Introduction to MH Advantage®

Single-Family Business
Disclaimer

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MH Affordable Housing Stock

MH has consistently been an affordable option

- $89,500 average new home – unit only
- 9% of new single-family home starts
- $30,000 median Household Income (HHI)
- 22 million people live in manufactured homes

Demand for MH is strong as production is increasing

<table>
<thead>
<tr>
<th>Year</th>
<th>Units</th>
</tr>
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<tbody>
<tr>
<td>2017</td>
<td>92,891</td>
</tr>
<tr>
<td>2016</td>
<td>81,169</td>
</tr>
<tr>
<td>2015</td>
<td>70,519</td>
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<tr>
<td>2014</td>
<td>64,334</td>
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Duty to Serve

MH is an important source of affordable housing

Increase the purchase volume of conventional MH loans titled as real property
Increase liquidity for MH titled as real property through industry outreach
Enhance existing products to offer more flexible financing for modern high-quality MH
Standard Manufactured Homes

Definitions of a Standard Manufactured Home

- Manufactured homes are built in compliance with the U.S. HUD code
- The U.S. Department of Housing and Urban Development (HUD) establishes and enforces the national code for the construction, design, performance, and installation of manufactured homes to assure their quality, durability, affordability, and safety

Manufactured HUD code homes are:

- Built on a permanent metal chassis or frame and pulled to the site with axles and wheels
- Titled as a trailer or personal property

Fannie Mae requires:

- Axles and hitches be removed
- Connection to utilities – comply with local and state requirements
- Permanently affixed to a foundation
- Converted and titled as real property
MH Advantage

MH Advantage is an innovative new mortgage option that offers affordable conventional financing for manufactured housing (MH) with features similar to site-built homes, including:

• Roof treatments distinct from traditional manufactured homes, including eaves and higher pitch rooflines
• Lower profile foundations, carports, garages, porches and/or dormers
• Interiors that feature drywall and kitchens and bathrooms with upgraded cabinets
• Exteriors that feature durable siding materials
About the Key Stakeholders

**Homebuyers:** Twenty-two million homebuyers currently live in manufactured homes (MH). Texas, Alabama, and Florida had the highest number of new MH shipments during 2017.

**Dealers (also called retailers):** There are around 3,000 dealers in the U.S. Some exclusively sell one manufacturer’s products (captives), others are affiliated with one manufacturer, but sell many manufacturing product lines (affiliates), and others operate independently.

**Lenders:** Government, conventional, and chattel financing are available from lenders for MH purchases. Fannie Mae has about 400 approved seller-servicers who provide real property financing regularly on MH.

**Manufacturers:** There are 34 U.S. corporations that manufacture HUD-qualified homes. The biggest three, Clayton, Cavco, and Skyline Champion, own more than 50% of the market. There are 124 manufacturing plants in the United States. These plants produced 93,000 new homes in 2017.

**Appraisers:** Appraisers conduct land appraisals before construction and installation appraisals upon completion of new MH. Many in the industry report a lack of appraiser knowledge about MH and difficulty in finding comparable sales.

**Title/Escrow:** Title agents and escrow officers help establish free and clear ownership for individuals who want to place MH on their land or convert their chattel title to real property.

**Contractors:** Contractors help prepare the site and complete the work of making MH ready to occupy after it’s been delivered to the lot of land.

**Other Stakeholders**

**Local and State Government:** Local and state regulations impact the purchase and placement of new MH, including zoning laws, land use, and permitting.

**Realtors:** Realtors act as agents for the sale and purchase of buildings and land; realtor involvement in the sale of MH is most commonly with the sale of land.

**Real Estate Developers:** Real estate developers buy land and build property on it.
The Manufactured Home Buying Process Map

**DISCOVER**
When someone becomes familiar with MH as an option: hearing about someone’s experience, seeing advertisements, or visiting a subdivision of MH community.

**SHOP**
Practical steps that lead to a decision to buy: researching MH, visiting a dealer, searching for a lot, discussing payment options, and, ultimately, committing to a dealer.

