

Manufactured Home Loan Insurance

Providing affordable homeownership opportunities through manufactured home loans, lot loans, and home/lot combination loans

BACKGROUND AND PURPOSE

Manufactured homes have traditionally been financed as personal property through higher interest, short-term chattel loans. The Manufactured Home Loan Insurance program increases the availability of affordable financing for buyers of manufactured homes by offering longer term and lower interest rate financing than with conventional loans. A manufactured home need not be treated as real property under state law to be eligible for this program. The U.S. Department of Housing and Urban Development (HUD) has provided this type of loan insurance since 1969.

The Manufactured Home Loan Insurance program through Federal Housing Administration (FHA) insures mortgages made by private lenders that finance the purchase or refinance of a manufactured home and/or the lot on which the home is located. The program offers insurance for three types of loans: (1)

manufactured home loan, (2) manufactured home lot loan, and (3) manufactured home land and lot combination loan. FHA will pay 90 percent of the loss while the lender agrees to absorb 10 percent of the loss on a valid claim.

BORROWER CRITERIA

Income limits: This program has no income limits.

Credit: HUD has not established a minimum credit score level for the program. The score will affect only the amount of down payment required, not program eligibility.

First-time homebuyers: The program is not limited to first-time homebuyers and can be used to refinance the property.

PROGRAM NAME	Manufactured Home Loan Insurance
AGENCY	Federal Housing Administration
EXPIRATION DATE	Not Applicable
APPLICATIONS	To participate, lenders must be FHA-approved for the Title I loan program. Lenders may access FHA's Lender Requirements and the online lender application at http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/lender/lendappr
WEB LINK	http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/title/manuf14
CONTACT INFORMATION	Telephone: (800) CALL-FHA (225-5342) Email: answers@hud.gov . Lenders that want to apply for FHA approval should include the words "New Applicant" in the email subject line and include a contact person and phone number in the email body so that a Lender Approval representative may contact you.
APPLICATION PERIOD	Continuous
GEOGRAPHIC SCOPE	National

Occupancy and ownership of other properties: Borrowers must occupy the property as their primary residence. The program is limited to the purchase or refinance of a manufactured home with or without the lot on which the home is placed. HUD defines a manufactured home as a transportable structure comprised of one or more modules, each built on a permanent chassis. The manufactured home must be the primary residence for a single family. The manufacturer of the home must comply with HUD safety and livability standards and certify it as compliant by affixing the “HUD Seal” to each home. The purchase loan may also be used to finance accessories offered by the dealer including the cost for skirting, garage, carport, patio, or other comparable appendage to the home. The combination home and lot loan product provides insurance for purchase of a parcel of real estate that is used for placement of the approved manufactured home unit.

Required documentation: The borrower must complete a credit application form (HUD-56001-MH).

LOAN CRITERIA

Loan limits: Title I insurance may be used for loans of up to \$92,904 for a manufactured home and lot and \$23,226 for a lot only. A HUD-approved appraiser must appraise the lot.

Loan-to-value limits: Borrowers with a credit score of 500 or lower are required to make a minimum down payment of 10 percent for a maximum LTV of 90 percent. Borrowers with a credit score above 500 are required to make a 5 percent minimum down payment for a maximum LTV of 95 percent.

Adjustable-rate mortgages: Adjustable-rate products are not permitted.

Down payment sources: Borrowers are responsible for paying the down payment. No part of the costs payable by the borrower may be loaned, advanced, or paid to or for the benefit of the borrower by the dealer, the manufacturer, or any other party to the loan transaction. If the borrower obtains all or any part of such costs through a gift or a loan from some other source, the borrower must disclose the source of such gift or loan on the credit application.

Homeownership counseling: Housing counseling is not required for participation in the program, but it is recommended for all first-time homebuyers.

Mortgage insurance: The program has different standards than other FHA-insured single-family programs. The upfront mortgage insurance premium (UFMIP) is the obligation of the lender, but may be passed on to the borrower and must not exceed 2.25 percent. The annually adjusted mortgage insurance premium (MIP) is paid monthly and must not exceed 1.0 percent of the remaining insured principal.

Debt-to-income ratio: Similar to other FHA-insured single-family programs, HUD requires lenders to calculate two ratios to determine if a

POTENTIAL BENEFITS

The insurance provided by FHA under this program helps protect community banks from credit risk, though the coverage provided is 90 percent of the loss as opposed to 100 percent for other FHA programs.

In many states, manufactured homes are considered personal property rather than real estate. Title I insurance, backed by the FHA, helps families finance homes classified as personal property and where conventional financing may be limited.

