

# Crittenden's *Manufactured Housing Report*<sup>™</sup>

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## FOUNDATION SYSTEMS IMPROVE FINANCE OPTIONS

Look for new foundation systems to help manufactured HUD-code homes secure traditional VA and FHA financing. **FoundationWorks Inc.** offers a product that is accepted as a permanent foundation for financing and has penned a deal to provide foundations for growing MHC operator **Green Courte Partners LLC**. Additionally, FoundationWorks formed wholly-owned subsidiary **EquityAccess Mortgage Inc.**, which will operate as a mortgage broker with particular emphasis on existing MH owners. **Pieramid Foundation System Inc.** is launching its product nationwide after being tied up in an exclusive-use agreement with one of **Clayton Homes Inc.**'s largest independent dealers, Washington State's **Home Boys Inc.** The product has helped catapult Home Boys Inc.'s success in both retail sales and development projects. In similar fashion, **Sure Safe EFS** plans to partner with traditional site-built developers seeking less expensive options for filling vacant subdivision lots. **EagleVision Mortgage Solutions** plans to finance homes secured with Sure Safe foundations. California-based **Fast Track Foundation Systems** recently got state approval for its perimeter-foundation system from the state of Idaho and plans to further expand into the Rockies.

### Pieramid

Pieramid's product resulted from the need for an engineered foundation that would qualify HUD-code homes for FHA- or VA-backed loans, and the accompanying zero-down payment. The system utilizes triangular powder-coated piers that additionally function as tie downs, attached directly by steel bolts to the homes' I-beams and concrete runners. The connection exceeds all seismic and wind zone anchoring requirements. Pieramid Foundation Systems also provides site-specific engineered foundation plans nationwide that meet FHA, VA and USDA lending requirements.

In the past four months the product has been approved for nationwide use, and the company is expanding rapidly, growing about 200% monthly. President **James Weber** is fielding interest from factories that may want to package the system with home sales and is accepting applications from distributors nationwide. In addition to new home installation, Pieramid began offering retrofitted, HUD-compliant permanent foundations about five months ago. The retrofit cost is about \$2,200, and demand has been increasing, prompting the need for additional crews dedicated to retrofit

Home Boys Inc. had an exclusive-use agreement for Pieramid products until five months ago, and the retailer attributes its success to the product's ability to qualify homes for zero-down FHA loans. Home Boys Inc. and its affiliates sold about 300 homes in 2006 and have successfully developed 11 subdivisions in eastern Washington during the past three years using HUD-code homes with Pieramid foundations. The developments comprise fee-simple ownership communities ranging in size from 30 to 640 lots, with homeowners carrying traditional 30-year mortgages.

Home Boys Inc. is preparing for the first phase of a 640-lot, 12-phase project on 172 acres in Moses Lake, Wash. Homes will range from entry level, two-bedroom/two-bath units measuring 1,200 s.f., up to 2,600 s.f. triplewide homes with four bedrooms and 2.5 baths. Retail prices for the Clayton homes will range from less than \$120,000 for entry level homes to more than \$200,000 for larger homes. Home Boys is also working on a project in Benton County, Wash., with the low-income housing authority for the Tri-City's area. The project is intended for agricultural worker housing and will utilize factory-built duplexes with Pieramid foundation systems. The 48 duplexes will span 26 acres and be used as rental units.

### FoundationWorks

FoundationWorks' product provides a foundation system that qualifies for conventional FHA and VA financing. It offers a complete foundation system — including piers and masonry skirting — that has the external appearance of poured concrete walls.

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The three-year-old company initially focused on the new-home market, but is now seeking retrofit business as well. As a general guideline, the cost of a FoundationWorks retrofit runs between \$3,000 and \$4,000, depending on the area of the country, and the size and weight of the home. The company has branches in Dallas, Oregon and North Carolina, but the product is available nationwide through distributors and aftermarket companies.

FoundationWorks' most significant relationship is with Green Courte, who has invested significantly in the company and has a 25-year agreement to purchase product for use in its MHCs. The contract covers six communities in Colorado, New York and Pennsylvania, but FoundationWorks CEO **Thom Cross** expects that number will increase as Green Courte continues to grow its portfolio.

FoundationWorks' subsidiary EquityAccess opened its doors this month and will operate as a mortgage broker with a focus on MH homeowners in three situations: "for sale by owner" land-home deals; refinance of land-home properties; and situations wherein the borrower owns the home but not the land, and wants to purchase the land as well.

