New 30-Year Loan Program for Manufactured Homes Launched in New Hampshire

Written by **Patrick Barnard** October 11, 2017

Getting a jumpstart on its mandate from the Federal Housing Finance Agency (FHFA) under the new Duty to Serve program that takes effect in January, Fannie Mae is partnering with the New Hampshire Housing Finance Authority(NHHFA) to bring greater liquidity to manufactured home financing market.

New Hampshire is one of the first states to pass legislation recognizing manufactured homes located in resident-owned communities as real property. This is in contrast to other states, where manufactured homes on leased or communal lands are only recognized as personal property and thus are not eligible for mortgages.

In those cases when a manufactured home is located on leased land, typically the only way to finance it is via a chattel loan. This creates an affordability issue because chattel loans carry much higher interest rates compared with 30-year fixed-rate mortgages.

In the case of this new program, however, a homebuyer can get a low-down-payment, low-fixed-rate, 30-year mortgage, provided that the manufactured home is located in an eligible resident-owned community in New Hampshire.

Fannie Mae and NHHFA are launching this new loan program on the hope that more states will follow New Hampshire's lead and adopt legislation enabling manufactured homes in resident owned communities to be eligible for mortgage financing.

Partners in this new program include the New Hampshire Community Loan Fund, which in September introduced the Home Preferred Manufactured Housing ROC loan, which is born out of the partnership. Through this loan program, homebuyers and current homeowners in qualified resident-owned communities have access to affordable financing options, including lower-priced mortgage insurance options.

In addition to the New Hampshire Community Loan Fund, four private mortgage lenders are participating in the program, so far, including Residential Mortgage Services, Regency Mortgage, Merrimack County Savings Bank and Bank of New Hampshire.

Mortgage insurers participating in the program, so far, include National MI, MGIC, Genworth and Arch MI.

According to Patrick "PJ" McCarthy, vice president of alternative REO dispositions at Fannie Mae, this new program has the potential to spread to other states and thus could present a significant new opportunity for mortgage lenders. He points out the about 6% of all housing in the U.S. is manufactured housing – and that a significant portion of that housing is currently ineligible for mortgage financing.

“This program has existed for a few years in New Hampshire,” McCarthy tells MortgageOrb. “We started with a couple of lenders in New Hampshire and, to be honest, very little volume has been done to date. The really important story here is that the New Hampshire Housing Finance Authority stepping up as a key partner. And Fannie Mae has a very strong decades-long relationship with all the HFAs throughout the country. So, it’s incredibly important that they stepped up to bring on Fannie and the other industry players to make this possible.”

As McCarthy points out, it is really the New Hampshire state legislature that made the program possible, due to the fact that it enacted legislation allowing manufactured homes in resident-owned communities to be recognized as real property.

“And it is the NHHFA, which has a larger lender network than we have ever been able to work with in the past on this initiative,” McCarthy explains. “They also brought the mortgage insurers to the table, which is what enables us to bring loan-to-value from 80% to up to 95%, enabling borrowers to put as little as 5% down.”

McCarthy says currently there are 10 resident owned communities in New Hampshire which are Fannie Mae approved for the new program. The challenge now, he says, is to get more of the affordable manufactured housing communities in the state to converted over to resident-owned status. That has been happening gradually, thanks to the efforts of the New Hampshire Community Loan Fund and New Hampshire Housing, two non-profits that are using NHHFA funds “to enable communities to take ownership from investors and put the residents in ownership.”

When these buyouts take place, the residents, in essence, “become cooperative shareholders in their park,’ McCarthy explains.

“They own the share of the land relative to their home, in the park, they pay for upkeep and maintenance,” he says. “So, it’s really by virtue of that ownership that we treat it as real property.”

McCarthy says in addition to the 10 current resident owned communities in New Hampshire that are Fannie Mae approved, “the near-term projection is that with the New Hampshire Community Loan Fund and New Hampshire Housing, we will be able to get six additional parks converted to resident owned communities and Fannie Mae approved, creating a total eligible population of about 1,500 homes.”

“And, if you take it from there, there are an additional 121 manufactured home communities spread throughout the state, representing an additional 7,000 homes which could some day get access to the 30-year Fannie Mae loan,” he adds. “And that’s just the state of New Hampshire – to scale from there would require more states to pass similar legislation.”

When asked if other states might move in this direction, McCarthy says, “That’s exactly our thought, and our excitement in this development. The state of New Hampshire is being progressive in the way it views the property.”

“If other states take a similar step, then it really does expand the stock that becomes eligible for a 30-year fixed mortgage,” he adds. “So it will expand affordability – because the stock itself is affordable but chattel financing is not.”

So what does this program mean for the secondary market side of the business – what will the demand be for these loans on the investor side?

“You know, manufactured housing is TBA eligible today – and this product is considered as such,” McCarthy says. “So, from the investor side we don’t see any real difference here. Like I mentioned, it’s about 1,500 eligible homes right now. So, you’re not likely to see any material impact, on the investor side.

You're going to see these loans showing up like any other manufactured housing-eligible loan that is currently flowing into the market today."

And what about asset risk? In some cases, older manufactured homes don't hold up as well – and we're talking about 30-year loans.

"I think the idea is, this isn't being underwritten any differently than we underwrite manufactured housing otherwise today, when it's billed as real property," McCarthy says. "It's not that we're looking at traditional single-family homes and comparing that performance versus this. We're looking at this as being akin to the other manufactured housing that is being underwritten today, titled as real property. With this, the nuance is that it is a resident-owned community that is titled as real property – and we expect similar performance by virtue of that.

It's really the fact that it is being recognized, from our perspective, and from the state's perspective, as manufactured housing titled as real property. It's expanding eligibility of manufactured housing to 30 year underwriting – for now just in New Hampshire." ##

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