

## SECTION 15: UNDERSTANDING YOUR RESPONSIBILITIES AFTER YOU MOVE INTO YOUR MANUFACTURED HOME

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When most people buy a home, they are not simply looking for shelter; they are also interested in building equity. While there are no guarantees that any house will increase in value, there are ways to increase your potential for building equity in your manufactured home through proper maintenance and financial management. Even if building equity is not your top priority, as identified in section 2, *Understanding If Owning a Manufactured Home Is Right for You*, you will want to protect your home because it is the place where you live. This section describes what you need to do to protect your home as a new homeowner.

### Care and Maintenance

Proper maintenance will stretch your manufactured home's longevity and increase its resale value. Simple upkeep can add many years to the life of your home, as well as give you a greater return on your investment when you sell your home.

Routine maintenance requires you to be proactive. You cannot afford to sit back and wait until something breaks before you fix it. Try to take care of appliances and systems, like the heating and plumbing, so they do not fail. Keep the outside of the house looking nice; watch the roof and gutters. Slow wear and tear can lead to serious, expensive problems. For example, a small roof leak that is not repaired can cause cracked ceilings and wall damage. Below are some tips to help you provide adequate care and maintenance to your manufactured home:

- *Consult your owner's manual.* The starting point for maintaining your manufactured home properly is your owner's manual, which you should receive from the retailer or seller when you buy your home. The owner's manual includes information on maintenance requirements that need to be followed to keep your warranties valid.
- *Use a checklist.* You can utilize the "Maintenance Checklist," below, as a guide for general preventive maintenance tasks that should be done in the spring, fall or once a year. Keep in mind, however, that your home or climate may require different tasks.
- *Create a schedule.* Get a calendar and make your own maintenance schedule by marking when it is time to do preventive maintenance based on your preferences, your home and your location. Then, list the routine maintenance items and the major things that will have to be replaced from time to time.
- *Set aside monthly savings* for preventive maintenance and repairs. Figure out how much you will have to save each month in order to have enough to pay for maintenance expenses when they are needed. Think about all of the manufactured home's major features, such as the heating and air

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conditioning systems and the water heater, and their routine maintenance expenses. Your retailer or housing inspector should be able to help you estimate those costs. Add all of those amounts together and divide the total by 12 for the number of months in a year. That will be the amount you need to save each month to cover most maintenance.

- *Take a class.* Ask your housing counselor if there are any home repair courses offered by local nonprofit housing organizations, cooperative extension agencies, community colleges or large building supply stores. Most classes include hands-on activities, where you can learn to do your own repairs and home maintenance.

*Manufactured Home Maintenance Checklist (will vary by region)*

TASKS	SPRING	FALL	ANNUAL
<b>Foundation Systems</b>			
Check grading to ensure that water drains away from foundation			X
Check crawl space for dampness or leaking following wet weather			X
Check ventilation of crawl space			X
Check anchors for corrosion or loosening			X
Check belly wrap for damage or sagging			X
Check skirting for damage			X
Check chassis for paint failures			X
Check the leveling of your home			X
<b>Doors and Windows</b>			
Check doors, windows and trim for finish failure	X	X	
Check glazed openings for loose putty	X	X	
Check for broken glass and damaged screens	X	X	
Take down screens (if removable); clean and store them		X	
Lubricate window hardware	X	X	
Check weather stripping for damage and tightness of fit	X	X	
Check caulking at doors, windows, and all other openings and joints between different materials	X	X	
<b>Exterior Walls</b>			
Check painted surfaces for paint failure	X	X	
Check siding and trim for damage or decay		X	
Check all trim for tightness of fit at joints and caulk	X	X	
<b>Roof</b>			
Check for damaged or loose shingles and blisters	X	X	
Check underside of roof where accessible (or attic) for water stains or dampness	X	X	
Check for damaged flashing around vents and chimneys	X	X	
Check gutters, downspouts, hangers, strainers and splash blocks for damage or need for repainting	X	X	
Clean gutters, strainers, downspouts and splash blocks	X	X	
Check vents, louvers and chimney caps and housings for cracks and debris		X	