POTENTIAL CHALLENGES

HUD must approve lenders to participate in the Title I program before they can offer the loan product.

A HUD-approved appraiser must appraise the lot. In some areas of the country, it can take 30-60 days to complete the appraisal.

borrower can reasonably meet the expected expenses. First, the Mortgage Payment Expense to Effective Income ratio (or front-end DTI) should not exceed 31 percent. Second, the Total Fixed Payment to Effective Income ratio (or back-end DTI) should not exceed 43 percent. Ratios that exceed 31 percent or 43 percent may be acceptable if the lender documents qualified "significant compensating factors." The ratios increase to 33 percent and 45 percent when the home being financed can be documented as Energy Star compliant. In the event the borrower has student loan debt and is not yet in repayment, as is the case for current students, FHA's policy is to include 2 percent of the total student loan balance in the debt-to-income calculation. For example, if the student has a current debt of \$20,000, then FHA would add \$400 to the DTI calculation.

Refinance: Allowed.

Financing fees: The interest rate is set by the lender.

Loan parameters: Loan limits and terms were updated in 2008 because of the FHA Manufactured Housing Loan Modernization Act of 2008. (See *below*.)

Dealers: Dealers are the persons or firms that make manufactured home retail sales, and it is common for dealers to establish a formal business relationship with a lender to facilitate financing for the purchaser. Lenders must verify the dealer's financial statements and submit a Dealer/Contractor Application form (HUD-55013) to HUD before working with dealers to provide Title I financing to borrowers.

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 the lesser of the appraised value or sales price. 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. Trade-ins for cash funds are considered a seller inducement and are not permitted. Land equity is not addressed as a potential equity contribution.

Loan Parameters

LOAN TYPE	PURPOSE	LOAN LIMIT	MAXIMUM LOAN TERM
Manufactured home loan	To purchase or refinance a manufactured home unit	\$69,678	20 years, plus 32 days
Lot loan	To purchase and develop a lot on which to place a manufactured home	\$23,226	15 years, plus 32 days
Combination loan for lot and home	To purchase or refinance a manufactured home and lot on which to place the home	\$92,904	20 years, plus 32 days (25 years for multi-unit homes)

Potential Benefits

- The insurance provided by FHA under this program helps protect community banks from credit risk, though the coverage provided is 90 percent of the loss as opposed to 100 percent for other FHA programs.
- In many states, manufactured homes are considered personal property rather than real estate. Title I insurance, backed by the FHA, helps families finance homes classified as personal property and where conventional financing may be limited.
- The Manufactured Home Loan Insurance program may allow community banks to expand their customer base in low- and moderate-income communities.
- The Manufactured Home Loan Insurance program may help community banks access the secondary market, providing greater liquidity to enhance their lending volume.
- The Manufactured Home Loan Insurance program offers competitive pricing and terms.
- Loans originated through the Manufactured Home Loan Insurance program can be considered favorably during the bank's Community Reinvestment Act evaluation, depending on the geography and incomes of the participating borrowers.

Potential Challenges

- HUD must approve lenders to participate in the Title I program before they can offer the loan product.
- A HUD-approved appraiser must appraise the lot. In some areas of the country, it can take 30-60 days to complete the appraisal.
- The FHA-approved lender is also responsible for approving manufactured home dealers to participate in the program.

SIMILAR PROGRAMS

- Fannie Mae Manufactured Home Loan
- Freddie Mac Manufactured Home Loan

RESOURCES

General information

http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/title/manuf14

Applications

http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/lender/lendappr

HUD Handbook 4000.1 (issued August 26, 2015)

<http://portal.hud.gov/hudportal/documents/huddoc?id=40001HSGH.pdf>

Title I Letter TI-481, "Changes to the Title I Manufactured Home Loan Program"

(details major changes to the program made by The FHA Manufactured Housing Loan Modernization Act of 2008 and includes updated loan limit, LTV rates, insurance premium, and underwriting criteria)

http://www.manufacturedhousing.org/admin/template/subbrochures/TITLE_I_LTR.pdf

Borrower Credit Application Form HUD-56001-MH (to be completed by borrower)

<http://portal.hud.gov/hudportal/documents/huddoc?id=56001mh.pdf>

Dealer/Contractor Application Form HUD-55013 (to be completed by lender)

<http://portal.hud.gov/hudportal/documents/huddoc?id=55013.pdf>

HUD Handbook 4155.1 section 4.F.3.b (includes descriptions of significant compensating factors)

http://portal.hud.gov/hudportal/documents/huddoc?id=4155-1_4_secF.pdf