

Manufactured Homes Underwriting Reminders



Use this quick reference to help determine if the requirements for sale of a Mortgage secured by a Manufactured Home (MH) to Freddie Mac are met. Refer to Freddie Mac's *Single-Family Seller/Service Guide* Chapter 5703 for complete information on Manufactured Homes.

Topic	Reminder	✓
Manufactured Home Characteristics	<ul style="list-style-type: none"> • Single-wide or Multiwide, 1-unit dwelling • Built on or after June 15, 1976 • At least 12-ft wide, with a minimum of 600 sq ft gross living area • Legible HUD Certification Label (metal plate) affixed to the exterior of each transportable section and HUD Data Plate/Compliance Certificate (paper label) mounted inside the MH. If either is not present or not legible, refer to Guide Section 5703.2(a) for acceptable evidence of compliance • Built on a permanent chassis in compliance with HUD regulations • Affixed to permanent foundation in a way that makes MH a permanent part of the real property. The wheels, axel, and towing hitches must be removed • Anchoring system in compliance with HUD Codes. If installed prior to October 20, 2008, the anchoring system complies with manufacturer's design or design of licensed engineer • Foundation designed for site conditions, home design and loads in accordance with manufacturer's instructions or engineer design. Foundation must comply with all local, State and federal codes, as applicable • Permanently connected to utilities • Legally classified as real property <p>Note: Any structural modifications to an existing MH must be approved by a licensed professional engineer or the local, State or federal authority (refer to Guide Section 5703.2(b)). In addition, if any structural modifications or add-ons have been made to a 1-unit dwelling and any portion of the dwelling is a MH, the Mortgage securing such property must be delivered as a MH in compliance with Guide Chapter 5703.</p>	
Property Type	Primary residence or second home. Land must be owned fee simple or as part of a condominium. A MH located on a leasehold estate is not eligible.	
Property Location	<ul style="list-style-type: none"> • Zoned for residential use • Single-wide – In PUD or condominium only • Multiwide – In PUD, condominium, individual lot or subdivision <p>Note: Mortgages secured by MHs located in a Condominium Project are eligible for sale to Freddie Mac if project eligibility is determined through a reciprocal review (refer to Guide Section 5701.9).</p>	
Loan Product AdvisorSM (submission required)	<ul style="list-style-type: none"> • Identified as Single-wide or Multiwide MH in Property Type data field • Accept or Caution risk class, including A-minus eligible <p>Note: Mortgages that are submitted to Loan Product Advisor and receive a Risk Class of Caution, not eligible for A-minus, or an evaluation status of Invalid, Ineligible or Incomplete, must be manually underwritten in accordance with the requirements of Guide Topics 5100 through 5500 and must have the Minimum Indicator Scores required on Exhibit 25, <i>Mortgages with Risk Class and/or Minimum Indicator Score Requirements</i>.</p>	

Note: Vertical revision bars "|" are used in the margin of this quick reference to highlight new requirements and significant changes.

Topic	Reminder	✓
Loan Purpose	<ul style="list-style-type: none"> • Purchase • Refinance (“no cash-out” and cash-out) 	
Mortgage Products	<ul style="list-style-type: none"> • Fully amortizing fixed-rate mortgage (15, 20 or 30 years) • 7/1, 10/1 ARM • Home Possible® mortgages (refer to Guide Chapter 4501) • Construction Conversion (purchase or “no cash-out” refinance) (refer to Guide Chapter 4602) 	
Maximum Loan Terms	<p>Primary residence</p> <ul style="list-style-type: none"> • Purchase or “no-cash-out” refinance Accept Mortgage - 30-year term with LTV/TLTV/HTLTV ratios less than or equal to 95% • Purchase or “no-cash-out” refinance A-minus Mortgage, or a Mortgage that was submitted to Loan Product Advisor and received an evaluation status of invalid, ineligible or incomplete, or a Risk Class of Caution and was not eligible as an A-minus Mortgage: <ul style="list-style-type: none"> ○ 20-year term with LTV/TLTV/HTLTV ratios greater than 90% and less than or equal to 95% ○ 30-year term with LTV/TLTV/HTLTV ratios less than or equal to 90% • Cash out refinance - 20-year term with LTV/TLTV/HTLTV ratios less than or equal to 65% <p>Second Home</p> <ul style="list-style-type: none"> • Purchase or “no-cash-out” refinance - 30-year term with LTV/TLTV/HTLTV ratios less than or equal to 85% 	
Purchases	<p>Mortgage proceeds may be used for:</p> <ul style="list-style-type: none"> • MH and land • Documented costs for delivery and setup, site development, installation, and utility connection <p>Exception: If Construction Conversion, Mortgage proceeds may be used to acquire the MH and pay construction costs, including costs to install and anchor the MH on a permanent foundation system. Refer to Guide Section 4602.5.</p> <p>Note: Credits for wheels/axles, retailer rebates, and sales concessions must be deducted from purchase price.</p>	
“No Cash-out” Refinances	<p>Mortgage proceeds are limited to:</p> <ul style="list-style-type: none"> • Payoff of the first mortgage secured by the MH and land previously obtained by the Borrower regardless of age, including separate mortgages for MH and land • Payoff of any junior lien(s) previously obtained by the Borrower and used in their entirety to purchase the MH and/or the land • Payment of related closing costs, financing costs and prepaids/escrows in conjunction with this transaction • Disbursements of cash to the Borrower (or any other payee) may not exceed the lesser of 2% of the mortgage amount or \$2,000 <p>Exception: If Construction Conversion, Mortgage proceeds may be used to acquire the MH and pay construction costs, including costs to install and anchor the MH on a permanent foundation system on land owned by the Borrower. Refer to Guide Section 4602.5.</p>	

