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Unlocking Mortgage Access for Buyers of Manufactured Homes in Virginia

How modernizing manufactured home titling laws could expand affordable homeownership

Overview

Manufactured homes, which are built in a factory and transported to a lot rather than built on-site, provide one of the most affordable paths to homeownership in the United States, particularly for families with low or moderate incomes. A new manufactured home can save a buyer between 27% and 65%, compared with the cost of a new, similarly sized site-built single-family house.[1] As of 2020, Virginia had 166,392 manufactured homes, representing 4.6% of the state's housing stock.[2] The quality of manufactured housing has improved greatly over the past few decades, but Virginia's regulatory policies have not kept pace and are due for modernization.[3]

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In Virginia, as in most states, manufactured homes are initially titled as personal property (much like an automobile) rather than real estate. For the owner, this title has significant consequences: Homes classified as personal property are ineligible for mortgage financing, regardless of the home's quality or the borrower's credit profile. Without access to mortgage financing, buyers have a much smaller available pool of lenders to finance their homes.[4] In addition, personal property ("home-only") loans generally have higher interest rates and shorter loan terms than mortgages, making them more expensive. Borrowers also enjoy fewer consumer protections than those with mortgages, especially if they fall behind on payments.

Virginia does have a legal process for an owner to convert a manufactured home to real property—if the owner also owns the land on which the house sits and it is attached to the land in accordance with guidelines established by the Department of Housing and Urban Development (HUD).[5] And some manufactured home owners do convert to real estate titling. But many others can't or don't convert to real estate because of restrictions on which homes are eligible, the complexity of the conversion process, or a lack of clarity about the benefits of conversion. Existing state policy creates barriers that keep otherwise qualified buyers from financing their homes with a mortgage. As a result, thousands of Virginians are almost certainly paying more than necessary, both monthly and over the life of their loan—over $25,000 more on a 30-year, $100,000 loan.[6]

From 2018 to 2024, 13,211 buyers used a loan to purchase a manufactured home in Virginia. About 77% (10,116) used a mortgage. The other 23% (3,095) used a personal property loan. About 92% of buyers who owned the land beneath their homes were able to obtain a mortgage, on par with the median in all 50 states. Of those who lived on leased land or in a resident-owned cooperative (a community where homeowners collectively own and manage the land), virtually none received a mortgage.

In addition, some manufactured home buyers rely on alternative types of contract financing (such as land contracts, lease-purchase agreements, or seller financing), which are less well-regulated and generally more expensive than a mortgage or a personal property loan. Some buyers turn to contract financing because they have a poor credit history or low income, or if the home they are purchasing is of substandard quality. But some are driven to use these alternatives because of state laws (for example, if they don't own the land). Borrowers who purchase manufactured homes titled as personal property are twice as likely to use contract financing as those who buy homes titled as real estate.[7]

Laws that treat manufactured homes like cars hearken back to a different time, when these homes were less sturdy and of far lower quality than modern manufactured housing. Today's manufactured homes, built to HUD standards, are sometimes indistinguishable from site-built housing.

Policymakers could fix those disparities and expand affordable homeownership by modernizing Virginia's manufactured home titling laws. Modernized statutes should ensure that policies are clear and consistent, avoid undue burdens on the owner or buyer, and protect the rights of all interested parties—the manufactured home owner, the landowner, and any person or entity that has a lien on the property (i.e., the lienholder has legal right to the property if a debt is not repaid).[8] All of that could be accomplished while broadening access to real estate titling and mortgages.

Summary of Virginia's law enabling conversion from personal to real property

Manufactured homes in Virginia are initially issued a certificate of title (government-issued proof of ownership), much as the state issues a title when someone buys a car. Owners can cancel this title and convert the home to real property, but only under certain conditions:

- The owner of the manufactured home and the landowner must be the same—those who own their land are eligible, but those who rent land are not. Those who live on cooperatively owned or family-owned land are also ineligible for conversion.[9]
- The home is attached to the land, in accordance with HUD standards (with a foundation, piers, or concrete slab).[10]
- All liens on and other security interests in the manufactured home must be released before conversion to real estate titling.[11] This restriction can prevent refinancing from a home-only loan to a real estate mortgage.

Virginia has no streamlined process that allows an owner of a new manufactured home to avoid personal property titling even if it will be converted to a real estate title after installation.[12] A significant amount of paperwork is required for conversion, including an affidavit of affixation ascertaining that the home is properly attached to the ground.[13]

Impact of Virginia's current titling policy

Virginia's current manufactured home titling policy results in many owners paying more than necessary for housing. From 2018 to 2024, 13,211 buyers used either a mortgage or a personal property loan to purchase a manufactured home in Virginia. But access to a mortgage depended almost entirely on land tenure: While 92% of borrowers who owned their land obtained a mortgage, virtually none who lived in a resident-owned cooperative or on leased land got a mortgage. Those buyers used a more expensive home-only personal property loan.

Expanding pathways to real-estate titling could unlock access to lower-rate, longer-term mortgages and stronger consumer protections for thousands of Virginia residents.

