

## **WHAT IS THAT-AND NOW WHAT DO I DO?**

**Regarding factory built/assembled, mobile, modular and manufactured homes.**

**Manufactured homes, modular homes, factory built homes, or factory assembled homes have as many variations in style, materials, workmanship, exterior and interior finish, etc as “site built” homes. Homes that have been completely or partially constructed in a factory may be one to two stories high, long narrow boxes, several combined units, distinctive design, arrangement of sections, installed over a full basement, and many other factors. Some have steel undercarriages and some do not; that is not an indication of a type of home. They are not your grandfather’s “trailer” or father’s “mobile home” anymore! To add to the confusion, government agencies interchange the various terms and at times, it is impossible to recognize what type of home you are observing until you find the documentation for the building code. So it becomes extremely important to know the original building code of the home and what effect that has on many different factors.**

**Manufactured homes are constructed to the nation wide HUD building code. If the home is constructed completely or partially in a factory to a building code that is NOT the building code first established by HUD June 15, 1976, it is NOT a manufactured home! Homes constructed to one of the building codes typically used for site built homes (for example CABO or BOCA or UBC) or a local version of a building code are known as modular homes, panelized homes, pre-cut homes, kit homes, and the newest term-industrialized homes.**

**Mobile homes were constructed prior to June 15, 1976 and may or may not have been constructed to a voluntary industry standard. Due to the lack of uniformity of building codes prior to that date, mobile homes can not be financed with an FHA mortgage. Fannie Mae will finance a mobile home if it has been reconstructed to at least the June 15, 1976 HUD building code. The Fannie Mae requirement is worded as follows: “The unit must have been built under the Federal Manufactured Home Construction and Safety Standards that were established June 15, 1976”. Compliance with the HUD code would require verification by a licensed building contractor, state or local building inspector. The HUD building code has had several revisions since the original 1976 date.**

**The original building code for the home can have a very definite effect on location and financing of the home (see above paragraph regarding financing). The zoning or subdivision restrictions in some areas of the country prohibit homes constructed to the HUD building code. Those areas might allow a home constructed in a factory partially or completely to UBC or CABO or local building code to be placed in a location where the HUD building code is prohibited. For example, a manufacturer in Arizona for over fifteen years has been constructing modular homes to the Uniform Building Code on steel undercarriages, the units are towed to the site, wheels, axles and tongue removed, undercarriage remains in place, installation procedures, appearance, building materials, floor plans, and interior finish are the same as their manufactured homes constructed to HUD code. Those modulars constructed to UBC can then be placed in locations where HUD code homes are prohibited.**

**Fannie Mae will not finance a single wide manufactured home unless it is located in a Fannie Mae approved project. Multi-sectional homes can be located on acreages or subdivision lots, whatever sites are typical of the neighborhood. HUD only has requirements regarding a minimum livable area of 400 square feet and does not require the home to be multi-sectional. HUD will only finance a manufactured home if it has been moved only once from the factory or a dealer’s lot. Fannie Mae will finance a manufactured home if it has been installed in several locations.**

**Prior to appraising a home that was completely or partially constructed in a factory, an appraiser should become knowledgeable regarding the ownership procedures, taxation policies, state and local regulations for that type of building code, zoning and subdivision requirements, installation requirements, etc for that specific type of home and subject site. For example: What is the taxation procedure that enables a manufactured home or mobile home to be taxed as real property? How is ownership transferred and evidenced? What are the legal requirements if the home has been physically modified?**

