhs/char03.pdf>

¹³ U.S. Census Bureau. (2003). *Selected Characteristics of New Manufactured Homes Placed, by Region*. Retrieved on 26 July, 2004 from <http://www.census.gov/const/mhs/char03.pdf>

Additionally, the original manufacturer cannot be held responsible for damage incurred due to structural additions or changes. Furthermore, such alterations may cause the manufacturer to terminate or alter the warranty. Although the use of manufactured add-ons solves these problems, it presents problems of its own. Additional structural features may require more fine-tuning than standard components of homes, and the precision necessary may not be available in manufacturing. One idea for combining the best of both approaches is for manufacturers to develop designs for add-on features. The designs would have to be approved by a DAPIA inspector, as described earlier. But the actual construction would take place on the home site. In this ideal situation, which is fairly common in California, it is ensured that structural features are built as best as is possible and will not threaten the stability of the manufactured home. Structural additions, such as garages and porches, can safely add to the attractiveness of a manufactured home, but decisions about such add-ons are not to be made lightly. Homebuyers should not be discouraged from adding features to their home; they are only cautioned to consider all possible options and their implications.

Additionally, the support and anchoring of a home is an important consideration. A homebuyer placing her home on owned land should consider having her home rest on a permanent foundation consisting of a poured concrete slab and a crawl space. If this is not possible, anchors or tie-downs should be used to prevent a house from slipping off its piers. All home supports should rest on deep concrete pads or footings, not directly on the ground.

Furthermore, a manufactured home buyer has more choices than in the past for the exterior finish of a home. Home exteriors may be made from stone, brick, wood lap, hardboard, stucco, metal or vinyl siding, and cedar or tile shingles. The variety of exterior finishes now available allows manufactured homes to blend into almost all residential neighborhoods. Care should be taken in choosing an exterior finish, as it can have implications for the durability of the home. In various publications, Consumers Union provides information on the advantages and disadvantages of different finishes. In general, hardboard and metallic siding are not good choices because they are susceptible to more problems with water damage.

Finally, more manufactured home communities are being built with more attractive landscaping options than in the past.

2. Interior features. Manufactured homes are delivered to their home sites complete with carpet, appliances, and other interior features. A homebuyer has the option of choosing a basic plan or one with more options included. Most manufacturers allow consumers to choose from among many blueprints (floor plans), which include features, or upgrades, such as extra bedrooms, formal dining rooms, spacious living rooms, and walk-in closets. Nearly 90% of new manufactured homes in 2003 had at least three bedrooms.¹⁴ Other interior features commonly available are vaulted ceilings, archways, drywall, whirlpool bathtubs, wood-burning fireplaces, custom cabinets, double sinks, and special window designs, such as bay windows. One precaution is that, although consumers tend to prefer drywall that has been taped and finished, it is prone to cracking during transportation. Another interior feature that is becoming more popular is the addition of one or more ceiling fans. A homeowner who chooses to add a ceiling

¹⁴ U.S. Census Bureau. (2003). *Selected Characteristics of New Manufactured Homes Placed, by Region*. Retrieved on 26 July, 2004 from <http://www.census.gov/const/mhs/char03.pdf>

fan should first make sure that there is adequate structural support and ceiling height. Furthermore, the homebuyer can specify the type and color of carpeting (or other floor covering), paint/wallpaper, and countertop material.

The most important thing to keep in mind when altering or adding interior features is that any changes from the manufacturing standard will affect the price of a home. Although interior alterations should not cause problems with structural instability, as exterior features may, homebuyers must remember to keep in mind their budget. It is important, however, to think not only of the immediate costs, but also of the long-term costs. Sometimes a slightly more expensive, higher quality product will last longer and will require less maintenance, which can produce savings over the lifetime of the product. One good example is with plumbing fixtures. Fixtures made of heavy reinforced plastic or porcelain-covered steel are much less prone to cracks and leaks than are those made of the standard thin, molded plastic. In addition, it is a good safety precaution to request shutoff valves at all plumbing fixtures, including toilets. Such upgrades may cost a little extra, but the price will or may be worth it in the long run.

