

The Resource is published four times a year by the California Manufactured Housing Institute (CMHI), a nonprofit trade association representing builders of factory constructed homes, retailers, supplier companies, financial institutions, community owners and land developers. CMHI was founded on the belief that by combining the efforts and common interests of all sectors of the factory constructed housing industry, the best interests of consumers, local communities and the industry will be served

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THE RESOURCE

appraisals resulting from a lack of knowledge, training, bias (homes are generally under appraised) and market pressures (homes can be over appraised) are counter productive.

For appraisals, education is the key. In support of competent appraisals, CMHI sponsors a state approved course on manufactured housing appraisals in California's major markets. Additionally, The Appraisal Institute periodically offers manufactured housing courses throughout the state.

Lenders should accept appraisals only from appraisers who are graduates of state approved manufactured housing appraisal courses.

APPRECIATION

The concept that manufactured homes automatically appreciate at a lower rate than site-built homes demonstrates negative bias and/or insufficient knowledge of the forces that drive appreciation. Unfortunately, this concept becomes a self-fulfilling prophecy when coupled with an irrational belief that an appraisal should be reduced by 15-20 percent solely because the home is a manufactured home.

When implemented, the **Five Essentials for Real Property Lending** have demonstrated that a manufactured home responds to the forces that drive appreciation in precisely the same manner as its site-built counterpart next door.

CHATTEL FINANCING

California home buyers, who wish to finance their homes as personal property, and lenders, who provide chattel lending, benefit from a unique set of industry supported safeguards. Among these are:

- **Escrow**

When the home is purchased from a licensed

retailer, any buyer funds received at any time prior to delivery must be deposited directly in an escrow account established with a licensed and insured escrow agent (Section 18035 California Health and Safety Code).

- **Disclosure**

For "resale" manufactured homes, HSC Sections 18025(c) and 18046(d) require that retailers disclose "all facts materially affecting the value or desirability of the home." Additional disclosure protections are provided in Title 25, Section 5057(c) of the California Code of Regulations.

- **MH Residency Law**

When financing a personal property home on leased land, it is very important that the lender, homeowner and landowner have clarity as to the conditions of tenancy. California's MH Residency Law provides that clarity.

These laws prescribe significant homeowner, lender and landowner rights. Among the safeguards found in the Residency Law are:

- A clearly defined rental/lease agreement and park rules
- A park disclosure statement
- Tenancy protection
- The right to resell the home on the site
- The lenders right to resell on the site in the event of a foreclosure
- The parkowner's right to require proper home maintenance

CLEARLY, CMHI MEMBERS, WITH THE HELP OF OUR LENDERS, REGULATORS AND LEGISLATORS, HAVE WORKED TOGETHER TO CREATE AN ENVIRONMENT FOR FINANCING MANUFACTURED HOMES WITH CONFIDENCE.

THE RESOURCE

California Manufactured Housing Institute

Special Edition
2009



Silvercrest Homes

Financing with Confidence

by Jess Maxcy

The purpose of this Special Edition of The Resource is to provide information and perspective needed to confidently participate in the financing of manufactured homes...

California's best housing value.

Whether financed as chattel or real property, California manufactured home buyers and lenders benefit from a unique support system designed to enhance value for the homeowner and protection for the lender's collateral.

WHY MANUFACTURED HOUSING?

One word...VALUE!

Increased reliance on factory production has resulted in major changes in the efficiency of housing construction. Builders today routinely use prefabricated wall panels, pre-hung doors, windows, pre-assembled stairs, roof trusses and cabinets. Advantages of factory

construction include better control of building and financing costs, more efficient control of inventory and the ability to better control quality and performance.

By passing factory construction cost advantages to home buyers, while at the same time providing reasonable protection for lenders, the value of manufactured housing, opportunities for financing and homeownership are increased.

TYPES OF FACTORY HOMES

A key to understanding today's manufactured home is distinguishing it from other homes that are constructed in a factory.

Factory constructed homes are comprised of three-dimensional modules. These modules are transported to a home site and installed on a state approved foundation or support

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system. California law clearly distinguishes among the types of factory constructed homes by the building code to which the home must comply:

Manufactured homes are constructed to comply with the National Manufactured Home Construction and Safety Standards (The HUD Code), a uniform building standard administered and enforced by the U.S. Department of Housing and Urban Development. About 97 percent of all factory constructed homes in California last year meet this code.

The HUD Code, under federal law, preempts all local building codes for these single-family dwellings. The HUD label certifies that the home has been factory constructed, tested and inspected to comply with stringent, uniform federal standards. This code is the counterpart to national model codes for site-built housing. These model codes include the Uniform Building Code of the International Conference of Building Officials, upon which California local governments base their building codes.

Based on construction performance and safety standards manufactured homes have been added to Section 17951(d) (1) thereby allowing manufactured homes, **“to be accepted as an equivalent to the State Building Standards Code”** (2), the code to which site-built homes must comply.

While they benefit from many of the same regulations, sales and residency laws and escrow requirements, mobilehomes are not manufactured homes. Mobilehomes were built to the State Health and Safety Standards in existence prior to June 15, 1976.