**Information for manufactured homes that should be obtained and photographed while at the subject property follows: Look for, make a note of the numbers in your field notes and photograph the HUD Certification Label/s. This label should be located at the left lower rear corner of each section or at the left lower corner of the front section and right lower corner of the rear section if the siding on the ends is installed after the unit is placed on the site. This label is a 2 inches by 4 inches aluminum plate, originally red in color but has usually faded to orange or silver and quite frequently is painted or covered over. The three alpha characters on the label identify**

the inspection agency that inspected the home while it was under construction in the factory. The numbers are specifically assigned to the serial number (A.K.A. vehicle identification number in some locales) for the unit/s while under construction in the factory. There will be a label for each serial number for each section of the home. Look inside the home, master bedroom closet, by the electrical panel, by the heating system, in any cupboard or closet for the “data plate”, A.K.A. as the Compliance Certificate; this is a letter sized piece of paper that shows insulation requirements on a map of the USA. At the very top of the page will be the name of the manufacturer, plant location, date of manufacture, serial number/s and occasionally the same HUD number/s that you saw on the label. The numbers for the serial number will remain the same for each section of the unite, with an alpha character for each individual section. Photograph this paper and place the information on the paper in your field notes, there will be only one Compliance Certificate for the home, regardless of the number of sections. For FHA financing, the National HOC Reference Guide now allows the lender to contact HUD to obtain the Certification Label number if the aluminum plate is missing or not observable due to construction, obstacles, etc. The lender will need the serial number for the unit/s either from the data plate or the owners proof of ownership documents to obtain that number, and it is used to determine if the home was constructed in compliance to HUD building code.

If you cannot find a certification label on or data plate in the subject, research the ownership and taxation information. If you can not find a serial number that can be used to verify construction to the HUD building code—you might have a modular home built to either a national or local building code! Laws and regulations for modular homes vary from state to state and from government entity to government entity within a state or county. In some states, the modular home will be identified by a label or certification attached to or located within the home. Can’t find anything? Then research within that applicable government entity for building permits, talk to owner to find out the manufacturer of the home, neighbors might be able to tell you where the home came from, local assessment office, etc., until you identify the applicable building code for construction of that home. Appearance, design, construction materials, design, a steel undercarriage or the lack of steel undercarriage will NOT identify the building code.

The method of installation of a manufactured home is also very important; take as many photos as you can of the foundation and crawl space. All lenders require a type of permanent foundation. HUD has some very specific requirements. Per HUD, the manufactured home is required to have a foundation that meets the requirements of the Permanent Foundations Guide for Manufactured Housing, which went into effect April 6, 1983. For an existing property the existing foundation system must be analyzed by a licensed engineer to ensure compliance with the guide. HUD requires the perimeter enclosure or skirting or foundation stem wall to be a continuous wall that encloses the crawl space, must be constructed of mortared masonry, concrete or pressure treated lumber and supported on footings below frost level or a minium of 6 to 12 inches into the ground. Dry stacked masonry piers are acceptable in areas with limited seismic activity. Ground anchors or anchoring straps or cables affixed to ground anchors, prefabricated steel jacks and other pad type systems supported on ground are not acceptable. Chapter 1-09a through g of the National HOC Reference guide now requires that all foundations, both new and existing, be inspected by a licensed engineer.

Fannie Mae’s requirements for manufactured housing are located in their Selling Guide/Part II, 304. Their requirements for a permanent foundation are not as specific as HUDs. They do require the perimeter and pier foundations to have footings below the frost line. Anchors are only required if the state law requires them. The foundation system must have been designed by an engineer to meet the soil conditions of the site. Each manufacturer provides plans for engineer designed foundations to a buyer of a new unit, regardless of where it will be installed. Typically, the government entity responsible for inspecting the installation of manufactured homes are required to verify that the home has been installed per the manufacturers requirements. Currently there is not any nation wide system to verify that the foundation installed per manufacturers specifications meets the soil conditions of the site. This determination would be outside of the expertise of an appraiser, unless they are a licensed engineer. And the local governmental inspector of the foundation typically is not an engineer.

Now that you have identified the applicable building code for the structure—the actual appraisal work begins. Just as you do with a “site built” appraisal, you start analyzing the market. Where and what would a prospective owner consider as a substitute for the subject? Quality of construction, exterior appeal of the unit, interior finish, room layout, etc., have as much or more bearing as they do in appraising site built homes. Plus—people still call manufactured homes “trailers” regardless of the quality of construction, exterior and interior finish, etc. This market reaction to that “attitude” in that specific neighborhood must be considered by the appraiser. Again, the same as site built, location could be the largest determining factor.