Topic	Reminder	✓
Cash-out Refinances	To be eligible for a cash-out refinance, the Borrower must have owned both the MH and land for 12 months or more prior to the application date. Mortgage proceeds may be used for: <ul style="list-style-type: none"> • Payoff of existing mortgage(s) secured by the MH and land • Obtain a mortgage on a property owned free and clear by the Borrower • Cash disbursement to borrower(s) 	
Maximum LTV/TLTV/HTLTV	Refer to Guide Section 5703.3. If Construction Conversion Mortgage, also refer to Guide Section 4602.10.	
Borrower Funds	For eligible sources of Borrower Funds, refer to Guide Section 5501.3(b) and (c).	
Appraisal	The appraisal must meet the requirements of Guide Section 5703.6, including: <ul style="list-style-type: none"> • Appraisal reported on Form 70B, Manufactured Home Appraisal Report. • The HUD Data Plate section of the Form 70B must be completed with the information from both the HUD Certification Label and HUD Data Plate/Compliance Certificate. <p>Note: If MH is located in a Condominium Project, the appraiser must also report the project information on Form 465, Individual Condominium Unit Appraisal Report and attach the form as an addendum to Form 70B.</p>	
Security Instrument and Other Legal Documentation	Manufactured housing security instrument must include the following information on the MH: <ul style="list-style-type: none"> • Year manufactured • Make • Model • Serial number/VIN number(s) • Any other information required by applicable law <p>Other required legal documentation:</p> <ul style="list-style-type: none"> • Documentation in the file evidencing: <ul style="list-style-type: none"> ○ MH is legally classified as real property ○ MH is properly titled (title insurance with ALTA Form 7.1 endorsement (where available), ALTA 7.0 endorsement or equivalent endorsement) ○ Lien on the MH and the land on which it is permanently affixed secures the Mortgage, and the lien has been properly created, evidenced and perfected • If subject is a new MH, a copy of manufacturer's invoice and MH Purchase Agreement has been provided regardless of the transaction type • Borrower affidavit acknowledging intent for MH to be permanently part of the real property securing the mortgage • Insured closing protection letter, unless the letter is not allowed under State law or regulations <p>Note: For complete title and lien requirements, refer to Guide Section 5703.7.</p>	
Property Taxes	Taxed as real estate or personal property according to State law and local taxing authority. See Guide section 5703.8 for additional conditions when taxed as personal property.	
MI Requirements	Refer to Guide Section 5703.3(f)	
Delivery	<ul style="list-style-type: none"> • For special delivery requirements, refer to Guide Section 6302.25 • For delivery fee information, refer to Exhibit 19 - Postsettlement Delivery Fees 	

Determining Value for Manufactured Home Transactions

If Transaction Type Is...	The Value Used to Determine LTV is...	For Example...
<p>Purchase - Newly built MH, never occupied, and not affixed to a permanent foundation at the time of loan application</p>	<p>The lower of:</p> <ol style="list-style-type: none"> The sum of the purchase price of MH and land as follows: <ul style="list-style-type: none"> If land was purchased by the borrower(s) less than 12 months prior to application, use the lowest price at which the land sold during that 12-month period, or If land was purchased by the borrower(s) 12 months or more prior to application, use the current appraised value of the land <p>OR</p> <ol style="list-style-type: none"> Current appraised value of MH and land 	<p>Scenario: Interim construction financing was used to purchase a new \$53,000 multiwide MH that was placed on a five-acre lot. The lot was purchased for \$40,000 five months ago and is currently valued at \$41,000. The current appraised value of the MH and land is \$94,000. What value should be used to calculate the loan-to-value (LTV)?</p> <p>Answer: The value should be calculated based on the lower of:</p> <ol style="list-style-type: none"> Purchase price of MH (\$53,000) and land (\$40,000) = \$93,000, or Appraised value of MH and land = \$94,000 <p>The value is \$93,000.</p>
<p>Purchase – Existing, and affixed to permanent foundation prior to the application date</p> <p>Note: Purchase transactions of previously owned MH that are not affixed to a permanent foundation at the time of loan application are not permitted.</p>	<p>If affixed to permanent foundation more than 12 months prior to application the lower of:</p> <ol style="list-style-type: none"> The sum of the purchase price of the MH and the land, or Current appraised value of MH and land <p>If affixed to a permanent foundation less than 12 months prior to application, use lowest price at which the MH was sold during that previous 12-month period (if applicable), plus the lower of:</p> <ol style="list-style-type: none"> Current appraised value of land, or Lowest price at which the land was sold during that previous 12-month period (if applicable) 	<p>Scenario: An existing multiwide MH was affixed to a permanent foundation. The MH and land were sold to the property seller six months ago for \$45,000 and \$26,000, respectively. The purchase price for the current transaction is \$83,000. The appraised value is \$81,000 for the MH and land, with the land valued at \$29,000. What value should be used to calculate the LTV?</p> <p>Answer: The MH was affixed to a permanent foundation less than 12 months ago, so the value should be calculated based on the lowest purchase price of the MH, and the lower of the land purchase price or appraised value:</p> <ol style="list-style-type: none"> Purchase price of MH (\$45,000) and land (\$26,000) = \$71,000, or Purchase price of MH (\$45,000) and appraised value of land (29,000) = \$74,000 <p>The value is \$71,000.</p>

