

Manufactured Home Mortgage Loans: 2024 Rates and Requirements

Manufactured home loans can be a smart choice for buyers

Getting a manufactured home mortgage isn't quite the same as getting a regular mortgage for a traditional, stick-built home.

While not every lender offers these types of loans, you do have a range of options to pick from. Some manufactured homes can be purchased with conventional mortgages, and government-backed loans like FHA, USDA, and VA loans are also on the table when you're thinking about financing a mobile home.

The best manufactured home loan for your journey will depend on your eligibility as a borrower, the age and type of home you're buying, and whether your new home is considered "real property" or "personal property."

What is a manufactured home mortgage?

A manufactured home mortgage is a type of loan specifically designed for purchasing manufactured homes, which are factory-built houses installed on a permanent site. They may have higher interest rates, shorter loan terms, and different down payment and credit score requirements.

Manufactured home mortgages can be used to finance both the purchase of the manufactured home itself and the land it will be placed on, or just the home only if it will be located in a rented lot or mobile home park.

Understanding manufactured homes, mobile homes, and modular homes

The terms mobile, manufactured, and modular frequently get tossed around as if they're synonymous. However, each type of home comes

with its own unique characteristics and advantages. Here's what you should know when evaluating mortgage loans for manufactured homes.

Manufactured homes

Since their inception, manufactured homes, formerly known as “mobile homes,” have evolved and improved. HUD (U.S. Department of Housing and Urban Development) has been regulating construction and safety standards of these factory-built homes since 1976. Here are some key features:

- Built after 1976, adhering to the HUD Code for safety, construction, and efficiency standards.
- Constructed on non-removable steel chassis, transported in sections, and assembled on-site.
- Whether placed on leased land, privately-owned land, or purchased land, these homes offer affordability.
- May not qualify for traditional mortgages if additional requirements aren't met.

Manufactured homes built to HUD's safety standards usually have a “HUD tag” attached to them.



Mobile homes

Mobile homes, a term often used interchangeably with manufactured homes, refers to homes built before the HUD Code came into effect in 1976. This is when the National Manufactured Housing Construction and American Safety Standards Act was enacted to set new, more

rigorous standards for the construction and safety of these types of factory-built homes.

Even though the words are often used interchangeably, knowing the difference between them is important when comparing loans for manufactured homes.

- Constructed before June 15, 1976, prior to HUD's manufactured housing standards implementation.
- Built on a movable chassis but often stay in one location long-term.
- Lower home purchase prices but lack regulated construction standards impacting quality.
- Located on leased or private land.

Modular homes

Modular homes, also known as prefabricated homes, are built in factories like manufactured and mobile homes. However, there are differences in their construction, regulation, and overall design.

- Factory-built modules are assembled on permanent foundations on-site.
- Must meet local and state building codes, like site-built homes.
- Customizable design can be multi-story.
- Treated like site-built homes for financing and home price appreciation over time.
- Qualify for traditional mortgages.

Types of manufactured home mortgage loans

If the manufactured house meets the necessary guidelines, you may be eligible to finance it through a traditional mortgage program, such as those backed by Fannie Mae, Freddie Mac, or government agencies.

However, if you're purchasing a mobile home that doesn't meet those qualifications, your financing options will be limited to chattel loans or personal loans. Here's a breakdown of what you can expect when seeking a loan for a manufactured or mobile home:

Conventional loans

Both Freddie Mac and Fannie Mae provide manufactured home mortgage options aimed at making homeownership more affordable. You can start with just 3% down but expect slightly higher interest rates because of the additional risk associated with these loans.

Freddie Mac: Manufactured Home Loans

Freddie Mac's manufactured home loan program, part of its "Duty to Serve" plan, provides fixed-rate mortgages for manufactured homes. Key features of this program include:

- **Real Property Loans:** The manufactured home must be classified as real property, meaning it must be permanently affixed to the land that the borrower owns
- **MH Advantage:** MH Advantage is a mortgage program for manufactured homes that meet specific construction requirements, including being built on a permanent chassis and having a minimum of 400 square feet. Homes that qualify for MH Advantage can receive financing similar to that for site-built homes, with potentially lower down payments and longer loan terms

Fannie Mae: MH Advantage and HomeReady

Fannie Mae offers two main programs:

- **MH Advantage:** Like Freddie Mac's program of the same name, Fannie Mae's MH Advantage program provides fixed-rate mortgages for properties that have specific features, such as being a minimum of 12 feet in width with at least 600 square feet. Advantages can include down payments as low as 3%, interest

rates closer to those of site-built homes, and potentially longer loan terms.

