

## Introduction to Manufactured Housing

August 2024

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# What is a Manufactured Home?

- A single-family residence that is built in a factory and then transported to a home site
- Homes are built in sections and transported on a permanent chassis
- Once delivered, the wheels are removed, and the chassis is placed on a permanent foundation system



To be eligible, manufactured homes must be built after what date?

- a. June 1, 1974
- b. June 15, 1976
- c. June 1, 1972
- d. June 15, 1974

**b. June 15, 1976**

The Federal Manufactured Home Construction Safety Standards were established on that date

The HUD data plate or HUD Certification label states that the home complies with those standards



# MPF® Traditional Underwriting

## MPF Traditional Product\*

- **Manual Underwriting** - follow the MPF Product Traditional Selling Guide (**Chapter 6.8**)
- **Desktop Underwriter® (DU®) or Loan Product Advisor® (LPA)** - follow the applicable agency guidelines and any **overlays** noted in Chapters **4.2.1 and 6.8.2** of the MPF Traditional Selling Guide

\*MPF Traditional government loans are not covered in this presentation

## Overlay Examples for DU and LPA (not all-inclusive)

- No second homes
- No leasehold properties
- Cannot be in a condo project or planned unit development (PUD)
- No refinances of loans that have been modified
- No land-in-lieu of down payment (i.e., equity established based on ownership of land)
- Fannie Mae's MH Advantage option is not eligible



# MPF Xtra® Product Underwriting

MPF Xtra Product Selling Guide: 4.1.1  
Fannie Mae Selling Guide: B2-3-02



## MPF Xtra Product Underwriting

- Fannie Mae requires the use of DU
- Manual underwriting is not permitted
- Follow Fannie Mae guidelines for manufactured homes
- Comply with any requirements noted in the MPF Xtra Selling Guide **Chapter 4.1.1 and Chapter 6**

## Important Guideline Information

The guidelines for manufactured homes differ between Fannie Mae, Freddie Mac, and MPF Traditional (manual underwriting)

- Where possible, this presentation will identify some major differences (but not all!)
- Keep in mind that **this presentation is not all-inclusive**, so always consult the appropriate guides for more details



# Home Eligibility

## All manufactured homes must comply with Federal Manufactured Home Construction and Safety Standards (June 15, 1976)

- Homes should include either a HUD data plate or a HUD Certification Label\*
  - HUD data plates are paper and often found in an interior cabinet or closet
  - HUD certification labels are red metal tags found on the exterior of each section of the home

### What if the appraiser can't locate either of these items?

- The *Institute for Building Technology and Safety* (IBTS) can provide evidence of a home's compliance with the required safety standards
- Sometimes duplicate plates may be available through the *In-Plant Primary Inspection Agency* (IPIA) or the manufacturer.



*\*Freddie Mac requires both for new manufactured homes  
Fannie Mae requires both for new construction*



# General Requirements

## All manufactured homes must be

- 1-unit primary residence
- Built on a permanent chassis
- Anchored to a permanent foundation system
- Towing hitch, axles, and wheels must be removed
- Not previously installed in a different location except for the manufacturer's lot
- Permanently connected to a septic tank, or sewage system and to other utilities (per local and/or state requirements)



# General Requirements

	MPF Traditional Manual UW	Fannie Mae/DU	Freddie Mac/LPA
<b>Units, Occupancy, Size, and Location</b>	<ul style="list-style-type: none"> <li>• 1-unit properties only</li> <li>• Primary residence only</li> <li>• Double-wide or larger</li> <li>• Must be zoned residential</li> <li>• Must be located on a lot (<b>no</b> condos, site condos, or planned unit developments (PUDs))</li> <li>• No leasehold properties</li> </ul>	<ul style="list-style-type: none"> <li>• 1-unit properties only</li> <li>• Owner-occupied</li> <li>• Primary or second home</li> <li>• Cannot include an accessory dwelling unit (ADU)</li> <li>• Primary residence can be single or multi-width</li> <li>• Second homes must be multi-width</li> <li>• May be located on a lot, condo, or planned unit development (PUD) project</li> <li>• No leasehold properties</li> </ul>	<ul style="list-style-type: none"> <li>• 1-unit properties only</li> <li>• Owner-occupied</li> <li>• Primary or second home</li> <li>• Cannot include an accessory dwelling unit (ADU)</li> <li>• Primary residence can be single or multi-width</li> <li>• Second homes must be multi-width</li> <li>• Must be zoned residential</li> <li>• May be located on a lot, condo, or planned unit development (PUD) project</li> <li>• No leasehold properties</li> </ul>

## Match the size restriction with the investor:

1. The Selling Guide doesn't mention a building or square footage restriction, but the maximum lot size is 10 acres
2. The home must be at least 12 feet wide with no less than 400 square feet of living area
3. The home must be at least 12 feet wide with no less than 600 square feet of living area

a. Fannie Mae

b. MPF Traditional  
Manual Underwriting

a. Freddie Mac

1. = b.

