Manufactured Home Mortgage

Financing for manufactured homes that uses the credit standards of the home mortgage market rather than the movable property loan market

BACKGROUND AND PURPOSE

Today's manufactured housing market serves over 17 million Americans and provides affordable homeownership for many. Freddie Mac's manufactured home mortgages help qualified borrowers buy homes they can both afford and maintain.

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. Land must be owned by the borrower in fee simple. A mortgage secured by a manufactured home located on a leasehold estate is not eligible for sale to Freddie Mac.

The home cannot have been previously permanently installed at another site. Singlewide homes are only eligible for sale to Freddie Mac when located in a planned unit development or condominium that has been determined eligible.

BORROWER CRITERIA

Income limits: Income limits follow the requirements of the mortgage program used. For example, for HomePossible®, the borrowers' annual income cannot exceed 100 percent of the area median income (AMI) or a higher percentage in designated high-cost areas; no income limits apply if the mortgaged premises are located in an underserved area.

Credit: Freddie Mac does not have hard and fast credit score limitations specific to this program. Loan Product Advisor® incorporates the additional collateral risk into its assessment of the loan.

PROGRAM NAME	Manufactured Home Mortgage
AGENCY	Freddie Mac
EXPIRATION DATE	Not Applicable
APPLICATIONS	No program-specific application is required. For information on becoming a Freddie Mac seller, see http://www.freddiemac.com/singlefamily/doingbusiness/
WEB LINK	http://www.freddiemac.com/singlefamily/expmkts/mhle.html
CONTACT INFORMATION	institutional_eligibility@freddiemac.com (ask for a call back in your email)
APPLICATION PERIOD	Continuous
GEOGRAPHIC SCOPE	No restriction by state. Sellers must represent and warrant that the manufactured home is legally classified as real property under applicable state laws.

First-time homebuyers: The program is not restricted to first-time homebuyers.

Occupancy and ownership of other properties: The property may be a primary residence or second home, if allowed by the mortgage product used, but not an investment property.

Special assistance for persons with disabilities: Retrofitting a home for use by a person with a disability is not an eligible use of this program, but purchasing an appropriate home is.

Property type: Properties may only be single units. The manufactured home must have been built on or after June 15, 1976, and be permanently affixed to a foundation and utilities. The home must be at least 12 feet wide and have a minimum 600 square feet of gross living area.

Real property requirements: Manufactured homes must be legally classified as real property in the state where the borrower proposes to locate the subject property. The manufactured home must be affixed to a permanent foundation in a way that makes it part of the real property.

LOAN CRITERIA

Loan limits: FHFA publishes Freddie Mac's conforming loan limits annually. See Resources for a link to the current limits. Certain high-cost areas are also taken into consideration.

Loan-to-value limits: The maximum LTV is generally 95 percent; however, refer to the Seller/Servicer Guide Section H33.3(e) for the latest details as certain exceptions apply; for example, 5 percent is subtracted from LTV limit if using secondary financing.

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

Down payment sources: A minimum of 5 percent of the down payment must come from borrower's personal funds.

Homeownership counseling: Homeownership counseling is not required unless required by the underlying loan product.

Mortgage insurance: A mortgage secured by a manufactured home has special mortgage insurance coverage requirements found in the Seller/Servicer Guide Section 5703.3(f).

Debt-to-income ratio: Debt-to-income ratio is determined by Loan Product Advisor® in accordance with the limits of the program used (e.g., HomePossible®). In the event that the borrower has student loan debt and the payment amount is provided on the credit report, that amount can be used for qualifying purposes. If the monthly payment amount reported on the credit report is zero, use 0.5 percent of the outstanding balance, as reported on the credit report.

POTENTIAL BENEFITS

The Manufactured Home Mortgage program may allow a community bank to expand its customer base in low- and moderate-income communi ties. Manufactured housing is the country's largest source of unsubsidized affordable home ownership and an opportunity for lenders to expand into new market segments.

Manufactured homes have improved significantly in qual ity, energy efficiency, and safety while remaining much more affordable than site-built hous ing if borrowers have access to mortgage credit. Lenders can therefore make long-term real estate mortgages secured by manufactured homes with less risk.

POTENTIAL CHALLENGES

Freddie Mac will not purchase mortgages secured by manufac tured homes on leased land. This is a common form of land tenure for manufactured homes.

Depending on state law, manufactured homes may be considered personal property.

The home must not have been previously installed on another site.

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

Refinance: Cash-out and no cash-out refinances are 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: Loans secured by manufactured housing must be submitted to Loan Product Advisor®.

Delivery fee: Manufactured Home Mortgage loans have a fee of 1 percent in addition to the standard fees.

Potential Benefits

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- Manufactured homes have improved significantly in quality, energy efficiency, and safety while remaining much more affordable than site-built housing if borrowers have access to mortgage credit. Lenders can therefore make long-term real estate mortgages secured by manufactured homes with less risk.
- Loans originated through the Manufactured Home Mortgage program may receive favorable consideration under the CRA, depending on the geography or income of the participating borrowers.

Potential Challenges

- Freddie Mac will not purchase mortgages secured by manufactured homes on leased land. This is a common form of land tenure for manufactured homes.
- Depending on state law, manufactured homes may be considered personal property.
- The home must not have been previously installed on another site.
- Freddie Mac charges a 1 percent additional delivery fee for loans secured by manufactured housing.
- Lenders must have a way to access Freddie Mac programs, 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

- Fannie Mae Standard Manufactured Housing Loan
- FHA Manufactured Home Loan Insurance

RESOURCES

Direct access to the following web links can be found at https://www.fdic.gov/mortgagelending.

Frequently Asked Questions about Manufactured Housing [Prosperity NOW]

https://prosperitynow.org/faqs

Titling Homes as Real Property Guide [Prosperity NOW]

https://prosperitynow.org/resources/titling-homes-real-property-resource-guide

FHFA Conforming loan limits

http://www.fhfa.gov/DataTools/Downloads/Pages/Conforming-Loan-Limits.aspx

Delivery fees including Manufactured Housing

http://www.freddiemac.com/singlefamily/pdf/ex19.pdf