

## **Section 6: Benefits of a Tiny House Mortgage**

The tiny house movement is popular in both Canada and the United States and it's easy to see why. Soaring house prices in big cities are making it difficult for buyers to afford traditional-sized homes. This makes the decision to go with a tiny house appealing but there is still the question on how to finance a tiny home purchase. Tiny houses can range in price from \$10,000 to \$130,000 depending on their size, style, and finishes. Tiny homes often do not qualify for mortgages because of their mobility and small footprint. While some tiny homeowners purchase their homes using all cash, others, particularly those with good credit scores, obtain unsecured personal loans through companies like LikeStream, which offers loans from \$5,000 to \$100,000 and can be completed in mere minutes online.

A tiny house on wheels can start at around \$30,000. Tiny houses on wheels are not quite an RV and built on a mobile (with wheels) chassis. This makes the tiny homes transportable, so they can be moved from spot to spot, but not quite as independent in function as an RV. You still need to set the tiny home in place to hook up your utilities, plus the home isn't meant for continuous travel. Tiny homes built in-place and not on mobile chassis typically start at \$60,000 and offer more space than a tiny house on wheels.

### **It's Difficult to Get a Loan**

Financing is one of the biggest setbacks when people are trying to live in tiny homes. Unlike buying a standard sized home, it's very difficult to get a mortgage or a loan for tiny homes. A typical tiny home is considered a modified trailer, it's difficult for a bank or a financial company to quantify the value of that, and without being able to quantify its worth, getting a loan for the value of the tiny home is almost impossible.

Most major lenders in both Canada and the USA will not provide a mortgage on tiny homes, which is anything under 500 square feet. The issue is that banks have zoning, certification and sizing rules about what constitutes a residential dwelling depending on where the tiny house resides. Tiny houses tend to fall outside these definitions, so many banks will refuse to loan against them. They are also seen by lenders as having limited investment potential. Another issue for banks is in the difficulty of appraising a tiny home's value. A tiny house on wheels that can be moved around isn't fixed to a certain plot of land, so resale value is difficult to determine.

Prospective tiny house buyers can get around this by registering their tiny house as a certified RV (RIVA). But there's more red tape for certified RV dwellers as RV loans often prohibit you from securing your home to a traditional foundation,

and laws in the U.S. can make it very difficult to find a place to park an RV for more than 30 days at a time.

### **Paying Cash**

If you want to be mortgage-free, you can try and save up the cash yourself and buy or build a tiny house outright. But if this isn't a realistic goal for your situation then you can do some searching to find smaller banks, local credit unions and second-tier lenders in Canada or the United States who are willing to finance a tiny house purchase. If you're purchasing a tiny house on wheels you may be able to get an RV loan. Borrowing from friends and family is another option but you want to make sure you put the agreement in writing to avoid any future disputes

### **Personal Loans**

Another option when looking for a tiny house is with a personal loan, although these types of loans often have higher interest rates and require the borrower to have very good credit.

### **Direct Financing**

If you're hiring a contractor to build your tiny home, you could get direct financing through the tiny house builder as one of the most affordable options. There are also tiny house builders who offer direct financing to purchase their tiny homes.

Some tiny house builders also help clients work closely with lenders to secure financing, so you can check with them on what they offer. If they can't help you with financing, they may be able to accept an initial deposit and then installments after different stages of the building project are completed.

So don't give up on owning a tiny house if you can't get a traditional mortgage from a bank. There are several financing options out there, as well as tiny house constructions, to suit your unique needs.