2. = a.

3. = c.



# Debt-to-Income Ratios

# Purchase Transactions

The price for newly built/installed manufactured home may also include the following documented costs:

- Delivery costs
- Set-up
- Site development
- Installation
- Permanent utility connections

## LTV Calculations for Newly Built Homes

Use the **lower** of:

- The current appraised value; **or**
- If the land was purchased more than 12 months prior to the application date, the sales price of the home plus the current appraised value of the land; **or**
- If the land was purchased less than 12 months prior to the application date, the sales price of the home plus the lowest sales price of the land during the past 12 months

# Purchases

## LTV Calculations for Existing Homes

Use the **lower** of:

- The sales price of the home and land; **or**
- The current appraised value of the home and land; **or**
- If the home was built in the past 12 months, the lowest sales price of the home during that period plus the lower of:
  - the current appraised value of the land; **or**
  - the lowest land sales price during the past 12-month period (if applicable)

Existing manufactured homes are already affixed to a foundation

**If the home is being sold by developer or a manufacturer acting as a developer as part of a new or existing subdivision, use the lower of:**

- The sales price of the home and land; **or**
- The current appraised value of the home and land



# Limited Cash-Out Refinances

## LCORs Use the Lower of:

- Current appraised value of the home and land; **or**
- If owned less than 12 months, and the home and land are secured by a single lien use the lowest sales price from that 12-month period; **or**
- If owned less than 12 months and there are separate liens for the home and land, the lowest sales price for the home and the lowest sales price for the land during that 12-month period
- **MPF Traditional manual underwriting: if there are separate liens, both loans must be paid off (subordinate financing is not permitted)**



# Cash-Out Refinances

- The home and land must be owned for at least 12 months prior to the loan application date
- LTV is based on the appraised value of the home and land
- **MPF Traditional manual underwriting:** If there are separate mortgages for the home and land, both must be paid off\*
- **MPF Traditional manual underwriting and LPA:** the loan term cannot exceed 20 years
- **Fannie/Freddie:** property must be a multi-width home-single width homes are not permitted

*\*MPF Traditional manual underwriting: subordinate financing is not permitted for manufactured homes (all transaction types)*



Max LTV ratio for cash-out refinances is 65%

# Appraisals



- At least 2 comps must be manufactured homes, a third comparable may be site built or modular
- For new homes, the appraiser must be provided with the purchase contract from the dealer and the manufacturer/dealer invoice
- The serial number(s) on the HUD plate must match the invoice



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# Appraisal Requirements (continued)

- If the appraisal is performed before the home is delivered and installed on the permanent foundation, evidence completion is required (1004D or acceptable alternatives)

## Fannie Mae/Freddie Mac single-wide properties

- One comparable must be a single-width closed sale
- If the appraiser is unable to find a single-width comparable sale, an active listing or “under contract” sale will qualify as a supplemental exhibit to show marketability
- The appraiser must explain why a site-built home or different type of factory-built home was used as the third comparable sale



# Funds to Close



# Funds to Close

**At least 5% of the down payment must come from the borrower's own funds unless:**

- The LTV is less than or equal to 80%
- The transaction meets the guidelines for using gifts, donated grant funds, or funds received from an employer to pay for some or all the borrower's minimum contribution
- **Fannie/Freddie only:** the borrower's equity in the land can be considered the borrower's own funds (or equity requirement for a refinance)
- **MPF Traditional manual underwriting:** for all LTVs, the borrower must have 5% of their own funds in the transaction. Equity in the land cannot be considered in the 5% requirement.



## Land Value as Down Payment Funds

**Fannie Mae and Freddie Mac allow the land to be considered as the borrower's own funds**

If the borrower holds title to the land, the value of the land may be credited towards the borrower's minimum down payment

*"Land-in-lieu of a down payment" is not permitted when manually underwriting an MPF Traditional loan*

**The land was purchased more than 12 months ago**



**Use the land's current appraised value of the land**

**The land was purchased less than 12 months ago**



**Use the lower of the land's sales price or the current appraised value of the land**  
Obtain a copy of the settlement statement, copy of the warranty deed or evidence of any released liens

**The land was obtained through a non-purchase transaction like a gift or inheritance (Fannie Mae/Freddie Mac)**



**Use the land's current appraised value**  
Obtain appropriate documentation to verify the acquisition and transfer of ownership

## Knowledge Check: DU Underwriting

Chris is purchasing a new manufactured home that will be delivered and installed on land he inherited from his grandmother 6 months ago

What is the sales price of the home?

