

Standard Manufactured Housing Mortgage

Mitigates the risks of securing loans with manufactured homes

BACKGROUND AND PURPOSE

Fannie Mae invests in manufactured housing loans to serve its mission of expanding affordable housing by providing liquidity to a market segment that is crucial to many Americans. Manufactured housing offers a low-cost alternative to site-built homes for millions of American households, especially in high-cost and rural areas. A “manufactured home” for the purposes of Fannie Mae’s program is a dwelling that is built on a permanent chassis and installed on a permanent foundation system.

Manufactured housing is the country’s largest source of unsubsidized affordable housing. Lenders’ ability to sell loans secured by manufactured housing to Fannie Mae is an important contributor to extending access to credit to low-income households. Fannie Mae purchases mortgages secured by manufactured housing titled as real estate through approved lender partners.

Participating lenders should be familiar with the U.S. Department of Housing and Urban Development (HUD) codes for Manufactured Housing Construction and Safety and the laws pertaining to the treatment of manufactured housing as real property in their states. The borrower must have fee simple ownership of the land on which the manufactured home will be located. A mortgage secured by a manufactured home located on a leasehold estate is not eligible for sale to Fannie Mae. The home cannot have been previously permanently installed at another site. Singlewide home loans are only eligible for sale to Fannie Mae when located in a planned unit development or condominium that has been determined eligible.

PROGRAM NAME	Standard Manufactured Housing Mortgage
AGENCY	Fannie Mae
EXPIRATION DATE	Not Applicable
APPLICATIONS	No program-specific application is required. For information on becoming a Fannie Mae seller, see https://www.fanniemae.com/singlefamily/become-seller-servicer
WEB LINK	https://www.fanniemae.com/content/eligibility_information/manufactured-housing-guidelines.pdf
CONTACT INFORMATION	Sellerservicer_application@fanniemae.com (ask for a call-back in your email)
APPLICATION PERIOD	Continuous
GEOGRAPHIC SCOPE	National

BORROWER CRITERIA

Income limits: This program has no income limits.

Credit: Fannie Mae's standard credit requirements apply (minimum credit score of 620). Fannie Mae uses trended data in its credit risk assessment including those loans submitted through Desktop Underwriter®. Trended credit data provides expanded information on a borrower's revolving account credit history including whether the borrower pays off the balance each month or makes the minimum payment due, and whether the borrower exceeds the credit limit.

First-time homebuyers: First-time homebuyer status confers no benefit.

Occupancy and ownership of other properties: The home must be owner occupied or a second home, not an investment property.

Special populations: There are no incentives for special populations.

Special assistance for persons with disabilities: There is no special assistance for people with disabilities.

Manufactured home criteria: Fannie Mae follows HUD's definition of manufactured homes. The manufactured home must be at least 12 feet wide and have a minimum of 600 square feet of gross living area. The dwelling must assume the characteristics of site-built housing, including being attached to a permanent foundation and connected to utilities. Single-wide manufactured homes, unless located in a Fannie Mae-approved subdivision, co-op, condominium, or planned unit development are not allowed. Homes located on leased land are not allowed. The mortgage loan must be secured by both the manufactured home and the land on which it is situated, and both the manufactured home and the land must be legally classified as real property, and secured by a single lien, under applicable state law. Fannie Mae treats modular, pre-fabricated, panelized, or sectional housing homes the same as site-built housing, not as manufactured housing.

LOAN CRITERIA

Loan limits: FHFA publishes Fannie Mae's conforming loan limits annually. For 2016, a one-unit property has a loan limit ranging from \$417,000 to \$625,500 depending on geography. Certain high-cost areas are also taken into consideration (www.fhfa.gov).

Loan-to-value limits: For an owner-occupied primary residence, the maximum LTV is 95 percent for a fixed-rate mortgage (FRM) and 90 percent LTV for an adjustable-rate mortgage (ARM). For a second home, the maximum LTV is 90 percent for a FRM and 80 percent for an ARM. For a cash-out refinance, the LTV maximum is 65 percent for FRM and 60 percent for ARM, both with terms no longer than 20 years. Loans with Community Seconds® secured by manufactured housing are limited to the LTV ratios above.

POTENTIAL BENEFITS

The guarantee provided by Fannie Mae under this program may help mitigate credit risk.

Standard Manufactured Housing Mortgage offers competitive pricing and terms. Loans originated may be positively considered under the Community Reinvestment Act, depending on the geography or incomes of the participating borrowers.