3. Appliances. Finally, homebuyers may opt for different or more appliances than those specified by the manufacturer. The most common adaptation is for a full kitchen. Standard kitchens include a refrigerator and a stovetop/oven. Optional appliances are a microwave, trash compactor, dishwasher, garbage disposal, and indoor grill. Many homebuyers also opt to include a washer and dryer. The decision to alter kitchen appliances may be due to a desire for greater energy efficiency, which will be discussed in the next section. Consumers must keep in mind their budgets—both short-term and long-term—as they make such decisions. Again, remember that, frequently, higher initial costs may pay off in terms of long-run savings. A final note, especially regarding kitchens, is that the addition of more electrical outlets is always a good idea.

C. Considering energy efficiency, including Energy Star

Since its inception, the HUD Code has specified energy efficiency standards for all manufactured homes. In the original 1976 HUD Code, standards were set for envelope air infiltration, air supply ducts (both under the floor and in the ceiling), insulation compression, vapor barriers, and transmission heat loss. The guidelines imposed by HUD in the updated Code of 1994 are stricter than many local and state codes on energy efficiency. Nonetheless, it may be to a homebuyer's advantage to increase further the energy efficiency of the manufactured home he is purchasing. Homebuyers need to consider the energy efficiency of their future home's heating and air conditioning systems and appliances. In addition, homebuyers should consider the energy-use implications of the insulation and windows used in their homes, as well as whether or not they choose to have a perimeter enclosure installed.

Regarding heating and cooling systems, the HUD Code distinguishes among three temperature zones in the United States. Inside each manufactured home, two certificates indicate the appropriate location of the home and method of cooling the home. The heating certificate indicates in which of the three temperature zones the home may be placed based on the amount of insulation in the home. The comfort cooling certificate indicates the appropriate air conditioning system to use in the home. It is always possible, and may even be to the homebuyer's advantage, to upgrade the standard heating or cooling system to one that is more efficient. A gas furnace or heat pump may reward more energy savings than gas models.

Although a more efficient heat pump or air conditioning system may cost more initially, the long-term savings are potentially huge. The long-term benefits of highly efficient heating and cooling systems were one of the motivations for HUD to increase energy requirements in 1994. If it is not possible to alter the specified heating pump or air conditioning unit, then the location of the ducts can be specified to optimize efficiency. Homes placed in cold climates should have ducts on the floor along the edges of rooms, and homes in warm climates should have ducts in the ceiling.

Appliances are another area in which potential manufactured home buyers can invest a little extra up front and gain long-term benefits. High-efficiency refrigerators, washers, dryers, dishwashers, water heaters, and many other appliances are available for homebuyers. Homebuyers should choose systems that are properly sized for the home.

Consumers may also actively save energy by increasing efficiency of appliances such as water heaters. Water heating is typically the third largest energy expense in homes. Consumers may save energy by choosing an appropriately sized heater, turning down the temperature setting to a lower temperature, turning down the temperature while away on vacation, using a water heater insulation blanket on an electric heater (consult manual before purchasing a blanket as some manufacturers do not recommend wrapping the water heater).

Additionally, the type and amount of insulation, as well as the kind of windows, in a home have implications for the overall energy efficiency of the home. Having exterior walls built with 2-by-6-inch boards (rather than 2-by-4-inch boards) allows for more home insulation. In addition, options for double- and triple-glazed windows, storm windows, and high efficiency windows are all available in manufactured homes. Window frames should be welded together, rather than glued or screwed. In addition, vinyl framed windows allow less temperature transfer than do other types of frames.

Retailers and installers can also install perimeter enclosures, which improve the energy performance of HUD-Code homes. A perimeter enclosure is a protective skirt made of wood lattice, brick, vinyl, or aluminum. It protects the belly wrap (a plastic cover on the underside of a manufactured home), seals out moisture and pests, and keeps the insulation in place.

Consider the effect of sun exposure on the home. Before installation, careful thought should go into how the home ought to be placed in the landscape. With careful placement, consumers may save energy by managing the home's exposure to the sun. If possible and practical, the home should be aligned such that the long side having the most window coverage faces south. When used with awnings, this configuration will minimize exposure to the hot summer sun while providing warming sunlight in winter. Shades, blinds, or curtains on windows may be used to control sun exposure, keeping them closed in the summer and opened in the winter. External sun screens, which resemble insect screens and attach to the outside of windows, also reduce the amount of sunlight that passes through windows. Consumers may also consider planting deciduous trees to shade the east and west sides of the home during summer while permitting sun to warm the home in winter.