Typically, arms length transactions of properties exposed to the market of manufactured homes of similar quality to your subject manufactured home are the most representative of comparables. Manufactured homes of very good or excellent quality with similar “site built” installation, exterior and interior amenities might compete equally with a site built home, depending on the neighborhood. An appraiser would be required to determine from market research for the subject area if there would be a negative “trailer” reaction to the above average quality and appeal of the manufactured home. Knowledge of the subject market, availability and appeal of all types of homes in that market is extremely important.

When the situation occurs of a buyer purchasing a lot from an individual, purchases a manufactured or modular home from a dealer, hires contractors to prepare the site, install utilities, and install the home, that is known as a land/home package. This is the same process as a site built home for an individual on their lot or a lot they purchase. The total package has not been exposed to the market as a single entity. Later, an appraisal is ordered for another land/home package and the appraiser is asked to develop an opinion of market value, with the intended use of the results to identify collateral risk for a mortgage. The sum total of another land/home package would not be a market sale that could be used as a comparable for any type of residence, whether it is a site built home, manufactured home, modular home, panelized home, etc.. That land/home package could be an indication of the cost approach to value but would not be consistent with the market approach because the costs of the improvements are not based on their actual contribution to the site.

Following are web sites to obtain information on manufactured, modular, and other types of homes with some type of factory construction:

Manufactured Housing Institute has many good articles under “Understanding Today’s Manufactured Housing”: “Factory Built Housing”, “The HUD Code”, “The Inspection System”, “Financing Manufactured Housing”, etc. Check out their “Fast Facts”. Their article on Factory Built Housing has definitions of the various types.

<http://www.manufacturedhousing.org>

Handbooks, guidebooks, mortgagee letters can be obtained from the library at:

<http://hudclips.org>

Chapter 8 of HUD handbook 4150.2 applies to manufactured housing.

National HOC Reference Guide, Chapter 1, Appraisal and Property Requirements, pages 1-09a through 1-09g apply to manufactured housing.

Information on Data Plates is located in 3280.5, Certification Labels is in 3280.11,

Modular homes is in 3282.1.

Permanent Foundations Guide HUD-007847, formerly HUD-7584

A photo copy can be obtained at a cost of \$25 from HUD. The copy on the Internet lacks illustration of the over forty types of acceptable HUD foundations.

Lenders handbook for VA; search for word or phase of manufactured:

Manufactured Homes: Chapter 7.11, Chapter 10.05, Chapter 11.12, Chapter 12.10, Chapter 13.06, Chapter 14.04

A list of inspection agencies for manufactured homes:

<http://www.hud.gov/fha/sfh/mhs/mhsid.html>

A list of manufacturers of manufactured homes:

<http://www.hud.gov/fha/sfh/mhs/mfrlst.html>

Construction/safety standards regulatory back ground for manufactured housing:

<http://www.hud.gov/fha/sfh/mhs/mhsmfgst.html>

Fact sheet for builders/manufacturers:

<http://www.hud.gov/fha/sfh/mhs/mhsshtmr.html>

“What is a Legitimate Manufactured House Comparable for the URAR”

The second article under FAQs.

<http://www.ncappraisalboard.org>

Please notify me at [jmstratton@aznex.net](mailto:jmstratton@aznex.net) if you locate any additional resources available on the Internet.

