

## MH Advantage™

### Flexible guidelines for manufactured homes that feature site-built characteristics

#### 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.

MH Advantage™ is a manufactured housing loan product that offers flexible underwriting standards and reduced pricing for manufactured homes that are built to meet specific construction, architectural design, and energy efficiency standards. Properties that are eligible

for MH Advantage™ financing are designated as such by the manufacturer. MH Advantage™ offers higher loan-to-value ratios (up to 97 percent), and reduced pricing in the form of waived standard manufactured housing loan level price adjustments (0.50 percent) and reduced mortgage insurance coverage requirements for fixed-rate terms.

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.

PROGRAM NAME	MH Advantage™
AGENCY	Fannie Mae
EXPIRATION DATE	Not Applicable
APPLICATIONS	No program-specific application is required. For information on becoming a Fannie Mae seller, see <a href="https://www.fanniemae.com/singlefamily/become-seller-servicer">https://www.fanniemae.com/singlefamily/become-seller-servicer</a>
WEB LINK	<a href="https://www.fanniemae.com/singlefamily/manufactured-homes">https://www.fanniemae.com/singlefamily/manufactured-homes</a>
CONTACT INFORMATION	<a href="mailto:Sellerservicer_application@fanniemae.com">Sellerservicer_application@fanniemae.com</a> (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:** Manufactured housing designated as MH Advantage™ eligible must meet Fannie Mae's definition of a "manufactured home" (defined below) and also offer certain construction, architectural design, and energy efficiency standards that are more consistent with site-built homes. Manufactured homes that are eligible for an MH Advantage™ loan must have an MH Advantage™ sticker affixed to the property by the manufacturer. The property appraisal must include photos of the MH Advantage™ Sticker, HUD Data Plate, HUD Certifications Labels, and the site showing all driveways, sidewalks, and detached structures located on the site. Examples of MH Advantage physical characteristics include but are not limited to distinctive roof treatments, lower profile foundations, and construction durability features such as durable siding.

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, prefabricated, panelized, or sectional housing homes the same as site-built housing, not as manufactured housing.

## POTENTIAL BENEFITS

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

Higher loan-to-value ratios and competitive pricing (compared with the Standard Manufactured Housing product) for manufactured housing with certain site-built characteristics.

MH Advantage™ loans may allow community banks to expand their lending to low- and moderate-income borrowers, rural areas, and low- and moderate-income communities.

## POTENTIAL CHALLENGES

Not all manufactured housing is eligible for the MH Advantage™ product. MH Advantage™ homes must meet stricter property eligibility requirements and be designated as MH Advantage™ eligible by the manufacturer.

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.

## LOAN CRITERIA

**Loan limits:** FHFA publishes Fannie Mae's conforming loan limits annually. See Resources for a link to the current limits.

**Loan-to-value limits:** For an owner-occupied primary residence, the maximum LTV is 97 percent for a fixed-rate mortgage (FRM) and 95 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. For loans with Community Seconds<sup>®20</sup>, the maximum combined loan-to-value (CLTV) ratio is 105 percent.

**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. The standard manufactured housing LLPA (0.50 percent) is waived. Other standard Fannie Mae LLPAs apply.

**Mortgage insurance:** The MH Advantage™ 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, if the payment amount is provided on the credit report, that amount can be used for qualifying purposes. If the credit report does not identify a payment amount, the lender can use either 1 percent of the outstanding student loan balance, or a calculated payment that will fully amortize the loan based on documented loan repayment terms.

**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, the maximum equity contribution is 90 percent of the retail value based on the NADA Manufactured Housing Appraisal Guide®. 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. 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.

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<sup>20</sup> A Community Seconds® mortgage is a subordinate mortgage that is used in connection with a first mortgage delivered to Fannie Mae. Fannie Mae does not purchase Community Seconds, but it does provide eligibility requirements for the subordinate Community Seconds product. See fact sheet at [https://www.fanniemae.com/content/fact\\_sheet/community-seconds-fact-sheet.pdf](https://www.fanniemae.com/content/fact_sheet/community-seconds-fact-sheet.pdf).

## Potential Benefits

- The guarantee provided by Fannie Mae under this program may help mitigate credit risk.
- Higher loan-to-value ratios and competitive pricing (compared with the Standard Manufactured Housing product) for manufactured housing with certain site-built characteristics.
- MH Advantage™ loans may allow community banks to expand their lending to low- and moderate-income borrowers, rural areas, and low- and moderate-income communities.
- MH Advantage™ loans offer competitive pricing and terms. Loans originated through this program may receive favorable consideration under the CRA, depending on the geography or income of the participating borrowers.

## Potential Challenges

- Not all manufactured housing is eligible for the MH Advantage™ product. MH Advantage™ homes must meet stricter property eligibility requirements and be designated as MH Advantage™ eligible by the manufacturer.
- 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. 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 Mortgage
- Freddie Mac Manufactured Home Mortgage
- FHA Manufactured Home Loan Insurance

## RESOURCES

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

### MH Advantage™ Appraisal Requirements

[https://www.fanniemae.com/content/fact\\_sheet/mh-advantage-appraisal-requirements.pdf](https://www.fanniemae.com/content/fact_sheet/mh-advantage-appraisal-requirements.pdf)

### Manufactured Housing Product Matrix

[https://www.fanniemae.com/content/fact\\_sheet/manufactured-homes-advantage-product-matrix](https://www.fanniemae.com/content/fact_sheet/manufactured-homes-advantage-product-matrix)

### Manufactured Housing Frequently Asked Questions

<https://www.fanniemae.com/content/faq/manufactured-housing-faqs>

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

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

### FHFA Conforming loan limits

<https://www.fhfa.gov/DataTools/Downloads/Pages/Conforming-Loan-Limits.aspx>

### Loan-level price adjustment

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

### Frequently Asked Questions about Manufactured Housing [Prosperity NOW]

<https://prosperitynow.org/faqs>

### Mortgage insurance pricing

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

### Community Seconds®

[https://www.fanniemae.com/content/fact\\_sheet/community-seconds-fact-sheet.pdf](https://www.fanniemae.com/content/fact_sheet/community-seconds-fact-sheet.pdf)