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TASKS	SPRING	FALL	ANNUAL
Check fascias and soffits for paint failure, decay or animal infestation	X	X	
Check antenna guy wires and supports	X	X	
Check seals at seams, joints and edges of metal roofs	X	X	
Evaluate roof for future replacement			X
<b>Interior Surfaces</b>			
Check all finished surfaces for dirt, finish failure and required repairs	X	X	
Check all joints in ceramic tile, laminated plastic, and similar surfaces	X	X	
Check caulk or grouting around bathtubs, showers and sinks	X	X	
<b>Floors</b>			
Check for wear and damage, particularly where one material meets another (e.g., wood and carpet)			X
Evaluate for replacement or refinishing			X
<b>Electrical System</b>			
Check condition of cords to all appliances and plugs	X	X	
Check areas where wiring is exposed and replace at first sign of damage	X	X	
Check smoke detectors	X	X	
If fuses blow or breakers trip frequently, call an electrician to locate the cause and make repairs			X
<b>Heating and Cooling Systems</b>			
Clean or change any air filters	X	X	
Have systems checked by qualified service person	X	X	
Remove window air conditioners for winter or put weatherproof covers on them		X	
Clean dirt and dust from around registers	X	X	
Service humidifier and dehumidifier		X	
<b>Plumbing System</b>			
Check faucets hose bibbs, flush valves and sinks for leakage and corrosion	X	X	
Have service person check septic system			X
Check water heater for leakage, corrosion and obstructions			X
<b>Grounds and Yard</b>			
Drain outside water lines and hoses		X	
Clean area wells, window wells and storm drains	X	X	
Check driveways and sidewalks for cracks and yard for soil erosion	X	X	

## Warranty Service

Before you need service, complete all registration and warranty cards and carefully read all of your warranties. Note their duration, terms and service departments. If your home or appliances develop a problem that is covered under warranty, make an immediate service request with an accurate report of the problem in writing to the service department responsible for the coverage, and keep a copy for your records. You may consult your warranty, owner's manual or your home's data plate (normally located in a closet or cabinet in the kitchen, utility area or bedroom, see figure 13) to determine whom to contact for your home's warranty service. Usually your contact is the manufacturer or retailer, who may be under contract with the manufacturer to do the repair work.

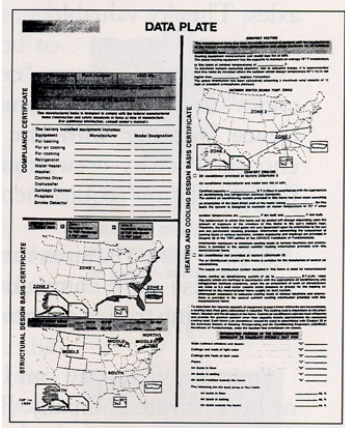


Figure 13: A manufactured home's data plate.

Near the end of your warranty period, carefully inspect your home for problems and report them to the manufacturer or retailer. Warranties cover problems reported during the warranty period, regardless of when they get fixed.

## Additions

When you own your land, you may be able to add landscaping or additions to your manufactured home to increase its attractiveness and resale value. Any significant change, such as an addition or structural alteration, may require local permits and could take your home out of compliance with the HUD Code or your warranties. You should consult your owner's manual, the local building department and your SAA *before* making any such changes to your home. If you can proceed with an addition, be sure you can fund the complete job and hire a qualified contractor or engineer. Improperly attached additions can shift and damage your home.

## Taxes

### Your Tax Responsibilities

When you purchase a manufactured home classified as real estate by your state laws, you will have to pay real estate property taxes on a regular basis. Real estate property taxation is usually administered by your county government. The amount of tax on your real estate is determined by its assessed value and the tax rate. How assessed values are determined and what rates are charged for real estate property differ from place to place.

Shortly after you move into your manufactured home, you will probably receive a tax notice, telling you the assessed value, the tax rate, the amount of taxes that will be due, and when the taxes are due.

Some lenders set up escrow accounts, where a portion of each monthly mortgage payment is allocated to pay for one year's worth of taxes and insurance. The lender holds the money and pays your real estate

➤ *Important Note About Escrow Accounts*  
One of the best tools for managing tax and insurance payments is an escrow account. If an escrow account was not set up for you initially, ask your lender about setting one up. While establishing an escrow account requires time from the lender and an initial investment and higher monthly payments from you, it makes paying your tax and insurance bills easier when they are due.

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property taxes when they are due. You will still receive tax notices, but you do not need to send any money.

If your lender did not set up an escrow account for you, you will need to pay those bills on your own. In such cases, it is important for you to plan for those expenses by setting aside enough money on a regular basis in a savings account earmarked for your real estate property taxes and other housing-related expenses. Penalty fees can be high if you do not real estate property taxes when they are due.

When you purchase a manufactured home that is classified as personal property, you will have to pay personal property taxes regularly — normally on an annual basis. Personal property taxation is normally administered by your state government through a division such as a tax commission or department of motor vehicles. As with real estate property, the amount of tax you pay on your personal property is determined by its assessed value and the tax rate. The assessed values and rates on personal property vary from one location to another.

