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Mobile Home Buying

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MOBILE HOME BUYING

**COOPERATIVE EXTENSION SERVICE
SOUTH DAKOTA STATE UNIVERSITY
U.S. DEPARTMENT OF AGRICULTURE**

MOBILE HOME BUYING

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Why a mobile home?

Many things have made mobile home living more popular in recent years. Mobile homes today are larger and come in a wide range of styles and floor plans. The cost of a mobile home includes all the necessary furnishings, with such appliances as dishwasher, garbage disposal, and washer and dryer optional. A mobile home can become a functional living unit in a very short time. In some growing communities there may be no other type of satisfactory housing available on short notice.

Mobile home living no longer has the image of living in a "trailer camp down by the railroad tracks." The modern mobile home park is well lighted and landscaped with sidewalks, paved streets, and on-site parking. Some have playground areas, laundry facilities and community buildings.

One very important reason for the popularity of the mobile home is its moderate cost. On a square-foot basis this can be considerably less than that of a conventional "stick built" home. More about this later.

Who lives in a mobile home?

Almost anyone. From studies of the typical mobile home dweller, it's been found that such homes are most popular among people with modest incomes, young families, and retired couples. These people are attracted by the convenience, compactness, low cost and maintenance requirements, and rapid set-up time.

Two main problems must be considered

The primary disadvantages of a mobile home are space limitations and rapid depreciation of the unit.

Mobile home living is not for everyone. If your life style includes entertaining large groups of people or pursuing a hobby which ordinarily would be carried on in a basement, the compactness which for some people might be desirable is a distinct disadvantage for you.

If you own several cars or have a boat and recreational vehicles and equipment, parking and storage can be major problems. If you own pets, they might present problems, since some courts do not allow pets.

Mobile homes depreciate quite rapidly, especially the first few years. If you purchase a conventional home, it will probably appreciate in value over the years.

As a "rule of thumb" you can figure your depreciation on a mobile home to be 20% the first year, 10% the second and third years and 5% for each of the next few years until it reaches its salvage (junk) value.

Another factor to consider before purchasing a mobile home is where it will be parked. Is space available in a desirable mobile home park? What are the rules? Can your family abide by them? Are there excessive hook-up fees and monthly rental charges? Are there other charges not included in the monthly rental fee, such as garbage pickup or assessment for snow removal?

Examine the comparable costs

Table 1 compares the cost of financing a new mobile home and a conventional house. The examples shown are typical of what the average home-buyer might encounter in the 1978 housing market.

The living space may not be equal. The mobile home price includes furnishings, and the conventional home would be unfurnished.

On a monthly basis, the cost of housing is estimated to be about \$100.00 less in a \$14,000 mobile home than in a \$35,000 house. For people living on a limited budget this can be a very

Table 1. Comparable costs of financing a new mobile home and conventional home.

	\$14,000 mobile home	\$35,000 house
Financing terms		
Maturity of loan	12 years	30 years
Interest rate	12%	9%
Downpayment	\$2,800	\$3,500
Monthly costs		
Loan repayment & interest	\$147.10	\$253.46
Park rent	50.00	—
Taxes	10.00	60.00
Maintenance	5.00	20.00
Heat & utilities	45.00	70.00
Insurance	17.00	12.50
	\$274.10	\$415.96
Opportunity cost @6% of downpayment*	14.00	17.50
	\$288.00	\$433.46
Income tax savings per month**(20% marginal rate)	-17.19	-56.84
Total monthly costs	\$270.91	\$376.62

*Opportunity cost is the interest you might have earned on that money if you had invested it.

**The amount of interest paid per year varies downward. Of the first payment, interest is \$112 on the mobile home and \$230.25 on the conventional home. In the last payment on the mobile home the interest is \$1.47. After the same 12 years (144th payment) the interest on the conventional home is \$203.37. In the above computation the interest on the 72nd payment (after 6 years) is used.

significant difference. But before committing yourself to the purchase of a mobile home because of lower monthly cost, you should also look at the long range cost.

The original indebtedness on the mobile home is \$21,183.

purchase price	\$14,000
downpayment (20%)	<u>-2,800</u>
	\$11,200
interest for 12 years	<u>9,983</u>
	\$21,183

Because of depreciation your \$14,000 mobile home after 6 years will have a value of \$7,778. You will still owe \$7,525 on the principal. If you sold at this point and paid off your loan without penalty, you would have a deficit of \$2,549. (\$7,778 - \$7,525 - \$2,800 downpayment = \$2,549*).

At the end of 12 years your mobile home will have a value of from \$3,000 to \$6,000, depending upon condition and the current used mobile home market.

Similarly, if you purchased a \$35,000 home the original indebtedness is \$91,241.

purchase price	\$35,000
downpayment (10%)	<u>-3,500</u>
	\$31,500
interest for 30 years	<u>59,741</u>
	\$91,241

After 6 years your \$35,000 home will have appreciated in value, and if you wanted to sell at this point it would be worth \$49,648 (6% annual appreciation rate). You will still owe \$29,865 on your home, not including interest. If you sold at this point and paid off your loan (without penalty) you would realize a return of \$13,304 (\$49,648 - \$29,865 - \$3,500 downpayment - 6% realtor fee = \$13,304).