New and existing consumers may reap further energy savings by controlling the thermostat using a manual or programmable means. In summer, the thermostat may be set as high 78°F, if comfortable. Supplementing air conditioning with high efficiency fans will make the higher temperature more comfortable. Fans should be turned off when leaving the room. In the winter, the thermostat may be set between 65° and 68°F while at home during the day and lower at night. When leaving a home with a heating and cooling system other than a heat pump, set the temperature even higher in summer and lower in winter. Less energy is used in reheating or re-cooling to a target temperature than in maintaining a constant temperature.

Finally, 75 manufacturers are now participating in the Energy Star program. The Energy Star program was started in 1992 by the Environmental Protection Agency (EPA) and the Department of Energy (DOE) as a method of reducing energy use in and, therefore, greenhouse gas emission from homes. Through their partnership with the Department of Energy, the EPA now offers Energy Star certification for many products, from computers to heating and cooling units and from appliances to building materials. Energy Star has two important implications for prospective purchasers of manufactured homes. First, Energy Star certified appliances may be incorporated into manufactured homes. Appliances bearing the ENERGY STAR® logo may cost more at first, but over time, the savings on utility bills will often make them a worthwhile investment. Second, it is now possible to manufacture a home that is Energy Star certified as a whole. An ENERGY STAR® labeled home is at least 30% more energy efficient than a comparable home built to the 1993 Model Energy Code (MEC).

The areas in which manufacturers typically make adjustments are insulation, caulking, windows, heating and cooling systems, and ducts. The first two Energy Star certified manufactured homes were completed in 1997. Energy Star inspections are incorporated into the third-party inspection process already described, thereby making it easier for more manufacturers to get involved in the program. Within six months of the publication of the terms for Energy Star certification of a manufacturer, nearly a quarter of all manufacturers joined the program.

Manufacturers are excited about Energy Star for two reasons. First, Energy Star offers promises of long-term savings for manufactured home owners. These savings may be even greater than those experienced by site-built home owners because the efficient technologies and economies of scale in the manufacturing sector will allow more of the savings to be passed on to the consumer. Second, Energy Star certification offers evidence of the high quality of manufactured homes. In an age in which manufacturers and homeowners still have to defend the image of their homes, objective, third-party, universally acknowledged standards may be the best proof that manufactured homes are high-quality homes.

D. Concerns about potential damage:

1. **Fire.** One common misconception is that manufactured homes are more prone to fire than are site-built homes. In fact, studies have shown that the exact opposite is true. Due to strict federal regulations, manufactured homes are typically better protected from fire than are site-built homes. For example, the placement of combustible materials near furnaces, water heaters, and kitchen ranges is restricted. In addition, manufacturing guidelines increase the chance of escape and survival for manufactured home residents. Manufactured homes are required to have

egress windows in all bedrooms, at least one smoke detector, and at least two exterior doors. The exterior doors must not be close to one another, and they must be accessible without passing through a lockable interior door. It is also important to note that most fires in manufactured homes begin the same way they do in site-built homes: through carelessness of the residents.

The misconception about the prevalence of fires in manufactured homes most likely developed for two reasons. First, pre-HUD-Code homes did not include the fire safety features that are standard today. Homes built prior to 1976 are more likely to catch fire than are HUD-Code or site-built homes. Second, until recently almost all manufactured homes were located in rural areas, which are typically farther from fire stations than are suburban or urban homes. Therefore, all homes—both manufactured and site-built—in rural areas tend to suffer complete devastation from fires more often than do homes located more central to rescue workers. These two factors may help explain the positive association that some studies have found between the percent of mobile homes in a community and the fire death rate.

2. Wind. The HUD Code established three wind zones—for hurricane-prone areas (Zone 3), for other coastal areas (Zone 2), and for the rest of the US (Zone 1). Except for eight counties on the coast that have Zone 2 classification, Georgia is designated as Zone 1. Building codes for neither site-built nor manufactured homes require homes to be constructed such that they could withstand fully the high winds from dangerous storms. In fact, wind-resistance standards in high-wind prone areas generally are equivalent in regional building codes and the HUD Code. As long as a manufactured home is appropriate for its wind zone (or meets a higher level of wind durability) and is properly installed and anchored, it should be as safe from wind as is a site-built home.