In addition, your manufactured home may be subject to sales and use taxes when you buy and sell your manufactured home as personal property, depending on state and local laws.

### *Tax Deductions*

Regardless of how your property is classified, certain tax deductions benefit you, just as with a site-built home. For example, current law permits you to deduct the interest you pay on a loan for your primary residence — a major expense associated with home ownership — from your total taxable income. You can also deduct points in your first year as a manufactured home owner.

These deductions may reduce the federal (and in most cases state) income taxes you owe, and could save you money. This benefit works when your itemized deductions, including mortgage interest, property taxes and other home-related expenses in a given tax year exceed the standard deduction (see the sample chart below), a dollar amount based on your filing status that reduces the amount of income on which you are taxed.

### *2003 Standard Deduction Chart for Most People\**

<b>If Your Filing Status Is ...</b>	<b>Your Standard Deduction<sup>a</sup> Is...</b>
Single	\$4,750
Married filing joint return or qualifying widow(er) with dependent children	\$9,500
Head of household	\$7,000

\*Standard deductions are higher if you are 65 or older or blind. See Publication 501 from the Internal Revenue Service (IRS), which is downloadable from [www.irs.gov](http://www.irs.gov).

<sup>a</sup> Subject to change annually.

If your housing-related expenses and other allowable deductions amount to more than the standard deduction, you will have to complete a 1040 income tax form, “the long form,” with a Schedule A form for itemized deductions when you file your taxes. When you itemize your deductions for interest, property taxes and other housing-related expenses, you normally benefit most from these deductions in the first few years of the loan because most of your monthly payments go toward interest.

For more information, consult a professional tax advisor or the IRS hotline at (800) 829-1040. Many communities offer free tax-preparation assistance from Volunteer Income Tax Assistance (VITA) volunteers from January to April 15. Details are available from the IRS hotline.

### Record Keeping

Proper record keeping is essential for any new homeowner so that you can get your tax benefits, make insurance claims or request warranty service in a convenient and timely fashion. One of the first purchases you should make as a manufactured home owner is a fire- and water-safe filing cabinet or box (under \$100) to store housing-related records and legal documents. Create a system for filing your housing-related records so that you can get to them easily. If you need help in designing such a system, here are some suggestions for how to organize that information:

- Important papers from the purchase of the home, including inspection reports, the signed purchase contract, property surveys, the title or property deed, and correspondence with the retailer, manufacturers or your SAA.
- Loan documents, including the promissory note, security instrument, loan repayment schedule, and the property appraisal.
- Insurance policy.
- Owner’s manual for home and operating manuals for appliances.
- Warranties for home your and appliances and written warranty service requests.
- List of your possessions and any accompanying photos or videos.
- Home maintenance projects.
- Financial records relating to your home, such as bills to be paid, household spending plans and tax information.

Make a list of the important documents in your files, and keep it accessible. Include policy numbers and addresses from which replacement documents can be obtained. Keep this list in a separate place from the documents themselves. A safe deposit box at a bank can be an inexpensive way to protect original papers and keep a copy of the list of important documents, policy numbers and addresses.

### Equity Loans

If you were to sell your manufactured home today, how much of the sale price would go into your pocket? You would keep whatever remains after you pay off any debts against the home. That amount is known as your equity in the property. Equity represents your ownership interest in your home that you may be able to borrow against or convert into cash by selling the home. Aside from gaining equity from your regular mortgage payments, your house may increase in value, thereby providing you with additional equity in your home.

➤ *Important Note*

*About Personal*

*Property Title Loans*

You also may be able to borrow money without selling your home, using the title of your manufactured home as collateral for a loan.

**Be extremely cautious.**

These loans not only place your home ownership on the line, but also carry very high interest rates and fees.

If you bought your home using real estate financing, your equity is an asset you can use without selling your home. When you borrow using your equity as collateral this is called a home equity loan. When you get a home equity loan, your original loan stays the same. The amount you borrow is a second or junior loan secured by your house. If you do not repay the second, the lender can foreclose just as your mortgage lender can. Second loans generally have higher interest rates and must be paid back in a shorter period of time. You will have to get an appraisal to show that your house is worth more than the amount you owe on the original loan, plus the amount of the new home equity loan.

The loan can be for a fixed amount of money, or it can be a line of credit. A line of credit is somewhat like a credit card. You are approved to borrow up to a certain amount of money, and you can borrow it in small or large sums as you need it, rather than all at one time. A credit line may be a good way to pay for a project that will incur expenses over time, such as an addition to your home.