At the end of 12 years your home will be worth \$70,425. You would still owe \$27,065. If you sold at this point and paid off the loan (without penalty) you would have a gain of \$35,645 (\$70,425 - \$27,065 - \$3,500 downpayment - 6% realtor fee = \$35,645).

If you purchase the \$35,000 home instead of a mobile home, your monthly installment will be \$106.36 more. After 6 years this amounts to \$7,658 and at 12 years it is \$15,316.

Mobile home owner has settling in costs

If you choose to purchase a conventional home you could have a moving expense, the cost of furnishings for your home, or both. Moving costs can be modest or large depending upon the weight, bulk, and distance of your move. If you do not have any home furnishings the cost of new furnishings will depend upon your tastes and the size of your new home.

The mobile home purchaser has settling costs too. He must skirt the home and winterize the water and sewer connections and perhaps tie it down. There is also the cost of leveling and blocking the home on a solid foundation of cement blocks or jacks. The cost of outside steps and any other attachments should

also be taken into account. You may be able to defer the cost of skirting, depending upon park rules and/or local zoning ordinances. You will probably want skirting eventually, even though it may not be required, as it will lower your heating cost and enhance the appearance of your home.

Consider monthly savings against a long-term asset

There are two general observations which can be drawn from the comparison of long run housing costs in the two examples, assuming that either unit will provide adequate living space for your family. On a monthly basis your housing cost is about \$100 less in a mobile home. If this is your chief concern a mobile home is a likely choice for you. The buyer of the conventional home will have, over a time, a valuable asset.

What are your housing needs?

Your housing choice will be influenced by your family size, age, and sex, your family lifestyle, and your own tastes. Does the mobile home meet your family's needs?

New single-wide mobile homes on the market today are 12 and 14 feet wide and from 56 to 80 feet long. The most popular width is 14 feet. These sizes include the length of the hitch, so a 70-foot home has about 67 feet of living space. A double-wide is two units side-by-side. The combined width may be 24, 26, or 28 feet and may be in lengths up to 60 feet.

Expandables are 12 or 14 feet wide and feature a section that slides or folds out for extra space (usually the living room). For some people this might be a good compromise between the single- and double-wide units.

Do you need two or three bedrooms? How many baths? What floor plan do you prefer? An architect when planning a conventional home will consider the building site and plan the home for that particular site. If you know where the mobile home will be parked you can choose your floor plan to fit the site. What will be the view from your living room window? Where should the front and back doors be located?

If you have never lived in a mobile home it is a good idea to talk to some experienced mobile home dwellers. Try to select people your age whose family size is the same as your own. They can give you many helpful hints on models to choose.

Move cautiously in buying

If you decide to purchase a mobile home there are many things to consider before saying "I'll take it." You have a wide range of choices in size, style, construction, and price.

First, choose a reputable dealer. Most mobile homes have a 1-year guarantee on materials and workmanship. The appliances are warranted by the manufacturer of the particular appliance.

Your dealer's service is very important. Usually it is his responsibility to deliver and set up your new home on your site and to make any necessary repairs during the warranty period. If you purchase from a dealer close to your site you will probably receive better service.

You may also be able to make a better deal. Dealers will usually deliver the unit for as many as

*Mobile homes are usually sold by placing ads in newspapers. The selling cost can range from \$2 up.

300 miles as part of the purchase price. This is a cost to the dealer, so when you are making the deal he will probably take your location into account.

Your dealer might have "bargain" or "special buy" models. They may, or may not, be a good buy. The unit might be obsolete, or designed for use in a warmer climate zone, or one built by a manufacturer who has gone out of business.

It could also be a genuine sale model. Dealers often have year old models at reduced prices. Occasionally they will have a model which has received minor damage in shipment such as paint chips and small dents. If you can repair the damage, or live with it, you might be able to make a saving on one of these.

In any event, be sure the model you choose is right for you. What may appear to be a small inconvenience at the time of purchase can be a major disaster later. This may be your home for a number of years.

South Dakota has no laws governing the manufacture of mobile homes. The Mobile Homes Manufacturers Association and the Trailer Coach Association (MHMA-TCA) in cooperation with the National Fire Protection Association have prepared a set of minimum standards which are approved by the American National Standards Institute (ANSI). Most states which have laws governing the manufacture and sale of mobile homes require that they conform to these minimum standards.

These standards cover the minimum requirements for plumbing, heating, and electrical installation as well as body and frame design and construction. A mobile home which carries the MHMA-TCA seal is built to meet these minimum standards.

Some lenders require that the mobile home meet the standards set by the Department of Housing and Urban Development (HUD). The standards of HUD and MHMA-TCA are very similar, so if you purchase a home that complies to one standard it will probably meet the other standard also.