Factory-built homes, often called modular homes, are constructed to comply with the California Administrative Code. About three percent of all factory constructed homes produced in California factories last year meet this code.



Fuqua Homes

Many factory-built homes delivered in California are constructed by HUD Code builders on the same production lines as their manufactured housing products.

- (1) California Health and Safety Code – Division B, Part 1.5 – State Housing Law
- (2) Manufactured Homes – Information for Local Government Officials – Published by the California Department of Housing & Community Development (HCD) – 1995 – Page 10.

ARCHITECTURAL COMPATIBILITY

In California, over the past decade, advances in product design, architectural exterior enhancements and quality construction have produced manufactured homes that provide a high value housing option for many families. When properly sited on permanent, professionally engineered foundations or support systems, these homes are indistinguishable from their site-built neighbors.

The joint efforts of California’s Department of Housing and Community Development (HCD), State legislators, local governments and the California Manufactured Housing Institute have developed an environment wherein manufactured homes installed on a state approved permanent foundation can be sold and properly converted to a fixture upon the underlying real estate. These homes are commonly referred to as real property manufactured homes.

As California’s land costs have increased, lot sizes have decreased. The resultant increased density has created a demand for floor plans with more square footage on smaller footprints. In response, several manufacturers have developed two-story models that once again advance manufactured housing’s hallmark of architectural compatibility.

PRIMARY FINANCING METHODS

Manufactured homes are financed as either personal property (chattel), where only the home serves as collateral or real property where the home is financed as a fixture to the underlying real estate and the land and home serve as collateral.

FINANCING WITH CONFIDENCE

Financial institutions, providing either personal property loans or real property mortgages on manufactured homes located in California, benefit from a wide range of industry supported legislation, regulations and programs designed to enhance value for the home buyer and security for the lender’s collateral.

THE FIVE ESSENTIALS FOR REAL PROPERTY FINANCING

The members of the California Manufactured



Karslen Homes

Housing Institute believe that our customers and their lenders have a right to know that the products they are investing in are, in fact, what we say they are. Toward that end, we have developed the necessary framework to satisfy the five essentials for real property lending on manufactured housing:

- I. The home is installed on a state approved permanent foundation system.
- II. The home is, in fact, converted to a fixture upon the underlying real estate.
- III. The home is architecturally compatible with homes in the immediate neighborhood. This includes exterior elevations, garages, decks, porches and, where appropriate, landscaping.
- IV. The interior amenities and quality level meet or exceed those found in homes in the immediate neighborhood.
- V. The appraisal fairly and accurately establishes the value based on existing or new construction in the immediate neighborhood.

SAFEGUARDS

To achieve legitimate real property status for manufactured housing supporting legislation has been enacted to provide safeguards in six areas:

- Foundation Requirements
- Zoning
- Titling Regulations
- Permits
- Architectural Compatibility
- Second Dwelling Units

Foundation and Titling

The four specific elements for converting a manufactured home to a fixture on real estate pursuant to California Health and Safety Code (HSC) Section 18551 are:

- 1. Prior to installation of the home, the owner or a licensed contractor “shall” obtain a building permit from the appropriate enforcement agency.
- 2. To obtain a permit, the owner or licensed contractor “shall” provide written evidence that the manufactured home owner owns, holds title to, or is purchasing the real property where

the manufactured home is to be installed.

3. Written evidence must be included with the request for a permit establishing that the registered owner owns the manufactured home free of any liens or encumbrances. In the event the legal owner is not the registered owner or liens and encumbrances exist on the home, then written evidence must be provided by the legal owner and any lienholders or encumbrances that the legal owner, etc. consents to the attachment of the manufactured home to the real property.

4. On the same day that a Certificate of Occupancy for the manufactured home is issued, the enforcement agency “shall” record with the County Recorder a document stating that a manufactured home has been affixed to that real property by installation on a foundation system. This is Form 433A.

Architectural Compatibility

To ensure architectural compatibility with surrounding homes, Government Code Section 65852.3 establishes that specific architectural standards “may be imposed (by local government) on manufactured homes even if similar requirements are not imposed on conventional single-family dwellings.”

Zoning Protection

Government Code Section 65852.3 also establishes that local governments “shall allow the installation of manufactured homes,” built to the HUD Code and installed on a foundation system pursuant to HSC Section 18551, “on lots zoned for conventional single-family dwellings.”

Permit Parity

Government Code Section 65852.4 establishes that a local government shall not establish “any administrative permit, planning or development process or requirements,” for a manufactured home, “which is not identical to those imposed on a conventional single-family residential dwelling on the same lot.”

Second Dwelling Unit Acceptance

Government Code Section 65852.150 permits the installation of manufactured homes meeting specified architectural requirements to be installed on a permanent foundation, pursuant to HSC Section 18551, as a second dwelling unit.

The issuance of a permit pursuant to these government code sections coupled with a Certificate of Occupancy establishes compliance with foundation and architectural compatibility requirements.

APPRAISALS

Accurate appraisals are extremely important to lenders and home owners. Inaccurate



Fleetwood Homes



Silvercrest Homes