And that would save Virginia residents money. Across the U.S., manufactured home mortgages have lower interest rates and longer loan terms than personal property loans. The average mortgage borrower saves 32% monthly, which amounts to more than $25,000 over the life of a 30-year, $100,000 loan.[14] New Hampshire—the only state that automatically titles manufactured homes as real estate, even if the homeowner does not own the land (if the home is connected to utilities)—demonstrates how manufactured home owners in Virginia who do not also own their land could benefit. In New Hampshire, such owners can obtain a "home only" mortgage, which usually has a lower interest rate than a personal property loan and a shorter loan term (20 years, rather than 23); they save 10% monthly, and nearly $50,000 over the life of a $100,000 loan, compared with personal property borrowers in the rest of the U.S.[15]

Some parts of Virginia's titling statute are working well

In some respects, Virginia's manufactured home titling laws work well. Existing laws provide a clear pathway for owners of manufactured homes who also own their land to convert from personal property titling to ownership as real property. That conversion, in turn, gives landowners access to important benefits, such as a mortgage, along with the accompanying consumer and foreclosure protections.

Under existing law, conversion to real estate titling creates a clear chain of ownership, which facilitates title searches. Accurate title searches protect buyers by uncovering hidden debt, ensuring that sellers actually own the home in question, and confirming that the property is free of other claims to ownership.[16] In addition, the conversion process requires the cancellation of any existing certificate of title, which reduces the possibility of fraud.

To convert a manufactured home to real estate titling in Virginia, the home must be affixed to land, which aligns with HUD's installation requirements.[17] HUD guidelines outline minimum requirements for things such as the type and condition of the home's foundation, how the home is anchored, and utility connections. Because the state imposes no additional requirements, it puts no extra burden on the owner.

Virginia's manufactured home titling statute could be improved

But there are ways for Virginia to improve its manufactured home titling law.

Key potential improvements include:

Expanding real estate titling to manufactured home owners who don't own the land beneath their home. Virginia's current conversion law excludes owners who live on leased land and in shared-ownership situations (for example, when residents have a stake in the land through a cooperative, or when a home is on land owned by a family member).

This change could be made in a way that protects lenders. New Hampshire, for example, automatically titles all manufactured homes as real estate if they are connected to utilities—even when the owner leases the land.[18] There, a lender's rights are typically spelled out in a separate agreement between the lender and the landowner. These agreements include provisions such as notifying the lender if the owner has not paid rent on the lot, giving the lender the right to pay rent (charging back to the owner), and enabling the lender to sell the home without having to move it if the borrower defaults.

Enabling manufactured home owners to refinance from personal property loans to mortgages when converting to real estate titling. Virginia's conversion process requires that all loans are paid off fully—and all liens and security interests are released—before a manufactured home can be titled as real estate. However, in standard refinancing practice, the original loan isn't paid off and the lien released until the new mortgage has been put

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into place. But under Virginia law, the new lender would not be able to record and thus protect its interest before conversion, because any older lenders would first have to release their liens, leaving their interests unprotected. This restriction reduces the likelihood of conversion to a real estate title and thus refinancing.

Clarifying and improving the process of converting a manufactured home from a real estate title back to personal property. Virginia allows owners of homes that have been converted to real estate titling to revert to personal property titling. This process is reserved for homes that have been or will be removed from the land.[19] Allowing owners to retitle a manufactured home as personal property can be helpful for those who can't get a mortgage, even if they don't plan to move the home. In addition, Virginia does not require obtaining a new certificate of title upon or before conversion back to personal property title. And Virginia allows homes to be sold with only a bill of sale, rather than a full title transfer.[20] Both of these provisions create an opportunity for fraud, since the home newly converted to personal property may lack a title certificate and may have been sold using the bill of sale. Clearer regulations that require a new certificate of title at or before the time of conversion would reduce fraud potential.

Reducing paperwork and allowing owners of new manufactured homes to register ownership as real estate without first titling the home as personal property. Virginia's current law outlines a conversion process only for homes that already have a certificate of title as personal property; there is no process for registering new homes that don't yet have a title as real estate. This gap creates an unnecessary extra step for new owners who want to title their home as real estate.

Conclusion

For Virginia residents who qualify under existing law—landowners whose manufactured homes are affixed to a permanent foundation—the state's titling policies work relatively well. A large majority of borrowers in Virginia who bought a manufactured home from 2018 to 2024 and also bought or owned the underlying land were able to use a mortgage to finance their purchase.

However, many other owners of manufactured homes could not obtain a mortgage because of current policies. This inability to get a mortgage means that they pay more for housing than is necessary every month—and tens of thousands of dollars over the life of their loan. In addition, they are at greater risk than mortgage borrowers of losing their home and investment if they fall behind on payments.

There are opportunities to modernize Virginia law by expanding real estate titling to owners who don't also own their land, streamlining the real estate titling process for buyers of new manufactured homes, and clarifying regulations for reversions to personal property title. These changes could improve access to mortgages—thus improving affordability and consumer protections.

Endnotes

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For more information, please visit: pew.org/housingpolicy

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