Therefore, the stereotype of extremely fragile manufactured houses in the face of high winds is just that—a false stereotype. Just as is the case with fire devastation, the problem is much more directly connected to the location of a home than its construction. The often rural locations of manufactured homes help explain their increased likelihood of suffering damage from high winds or storms. The meteorological conditions in such areas are prime for the creation of such bad weather systems as tornadoes and hurricanes.

There is one exception to the wind durability of manufactured homes. Manufactured homes that are not permanently attached to foundations are likely to be more vulnerable to damage from high winds than are homes attached to permanent foundations. Considering the trend to affix more and more HUD-Code homes to permanent foundations, however, this is a shrinking concern. Manufactured homes that are connected to permanent foundations experience damage from winds similar to that experienced by site-built homes.

3. Water. Because manufactured homes are built in factories, shipped to locations with very different humidity levels across the country, and installed quickly, often without perimeter enclosures or ground vapor protection, precautions are necessary to prevent damage from water. In general, homes are built to minimize moisture problems, but vulnerabilities for moisture damage exist: in the Southeast in summer months, and in North and Central states in winter months. Prolonged moisture problems can result in loss of strength and insulation, rotting and rusting of materials, mold growth, and excessive weight that cannot be managed by support

structures. Extreme damage is rare, but even mild damage can make a home uncomfortable and unhealthy to live in.

Most importantly, home sites need to be properly graded so water will run away from the house. However, some humidity (either from outside or inside the home) is still unavoidable. Therefore, quick exposure to dry air is important in any type of home. When manufactured homes have skirting installed, it is essential that ventilation is allowed. Also, unlike any other type of home, manufactured homes are required to have ventilation systems that are able to run continuously. Finally, a well ventilated attic is a necessity in protecting against moisture.

Additional precautions may be taken to help minimize the potential for water damage. Caulking between sheathing and window and door frames is essential in protecting a home from moisture. If a new washing machine is installed, it should be checked to make sure it is draining properly. Something else to keep in mind is that particleboard sub-floors are more susceptible to damage—swelling, warping, and weakening—than are plywood sub-floors. Additionally, checklists are available for both manufacturers and installers to help them ensure that the homes they work with are well protected from moisture. Find out whether companies use such guidelines before deciding to buy their home or use their services.

E. Warranties

Before purchasing a manufactured home it is important to determine if any written warranties are available, or even required. (Laws in some states require warranties to be provided by manufacturers.) In all states, homebuyers have the right to review any warranties before purchasing a manufactured home. Such review of warranties allows the consumer to compare services offered by different manufacturers, retailers, and appliance companies. The first piece of information to find out is who offers warranties for the homes being considered. The warranties may be offered by the manufacturer, the retailer, and/or the appliance company (ies). Then it will be important to determine what is covered, how long coverage lasts, who will provide any needed services, and where repairs will be performed. In most cases, retailers perform any needed service on homes and manufacturers guarantee that repairs are completed well and quickly. Also pay attention to anything required of the homeowner to ensure that the warranty remains in effect for its full length. Some warranties may be able to be extended if the homebuyer wishes to pay for such coverage, but Consumers Union warns that extended warranties are not usually worth the money. All consumers should be educated on what warranty coverage is available, should anything happen to their homes.

1. From the manufacturer. All manufacturers should offer a written warranty on the structural quality of the homes they sell. Most manufacturers' warranties also cover plumbing, heating, and electrical systems installed at the factory. They may also cover factory-installed appliances, but those are typically covered by their own warranties, as described below. Typically, manufacturers exclude from coverage any damage or failures that result from everyday wear and tear, consumer abuse, accidents, home transportation and installation, or lack of maintenance. Due to these exclusions, it is very important to follow the manufacturer's guidelines related to transporting, siting, maintaining, and repairing a manufactured home. Furthermore, whether or not a perimeter enclosure is installed may also have implications for the manufacturer's warranty.

2. From the retailer. Since damage may be incurred while a manufactured home is being transported and/or installed and since such damage usually is not covered by manufacturers' warranties, retailers and transportation/installation contractors often offer warranties covering specifically such potential damage. Such warranties, however, usually do not cover damage due to negligence and will not pay for unauthorized repairs.