- **HomeReady:** The HomeReady program is designed to help low- to moderate-income buyers with limited cash for a down payment to purchase a home. It covers manufactured homes, offering reduced mortgage insurance costs, interest rate reductions, and other benefits to eligible borrowers.

Remember that while Fannie Mae and Freddie Mac create these programs, you'll work with a bank or participating lender during the actual loan application process. It's always important to shop around and compare different lenders and programs to see which best fits your needs and financial situation.

FHA loans

When it comes to manufactured home mortgages, the Federal Housing Administration (FHA) provides two main loan options: Title I and Title II loans. These loan programs offer borrower-friendly terms, making them appealing choices, especially for first-time home buyers.

Title I Manufactured Home Loans

A Title I loan allows you to finance the purchase of a manufactured home only, not the land it will sit on. There are a few key requirements:

- The home must serve as your primary residence.
- Before being placed in a rental community, it must meet certain FHA construction standards.
- Utility connections (water, electric, etc.) must be established.

These loans tend to have relatively short repayment periods, maxing out around 20 years, and loan limits on the lower end.

Title II Manufactured Home Loans

You can purchase both the manufactured home and the land it will permanently occupy as real property with a Title II loan. However, you

must own or purchase the land; you cannot rent a lot in a manufactured home community.

- Only manufactured homes built in accordance with HUD codes effective after June 15, 1976, qualify for Title II.
- The manufactured home must also meet FHA requirements for permanent foundations and be legally classified as real property.

If your manufactured home ticks those boxes, a Title II loan could be a great option. The relaxed FHA credit history qualifications make it easier to get approved with a modest down payment. And the interest rates can be lower than for other types of manufactured home mortgages.

VA loans

If you qualify, you can use a **VA loan** to purchase a manufactured home and the land it sits on without making a down payment or paying for mortgage insurance.

Because the U.S. Department of Veterans Affairs guarantees these loans for veterans, active-duty service members, and qualifying surviving spouses, they have some of the lowest fees and most competitive rates available.

If you want to purchase a manufactured home with a VA loan, you must not only buy the land it will sit on but also ensure that it is affixed to a permanent foundation and meets HUD guidelines.

USDA loans

Rural homebuyers looking to finance a manufactured home or home-and-land package may qualify for the USDA's Single Family Housing Guaranteed Loan Program (SFHGLP).

- Those with low incomes at or below 80% of their area median income can potentially get a USDA Direct Loan.

- Moderate-income buyers earning up to 115% of the local median income level may qualify for the USDA Guaranteed Loan option through an approved private lender.

A major advantage of **USDA Rural Housing loans** is that they do not require a down payment. However, to buy a manufactured home with a USDA loan, you'll need to meet these requirements:

- The manufactured home must be brand new construction
- The home must be permanently affixed to an approved foundation.
- It must meet HUD's construction codes implemented after 1976.
- The property's total square footage must be at least 400 square feet.

Like all USDA loans, eligibility is only available in rural and suburban areas identified on the agency's maps. Applicants must also demonstrate that their household income falls within the program's limits.

Chattel loans

Borrowers can use a type of financing called a chattel loan to purchase personal property such as vehicles, watercraft, and mobile homes. Compared to a traditional mortgage, these loans tend to have easier approval requirements but come with some tradeoffs:

- Shorter repayment periods
- Lower maximum loan amounts
- Higher interest rates, often several percentage points above typical mortgage rates

Because the financed property itself serves as collateral, defaulting on a chattel loan can put you at risk of having that asset seized to satisfy the remaining debt. This presents an elevated risk compared to traditional manufactured home mortgages.

Chattel loans often result in higher monthly payments compared to mortgages due to their combination of higher rates and shorter loan terms, despite the application process being more streamlined. Before opting for a chattel loan to purchase a manufactured home, borrowers should carefully consider the costs and risks.

Personal loans

If your manufactured home isn't permanently affixed or doesn't meet standard loan requirements, a personal loan may be an option worth considering.

- Loan approval is based solely on your creditworthiness and ability to repay, not the home itself.
- So even older, lower-value mobile homes can potentially be financed this way.
- And funding can be very quick, sometimes within a week.

The tradeoff is that personal loan rates are much higher than secured loans like mortgages, potentially as high as credit card debt. And some lenders charge origination fees as high as 6% to 7%—higher than the average mortgage loan's closing costs.