The newer mobile homes come with attachments for tie downs. Some states have laws requiring mobile homes to be securely tied down. South Dakota does not have such a law; however, some local zoning ordinances may require it. Check with your city or county zoning officer. Your dealer can tie down your mobile home for you but expect to pay extra for this service. Tie downs can prevent damage to your trailer and possible injury to the occupants in high winds.

A wide range of accessories is also available for your mobile home. You will need outside steps. These range from a very simple set of steps to an open or closed porch. They should have a handrail for safety. You might also want a detached storage building and/or a carport. Check with your mobile home park and local zoning officer before purchasing these accessories. There may be regulations governing the size and type of construction allowed.

Look at the construction details

You may select from models with a variety of siding materials. Metal siding might be aluminum or

steel with a baked finish. Usually the steel is a thinner gauge than aluminum and is subject to rust spots if the finish is damaged. The aluminum is lighter and might be easier to transport. Aluminum tends to bulge between the seams. It is a minor problem and is objectionable from the standpoint of appearance only. Models are also available with conventional house siding. These are easier to repair but may require more maintenance.

The roof should not be flat. A curved or sloping roof will support more weight (snow) and is less subject to leaks. The roof should be painted white or constructed of a light colored material to reflect the sun. The roofing material should extend or lap over the sides for easy maintenance and to prevent leaks where roof and walls join.

At least one window in each room not having a door to the outside (particularly the bedrooms) should be made so that it opens easily for escape in case of fire. Be sure you know how they may be opened in an emergency.

Better quality homes have outside doors which open inward and are framed like those in a conventional home. They will also have a combination storm and screen door.

Ask about the insulating materials in the walls, floor and roof. The measure of the resistance to heat loss is called the R factor. The minimum total resistance (R) of the wall, ceiling and floor should not be less than the following: walls, 8; ceiling, 16; and floor, 10.

Uninsulated walls have some R value: 2 in the walls and 3 in the ceiling and floor. Standard fiberglass insulation has an R value of 3.5 per inch of thickness.

If the mobile home is fiberglass insulated it should have about 2 inches in the walls and floor and 4 inches in the ceiling to meet the minimum requirements (more is better). The R values of insulating materials vary. Some materials are higher and others are lower (per inch of thickness) than fiberglass. One word of caution: some foam type insulating materials release toxic fumes when burned.

Pay particular attention to storage space. A spacious appearance may attract your eye, but openness may be achieved at the expense of storage space. Is storage adequate for your family's needs? Closets and lower kitchen cabinets should be a minimum of 24 inches deep. Upper kitchen cabinets should be a minimum of 12 inches deep. Along with storage space, look for counter top work area. You will want a minimum of 10 lineal feet in a kitchen and enough space in the laundry area to sort and fold clothes.

Furnishings are part of the purchase price. Note the quality of construction, the density of carpets and thickness of other floor coverings. Weight is usually a good indicator of quality. If the beds, tables, and sofa are lightweight they will need replacement in just a few years. You cannot expect the same quality in a mid-priced home as will be found in a higher priced home.

You may be able to purchase an unfurnished home but do not expect to furnish the home yourself for the amount of the discount. Mobile home manufacturers

buy furniture and equipment in large lots directly from the manufacturers, usually at lower prices than the homeowner would pay.

Mobile homes are only barely mobile

Many people purchase a mobile home because their stay in a particular community is temporary. Moving a mobile home is not a do-it-yourself project.

Experienced movers charge about \$1.25 per mile or more to move mobile homes; the rate depends on size of home and distance to be moved. Movers assume the responsibility for the move and have the proper insurance coverage. Your insurance generally does not cover the home and its contents in transit.

If you plan to move your home later to another state, before you buy you should check the restrictions on the length and width of vehicles allowed on the highways in that state and those you may have to pass through. Not all states allow the longer, wider mobile home on their highways.

Modular homes are another option

Homeseekers have another housing choice in the newer modular home concept. Modular homes combine some of the advantages of the mobile home with those of a conventional home. They come fully furnished and may be set up rapidly. They can be erected over a full or partial basement, on a concrete slab, or over a crawl space.

There is a vast range of choices in floor plans, roofing and siding materials, number of rooms, and bathrooms. Some even come equipped with a built-in stereo and communications system.

Modular homes are designed to be placed permanently on a housing site, although they may be disassembled rapidly and moved if necessary. Before purchasing, check your local building codes and zoning ordinances to see if, and where, they are allowed.

Prices with basement range from \$25,000 to \$45,000 depending upon size, equipment and construction. The rate of depreciation, if indeed they do depreciate, has not yet been established. It is entirely possible that the better constructed modular homes will appreciate in value similar to a conventional home.

Financing terms are similar to those of a mobile home. Interest charges range from 12-14% for up to 15 years. Monthly payments on a higher priced modular home are apt to be large, substantially greater than a conventional home.

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