3. From the appliance companies. Appliances are covered frequently by a separate appliance warranty. Be sure to ask about any such warranties so you can get copies and keep them for your records. Most repairs under such warranties will be performed by a local appliance store, but the homeowners should be sure to check the conditions for repair specified in their warranty and/or homeowner's manual.

4. Implied warranties. In the rare case in which no written warranty is available, an implied warranty is able to offer protection to the consumer. An implied warranty of a manufactured home is a promise that the home is fit to be sold and lived in, but the promise is unwritten and unspoken. In some states, implied warranties are required when written warranties are not available. But in most states, it is possible to sell a manufactured home *as is*, that is, without an implied warranty. It is essential that homebuyers know whether an implied warranty is effective or they are buying a house *as is* before they decide to purchase a house. This is particularly important for consumers purchasing used HUD-Code homes. Any questions about implied warranties or the laws that regulate them can be answered by a state or local consumer protection office.

F. Transporting and installing a new manufactured home:

Usually, manufactured homes are transported first from the factory to the retail center, at which time the retailer inspects for damage and makes any necessary repairs. Transportation from the retail center to the home site is typically done by a transportation company. It is critical to inspect carefully for any damage as soon as the home is delivered and before it is installed.

Manufactured homes are typically installed by retailers or specialized installation companies that contract with retailers. By law, all manufacturers must provide instructions for the proper installation of their homes. Homebuyers should be present at the installation so they can check to make sure that installation occurs in accordance with those guidelines and any state regulations. Installation is obviously an important process, and there are many things to consider. *Do zoning restrictions apply? What requirements are there for septic, electrical, and/or building permits? Does the site need to be prepared, and is it easily accessible? Is the soil stable, and is the proper foundation system in place? Is a perimeter enclosure and/or ground vapor retarder required or recommended? What are the requirements for utility hook ups and dryer vent discharge?* These questions, along with any others about installation, can be answered by consulting with the retailer and/or the state or local building officials.

1. Stages of installation. In general, there are six stages involved in the installation of a new manufactured home. Homebuyers should be familiar with these stages and know who is performing what, regardless of whether a home is being installed on leased land or on owned land. The six stages are: transporting the home to the home site, constructing a foundation,

leveling the home site, securing the home to the foundation, finishing the home, and connecting the utilities.

2. Leased land. One advantage of purchasing a manufactured home in a land-lease community is that the community manager may take care of preparation of the site prior to the arrival of the home. Homes placed on leased land are usually installed by the retailer (or a company hired by the retailer), and the price of the installation is often included in the price of the home.

3. Owned land. If a manufactured home will be placed on a piece of owned land, then usually the homeowner will be responsible for site preparation. Individuals should check with their retailers to determine exactly what needs to be done for a particular home and site. Listen to any suggestions he makes! In general, things to keep in mind during site preparation are: leveling the site; clearing it of trees, rocks, and other debris; grading the soil; sloping the land for water runoff; and compacting the soil to prevent sinking or shifting. Although homeowners may be able to complete some of this work on their own, they (or their retailer) should hire certified professionals for work such as grading and leveling. Regardless of who does the work, either the retailer or the installer should inspect a site after it has been prepared and before the home is delivered. Such an inspection is necessary to ensure that the site preparation meets the standards required for the home warranty to hold.

In some cases, retailers may install homes on owned land, but the homebuyer is often responsible for hiring a professional installation company. Be sure to check on retailers' standards early to provide adequate time to prepare for what needs to be done to ensure proper delivery and siting of a home. If it is necessary to hire an installation contractor, then the homebuyer should ask for written proof of his qualifications, check on the availability of a warranty, and ask the contractor to verbally explain and write out the steps in the installation process.

4. Installation inspection. The first thing all manufactured home owners should do once their home has been installed is to thoroughly inspect it for any damage. If the installation crew manager is available, he may be able to walk through the home to help complete the inspection. In general, every aspect of a new home should be inspected to make sure that it works properly and was installed correctly. Some specific items to focus on are doors (both interior and exterior), windows, walls, floors, ceilings, faucets, and appliances. Also check electrical receptacles and light switches. To help keep track of what has and what has not been inspected, it is a good idea to perform the inspection in an organized fashion. One suggestion would be to start with the outside and then work through the inside rooms, one at a time. Don't forget about hallways! Also, if the manufacturer provided a checklist, then it should be filled out during the inspection. Doing so (and making copies) will provide the homeowner, the retailer, and the manufacturer with a written record of the condition of the home upon arrival at the site.