Such situations could also include subdivided- or condo-style MHCs. In all these instances, the FoundationWorks product will provide a permanent foundation system that complies with FHA's Title 2 mortgage program. EquityAccess is licensed for mortgage lending in North and South Carolina, and its business plan targets expansion based on the rollout of the FoundationWorks product. President **Andy Griggs** expects to expand into three to five states within the next 12 months, and is looking at Florida, Georgia, Tennessee, Texas, and possibly Alabama and Mississippi. He expects to lend about \$30M the first year and grow fairly quickly thereafter.

FoundationWorks will partner with EquityAccess to bring a one-stop-shop approach to the homeowner: it can install the foundation system, have the home appraised and provide lending services. EquityAccess offers typical mortgage rates — currently anywhere from the high 6%'s to the low 7%'s — and 30-year terms. Its loan origination fee is 1%, and closing costs are essentially the same as site-built homes. It has no minimum loan limits, and the maximum is driven by the maximum limits under the FHA program. Maximum LTV under the FHA Title 2 program is 97% on purchases and 95% on rate term refinance. As a general rule EquityAccess looks for customers with FICO scores of at least 600 and housing expenses that do not exceed 31% of gross income. Installment debts, revolving debt and housing obligations should not exceed 43% of gross income.

### **Fast Track**

Fast Track Foundation Systems offers a perimeter foundation system suitable for HUD-code, modular, or site-built homes. Design-Engineer **Michael Butler** began using the system in 1996 to retrofit existing homes in need of perimeter foundations for loan qualification, but now most of Fast Track's work involves new sitings. The product has been reviewed by FHA, and can be used on both one- and two-story homes. Fast Track's system is certified for 150 mph wind loads and meets FEMA flood requirements in noncoastal flood zones. The system's cost is about half that of a masonry block perimeter system, depending on field labor costs and site difficulty.

Fast Track is manufactured in Fresno, Calif., Phoenix, Ariz., and Texas. It is pre-approved for use in Arizona, California, Idaho, Texas and Wyoming. Fast Track wants to grow its Idaho presence, as the product is a good fit for the area: it is suitable for sloping sites and can handle 200-pound snow loads. The manufacturing of the product is very simple, and the company is looking to expand in the region via an existing enterprise that is either a MH business or associated with the secondary MH market. Butler also plans to expand into the Rockies, where he expects an influx of California developers. Look for the company to seek a stronger Pacific Northwest presence as well.

### **Sure Safe EFS**

Sure Safe's President and CEO **Art Angelo** is working with stick builders that find themselves with an overabundance of undeveloped sites due to the housing slump.

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The developers are now considering using HUD-code, rather than stick building, on the surplus sites, at building-cost savings Angelo estimates at \$30 to \$40 psf. Negotiations are underway with one of California's largest homebuilders, and a Las Vegas project is scheduled to start within the next couple of weeks. The Las Vegas developer will use HUD-code homes in place of the stick-built homes originally planned. Plans call for 176 homes to be built in two phases. The first phase comprises 1,100 s.f. homes, and the second phase will comprise 2,500 s.f. homes. Additionally, Sure Safe is working with a large California homebuilder on a project in the exclusive Blackhawk area. The subdivision will feature 2,000 s.f. homes with two-car garages on 6,000 s.f. lots.

EagleVision Mortgage Solutions is a new entity preparing to unveil a new loan program for HUD-code manufactured homes. The financing will be securitized exclusively with Sure Safe EFS foundations, and homes will be appraised like site-built homes. EagleVision loans will be insured and underwritten through **PMI Mortgage Corp.** Although prices are not yet available, founder **Titus Dare** estimates loans will be priced 100 basis points above Fannie Mae, probably about 7.5% with 30-year amortization schedules. EagleVision looks for a minimum 620 FICO score. Loans will range from \$25,000 to \$417,000, with a maximum LTV of 97%. However, the loans allow for a 6% seller contribution to closing costs, which can result in a 103% LTV.

### CONTACTS

**EagleVision Mortgage Solutions:** Titus Dare, 3 S. Tealbrook Drive, Saint Louis, MO 63141, (314) 432-3580, [www.eagleonemortgagesolutions.com](http://www.eagleonemortgagesolutions.com).

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**Home Boys Inc.:** 1425 N. Newport Highway, Mead, WA 99021, (509) 468-1750, [www.mfdhome.com](http://www.mfdhome.com).

**Pieramid Foundation System Inc.:** James Weber, president, 14525 N. Newport Highway, Mead, WA 99021, (509) 531-3286, [jweber@pieramids.com](mailto:jweber@pieramids.com), [www.pieramids.com](http://www.pieramids.com).

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