If Transaction Type Is...	The Value Used to Determine LTV is...	For Example...
<p>“No Cash-out” Refinance</p>	<ol style="list-style-type: none"> 1. If the Borrower has owned the MH and land for 12 months or more prior to the application date, use the current appraised value 2. If the Borrower has owned the MH for less than 12 months prior to the application date and the MH and land are secured by separate liens, the value is the lower of: <ul style="list-style-type: none"> • The current appraised value of the MH and the land OR • The lowest price the MH was sold during the 12-month period before application plus the lower of the current appraised value of the land or, if applicable, the lowest purchase price the land sold during the 12-month period before application 3. If the Borrower has owned the MH and the land for less than 12 months prior to the application and are secured by a single lien, value is the lower of: <ul style="list-style-type: none"> ▪ The current appraised value of the MH plus the land, or ▪ The purchase price the MH and the land sold during the 12-month period prior to application 	<p>Scenario: The borrowers purchased a MH three months ago as a second home, and affixed to a permanent foundation on land they had purchased 13 months ago. The land was purchased for \$32,000, and now appraises for \$33,000. The MH was purchased for \$49,000 with interim construction financing, and now appraises for \$49,500. The borrowers need to pay off the interim construction loan and want one lien. What value should be used to calculate the LTV?</p> <p>Answer: Since the MH was owned for less than 12 months and the land was owned more than one year, the value should be calculated based on the lower of the appraised value of the MH and land, or the purchase price of the MH and appraised value of the land:</p> <ol style="list-style-type: none"> 1. Appraised value of MH (\$49,500) and land (\$33,000) = \$82,500, or 2. Purchase price of MH (\$49,000) and appraised value of land (33,000) = \$82,000 <p>The value is \$82,000.</p>
<p>Cash-out Refinance - Requires ownership of MH and land by the borrower(s) for a minimum of 12 months prior to application</p>	<p>Current appraised value of MH and land</p>	<p>Scenario: The borrowers have owned their MH and land for 5 years and want to use their existing equity to make some improvements. The MH and land appraises for \$92,000 (the MH is valued at \$60,000 and the land \$32,000). What value should be used to calculate the LTV?</p> <p>Answer: The value is the current appraised value of the MH and land.</p> <p>The value is \$92,000.</p>

Equity Contributions

If Contribution Is...	To Determine the Maximum Equity Contribution, Use...	And Document the File With...
<p>Land Equity</p>	<ol style="list-style-type: none"> 1. If the land has been owned by the borrower(s) ≥ 12 months prior to the application date, use current appraised value 2. If the land has been owned by the borrower(s) < 12 months prior to the application date, use the lower of: <ul style="list-style-type: none"> • Current appraised value, or • Purchase price 3. If inherited, gift, etc., use current appraised value 	<ol style="list-style-type: none"> 1. Appraisal report 2. Copy of the Settlement/Closing Disclosure Statement and copy of warranty deed evidencing no liens, or reflect release of liens 3. Acquisition and transfer of ownership proof
<p>Trade Equity</p>	<ol style="list-style-type: none"> 1. If the traded MH has been owned by the borrower(s) more than 12 months prior to application, use 90% of retail value based on NADA Manufactured Housing Appraisal Guide 2. If the traded MH has been owned by the borrower(s) less than 12 months prior to application, use the lower of: <ul style="list-style-type: none"> • 90% of retail value based on NADA Manufactured Housing Appraisal Guide, or • Lowest price sold during that 12-month period 	<ul style="list-style-type: none"> • Lien search results verifying ownership and existence of liens on MH and land (if included) • Proof of title transfer and satisfaction of existing liens on traded MH

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