Increased demand for less expensive manufactured homes

by Jim_Woodard

Considering the cost of new homes today, it's not surprising that an increasing proportion of buyers are opting for a manufactured home - one that is built off-site, usually in a factory.

Typically, prices for manufactured homes range from 10 to 35 percent less per square foot than comparable site-built homes, according to a study by the Manufactured Housing Institute. This difference allows many more families to enjoy their dream of homeownership.

"The affordability of manufactured housing can be attributed directly to the efficiencies emanating from the factory-building process," it was stated in an Institute report.

"The controlled construction environment and assembly-line techniques remove many of the problems encountered during traditional home construction, such as poor weather, theft, vandalism, damage to building products and materials, and unskilled labor. Factory employees are more aft to be better trained and managed more effectively and efficiently."

With streamlined production methods and modern home designs in the manufactured home industry, it's often difficult to see a difference between a site-built and factory-built new home.

"Today's manufactured homes have experienced a major evolution in the types and quality of homes being offered to buyers," according to the MHI.

"Technological advances are allowing manufactured home builders to offer a much wider variety of architectural styles and exterior finishes that will suit most any buyer's dreams, while allowing the home to blend in seamlessly into most any neighborhood.

"Two-story and single-family attached homes are but two of the new styles being generated by factory-built innovation. As a result, today's manufactured homes are offering real housing options for the neglected suburban and urban buyers."

Also, financing for manufactured homes is now more readily available than it has been in the past. Fannie Mae, a major government-sponsored buyer of existing mortgages, recently announced the implementation of its new "MH Select" initiative that will provide more affordable financing options to manufactured home buyers. It allows lenders to offer loan terms previously only offered to buyers of site-built homes.

The future looks bright for the manufactured housing industry. Key potential buyers of these homes are minorities, first-time home buyers and seniors seeking second homes. There are now about 18 million manufactured homeowners in this country - a number that will certainly increase in future years.

Q: What's the maximum mortgage amount available for financing an expensive home?

A: A recent action by the federal government will make expensive homes more accessible to an increased number of buyers. The maximum conforming loan limits have been raised in particularly high-cost markets.

The legislation permits Fannie Mae and Freddie Mac to raise their conforming loan limits in those high priced areas. It's part of the Economic Stimulus Act of 2008 and will be in effect until Dec. 31 of this year.

The new jumbo loan limits are a function of median home prices as estimated by the Department of Housing and Urban Development. The maximum for temporary, jumbo conforming loan limits are as high as $729,750 for one-unit homes in the continental United States. Two, three and four-unit properties have higher limits.

Seventy-one local areas are affected by the ruling, including metro areas and 245 counties outside of metro areas that show increases in property values.

Q: Is private mortgage insurance a good thing to have?

A: Nearly 2 million families in the U.S. have acquired a new low down-payment mortgage by using private mortgage insurance. It allowed them to obtain a mortgage for the purchase of a home while paying less than a 20 percent down payment. Others were able to refinance an existing mortgage.

The average buyer can purchase a house 10 years sooner by using PMI, according to Mortgage Insurance Companies of America. Many down payments are as low as 3 percent of the purchase price. Some are even lower.

It should be noted that this insurance coverage is expensive and should be avoided whenever possible. But in some cases it allows families to purchase a home that would not be available to them without the insurance.

Legislation has been passed by Congress and signed by the president that extends the federal tax deduction allowing homeowners with low down payment mortgage to deduct the cost of their government or PMI premiums for three more years. Qualified borrowers may take the deduction if their insured mortgage originates between 2007 and 2010.

The deduction was first approved late in 2006 and initially applied only to the 2007 tax year. Extension of the tax deduction for PMI premiums was part of the Mortgage Forgiveness Debt Relief Act.

The tax break is for families with an adjusted gross income of $100,000 or less. Families with incomes up to $109,000 are eligible for a partial deduction.

"Continuing this tax deduction will help low- and moderate-income consumers, particularly first-time home buyers who are unable to put down 20 percent," said Kevin Schneider, president of Mortgage Insurance Companies of America. "On average, the annual tax break could be worth $350 per taxpayer."

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