## **Part II—What is That and Now What Do I Do?**

### **Regarding Factory Built/Assembled, Mobile, Modular and Manufactured Homes**

**By Jo Ann Meyer Stratton, IFA, SRA**

**In the October 2001 issue of the Appraisal e-Gram published on the web site for the National Association of Independent Fee Appraisers, I wrote an article with information regarding the identification and appraisal of homes constructed in a factory. Since that date Fannie Mae has issued new guidelines that went into effect June 30, 2002 and HUD has revised their National HOC Reference Guide December 4, 2001, which revised the 4150.2 in 2000.**

**The definitions for factory built/assembled structures for all lenders remain the same. If the home is constructed in the factory to the HUD building code that was first established June 15, 1976, it is a manufactured home. Mobile homes have not been constructed since prior to June 15, 1976 and may or may not have been constructed to a voluntary industry code. Modular homes are constructed in a factory to a building code similar to the building codes followed for on site construction; UBC, CABO, BOCA or other local building codes. Homes that are either pre-cut or partially constructed in a factory are known as panelized or “kit” or prefabricated or sectional housing units, with on site assembly of the components and or construction completed on the site.**

**State, county, city and other local assessment, taxation, building and zoning codes may interchange the terms, combine terms or use similar terms like factory built buildings, FBB, industrialized, etc. For financing purposes the building code that was followed in the factory while the home was under construction determines the term that should be used in appraisals. Correctly using the terms for financing purposes creates a clearer understanding of the type of structure that is being appraised.**

**There is as large of variety of materials, design, floor plans, structure, etc in factory built homes as there are homes constructed and assembled on a site. Appearance, design, floor plan, presence or lack of a steel undercarriage will not identify the building code. Prior to completing an appraisal assignment, an appraiser must identify the correct building code so all applicable items, procedures, methods, techniques are employed and reported.**

**Typically, due to a nation wide building code, a manufactured home can be identified very easily. An inspector for an agency approved by HUD will inspect the home while it is under construction in the factory and will affix a HUD label indicating compliance to the HUD building code to the rear of each section as it is towed to the site. Some of the homes constructed in recent years have the siding installed on the ends to cover the marriage line after the home is on the site. In that situation, the HUD label is affixed at the lower left of the front and the lower right of the rear. The data plate is a letter sized piece of paper, also is known as the Certificate of Compliance, is attached somewhere inside the home, inside a closet or cupboard or near the electric panel. Locating one of those items will verify that the home is a manufactured home for financing purposes. It is recommended that the appraiser take photographs of both the HUD label on the exterior and the data plate in the interior, as well as take notes on the information that appears on both.**

**Fannie Mae Selling Guide (effective June 30, 2002), Part XI - Property and Appraisal Guidelines, Chapter 3 - Special Appraisal Considerations, Section 304 - Factory Built Housing:**

**This section of Fannie Mae’s guidelines outlines their requirements for factory built housing and provides explanations of the various types. For manufactured homes, the appraiser is to include in the appraisal report the information from the data plate that should be located inside the home. The information required in the appraisal report consists of the name of the manufacturer, the trade/model name, the year of manufacture, and the serial number. If the data plate is unreadable, been removed or in an unobservable location, the appraiser should obtain as much information as possible from the owner and that might be available from local or state government agencies, etc. It is recommended that as much of this information that has been gathered from various**

sources that would be applicable be included in the appraisal report to the client. With the information provided by the appraiser, the client then can do additional research to complete the information they will be required to include in the file for their investor. It is not typically within an appraiser's area of expertise to determine if the foundation system is appropriate for the soil conditions of the site or if it was designed to meet local and state codes. The lender/client would need to obtain that information from the appropriate licensed professional or applicable governing entity.

Fannie Mae has a change in their latest guidelines regarding mobile homes constructed prior to the adoption of the HUD building code. They now require the manufactured home to be constructed to the HUD building code that was in force at the time the home was manufactured. Homes constructed prior to June 15, 1976 can no longer be reconstructed to the HUD building code since that code was not in force at the time of original construction.

