

Manufactured Homes and FHA-Insured Loans

Homeowners that live in manufactured homes often face confusion and frustration at the worst possible time ---at the 11th hour when they go to buy/sell or refinance their home and the lender pops up with a final condition: an engineer's certification of the manufactured home's foundation. For many this becomes a crisis when the foundation fails to meet the HUD guidelines. To resolve the situation and proceed with the loan, the lender will then require an engineered upgrade, repair or a retrofit on the foundation in order to meet the HUD guidelines. In a state of panic, where does the borrower or lender go for a reliable source to satisfy this condition? Fortunately, there is a vast array of pre-engineered and approved "permanent" foundation systems available in the marketplace so the homeowner or homebuyer doesn't have to pay to reinvent the wheel, but the borrower may still have a difficult time discerning which criteria should be used to make a selection. Should they focus on the features and benefits of the individual system or make a decision strictly on the price point? The fact that homeowners are floundering for answers at a time of heightened stress in the loan consummation process accelerates their confusion and leads some borrowers to blame the loan officers or transaction coordinators. "Why didn't anyone know this??" is the frequent outcry. To be fair, the loan officer or processor is likely dealing with their very first [FHA and Reverse Mortgage Loan](#) and was not aware that the foundation would be a critical factor in the loan. However, the borrower often views this last minute potentially expensive surprise as a lack of professionalism on the part of the lender and further adds to his/her consternation.

So, for both borrower and lender, it may be important to have a strategy to interpret available repair solutions. Where can a borrower or lender get the best information? A web search for foundation systems may supply you with some of the names prominent in the industry and you can start educating by having product manufacturers feature the benefits of their respective proprietary foundation system. Likely you will hear the manufacturer's self-directed accolades extolling the virtues of their system as the "only true FHA certified system" so the tariff for the system may also include a hefty sales commission. Although many manufacturers proclaim that their patented proprietary foundation retrofitting is FHA or HUD approved, the truth is there are no blanket approvals that automatically provide a stamp of approval on an FHA-insured loan. Even though the components that are used in their system may indeed provide the vertical and lateral loads needed to meet the HUD Permanent Foundation Guide for Manufactured Homes, 1996, without proper installation the system is as worthless as Tinker Toys sitting in the cannister. Only a licensed engineer on a case-by-case basis can determine whether the system meets the HUD foundation guidelines and must attest to that fact in a certification letter, wet-stamped and signed. One can imagine a worst case scenario where a borrower pays big dollars for a system installation, only to have the installation fail under the scrutiny of an engineer.

While the safety features alone of a foundation system might normally be a component in a homeowner or home buyer's decision-making, the tick-tock of a loan lock creates a sense of urgency. Plus the unexpected cost of a retrofit at a time of financial need will generally cause most borrowers to think primarily with their pocketbooks. While many manufacturers of foundation systems battle for positioning because they protest that their system has superior load-bearing or seismic resistance, the reality is that the performance of the installer and the turn-around time for the engineer to certify the foundation have become the new standard for structural excellence in the world of FHA manufactured housing financing. By necessity, the merits of the system and its structural efficacy have taken a back seat to the contractor and engineering team that provides the verification that the lender needs to take the loan to underwriting. Since a system is only as good as its installation and certification by an engineer, start by finding a contractor/engineer team that that has a comprehensive knowledge of the FHA and title process, can liaison between borrower and lender to create a seamless transaction, can provide extra structural support for the home as well as the much needed service support for the loan transaction.

[Manufactured homes and FHA Insured loans](#) specialty contractors are often knowledgeable about both the plethora of proprietary systems available on the market as well as the costs and the building permit process associated with the installation. They understand that different systems have different merits and the ranking for decision-making has a number of determining factors, some of which are:

1. Size of home
2. Type of home manufacturer and the style
3. Type of perimeter enclosure
4. Type of set-up (above ground or subterranean set)
5. Type of soil/ground/drainage conditions
6. Appurtenant structures to the home
7. Roof load, floor load, live load in the home
8. Local building code requirements determined by wind, flood, seismic activity
9. Best system vs. best value

Therefore, choosing your foundation system should come down to the competency of the retrofitter/engineering team that can economically, expeditiously and successfully accomplish a finished product, wading through the lending requisites, local building department requirements, providing any recorded documentation (like the 433A in California) and the ultimate prize---the engineer's certification letter verifying that the foundation meets the HUD guidelines. On The Level and Pacific Consulting Engineers have joined forces to make up one of the most informed teams in the manufactured housing industry: www.onthelevelcontractors.com and can provide both lenders and borrowers with answers and solutions.

About the Author

Author BioON THE LEVEL General Contractors (B & C 47 521400) is a family-owned company specializing in the maintenance of mobilehome. [HUD](#)

[Permanent Foundation Guide](#), and Foundation Retrofitting.

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