Tapping home equity

If you're already a homeowner, you may be able to leverage your existing home equity to finance the purchase of a manufactured home — either as a second home or rental property.

Home equity is the portion of your property's value that you've paid off. For example, if your home is worth \$300,000 but you only owe \$150,000 on the mortgage, you have \$150,000 in equity built up.

You can access this equity through:

- **Cash-out refinance:** This replaces your current mortgage with a larger loan amount, allowing you to pocket the difference in cash. Cash-out refinancing makes sense if you need to reset your primary mortgage while also tapping equity.

- **Home equity loan or home equity line of credit (HELOC):** These second mortgages allow you to borrow against your equity while keeping your existing first mortgage intact. Home equity loans provide a lump sum, while HELOCs provide a revolving credit line.

Since these loans use your home's value as collateral, the interest rates are typically competitive, especially with a solid credit history and sufficient home equity. However, they also create additional liens, putting your property at risk if you default.



Manufactured and mobile home mortgage rates

Unlike traditional home loans, the mortgage rates for manufactured homes can be a bit different and, sometimes, a bit higher. But don't let that spook you — knowing how these rates work can put you in a position to get a better deal.

Manufactured home mortgage rates vary based on several factors, including your credit score, the size and condition of the home, and the terms of the loan. Some lenders might also offer promotional rates for first-time home buyers, which is a great perk if you're new to this.

While you're shopping around, keep an eye out for both fixed-rate and adjustable-rate mortgages. A fixed rate means your interest rate will stay the same throughout the life of the loan. Adjustable-rate mortgage loans, on the other hand, could fluctuate over time, which might either benefit or hurt you depending on market conditions.

Don't forget to compare lenders and get multiple quotes. Rates can vary significantly from one lender to another, and a small difference in the percentage can mean big savings — or costs — over time.

How to qualify for a manufactured home mortgage

To get a mortgage loan for a manufactured home, you'll have to qualify as a borrower by meeting the minimum credit score, income, and down payment requirements, just like you would if you were buying a traditional home.

The manufactured home will also have to qualify for the mortgage. Along with following HUD's post-June 15, 1976, safety regulations, the home must:

- Be "real property" and not "personal property"
- Have at least 400 square feet of living space
- Be permanently attached to a foundation and on land that you also own

Let's look at these criteria a little more closely before you start making loan applications.

Real property versus personal property

"Real property" must include land as well as property that cannot be quickly or easily removed from the land, such as a house, an in-ground pool, or a paved driveway. Personal property is anything that can be moved and used elsewhere, such as a car, a boat, or a true mobile home.

How do you know if an existing manufactured home is real or personal property? By determining how the current owner pays taxes.

If the taxes go to the DMV, the home is considered personal property. In addition, a home on leased land won't be considered real property. If you're buying a new home from a dealer, you'll need to place the home on land you own or land you're buying.

Minimum square footage for a manufactured home loan

The home you're buying must have at least 400 square feet of living space to qualify for a manufactured home loan.

Most manufactured homes, especially double-wide or modular homes, easily meet this requirement.

But some types of loans for manufactured homes require more space. Fannie Mae's conventional loan for manufactured homes, for example, requires the home to have at least 600 square feet of living space.

Foundations and land requirements

Manufactured homes can arrive in pieces and be assembled on site. Or they can be built off-site and towed to their permanent location.

In either case, upon arrival, the home will need to be attached to a permanent foundation before it qualifies for a conventional loan or for most government-backed loans.

Also, the home can't be in a mobile home park or on land someone else already owns and won't be selling to you.

How to apply for manufactured home mortgage loans

While similar to obtaining a traditional home loan, applying for manufactured home financing has its own distinct steps. It's important to note that the eligibility criteria and application process will differ depending on the type of loan you're applying for, whether it's an FHA, VA, conventional, or chattel loan.

Assess the condition of the manufactured home

When evaluating your options for a manufactured home mortgage, it is crucial to consider the age and condition of the property you intend to purchase.

Lenders enforce stringent criteria regarding these aspects because they indicate the risk associated with the loan. Homes that are relatively new and in good condition are more likely to qualify for financing.

For instance, getting a loan for a manufactured home that is 20 years old and poorly maintained might pose challenges. Many lenders are hesitant to finance older homes that show significant wear and tear due to the increased risk of structural issues and decreased market value.

However, some financial institutions specialize in loans for such properties. These lenders might be willing to provide financing but could require compensatory measures to offset the risk, such as charging higher interest rates or demanding a larger down payment.