5. Problems with installation. If damage is incurred to a manufactured home during installation, the homeowner should turn first to the company that completed the installation—either the retailer or the installation company. If repairs are not completed or are done unsatisfactorily, then the homeowner may file a complaint with the local authority or State Administrative Agency (SAA). One word of caution is that it is normal for manufactured homes

to settle in the first few months (60-90 days, typically). A new owner should allow his home to settle, and then have the retailer or installation company come back to re-level his home.

G. Financing a manufactured home purchase:

How to finance any home—manufactured or site-built—is an important decision. Today, the options for financing a manufactured home are much more numerous than they were even a decade ago. Because of the many options and their different implications, it is important to consider all possibilities before making a decision. It is a good idea to talk to more than one potential lender. Consumers Union recommends obtaining your own credit report from *Equifax*, *Experian*, and *TransUnion*, rather than having individual lenders check your report. Lenders should be able to estimate the terms of a loan based on the credit information you provide them.

Regardless of how a home is being financed, a down payment will be required. It is important to understand the difference between a down payment and a deposit. The former is actually part of the home purchase and should be paid only when all loan documents are completed. A deposit, on the other hand, is a small payment (\$100-\$500) that may or may not be required to reserve a home. Remember that a homebuyer should never tell a retailer how much he can afford in monthly payments. A retailer may respond by offering what seems to be an ideal loan but which actually has a high loan-to-value ratio, which may lead to a higher risk for default.

The traditional method for financing a manufactured home is to take out a personal property (or chattel) loan, often with the retailer who sold the manufactured home. A manufactured home being placed on leased land will usually require a personal property loan. In 2003, 62% of all new manufactured homes were titled as personal property, rather than real estate.¹⁵ A homebuyer may want to begin her search for financing with her retailer because they often have agreements with national or local lending institutions; they can help fill out paperwork; and they can provide new homeowners with advice. However, it is also possible to shop for a loan with the lending institutions independently. Typically, chattel loans carry an interest rate that is two to three percentage points higher than rates on real estate loans. Loans for new homes typically require five to ten percent down and last for 25 years. With any type of loan, the larger the down payment and the shorter the term of the loan, the quicker a homeowner will build equity, which is advantageous to homeowners. One warning to homebuyers who choose a personal property loan is that such financing is not regulated by the Real Estate Settlement Procedures Act. Therefore, retailers can earn commissions or other fees on loans, as well as on insurance that they may try to sell with the loan. Therefore, homebuyers who opt for this type of loan need to be careful to read and understand all the conditions of their loan before signing it.

If certain conditions are met, then a traditional real estate mortgage loan may be taken out to finance a manufactured home. To qualify for such a loan, homeowners have to title their home as real estate, which was the case for 33% of all new HUD-Code homes in 2003.¹⁶ Additionally, in most states, a traditional mortgage is not an option unless the manufactured home owners also own the land on which the home rests. However, California recently became one of the first

¹⁵ U.S. Census Bureau. (2003). *Selected Characteristics of New Manufactured Homes Placed, by Region*. Retrieved on 26 July, 2004 from <http://www.census.gov/const/mhs/char03.pdf>

¹⁶ U.S. Census Bureau. (2003). *Selected Characteristics of New Manufactured Homes Placed, by Region*. Retrieved on 26 July, 2004 from <http://www.census.gov/const/mhs/char03.pdf>

states to allow classification of manufactured homes as real estate regardless of whether the land is leased or owned. Depending on state guidelines, it may also be necessary to place a manufactured home on a solid foundation to qualify for traditional real estate mortgages. Many advocates believe that widening the availability of traditional mortgages for manufactured housing is essential in promoting it as a viable housing option.

We have already seen that the role of manufactured homes in the housing industry has changed over time. With that evolution has come an evolution in financing options as well. The manufactured home personal property lending market has created an alternative for people who purchase their home and land together. In this case, it is possible to take out a land-home loan that is similar to the personal property loans for homes described above.