POTENTIAL CHALLENGES

Fannie Mae will not purchase mortgages for manufactured housing in community land trusts.

Both the manufactured home and the land must be legally classified as real property under applicable state law. Many states still classify manufactured homes as personal property.

Adjustable-rate mortgages: 7/1 and 10/1 ARMs are allowed.

Down payment sources: No contribution of borrower personal funds is required.

Homeownership counseling: Homeownership counseling is not required.

Loan-level price adjustments: Loan-level price adjustments are risk-based pricing adjustments that apply at the time of delivery only. Standard Fannie Mae LLPAs apply. In addition, a 0.5 percent LLPA applies for all Standard Manufactured Housing loans.

Mortgage insurance: The Standard Manufactured Housing Mortgage program follows Fannie Mae's insurance coverage requirements.

Debt-to-income ratio: Debt-to-income ratio is determined by Desktop Underwriter®. In the event that the borrower has student loan debt and is not yet in repayment, as is the case for current students, Fannie Mae's policy is to include 1 percent of the total student loan balance in the debt-to-income calculation. For example, if the student has a current debt of \$20,000, then Fannie Mae would add \$200 to the DTI calculation.

Temporary interest rate buy downs: Temporary interest rate buy downs are not allowed.

Refinance: Cash-out refinance is allowed for an owner-occupied primary residence, up to 65 percent LTV with a 20-year term. Limited cash-out refinance is also allowed.

Trade equity from existing Manufactured Housing: Many manufactured home dealers offer equity-like contributions for home purchasers who trade in an old model of home to buy a new one, similar to an automobile trade-in program. The maximum equity contribution from the traded manufactured home is determined as follows:

- if the borrower has owned the traded manufactured home for 12 months or more before the application date, 90 percent of the retail value based on the NADA Manufactured Housing Appraisal Guide®, or if the borrower has owned the traded manufactured home for less than 12 months before the application date, the maximum equity contribution is the lesser of 90 percent of the retail value or the lowest price at which the

manufactured home was sold during that 12-month period; and

- any costs resulting from the removal of the manufactured home or any outstanding indebtedness secured by liens on the manufactured home must be deducted from the maximum equity contribution.

Land equity: If the borrower owns the land on which the manufactured home is being permanently attached, the land may be used as an equity contribution. In such event, the borrower's equity contribution is equal to:

- the current appraised value of the land if the borrower has owned the land for 12 months or more before the application date; or
- the lower of the current appraised value of the land or the purchase price of the land if the borrower has owned the land for less than 12 months.

Underwriting: Manufactured housing loans may only be underwritten using Desktop Underwriter®.

Appraisal: The appraisal must contain two similar manufactured homes and one site-built/modular home.

Potential Benefits

- The guarantee provided by Fannie Mae under this program may help mitigate credit risk.
- Standard Manufactured Housing Mortgage offers competitive pricing and terms. Loans originated may be positively considered under the Community Reinvestment Act, depending on the geography or incomes of the participating borrowers.
- Standard Manufactured Housing Mortgage loans may allow community banks to expand their lending to low- and moderate-income borrowers, rural areas, and low- and moderate-income communities.
- Standard Manufactured Housing Mortgage loans may help community banks access the secondary market, providing greater liquidity to enhance their lending volume.

Potential Challenges

- Fannie Mae will not purchase mortgages for manufactured housing in community land trusts.
- Both the manufactured home and the land must be legally classified as real property under applicable state law. Many states still classify manufactured homes as personal property.
- Lenders must have a way to access the program, whether through direct sales or a correspondent arrangement, as discussed in the introduction to this section. Depending on the arrangement, community banks may need to acquire or develop new expertise and infrastructure in order to participate.

SIMILAR PROGRAMS

- Freddie Mac Manufactured Home Mortgage
- FHA Manufactured Home Loan Insurance

RESOURCES

NADA Manufactured Housing Appraisal Guide® (there is a cost associated with the guide).

<http://www.nadaguides.com/Manufactured-Homes>

Loan-level price adjustment

<https://www.fanniemae.com/content/pricing/llpa-matrix.pdf>

Applicable state laws

http://cfed.org/assets/pdfs/manufactured_housing/Titling_Homes_as_Real_Property.pdf

Mortgage insurance pricing

<https://www.fanniemae.com/content/guide/selling/b7/1/02.html>