

Manufactured Housing

Real Property vs. Personal Property

Why Classification Matters for Title Insurance

”

Classification is not a technicality. It determines financing, secondary-market access, and whether standard title insurance can protect the transaction.

Manufactured homes start life as personal property. They leave the factory on a permanent chassis and are tracked through a state-issued certificate of title—similar to a vehicle. That default status continues until deliberate steps are taken under state law to convert the home to real property.

HOW CONVERSION WORKS

Conversion is not automatic. In most states three conditions must be met:

1 Permanent Affixation

Home is permanently affixed to a foundation. Wheels, axles, and hitch are typically removed. Foundation must meet applicable standards.

2 Land Ownership

Homeowner owns the land (or holds a qualifying long-term lease in limited cases). Land-lease communities often cannot convert.

3 Title Surrender & Recording

Personal-property certificate of title is surrendered or canceled. Affidavit of affixture (or state equivalent) is recorded in county land records.

Only after these steps does the home merge with the land for legal, financing, tax, and insurance purposes. State processes vary significantly.

WHY THE DISTINCTION DRIVES FINANCING

Aspect	Personal Property (Chattel)	Real Property
Typical financing	Chattel / FHA Title I	Conv., FHA Title II, VA, USDA, GSEs
Rates & terms	Higher rates; 15–20/23 yrs	Lower rates; up to 30 years
Land ownership	Often leased (communities)	Borrower owns land (or leasehold)
Appraisal	NADA / chattel methods	Real-estate appraisal (1004C)
Consumer protections	Fewer (repossession)	Full mortgage-law protections
Secondary market	Limited	GSE & Ginnie Mae eligible*

*When real-property requirements (foundation, titling, conversion) are met.

FHA Title I covers manufactured homes classified as either personal or real property (home only, lot only, or home + lot). FHA Title II, conventional, VA, and GSE programs generally require real-property classification, permanent foundation, and proper titling.

Manufactured Housing & Title Insurance

Impact of Classification on Title Protection

IMPACT ON TITLE INSURANCE

Standard real-property title insurance does not automatically cover a manufactured home that remains personal property. The policy definition of “Land” typically excludes a structure still titled as personalty. That creates a gap: the land may be insured, but the home itself is not part of the insured estate, and residual personal-property liens (UCC filings, old motor-vehicle liens, tax liens on the structure) can survive.

PERSONAL PROPERTY PATH

- Ownership evidenced by certificate of title
- Liens perfected under UCC / motor-vehicle rules
- Standard real-property title insurance generally unavailable or limited
- Financing is chattel-oriented (higher cost, shorter terms)
- Secondary-market access constrained

REAL PROPERTY PATH

- Ownership & liens handled through land records
- Standard title policy + manufactured-housing endorsement available
- Home and land insured as a single real-property estate
- Residual personal-property liens must be cleared in underwriting
- Eligible for conventional, FHA Title II, VA, GSE financing

THE ALTA 7 SERIES ENDORSEMENTS

When the home has been properly converted to real property, title insurance becomes available and is usually required by lenders. The critical tool is the ALTA 7 series of manufactured housing endorsements (or state equivalent such as Texas T-31).

ALTA 7

Expands the policy definition of “Land” to include the manufactured housing unit located on the land.

ALTA 7.1 (Lender)

Adds affirmative coverage that the unit is on the land, is real property under state law, is owned by the insured, and is free of personal-property liens.

ALTA 7.2 (Owner)

Parallel owner's coverage: unit location, real-property status, ownership, and absence of residual personal-property liens.

Fannie Mae and Freddie Mac require an ALTA 7, 7.1, or 7.2 (or local equivalent) on manufactured-home loans they purchase. The endorsement does not itself prove conversion was completed; the lender and title company must still document that state-law steps were followed.

PRACTICAL RISK: INCOMPLETE CONVERSION

Incomplete or defective conversion is a recurring risk. An unreleased certificate of title, missing affidavit of affixture, or failure to remove running gear can leave the home outside the real-property estate even when parties believe conversion occurred. That is precisely the risk the ALTA 7 series and careful underwriting address.

BOTTOM LINE

HUD's chassis and multi-story proposals expand design flexibility and lower production cost. Those changes do not alter the state-law classification rules that determine whether the finished home is real or personal property. Classification still governs which financing is available, whether the loan can enter the secondary market, and whether standard title insurance with a manufactured-housing endorsement can protect the transaction.