**FINANCE**
Discussions of loan options, the loan origination process, and the purchase of land.

**BUILD**
Manufacturing the home, site prep, and all pre-construction inspections.

**INSTALL**
The delivery of the home as well as installation, utility hookups, site improvements, and the final appraisal.

**MOVE IN**
Includes the final walk through and the conversion of the home to real property.
Manufacturer Roles and Responsibilities

- Ensures the design and construction meet MH Advantage physical characteristics
- Installs an MH Advantage Sticker in the factory BEFORE consumer purchase
Retailer Roles and Responsibilities

• Sells/Orders the home
• Oversees the installation of the home (site prep, driveway, walkway)
• Ensures home is compliant with manufacturer’s, HUD and/or local building codes for installation
Appraiser Requirements – Standard MH

Appraisers

• Must have the knowledge and experience to fully understand the unique construction process of manufactured homes
• Have access to appropriate public and private data sources for the valuation of manufactured homes

Reporting

• Use the Manufactured Home Appraisal Report (Form 1004C)
• Use Fannie Mae guidelines, including B4-1.4-01: Factory-Built Housing: Manufactured Housing; and B2-3-02: Special Property Eligibility and Underwriting Considerations: Factory-Built Housing
• For purchase transactions, the appraiser must analyze the sale contract(s) and the manufacturer’s invoice for new manufactured homes, and provide a summary in the appraisal report.
• For proposed construction of new manufactured homes not yet attached to the land or not yet constructed:
  o The appraisal may be based on either plans and specifications or an existing model home
  o If required information is not available (such as the dealer invoice, the HUD Data Plate, and the Certification Label numbers) at the time of the appraisal, it must be appraised “subject to” receipt and review of the items
  o On completion of the home, the appraiser must use the Completion Report (1004D) and include photographs of the completed improvements attached to the permanent foundation.
MH Advantage Appraiser Requirements

• Appraisers are not responsible for verifying the MH Advantage features
  The appraiser must provide photos in the appraisal or final completion certification for each of the following:

• The MH Advantage Sticker – typically located next to the HUD Data Plate
• HUD Data Plate - paper document typically located in the kitchen cabinet, utility or master closet
• HUD Certification labels – red metal plate located on exterior of each housing section
• Driveways, sidewalks, and detached structures located on the site
MH Advantage Comparable Sales Requirements

- Use other MH Advantage Homes for the comparable sales when available
- If fewer than three MH Advantage sales are available, supplement with the best and most appropriate sales available – may include site-built homes, as well as standard manufactured and modular homes
- Comparable sale selection is different for MH housing, as standard housing requires at least two comparable sales
- Sales should have similar physical and legal characteristics when compared to the subject property
- Comparable does not need to be identical to the subject property, but should be competitive and appeal to the same market participants that would also consider purchasing the subject property
- Comparable sales from the same neighborhood should be used when possible
- Outside sales are allowed, if why the specific comparable sale(s) was used and discussed how the competing neighborhood is comparable to the subject’s neighborhood
- Older sales are allowed, if why the specific comparable sale(s) was used and discuss any change in market conditions
Lender Roles and Responsibilities

For purchase money mortgages, provide the appraiser the following:

• Contract for sale of the manufactured home and land; or copies of executed contracts for both land and home if purchased separately

• Manufacturer’s invoice for a newly manufactured home

• Although not specifically required, the lender or retailer should provide the appraiser a retailer’s invoice to the buyer, along with a specification sheet and floor plan
Lender Roles and Responsibilities

Lender confirms the MH Appraisal Report includes photos of:

- HUD Data Plate
- HUD Certification Label
- MH Advantage Sticker
- Driveways, sidewalks, and detached structures located on the site

B4-1.2-03: Requirements for Postponed Improvements
Key Steps to Originate an MH Advantage Loan

1. Step 1
   Participating manufacturers place an MH Advantage sticker next to the HUD plate.

2. Step 2
   Consumer selects an MH Advantage home at their local MH retailer, and goes to their lender for a loan.

3. Step 3
   Lender submits an MH Advantage loan application through DU®, selecting MH Advantage under property type and using SFC 859.