Another growing option for manufactured home owners is to take out a loan backed in the secondary market. Ginnie Mae purchases personal property manufactured home loans that are insured by the Federal Housing Authority (FHA) or guaranteed by the Veteran's Administration (VA). Insured or guaranteed loans may have lower down payments and/or interest rates than other chattel loans because of the reduced risk to the lender. However, it may take longer to be approved for a FHA or VA loan, so the process should be started early.

When dealing with homes that qualify as real estate, Fannie Mae and Freddie Mac purchase traditional mortgages. These two institutions have begun recently to open their markets more and more to the manufactured housing sector. In all states, Fannie Mae and Freddie Mac will provide loans for HUD-Code homes on permanent foundations on owned land. In general, it is required that there is only one tax bill for the home and the land and that the property has been certified as real property, rather than personal property. They also require that the foundation be designed by a licensed professional engineer and that it is inspected after completion. More specific requirements may differ among states.

Another new development is the Freddie Mac Leasehold Estate Mortgage Program. Under its guidelines, Freddie Mac may offer loans for HUD-Code homes on permanent foundations in land-lease communities. Availability of traditional mortgages for these homes could save the homeowners up to 20% on their monthly payments, as compared to chattel loans.¹⁷ States such as Arizona, Idaho, and Oklahoma have passed laws to encourage the use of the Freddie Mac traditional mortgages for homes in land-lease communities.

If the prospect of financing a new home is still overwhelming, there are people who can provide further assistance. For more information on housing counseling services, please contact the Housing Counseling Clearinghouse of the Department of Housing and Urban Development. This office provides counseling services for renters, first-time buyers, homeowners with questions, and homeowners in danger of default or foreclosure.

[H. Resident legal protection](#)

Manufactured home owners have rights, and it is important that they are aware of them. One such right is the right to know if the manufacturer discovers the possibility of a defect in a home.

¹⁷ Danner, P. B. (2002, September). States pass Freddie Mac friendly laws. *Manufactured Home Merchandiser*, 14.

Federal law requires that manufacturers contact the original purchasers of homes in which performance- or safety-related defects are suspected. If defects resulted from errors in design and/or assembly or if they create a very high risk for death or injury, then the manufacturer will also be required to repair the defects at no cost to the homeowner.

Homebuyers should be aware of any arbitration clauses in their contract. Such clauses limit a homeowner's right to sue and should be avoided if possible. If an arbitration clause cannot be avoided, then the homeowner should find out how much it costs to file a claim and who gets to pick the arbitrator.

Manufactured home loans should not be confused with predatory lending. Interest rates are higher on manufactured home loans than on traditional real estate mortgages because of the perceived added risk to the lenders. Although predatory lending is also characterized by high interest rates, it also involves high points, fees, and other charges, as well as frequent refinancing ("flipping") with no benefit to the homeowner. All homebuyers, particularly those purchasing their first home, need to be aware of the potential for predatory lending.

III. Already own a manufactured home?

Just because you have purchased and moved into a manufactured home (or any other type of home) doesn't mean that the learning process is over. Homeowners often have questions about maintenance and repairs, moving their homes, and changes in property values, among other things.

A. Maintenance & repairs:

No home—site-built or manufactured—is maintenance free! Although many materials, such as vinyl siding and aluminum-clad windows, used in home construction today are low maintenance, some regular maintenance is still required. Manufactured home owners are fortunate because they receive a homeowner's manual that describes the kind of maintenance that should be done and when it should be completed. If these guidelines are not followed, then the manufacturer's warranty may no longer be valid. In addition, the home may lose value or lose years off its life.

The homeowner's manual also details guidelines for repairs; it is essential to ensure that repairs will not threaten the stability of the home. If a home is still under warranty, the residents should always check with the manufacturer first to determine if they will handle the repairs. Some people like to make repairs to their homes themselves. Before doing this, check with the manufacturer. They may not reimburse a homeowner for materials or labor when repairs done on his own.

Many studies have been conducted to compare repair problems and needs in manufactured and site-built homes. Most reports conclude that rates of repair are approximately equal in the two types of homes. One author suggested that any difference in repair rates is not due to the construction or design of the homes but rather is related to the residents. He argued for greater assistance—both educational and financial—to help manufactured home residents recognize and pay for necessary repairs in a timely manner before they become more urgent and possible devastating.