Carefully consider these factors before choosing the best loan for a manufactured home. By assessing the age, condition, and the lender's requirements, you can choose the most suitable mortgage option for your needs.

Decide whether you're buying land

Those who plan on renting a plot for their manufactured homes will have fewer loan options compared to those who intend to buy the land on which their home will be built.

If you've removed the axle and wheels from your mobile home and you own the land, it becomes less likely that you will be able to move it. Thus, you may find that more lenders are willing to finance you.

Gather financial documents

When applying for a manufactured home mortgage, the process involves several critical steps to ensure you meet the lender's requirements. This process is not only about proving your ability to repay the loan but also about verifying your financial stability and creditworthiness.

Here's a detailed breakdown of the types of documents you will need to provide:

- **Proof of income:** Include recent pay stubs, tax returns for the past two years, and, if self-employed, profit and loss statements.

- **Employment verification:** This may be a recent pay stub, an employment verification letter, or other documents confirming your employment status.
- **List of assets and liabilities:** Provide bank statements, investment records, and any other financial assets. List all current debts, like car loans, credit cards, and other mortgages. These will be used to calculate your debt-to-income ratio, key metric lenders use to assess your ability to manage monthly payments and repay the loan.
- **Credit report:** The lender will typically require permission to pull your credit report, but you might bring a recent report to discuss any potential issues.

Organizing these documents before starting your application can streamline the process, making it quicker and easier to secure approval for your manufactured home mortgage.

Get rate quotes from several lenders

Even for the same type of loan, different lenders can have very different terms and rates. So, you should **shop around** for the best deal. Keep in mind, though, that each lender will pull your credit report, and too many hard inquiries can negatively impact your credit score. To mitigate this, try to do all your rate shopping within a short period of time, typically 14 to 45 days.

Lastly, submit your application and wait for a response from the lender. Before approving your loan, they will consider your creditworthiness, the value of the manufactured home, and your proposed down payment.

FAQ: Manufactured home mortgage loans

How to buy a mobile home with no money down?

Buying a mobile home with no money down can be challenging, but certain programs may allow it. For example, VA loans often require no down payment and are available to service members, veterans, and

eligible surviving spouses. Also, USDA loans, designed for rural and suburban homebuyers, may offer no-down payment options. Eligibility for these programs is subject to specific requirements, and availability can vary.

What's the oldest manufactured home that can be financed?

The oldest manufactured home that can be financed is usually one built after June 15, 1976. Homes built after this date adhere to the HUD Manufactured Home Construction and Safety Standards, making them eligible for financing.

What is the lowest down payment for a mobile home?

The lowest down payment for a mobile home can be as low as 3% through the Fannie Mae MH Advantage program, under certain conditions. Alternatively, FHA loans provide a down payment as low as 3.5% if the borrower's credit score is 580 or higher; for scores between 570 and 579, a 10% down payment is required.

Can you get a conventional loan for a mobile home?

Getting a conventional loan for a mobile home can be difficult. Most conventional lenders require the home to be on a permanent foundation and classified as real property, not personal property. However, some lenders may offer conventional loans for manufactured homes if they meet certain standards, like Fannie Mae's MH Advantage program.

Are there banks that finance mobile homes with land?

Yes, many banks and credit unions finance mobile homes on land. These are usually considered real property loans. Some government-backed loan programs, like FHA Title II loans and certain VA loans, also allow for the financing of mobile homes along with the land they sit on.

Can you get a mortgage on a manufactured home?

Yes, you can get a mortgage on a manufactured home. There are several options, including FHA loans, VA loans, and certain conventional

loans. The home usually needs to meet specific requirements, such as being on a permanent foundation and classified as real property.

Can you get a reverse mortgage on a manufactured home?

Yes, homeowners can get a reverse mortgage on a manufactured home under certain conditions. The home must meet the FHA's property eligibility requirements, be built after June 1976, be on a permanent foundation, and be taxed as real estate. You must also own the land the home is on. The reverse mortgage program most used for this purpose is the FHA's Home Equity Conversion Mortgage (HECM) program. Always consult with a qualified professional before making decisions on complex financial matters like reverse mortgages.

Exploring your manufactured home mortgage options

Navigating the path to securing a manufactured home mortgage requires careful consideration of your financial situation and the home's specifications.

Armed with the right information and documents, you're well-prepared to make informed decisions about your future home. Ready to take the next step?

Begin the application process today by clicking on the links below to explore your financing options.