4. Step 4
   Lender checks the appraisal report for photographic evidence of the MH Advantage sticker, and presence of a driveway or other improvements as required in the Selling Guide.

Appraisers and Lenders are NOT responsible for verifying MH advantage Property Features.
MH loans are eligible for C-to-P Financing

C-to-P mortgages for MH extend the benefits and flexibilities of Construction-to-Permanent financing to homeowners purchasing manufactured homes.

<table>
<thead>
<tr>
<th>MH Underwriting</th>
<th>Single-Close C-to-P</th>
<th>Two-Close C-to-P</th>
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<tbody>
<tr>
<td>A fully amortizing purchase transaction is used to pay for the land and construct the home, or a refinance transaction to pay off mortgages and liens for the land, home, and other cost to build the home, or for an existing home.</td>
<td>Single-closing uses an interim loan for construction which automatically converts to a permanent fully-amortizing loan when the construction is complete. Can be closed as a purchase transaction (borrower does not own the land) or refinance transaction (borrower owns the land). Manufactured homes follow the same process and logic as site-built homes.</td>
<td>In a two-closing interim loan is closed and used to build the home. Once construction is complete, a second closing of a fulling amortizing refinance loan is used to pay off liens for the home and potentially a mortgage on the land.</td>
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Learn more in the New Manufactured Home Financing Matrix.
## MH Advantage vs Standard MH

<table>
<thead>
<tr>
<th></th>
<th>MH Advantage</th>
<th>Standard MH</th>
</tr>
</thead>
<tbody>
<tr>
<td>Max LTV</td>
<td>Purchase/LCOR: 97% LTV/CLTV</td>
<td>Purchase/LCOR: 95% LTV/CLTV</td>
</tr>
<tr>
<td>LLPAs</td>
<td>LLPAs per the LLPA Matrix apply</td>
<td>0.50% Loan-Level Price Adjustment plus other LLPAs per the LLPA Matrix apply</td>
</tr>
<tr>
<td>Comparable sales</td>
<td>The appraiser must use the best and most appropriate sales available, which may include site-built homes.</td>
<td>Minimum of 2 similar MH comparable sales; third comparable may be site-built or modular home.</td>
</tr>
<tr>
<td>coverage</td>
<td>Similar to site-built</td>
<td>Set for MH</td>
</tr>
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# Mortgage Insurance

<table>
<thead>
<tr>
<th>LTV</th>
<th>Standard</th>
<th>MH Advantage FRM &lt;=20</th>
<th>MH Advantage ARM or FRM &gt;20 Years</th>
</tr>
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<tbody>
<tr>
<td>95.01% - 97.00%</td>
<td>N/A</td>
<td>35%</td>
<td>35%</td>
</tr>
<tr>
<td>90.01% – 95.00%</td>
<td>30%</td>
<td>25%</td>
<td>30%</td>
</tr>
<tr>
<td>85.01% - 90.00%</td>
<td>25%</td>
<td>12%</td>
<td>25%</td>
</tr>
<tr>
<td>80.01% - 85.00%</td>
<td>12%</td>
<td>6%</td>
<td>12%</td>
</tr>
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Financing MH with other Products

Apply the more restrictive eligibility requirements

- HomeReady®
- HFA Preferred™
- HomeStyle® Energy
- HomeStyle™ Renovation
Participating Manufacturers

• Contact us at MH_Notices@Fanniemae.com
• Review & Sign the MH Advantage Contract
• We will send the manufacturer an onboarding kit with everything needed to get started
Lender References & Resources

Standard Fannie Mae MH Guidelines

Underwriting Manufactured Homes

MH Advantage for Appraisers

Product Matrix

MH Advantage for Manufacturers

Manufactured Housing FAQ
Fannie Mae is spreading the word about MH Advantage

Consumer Education Campaign
June 2019 – Feb. 2020

Retailer Awareness Campaign
January 2020 – March 2020
Thank you for your interest!