

HOUSING ADVISOR'S GUIDE TO FINANCE FACTORY-BUILT HOMES



THE FINANCING JOURNEY



ASK THE CONSUMER:

Are you feeling priced out of the current housing market?

RESOLUTION:

Purchase a factory-built home! On average, the total **cost for an FBH can be 30% less than a traditional new home.**

Suggest to the consumer to speak to a HUD certified counselor about the benefits of purchasing a factory-built home. In addition, there are educational classes available that may be beneficial and can help them save money as well as fully understand the process.

KNOW THE BASICS ABOUT FINANCING A FACTORY-BUILT HOME

1 Most of the financing process is the same. Help homebuyers shop for the loan that is best for their budget.

2 **They may be eligible for assistance** with the down payment and closing costs, just like a traditional home.

Many lenders provide loans for FBHs including:

- conventional banks
- government-insured loans such as FHA
- specialized lenders
- credit unions
- housing finance agencies
- community development lending institutions

There are two kinds of loans available, and you need to help the homebuyer decide which suits them.

- **Mortgage loans** (home and land) require that the borrower owns both the land and the home.
- **Chattel loans** (land only) only require the title to the home.



WHAT THE HOUSING PROFESSIONAL NEEDS TO KNOW ABOUT FACTORY-BUILT HOUSING FINANCE

The type of loan the homebuyer chooses depends on the site of the factory-built home.

CHATEL LOANS

Chattel loans are like a car loan - you don't need as good of a credit score or history, or as much savings. These loans end up being more expensive though because the terms are shorter with a higher interest rate.

MORTGAGE LOANS

Mortgage loans for FBHs are the same as any traditional home. Consumers can get a 30-year fixed rate, self-amortizing loan that helps them build equity, and the interest rates are very close to market rates for a traditional home.

Conventional lenders including Fannie Mae, Freddie Mac, USDA, VA and FHA all support mortgages for factory-built homes and come with consumer protections that are more extensive than chattel loans.

Chattel lenders are *less concerned* with the quality of the home and allow for construction and installation methods that may leave the home more susceptible to damage in natural disasters. On the other hand, mortgage lenders will insist on a construction standard that meets federal standards and greatly increases the long-term stability of the home.

THE PURCHASE AND LOAN PROCESS



1

The process for getting a mortgage loan for a FBH is the exact same as any traditional mortgage: The homebuyer can obtain a prequalification or preapproval from a lender before shopping for the new home. The lender will require an **appraisal, title insurance, and mortgage insurance** if they are ready to make a down payment. The home will then be inspected in the factory, and then installed.

2

Advise homebuyers to get quotes from at least three lenders and compare the APOR (annual percentage rate, including interest and fees), regardless of if they want to go forward with a mortgage or chattel loan.

3

Use the Next Step search tool to help find lenders in their area.
<https://nextstepus.org/downpayment>

AFTER THEY'RE MOVED IN

1

Factory-built homes with an Energy Star rating can lower utility costs by up to 30% a month compared to a traditional home. This is just one way consumers save money living in an FBH.

2

Remind buyers that their warranty won't be in effect forever, so it is always a good idea to have money saved for any ongoing maintenance, and other emergencies.



Factory-built homes are generally more affordable than traditionally built ones. With the right financial guidance, you too can live comfortably at an affordable budget.