There is no nation wide system for modular housing. In several states, the states are responsible for the inspection of modular homes under construction in a factory and affix an insignia of some type somewhere on the exterior or in the interior of the home. In other areas of the country, local government might have the responsibility of inspecting the home as it is being constructed or after it has been installed on the site. There are also some areas where there are not any identifying insignias placed on or in the home. If there are any identifying insignias that can be located, it is recommended that the appraiser photograph and provide the information in the appraisal report. An appraiser should be familiar with the laws regulating modular home construction in the locality of the home that is being appraised.

**Fannie Mae Selling Guide (effective June 30, 2002), Part VII - Mortgage Eligibility Chapter 1 - Conventional Mortgages, Section 102.02 - Factory Built Housing**

This section requires single width manufactured homes to be located in a Fannie Mae approved project development. A multi-width manufactured home may be located on an individual lot or in any project development. A regional office may choose to require multi-width units to be in an approved project. Appraisers should be aware of their Fannie Mae regional office requirements regarding manufactured housing. This section also requires the borrower and the lender to sign a written statement to acknowledge their intent for the manufactured home to be part of the real property that secures the mortgage. Appraisers should also be aware of the procedures required for a manufactured home to be classified and taxed as real property and include in the appraisal report the information regarding the subject that they have gathered.

**Fannie Mae Selling Guide (effective 6/30/2002), Part XI - Property and Appraisal Guidelines, Chapter 1 - Appraiser Qualifications, Section 102 .02 - Unacceptable Appraisal Practices and Section 304**

Fannie Mae has issued some very specific information regarding created sales (A.K.A. land/home packages). Appraisal practice that is unacceptable to Fannie Mae would be creating comparable sales by combining vacant land sales with the contract purchase price of a home that has been built or will be built on the land. This restriction is repeated in Section 304, although that type of information may be provided as additional supporting documentation. When appraising manufactured housing, at least two comparables are required to be similar to the subject in the number of sections (single wide or multi-wide) and building code. Site built homes, other types of factory built homes or a different width may be utilized if sufficient similar properties are not available. Extensive explanation is required when dissimilar properties are used as comparables. Other types of factory built homes do not require other factory built homes as comparables. Although using similar factory built homes would enhance the reliability of the final opinion of value.

This policy is supported in Uniform Standards of Professional Appraisal Practice in Statement 10 that was adopted July 10, 2000. See page 117, lines 4083 to 4093 and page 121, lines 4267 to 4272 of the 2003 Uniform Standards of Professional Appraisal Practice. Standards Rule 1-4e states than an appraiser must analyze the effect on value, if any, of the

assemblage of the various estates or component parts of a property and refrain from valuing the whole solely by adding together the individual values of the various estates or component parts. One of the components of the Definition of Market Value that is attached to all reports completed for residential lenders requires exposure in the open market. Also, the Appraisal Boards in several states have issued articles and statements regarding their policies for created sales.

**HUD National HOC Reference Guide, Chapter 1, Appraisal and Property Requirements, Manufactured Homes, pages 1-09**

**Chapter 1-09d:** Requires a certification from a licensed professional engineer that the new and existing foundation meets the guidelines published in the Permanent Foundations Guide for Manufactured Housing, dated September 1996. This requirement does not apply if the current FHA borrower is refinancing their FHA loan. This would be a condition to be placed on the VC sheet by the appraiser for a FHA loan.

**Chapter 1-09f:** In some states a manufactured home may not be resold if the HUD label is missing. The original National HOC Reference Guide issued in August, 2000 described a procedure for lenders to verify the compliance with HUD building codes for homes located in states that do allow manufactured homes with missing HUD labels to be resold. This paragraph of directions has been removed from the Reference. When an appraiser cannot find the HUD label(s), they should notify the lender and if the home is located in a state where the home can be legally resold without the tags, the lender/client will be able to research, using the information obtained by the appraiser from the data plate or ownership records to determine a course of action.

Following are web sites to obtain information:

The latest Fannie Mae guidelines may be obtained at:

<http://www.allregs.com/efnma/index.asp>

The Adfinet site requires registration but it is free. Publications from HUD and VA may be also obtained on this website.

