



# FACTORY-BUILT HOUSING: A PROGRAM GUIDE FOR COUNSELING AND EDUCATION



# WELCOME TO NEXT STEP NETWORK'S GUIDE TO FACTORY-BUILT HOMES.

This guide is intended to help homeownership counselors successfully inform individuals and families of the options and opportunities related to factory-built homes. It addresses common questions and creates an opportunity for housing counselors to better understand their responsibility to know and present this information to their customers.

This guide explores the following core competencies:

- Understanding factory-built homes
- How factory-built homes are financed
- How factory-built housing can be integrated into counseling services
- How factory-built housing can be integrated into Program Management Practices
- Key resources and quick facts to expand your knowledge base on factory-built homes

# UNDERSTANDING FACTORY-BUILT HOMES

Potential homebuyers and housing counselors are often confused by the term “factory-built.”

Definition of “factory-built” home: The construction of the home took place inside a home building facility, instead of solely at the home build site. They may be purchased already “sited” (placed on land) or “unsited” (not yet placed on land).

These homes include:

- Manufactured homes\*
- Modular homes
- Panelized homes
- Pre-cut homes

Below is a closer look at these options. All are built to federal and regional building codes.

The infographic consists of four colored boxes, each with a house icon and a title. The top-left box is light green and describes 'MANUFACTURED HOME\*'. The top-right box is light blue and describes 'MODULAR HOME'. The bottom-left box is light blue and describes 'PANELIZED HOME'. The bottom-right box is light green and describes 'PRE-CUT HOME'. Each box contains a short paragraph explaining the construction and installation process for that type of home.

Home Type	Description
MANUFACTURED HOME*	A <b>complete unit</b> , upon a steel chassis, with wheels attached. The home is transported to the site and installed. It may be affixed on a permanent foundation.
MODULAR HOME	Built and transported in <b>sections</b> to the home site and installed. They are placed on a permanent foundation and may or may not have a full basement.
PANELIZED HOME	Whole walls with windows, doors, wiring and siding – or panels – are transported to the site and assembled.
PRE-CUT HOME	Factory-cut to design specifications, then transported to the site and assembled. These homes include kit, log and dome homes.

*\*Manufactured homes may be incorrectly referred to as mobile homes, or homes built in a factory before June 15, 1976, when the HUD Code (Manufactured Home Construction and Safety Standards) went into effect. Mobile homes are no longer built but still exist in many communities.*

## ELEMENTS AND BENEFITS OF FACTORY-BUILT HOUSING

Homes built in a factory are precision-engineered with less waste, which provides a greener, more environmental product and saves on time and cost. Below are some key features of factory-built homes:

<b>Reduced construction cost</b>	Factory-built homes cost less per square foot to build than site-built homes.
<b>Reduced construction time</b>	Construction materials are purchased in bulk, meaning factory-built homes can be built in about <b>one-third of the time</b> it takes to construct a site-built home.
<b>Safety features</b>	All homes follow federal safety codes and standards, including fire safety provisions, use of safe building materials, safety designs for window size and water temperature settings and safe, dependable heating and electrical systems.
<b>Energy-efficient</b>	Factory-built homes incorporate energy-efficient features to save energy and costs. Some are built to ENERGY STAR® standards with high-performance windows and doors and increased insulation.
<b>Modern designs</b>	Builders can customize homes to customer's specific needs with wood floors, tile, granite countertops, jetted tubs, fireplaces, garages, covered front porches, landscaping, etc.
<b>Rapid completion once home is on site</b>	When the house arrives at the site, it is nearly 90 percent complete. Construction is typically completed onsite in less than a month.
<b>Controlled environment</b>	Building indoors means no weather delays, greater precision and greater security. It also minimizes the risk of wood warping, mold and other moisture damage.
<b>Routine inspections</b>	A number of third-party agencies (approved by HUD) inspect production facilities to ensure homes meet design and building standards set by HUD.

# FINANCING FACTORY-BUILT HOUSING

When buying any home, shopping for the right lender and loan product can help consumers save money. Financing options for factory-built homes will depend on decisions made about the home:

- Which home option is selected
- Age of the home
- How it is sited and installed
- Whether the land and building are considered real estate by the county or state
- Titled as real property

## HELPING CONSUMERS UNDERSTAND FINANCING OPTIONS

Although factory-built homes are financed in much the same way as traditional site-built homes, they may involve a different process and a specific pool of lenders depending on the type of home and placement options. For manufactured homes, two financing methods are most often used: mortgage (land-home) loans or home-only (chattel) loans. These are governed by separate sets of guidelines.

MORTGAGE	HOME-ONLY (CHATTEL)
Extensive Federal consumer protections	Has fewer consumer protections
New or existing/installation of home purchased on owned land	Purchased and financed separately from land, can be leased OR owned
May have higher credit standards	May be easier to qualify for
May have upfront costs	May have lower upfront costs
But savings in long run	Usually cost more than a mortgage (cost may increase over time is not accurate)
Conventional lenders supported by Fannie Mae, Freddie Mac, FHA, state housing finance agencies, and others	There are fewer home-only lenders, so it may be hard to shop for competitive loans

# INTEGRATING FACTORY-BUILT HOUSING INTO HOUSING EDUCATION AND COUNSELING

Counselors are there to provide new pathways to homeownership that can help clients move along the purchase timeline. HUD guidelines require that various forms of affordable housing options are discussed with clients throughout the counseling timeline.