### Refinancing

Another way to use your equity without selling your home is to refinance your real estate or personal property loan, although you may have significantly fewer opportunities to do so with personal property financing. Below are the ways you can use your equity, and some considerations when refinancing.

After you own your home, at some point you may consider refinancing — to change or improve the rate or terms of your existing loan or to get cash for additions. Deciding to refinance your home can be a difficult decision, influenced by many factors.

➤ *Important Note*

*About Equity Loans*

*and Refinancing*

Watch out for predatory lending when considering applying for an equity loan refinancing.

These high-rate loans, with excessive fees, abusive conditions, and unfair loan agreements, trap borrowers and rob them of their savings — and even their homes.

Refinancing is the process of taking out a new loan and using the money to pay off your current loan. It involves many of the same steps, and some of the same expenses, involved in applying for and getting your loan in the first place. Depending on how the terms of loans that are available to you now compare with the terms of your current loan, refinancing can save you a lot of money.

Refinancing is most likely to make sense for you if your current loan has an interest rate that is higher than current interest rates available to you. When you refinance with a lower interest rate, your monthly payments will go down and you will save on interest charges over the life of the loan. Today, many lenders offer no or low cost (approximately \$500) refinancing that makes it worth your while to refinance even for a rather small reduction in interest rates. You may want to refinance, however, for reasons other than just lower interest rates. You may want to convert an adjustable-rate mortgage to a fixed-rate mortgage, or vice versa. You may want to convert to a loan with a shorter term to build up

your equity faster. You may want to convert a personal property loan into a real estate loan if you can. Or, you may want to convert some of your equity into cash. Whatever the reason — **shop around just as carefully for refinancing as you did for your current loan.** Consult your housing counselor to help you find the right option for you.

### Relocating and Selling

Moving a manufactured home can be difficult and expensive, and other appropriate locations for your home may be limited in your area. If you have to move, try to find a new buyer for your manufactured home rather than take it with you. However, finding an interested buyer quickly could be difficult. If you are living in a land-lease community, for example, potential buyers are subject to meeting the community's residency requirements. If you decide to sell your manufactured home, consider hiring a real estate professional familiar with manufactured homes, who normally will be paid through the proceeds of the sale, to help you with some of the following steps:

- *Call your lender to find out how much you still owe on your home, or the payoff amount.*
- *Determine the value of your home, using some of the same research techniques discussed in section 12, *Understanding Price Negotiation for a Manufactured Home*, such as checking appraisal guides, hiring an appraiser who is experienced in determining the fair market value of manufactured homes in your area and consulting your real estate agent.*
- *If the value of your home allows for it, set your asking price for an amount over the payoff amount.* That way you can repay the lender in full and have money left over for yourself. If your home is not worth as much as you owe to the lender, you will be responsible for repaying the lender in full when you sell your home. If you must sell, try to get the best sales price possible and make sure you have enough reserves to pay off your loan. Your real estate agent can help you make a decision but should not tell you what asking price you must use.
- *Advertise* that your home is for sale. Place ads in local papers, display “for sale” signs prominently in your yard and use word-of-mouth marketing through friends and family. If you are working with an agent, the agent normally arranges for most of the advertising.
- *Make sure your home and grounds are in the best condition* for showing it to potential buyers.
- Be able to *recommend financing sources* for manufactured homes. Consider your lender and others you contacted during your search for financing. You can also ask your real estate agent or housing counselor for recommendations.

### Coping with Hardship

Nobody buys a home planning for financial difficulties, but they sometimes happen. Most loan payments are due at the beginning of the month. If your payment is 10 to 15 days late, your lender will send you a notice and charge you a late fee. If your payment is 30 days late, your lender will send a delinquency notice to the three major credit reporting agencies for inclusion in your credit report. If your

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payment is 90 days late, you are in default, and many lenders will begin the legal process for foreclosure on real estate loans or repossession on personal property loans.

If your income is reduced or your expenses increased and you are faced with a choice of bills to pay, always pay the loan on your home first. Credit card companies and other creditors may send threatening letters, but they do not have the ability to take your home — the shelter for your family and the investment you worked so hard to earn.

The key to preventing your lender from taking back your home is to talk to your lender **as soon as you realize you have a problem**. If you cannot make a payment, **call right away**, explain why, and seek financial counseling from your housing counselor or a reputable nonprofit credit counseling agency. There may be several ways that the lender can help you keep your home while you get over the hardship you are having. These options normally work best when you communicate with your lender early, before you get too far behind with your payments. It may be a difficult call to make to your lender when you have a problem, but every day you wait makes it even harder to save your home.