<http://www.adfinet.com>

State Appraisal Boards with articles regarding comparable sales for manufactured homes:

Alabama--Appraisal of Manufactured Housing

[http://www.reab.state.al.us/news/manuf\\_hous.htm](http://www.reab.state.al.us/news/manuf_hous.htm)

Georgia--Appraising Manufactured Housing

<http://www2.state.ga.us/greac/greab/greabnews/AppNews/apprmanufhsng.html>

Fannie Mae Criteria for Manufactured Home Appraisals

<http://www2.state.ga.us/greac/greab/greabnews/ApprNews/apprmanufhomecriteria.html>

Kentucky

<http://www.kyappraisersboard.com>

North Carolina--What is a Legitimate Manufactured House Comparable for the URAR?

<http://www.ncab.state.nc.us/faq.htm>

South Carolina--Manufactured Housing--When is a Comparable not Comparable?

<http://www.llr.state.sc.us/POL/RealEstateAppraisers/reanews2.pdf>

What is a Market Sale:

<http://www.llr.state.sc.us/POL/RealEstate/Appraisers/reanews5.pdf>

Texas--From the Investigators--Assemblage as Applied to Manufactured Housing

<http://www.talcb.state.tx.us/pdf/assemblage-1201.pdf>

Information from various agencies in various states:

**Alabama**

<http://www.amhc.state.al.us/>

**Arizona**

<http://www.dbfs.state.az.us>

**California**

<http://housing.hcd.ca.gov/>

**Florida**

[www.dca.state.fl.us/fhcd/programs.mbp/](http://www.dca.state.fl.us/fhcd/programs.mbp/)

**Illinois**

<http://www.idph.state.il.us/rulesregs/77-0860.htm>

**Texas**

<http://www.tdhca.state.tx.us/pdf/02-1007.pdf>

<http://mhweb.tdhca.state.tx.us/mhweb/main.jsp>

**Washington**

<http://www.lni.wa.gov/scs/FAS/mmh/mmhprog.html>

<http://www.lni.wa.gov/IPUB/622-049-000.pdg>

**My original article in the October 2001 Appraisal e Gram:**

<http://www.naifa.com/gram/2002oct/stratton-oct01.html>

## **What is That and Now What Do I Do?**

### **Regarding Factory Built/Assembled, Mobile, Modular, and Manufactured Homes**

#### **Part III**

**In the October, 2001 and April, 2003 issues of the Appraiser e-Gram published on the web site for the National Association of Independent Fee Appraisers, information was provided regarding the identification and appraisal of factory built homes. HUD issued new Valuation Conditions and Home Buyer Summary forms this summer and a policy change regarding missing HUD tags/labels was posted on their web site in April, 2003. The new VC and HBS forms have specific sections regarding homes constructed in a factory to the HUD building code. Fannie Mae issued their Announcement 03-06 in June with new guidelines and a new form regarding manufactured housing.**

#### **HUD/FHA**

**The new HUD forms do not appear to change the classification system for factory built homes for FHA insured loans. A manufactured home is designed and constructed to the Federal Manufactured Construction and Safety Standards (A.K.A. the HUD code). Modular housing built to local/state codes is not considered manufactured housing. The new HUD-92564-VC issued July, 2003 now has page 4 of 5 with section VC-14 Manufactured Housing. Additional information regarding the manufactured home is to be entered on page 5 of 5.**

**The number(s) that appears on the metal tag(s)/label(s)/seal(s) on the exterior of the home is/are to be entered in VC-14 a. There will be a tag/label/seal for each section of the manufactured home. If the tag(s)/label(s)/seal(s) are missing, a policy was posted on the HUD.gov web site April 14, 2003 at <http://www.hud.gov/offices/hsg/sfh/mhs/mhslabels.cfm>**