Additional checklists are also available to guide homeowners in dealing with potential water problems. Some of the recommendations in these checklists are to use ventilation fans in the bathroom and kitchen, check the air conditioner filter monthly, and set the thermostat above 75 degrees in hot, humid climates. In addition, do not install an air conditioner or heat pump that is too large, do not use unvented natural gas, propane, or kerosene heaters, and do not cover or close off heater or air conditioning registers. Homes' belly wraps should be inspected by the homeowners about every three months; most repairs can be done with a do-it-yourself repair kit. Finally, be aware of signs of developing problems, such as musty smells; discolored walls or ceilings; swollen floors, walls, or ceilings; condensation on windows; and standing water under the home. In order to manage and solve moisture problems, it will be crucial to understand the source of the water, and eliminate it.

B. What if you decide to move your home:

Although they are moved infrequently today, it is still possible to relocate manufactured homes. When transporting a home, it is crucial to keep in mind the size, width, and weight regulations for highway travel, as they differ from one state to another. Therefore, anyone who anticipates moving a home should check with the appropriate state regulatory agencies before purchasing a home to ensure that it will be able to travel through the necessary states. Also, before any moves, it will also be important to pay close attention to the data plate zone maps located inside the manufactured home. As already described, these maps indicate where it is suitable for a particular home to be placed, based on wind, thermal, and roof load restrictions.

C. What will happen to your property value:

In general, manufactured homes increase in value (*i.e.*, appreciate) at lower rates than do site-built homes. In a study conducted by the Consumers Union, site-built homes appreciated 6% more per year than did manufactured homes.¹⁸ However, it should be noted that individual manufactured homes *may* appreciate at the same rate as site-built homes in the area. Indeed, some studies of appraisal rates conducted by independent agencies have found that HUD-Code housing may increase in value at the same rate as other types of housing.

Overall, there is more variation in appreciation rates among manufactured homes than among site-built homes. The drastically different appreciation rates for different manufactured homes is a result of many factors but is primarily related to whether the home is placed on owned or leased land. Manufactured homes permanently grounded on owned land tend to experience higher rates of appreciation than do homes not placed on permanent foundations and/or placed on leased land. In the Consumers Union study, manufactured homes placed on owned land appreciated at about the same rate as site-built homes. However, homes placed on leased land depreciated, *i.e.*, lost value. If a land-lease manufactured home community is well run and well maintained, however, there is no reason to believe that house value appreciation would not be possible.

It is important to remember that the appreciation of all homes is subject to many factors, including: the housing market or community where the home is located, the availability and cost

¹⁸ Consumers Union Southwest Regional Office. (2003, April). *Manufactured Housing Appreciation: Stereotypes and Data*. Austin, TX: Author.

of homes and/or sites in the area, the initial home price, the age and condition of the home, historic value, the inflation rate, and the extent to which an official resale network exists in the area. Other specific factors that affect appreciation rates of manufactured homes are the size of the home, whether or not the home is overcrowded (as overcrowding may lead to more rapid wear and tear of the home), the amount of money invested in maintenance annually, and whether or not the home has been moved.

D. Whom to contact when you have questions:

If a manufactured home owner has any problems with his home, he should first contact his retailer. He should follow this with a letter listing the problems sent to the retailer, the manufacturer, and the installer. It is important to keep copies of all letters sent. After sending these letters, it may be necessary to place a call to the retailer or the manufacturer to discuss further the repairs that need to be made.

If repairs are not completed in a timely fashion, or if they are not done at all, then the consumer should register a complaint. All consumer complaints should be filed with the State Administrative Agency (SAA). Recall that, in Georgia, this is the State Fire Marshall. The SAA can assist consumers in communicating with retailers and manufacturers and can help to ensure that necessary work is completed.

IV. Contact information

- Georgia State Administrative Agency (SAA): State Fire Marshall
404-656-2056
Toll free: 1-800-656-2298
<http://www.gainsurance.org/>
- The website for the Manufactured Housing Institute has a lot of helpful information:
<http://www.manufacturedhousing.org/default.asp>
- Another website with a wealth of information on manufactured homes is:
<http://www.mhousing.com/>
- For a list of manufactured housing retailers in Georgia, visit the following web site:
http://www.manufactured-housing.org/html/georgia_manufactured_housing_dealers.htm

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