**\$105,575**

The appraised value of the land is \$38,000 and the as-completed appraised value of the property is \$145,000

What would you base the LTV on?

**\$143,575**

Use the *lower* of either the land value + total cost or the subject property's appraised value

Grand Homes 52 Birch Way, La Crosse, Wisconsin			
Description	Cost	Credits	Total
Doublewide Vista Breeze Model 2.3	\$85,500		\$85,500
Concrete Foundation	\$8,000		\$8,000
Site Prep: connect city utilities, septic, Driveway, parking pad	\$7,750		\$7,750
Remove wheels, axles, hitches	\$1,775		\$1,775
Deliver to Site	\$1,250		\$1,250
Install on foundation	\$1,300		\$1,300
<b>Total Cost</b>			<b>\$105,575 + \$38,000</b>
<b>Buyer Deposit</b>	\$14,500		-\$14,500
<b>Balance Due</b>			<b>\$91,075</b>

# Trade Equity



# Trade Equity

MPF Traditional Selling Guide: 5.9.11  
Fannie Mae Selling Guide: B2-2-03, B4-1.4-01  
Freddie Mac Selling Guide: 5703.8



## Trade equity from the borrower's existing manufactured home may be used towards the minimum down payment requirement

- The maximum equity contribution from the traded home is 90% of the retail value of the home
- A lien search in the appropriate real property and personal property records (UCC filings) must be done to verify ownership and the existence of any liens against the property
- The seller of the new manufactured home must provide proof of title transfer and satisfaction of any existing liens on the traded manufactured home

## Trade Equity (continued)

MPF Traditional Selling Guide: 5.9.11  
Fannie Mae Selling Guide: B2-2-03, B4-1.4-01  
Freddie Mac Selling Guide: 5703.8

- **Fannie Mae and Freddie Mac:** retail value for the home is based on the ***NADA Manufactured Housing Guide***
- If the home was purchased less than 12 months prior to the application date, use the **lesser** of the retail value or the lowest sales price at which the home was sold during that previous 12-month period
- Any costs associated with the removal of the traded home and all existing liens and/or personal loans on the home must be deducted from the maximum equity contribution

### **MPF Traditional manually underwritten loans**

**An appraisal must be obtained to determine the retail value of the home**

**Trade equity does not count towards the borrower's 5% required contribution**

# Fannie Mae's MH Advantage™

# MH Advantage- MPF Xtra Only

## How does MH Advantage differ from Fannie Mae's standard housing guidelines?

- Fannie Mae MH Advantage properties are built to meet certain construction, architectural, and energy efficiency specifications
- Homes include features similar to site-built properties
- Provides financing flexibilities for homes that comply with these standards
  - Higher LTVs for primary residences
  - Standard MI coverage
  - Reduced loan level pricing adjustments
- Eligibility labels are attached at the factory by the manufacturer

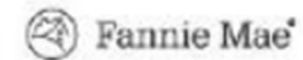
### Mortgage Financing Notice

The manufacturer of this home—identified on its HUD certificate—has determined that its features as of the date of manufacture are consistent with the eligibility requirements of MH Advantage™, a manufactured housing mortgage loan initiative of Fannie Mae®. To qualify for MH Advantage, the borrower must also meet certain eligibility requirements, and the home must be installed on land owned by the borrower.

**Homeowner:**

Do not remove or damage this sticker, as it is required to identify this home for participation in the MH Advantage initiative for purchase or refinancing. This notice is not an assurance of the availability of, or your qualification for, mortgage financing for this home.

For more information please visit:  
[www.FannieMae.com/MH](http://www.FannieMae.com/MH)



Identification Number: XXXXXXXX

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# Resources

**Fannie Mae:**

***Titling Requirements for Manufactured Homes***

- This is a resource for understanding the documentation requirements for titling manufactured homes are real property
- The process can vary from state to state

<https://singlefamily.fanniemae.com/media/18186/display>



## MPF Contacts and Resources

### MPF Service Center

Email - [MPF-Help@FHLBC.com](mailto:MPF-Help@FHLBC.com)

Hours - 8:30 am to 4:30 pm CST

Phone: (877) 345-2673

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