**In that posting, images of a label/tag and also a data plate are provided by clicking on the words label and data plate. The data plate is a letter sized piece of paper with a map of the USA, and there is only one data plate regardless of the number of sections. While the appraiser is at the subject property, the appraiser should locate both the tag(s)/label(s)/seal(s) on the exterior and the data plate in the interior if possible. It is recommended that the appraiser make not only notes regarding the information on both items but photograph both items as well as any insignias placed on the home by local governing agencies or manufacturers. If the metal tag(s)/label(s) are missing, the lender or home owner may contact the Office of Manufactured Housing to obtain verification that the home was originally constructed to the HUD building code. If neither the HUD label or the data plate can be located, information regarding the manufacturer and serial number might be found in ownership documentation, building permits, assessment and/or taxing offices, etc. which can be supplied to HUD to obtain the verification.**

**Any site built additions and/or modifications to the original manufactured home are to be described on page 5, including any local information regarding inspections, permits, etc that would be applicable. Some states require a state agency to approve all modifications to manufactured homes once they leave the factory. If the state where the manufactured home is located has such requirements, that construction serial number or that agency's serial number is entered in VC-14 b. If the inspections are completed by a local governing agency, copies of a Certificate of Occupancy or building permits might be able to be obtained and that could be reported on page 5.**

**All manufactured homes constructed to the HUD building code are required to have an on site inspection by a licensed engineer of the existing foundation or the one that has been constructed for a new home and an engineer's certification attesting to compliance with the Permanent Foundations Guide for Manufactured Housing is to be included in the insuring file for the FHA loan. Manufacturers do provide foundation designs by engineers to the homeowner, however only an on site inspection by a licensed engineer can determine if the foundation installed meets the requirements in the PFGMH guide book. That would be a condition the appraiser would describe on page 5 (VC-14 c on page 4). The lender might be able to obtain a copy of an engineer's certification for an existing home from a prior FHA loan on the subject property or from a prior or current homeowner. Or the lender**

would have to arrange for an on site inspection by a licensed engineer before submitting the file to HUD.

The appraiser would be required to research assessment and taxation records to determine if the home has been taxed as real estate and should report the status on page 5 (VC-14 d on page 4) if the home is currently being taxed as personal property. A condition on page 5 would be for the title to be purged or surrendered and the home placed on the real property tax roll as real estate.

The last item of the new Home Buyer Summary form is in reference to manufactured housing. Any concerns the appraiser has noted on pages 4 and 5 of the Value Conditions form should be noted in this area.

#### **FANNIE MAE**

Fannie Mae's Announcement 03-06 issued June 3, 2003 outlines mortgage eligibility and servicing procedures for mortgages secured by manufactured housing. This Announcement updates and revises their guidelines that went into effect June 30, 2003 and originally presented in Announcement 02-02.

They have changed the definition of manufactured homes for their loan purchases. Fannie Mae considers all factory built homes constructed on a permanent chassis (steel undercarriage) to be a manufactured home, regardless of original building code. However, the only factory built homes on a steel undercarriage eligible for mortgages to be sold to Fannie Mae are required to have been originally constructed in compliance with the Federal Manufactured Home Construction and Safety Standards (HUD building code). Therefore, mobile homes constructed prior to June 15, 1976 to a volunteer industry code and "on frame" modular homes are not eligible for mortgages to be sold to Fannie Mae. On frame modular homes are constructed on steel undercarriages to a site built code, for example UBC, BOCA, CABO, or other local building code for site built homes. Loans for modular homes not constructed on a steel undercarriage (off frame) are eligible for purchase by Fannie Mae and are considered the same as a home constructed on site.

The appraiser is to verify that the home was originally constructed to the HUD building code by locating either the HUD tag on the exterior and/or the data plate in the interior. If neither one can be located and a steel undercarriage is observed, the appraiser should gather as much information available from various sources and report to the lender. The lender or the homeowner can verify the construction to HUD code by accessing the policy page noted above on the HUD.gov web site. Again the appraiser should note and photograph the information on the HUD tag(s) and data plate for their records and possible inclusion in the report submitted to the client. Any additional information the appraiser obtains on site or from a governing agency should also be noted, copied, photographed, etc. for the appraiser's work file and/or the report for the client. If a steel undercarriage is observed and the HUD building code cannot be verified, the property will not be eligible for a mortgage sold to Fannie Mae.