The list below is a step-by-step plan to adequately provide information on purchase options and meet that requirement. For example:

## Discussion Topic #1

- Ask about the types of housing the client has considered and review other options for affordability that may not have been considered, such as factory-built homes.
- Have them list their must-haves for their home.

## Discussion Topic #2

- Ask again about needs and interest in different housing types, including factory-built homes.
- Go over budgeting information:
  - Income. (All household costs, including utilities, should be 30% of income)
  - Down payment costs
  - Closing costs
  - Upkeep and maintenance
- If client is interested in Factory-built, review where it will be placed.
  - New
  - Pre-owned
  - Sited
  - Unsited
  - Owned land
  - Leased land
- Give them information for pre-approval process.

**Discussion  
Topic  
#3**

- Once pre-approved, suggest that buyers visit local retailers to learn more. Provide a list of local, reputable factory-built housing sellers that provide quality homes.
- Review other options for affordability that may not have been considered.

## FINANCING COMPARISON

Loan options for factory-built homes can be comparable to most other home mortgage options. For example, the homebuyer's credit and capacity are similarly measured, and requirements for down-payments are comparable (typically 0-5% of the purchase price). The key differences are identified via collateral, such as whether the purchase includes land and/or installation costs. Some designs may require buyers to set aside funds unrelated to a mortgage for land-lease costs, maintenance and upkeep.

**MORTGAGE  
OPTIONS**

For Federal Mortgage Assistance, the home must meet HUD guidelines for construction, installation, and setup.

# TOPICS TO COVER DURING EDUCATION AND COUNSELING

## Discussion Topic #4

- Insert a question in the class evaluation or survey asking if the buyer would like information on certain types of homes and include 'factory-built' in the list to choose from.
- Provide a copy *Factory-Built Housing: A Consumer Interest Guide*. Next Step offers hands-on, interactive materials to help buyers who are interested in purchasing a factory-built home. Keep copies on hand to distribute during class or provide online links.

Clearly define the difference between a Sited and Unsited home:

### SITED HOMES

A sited home has already been transported to the site and includes the total cost of buying the home, including all site improvements. These homes are located on private land, in a subdivision or in a land-lease community, and each may have additional costs to compare. The home may be new or pre-owned.

### UNSITED HOMES

Unsited homes are purchased through a retailer and then transported to a desired site and installed. There will be costs associated with moving and installing the home and buying, improving and/or renting the land. The land and site preparation costs will differ depending on whether the home is placed on private land or in a land-lease community, and how it is affixed.

**Is Factory-Built Housing the Right Housing?** As with any home, the cost of homeownership is affected by financing, insurance, maintenance, repairs, utilities, taxes and resale value. As always, customers should shop around and make a decision based on what matters most.

Below are questions specific to clients who are considering a factory-built home:

- Do you plan to place the home on private land? If so, do you own the land already?
- Do you plan to place the home in a land-leased community? If so, do you know which community, and have you researched the rules or laws related to that community? What sort of amenities and management features are important to you?
- Are you planning to purchase an existing home already placed on land?

Always remind clients that they should only use licensed professionals to buy and install any home.

One advantage to visiting a retailer is the ability to see several homes in one location. Buyers should look at different types of factory-built homes, compare features and ask questions before making a final decision. Many models appear similar, but construction quality can vary. If shopping for a new home, customers can choose one of the homes on display or have one custom-built.

**Evaluating the Quality of Factory-Built Homes.** Housing counselors should provide tips to help homebuyers evaluate the quality of construction for factory-built homes:

## NEW FACTORY-BUILT HOMES

Verify all licensed professionals.

Verify ENERGY STAR® certification.

Take a tour of the factory. Is the factory ENERGY STAR® certified?

Consult professional, HUD and State Administrative Agency (SAA) resources about the construction of factory-built homes. Ask the SAA if complaints have been filed about the home model or manufacturer.

## EXISTING FACTORY-BUILT HOMES

Hire a licensed inspector who is familiar with factory-built home construction.

Look at alterations that have been made and find out if they affect the home's compliance with HUD Code.

In manufactured homes, the data plate (typically located on the panel box, in a cabinet or in a closet) provides the serial number of the home, climate and thermal zones, and other important information.

# INTEGRATING FACTORY-BUILT HOUSING INTO PROGRAM MANAGEMENT PRACTICES

Before counselors and educators engage with purchase clients on the topic of factory-built housing, program managers should consider how, when and where the information will be included. Uniformity in delivery is key to compliance and details need to be consistent, thorough, and universal. Program managers should:

**Define the Process** – Create a complete and thorough plan for how factory-built housing discussions are incorporated into counseling and education sessions.

