

# TINY HOMES: ISSUES

Fact Sheet

Spring 2019

## Introduction

Tiny homes have been difficult to define over the years. However the International Code Council recently developed a definition under Appendix Q of the International Residential Code for tiny homes as “a dwelling that is 400 square feet or less in floor area excluding lofts.” Tiny homes can develop in different ways in different communities.

In West Virginia, communities and potential tiny home owners should understand the advantages, disadvantages, and concerns for tiny home development. Specific concerns as to when the building code applies to tiny homes and the financing of a tiny home are addressed in this fact sheet. For more information on the application of local land use controls, such as zoning, the building code, or floodplain regulations, to tiny home development, see the Tiny Homes: Land Use Controls fact sheet.

## Advantages

Communities:	Potential Tiny Home Owners:
<ul style="list-style-type: none"><li>* Increase affordable housing stock</li><li>* Increase options for infill development, keeping infrastructure costs lower</li><li>* Financial benefits of cluster development</li><li>* Portability of THOWs, tiny homes on wheels, beneficial to avoid natural disasters</li><li>* THOWs ability to locate in existing home parks or campgrounds</li></ul>	<ul style="list-style-type: none"><li>* Affordability</li><li>* Lower utility costs</li><li>* Smaller environmental footprint</li><li>* THOWs are portable</li><li>* Accessory Dwelling Units, ADUs, offer separate living space</li><li>* ADU rental income</li><li>* No real property tax for THOWs</li></ul>

## Disadvantages

Communities:	Potential Tiny Home Owners:
<ul style="list-style-type: none"><li>* Infill development may strain existing infrastructure</li><li>* Infill development may change character of neighborhoods</li><li>* Haphazard placement where land use controls unused or unavailable</li><li>* Transient population</li><li>* Real property taxes not obtained from THOWs</li></ul>	<ul style="list-style-type: none"><li>* Availability of financing or insurance, whether stick-built, manufactured, or THOW</li><li>* Difficulty finding a location or utility hook-up for THOWs</li><li>* Building equity not as easy as with traditional home</li><li>* Cost to locate THOW in park or campground, or to buy land</li><li>* Communities averse to tiny homes</li></ul>

## Concerns

Communities:	Potential Tiny Home Owners:
<ul style="list-style-type: none"><li>* Whether building code or other land use controls apply to tiny homes</li><li>* THOWs inhabited while parked on the street, in yards, or on driveways</li><li>* Tiny home movement may be a fad</li><li>* Change and uncertainty related to new form of housing</li></ul>	<ul style="list-style-type: none"><li>* Whether and where tiny homes may locate within a community according to land use controls</li><li>* Concerns related to insurance, ownership, financing, and practical issues when one or more tiny homes are located on a lot not owned by the tiny home owner</li></ul>

# Financing Tiny Homes

Financing for tiny homes can be difficult to obtain. In fact, about 68% of tiny home owners paid cash for their tiny home.<sup>1</sup> With the average cost of tiny homes around \$23,000, financing is necessary for some people.<sup>2</sup> Traditional home loans require tiny homes to be on a permanent foundation. Additionally, lenders often have minimum loan amounts that are higher than the cost of most tiny homes and some lenders also have minimum square footage requirements.<sup>3</sup> For these reasons, stick built tiny homes often do not qualify for a traditional home mortgage.

Loans are available for manufactured homes through Fannie Mae or the FHA. However, these loans have minimum square footage requirements that exclude most tiny homes from qualifying. Fannie Mae requires manufactured homes to be at least 600 square feet, and the FHA requires at least 400 square feet.<sup>4</sup> Additionally, the manufactured home must have a HUD label to qualify for a loan.

Tiny homes on wheels (THOWs) can be financed with an RV loan as long as the home is Recreation Vehicle Industry Association (RVIA) certified.<sup>5</sup> Approximately 20 of the 164 RVIA certified manufacturers make tiny homes or park model RVs. Certification requires application to become a member of RVIA, initial fees and dues, a pledge to follow ANSI standards, and agreement to random inspections. More tiny home builders are becoming RVIA certified, but for individuals that plan on building their own THOW or buying from a builder that is not RVIA certified, RV loans are likely not an option. Additionally, RV loans will often not allow the tiny home to be used as a permanent residence, requiring buyers to have a permanent address.

## Tiny Homes and the Building Code

Communities and tiny home owners have concerns with how the building code treats tiny homes. The building code regulates habitability and safety depending on the form of tiny home, but can be limiting for tiny home living in terms of square footage requirements, design, and function.

Where adopted, the building code regulates tiny homes that are stick built, like many other single-family homes. The building code similarly regulates factory-built tiny homes as modular homes.<sup>6</sup>

If the tiny homes are on a mobile chassis or “wheels,” known as a THOW, the habitability of the structure is not regulated by the building code or through other regulations, aside from voluntary certification requirements through entities such as RVIA. While on wheels, only the roadworthiness aspect of the structure is regulated. However, if a THOW is placed on a permanent foundation, the building code would likely regulate its habitability in communities that have adopted the building code.



### Accessory Dwelling Units (ADUs)

ADUs are small, secondary dwelling units that sit on the same property as the primary home.

ADUs have a private kitchen, bathroom, and sleeping area and can be attached or detached to the primary home.<sup>4</sup>



### Tiny Homes on Wheels (THOWs)

THOWs are tiny homes that can be towed behind a vehicle via bumper hitch, frame-towing hitch, or fifth-wheel connection.



1 Jennie Phipps, Financing a Tiny House, Bankrate (July 1, 2015), <https://www.bankrate.com/financing/retirement/financing-a-tiny-house/>.

2 *Id.*

3 Deborah Kearns, *Tiny Homes aren't Traditional, and Neither is Their Financing*, USA Today (Aug. 13, 2016), <https://www.usatoday.com/story/money/personalfinance/2016/08/13/financing-tiny-houses-loan-mortgage-rv/87729312/>; Financing and Moving Your Tiny Home, Zing! by Quick-en Loans (Sept. 20, 2017), <https://www.quickenloans.com/blog/financing-moving-tiny-house>.

4 FHA Rules for Manufactured Housing, FHA (Feb. 25, 2017) [https://www.fha.com/fha\\_article?id=209](https://www.fha.com/fha_article?id=209); Manufactured Home Property Eligibility Requirements, Fannie Mae, <https://www.fanniemae.com/content/guide/selling/b2/3/02.html> (last visited Apr. 5, 2018).

5 Jennie Phipps, *Financing a Tiny House*, Bankrate (July 1, 2015), <https://www.bankrate.com/financing/retirement/financing-a-tiny-house/>.

6 *See* W. Va. Code Ann. § 37-15-2(f) (West 2018).