The towing hitch (tongue), wheels and axles must be removed, the unit must be located on a site owned by the borrower, and attached to a permanent foundation system in accordance with the manufacturer's requirements for anchoring, support, stability and maintenance. Research of installation, building and zoning permits from the applicable governing agencies will be necessary to determine the answers to those questions. An appraiser does not have the expertise to answer questions regarding anchoring, support, stability and maintenance without documentation from a governing agency or the appropriate licensed individual. If the local governing agency affixes any insignia on the home or site, or documentation can be obtained from the applicable governing agency, it is recommended that notes and photographs of that insignia or other documentation be obtained by the appraiser for their work file and could be included in the report to the lender.

The information gathered by the appraiser at the site, inside the home and from applicable governing agencies is to be entered on a Manufactured Home Appraisal Report Addendum (Form 1004C) and attached to a Uniform Residential Appraisal Report. Fannie Mae will only purchase mortgages for manufactured homes that have an appraisal reported on a

URAR with a 1004C attached.

**In the Supplemental Neighborhood Information section, the appraiser is to report information regarding manufactured housing for the subject neighborhood.**

**In the Subject Manufactured Home and Site information section: the Retailer's Name would be reported for a new or proposed unit and obtained from the sales contract or owner or lender. The Manufacturer's Name, Trade/Model Name, Year Manufactured, and HUD Data Plate Serial No. would be obtained from the data plate inside the home or sales contract or ownership papers or building permit or tax records. Note: a 2004 model would be constructed between September 2003 and September 2004, the actual date of construction would indicate the correct age of the subject. The Certification Label No.(s) would be obtained from the HUD tag(s) on the exterior and/or the data plate in the interior. Note: the HUD tag/label number(s) typically do not appear in ownership or building permits or taxation/assessment records. The remainder of the section would be based on the appraiser's observation of the subject property and neighborhood.**

**In the Manufactured Home Cost Approach section: The appraiser has a choice of using the Marshall & Swift or N.A.D.A. or other published cost service. The appraiser should identify the source used, so that a reader of the report could replicate the cost approach used by the appraiser. That could be done by reporting the page and date of the applicable source used by the appraiser. It is not necessary to include a page from the book or calculation sheet from the cost service. If Marshall & Swift or other published cost service is used, the Estimated Reproduction Cost New at the lower left of the form would be completed. If the N.A.D.A. cost service is used, the columns at the lower right would be utilized. It would be the appraiser's decision whether both or only one method are employed.**

**Several land sales in the subject neighborhood with comparable location, appeal, site amenities, etc should be listed in the Site Value Analysis section. Again, enough information should be provided to enable a reader of the report to locate and identify the sales quoted.**

**Page 2 of 2 of Form 1004C has guidance for completing the report addendum, a supplemental Scope of Work and an Appraiser's Supplemental Certification and is required to be signed by the appraiser.**

**Please contact the author at [jmstratton@aznexus.net](mailto:jmstratton@aznexus.net) if you locate or are familiar with any additional information regarding factory built homes.**

**My two previous articles may be accessed at:**

**<http://www.naifa.com/gram/2001oct/stratton-oct01.html>**

**<http://www.naifa.com/gram/2003apr/stratton-apr03.html>**

**Fannie Mae's Announcement 03-06 may be accessed at:**

**<http://www.allregs.com/efnma/index.asp>**

**Information regarding Missing HUD Labels (Tags)**

**<http://www.hud.gov/offices/hsg/sfh/mhs/mhslabels.cfm>**

**A chat regarding manufactured housing and other types of factory built homes is at:**

**<http://www.appraisersforum.com>**