**Train Staff** – Know the local rules and regulations regarding factory-built housing and provide details to staff. Give updates on an annual basis either electronically or during staff meetings. Provide staff with Next Step’s *Factory-Built Housing: A Service Guide for Housing Counselors* so they can share it with clients.

**Integrate the marketing** – Integrating factory-built housing details into marketing is a simple way to increase awareness of affordable housing options. Agencies can:

- Include a factory-built photo or graphic in outreach fliers
- Incorporate factory language in outreach and marketing letters
- Build a website that includes factory-built in the affordable housing types; increase digital advertising to appeal to factory-built homebuyers
- Create blogs or online stories of successful homebuyers

**Adjust Intake Questions** – Review intake procedures and make changes to include questions or references to factory-built housing options. Make broad inquiries and ask questions that include a clear determination on the type of home the client is seeking. The questions or delivery of information should be the same as for all types of housing.

**Inform on Local Regulations** – Do the appropriate research about local codes and regulations, have clear and updated documentation, and share those details with counselors and educators.

# KEY RESOURCES AND INCREASING THE KNOWLEDGEBASE

If clients need more information on loans and suppliers, here is a list of resources:

## Additional Counselor Resources *(Hyperlinks available in digital copy)*

Source	Element / Document	Website / Objective
Fannie Mae	<a href="#">MH Advantage</a>	<a href="http://www.fanniemae.com">www.fanniemae.com</a> Manufactured home purchase loan
Freddie Mac	<a href="#">CHOICEHome Mortgages</a>	<a href="http://www.freddiemac.com">www.freddiemac.com</a> Information on CHOICEHome® Mortgages
Manufactured Housing Institute	<a href="#">Benefits of Manufactured Housing</a>	<a href="http://www.manufacturedhousing.org">www.manufacturedhousing.org</a> Comprehensive detail
Urban Institute	<a href="#">New Evidence Shows Manufactured Homes Appreciate as Well as Site-Built Homes</a>	<a href="http://www.urban.org">www.urban.org</a> Comparing appreciation
HUD	<a href="#">Manufacturers Fact Sheet</a>	<a href="http://www.HUD.gov">www.HUD.gov</a> Construction and safety standards
	<a href="#">HUD Manufactured Housing Quick Tips</a>	
	<a href="#">HUD Evidence Matters: Latest research on manufactured homes</a>	
Next Step	<i>Factory-Built Housing: A Consumer Interest Guide</i>	<a href="http://www.nextstepus.org">www.nextstepus.org</a> Guidance so buyers may evaluate the purchase of a factory-built home

There's more to the story of factory-built housing than most home buyers and housing counselors are aware of. Pay attention to national trends and to what's happening in your community. Share local statistics and local stories to explain the importance and viability of factory-built housing in your area.

# GLOSSARY OF TERMS

**Chassis:** The structural frame of a manufactured home that supports the complete unit of walls, floor and roof.

**CHOICEHome Label:** The manufacturer of this home, shown on the HUD Certificate, certifies the home meets the eligibility requirements of CHOICEHome. The label is affixed to the HUD plate.

**CHOICEHome Mortgages:** Freddie Mac's affordable mortgage initiative offers conventional site-built financing for real-property factory-built homes that are built to the HUD but with many features of a site-built home. Offers financing with as little as 3% down, and lower financing costs.

**CrossMod:** The industry-wide term that captures and expands on many of the new home features that Fannie Mae and Freddie mac look for when providing conventional financing for manufactured homes with MH Advantage and CHOICEHome, respectively.

**Data Plate:** An information sheet located on a cabinet door under the kitchen sink or on a wall or door face near the electrical panel, utility room or master bedroom closet. It contains a unique identification number and identifies the wind zone, roof load zone and climatic zone for which the home was constructed.

**Drop Site:** This is where the transporter that is shipping the home delivers the home to.

**Retailer:** A retailer is a seller of homes manufactured within a factory. Retailers of factory-built housing must follow explicit guidelines outlined by federal and state agencies.

**Site for a Home:** A designated parcel of land designed for the accommodation of one home, its accessory buildings or structures and accessory equipment, for the exclusive use of the occupants of the home.

**MH Advantage Mortgages:** An affordable financing option offered by Fannie Mae to support mortgage lending for manufactured homes. This product combines features, like down payment as low as 3%, with the lower price and customizable finishes of modern manufactured homes. The appraiser will include photos of the MH Advantage manufacturer sticker.

**MH Advantage Sticker:** This will be affixed to homes that are designed to meet MH Advantage eligibility criteria, for easy identification by lenders and appraisers.

## ABOUT NEXT STEP

Next Step is the only nonprofit housing intermediary in the country working to leverage expertise and relationships with the manufactured housing industry to bring affordable, sustainable homeownership opportunities to more individuals and families nationwide. Our staff and partners provide training and consultation to mission-driven nonprofit organizations, to help educate staff about factory-built housing, foster development projects using factory-built housing and develop awareness about factory-built housing to community stakeholders.

## MISSION STATEMENT

Putting sustainable homeownership within reach of everyone, while supporting the factory-built housing industry through consumer education, affordability and energy-efficiency.



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