Manufactured Homes with USDA SFHGLP

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Today, we will cover:

1) Manufactured Homes Eligibility
2) Using the 1xClose Construction Feature
3) Existing Manufactured Home Pilot Program
4) Program Updates
Property Eligibility – Single Family Dwellings

- **Existing**
- **New Construction**
- **Townhomes**
- **Condominiums** (limitations apply)
- **New Manufactured** (all states)
- **Existing Manufactured** after 2006 in 23 states under a pilot program
- **New or existing Modular** (treated same as site-built)
- **Duplex – 1 unit**
Expanding Affordable Homeownership

USDA will guarantee loans on Manufactured homes that meet the standards on the following slides (this is available on brand new units in all 50 states).

The MH Pilot allows for existing units (2006 & newer) to be guaranteed only in 23 states (discussed later). Extended until Nov 4, 2024.
Units Must:

- Have a site that conforms to state and local standards.
- Be a new unit in stock that has never been installed or occupied at any other site or location.
- Have a floor area of not less than 400 square feet.
- Be placed on a permanent foundation.
- Meet or exceed the FMHCSS standards for the geographic area the unit will be placed.
Manufactured Homes: Loan Restrictions

7 CRF Part 3555.208, HB-1-3555 Chapter 13.7

The Agency Will Not Guarantee:

- The purchase of a unit without an eligible site.
- Repairs associated with a unit not already financed by USDA.
- Furniture or any other movable articles of personal property.
  - Wall to wall carpeting, refrigerators, ovens, washing machines, etc. are allowed.
- Additions or modifications other than structures built to engineered designs.
The Agency Will Not Guarantee:

- The purchase of a unit moved from a site other than a dealer’s lot.
- Units manufactured more than 12 months from date of purchase agreement.
- A unit with a tow hitch or running gear remaining.
- Rehabilitation on an Existing Manufactured Home or Condominium with the 1xClose Repair/Rehab feature

Manufactured Homes: Loan Restrictions

7 CRF Part 3555.208, HB-1-3555 Chapter 13.7
Lender’s Permanent File Must Contain:

- An itemized cost breakdown of the total package.
- Dealer certification that no cash back will be paid directly to the applicant.
- Dealer certification that proposed cost is the full price of the unit.
Lender’s Permanent File Must Contain:

- Foundation plan that meets HUD Handbook 4960.3G guidelines.
- Plot and site development plans.
- Inspections required per HB-1-3555, Chapter 12 [for Manuf’d Homes, this is the 1) Footing and 2) Final inspections].
- Contractor certification that units were properly joined and sealed and sustained no damage during transportation and set up.
Manufactured Homes: Loan Closing

7 CRF Part 3555.208, HB-1-3555 Chapter 13.9

Additional Closing Requirements:

- **Warranty**: Dealer must provide the borrower with a copy of all manufacturer warranties.

- **Certifications**: HB-1-3555, Attachments 13-A and 13-B may be used to document manufactured dealer/contractor certifications.

- **Real Estate Tax**: Unit and site must be classified, zoned, and taxed as real estate.

- **Title and Lien**: Both the unit and the site must be evidenced by a recorded mortgage or deed of trust.
Single-Close Construction – Save Time & Money

1) Securitized Version vs 2) Interest Only Version

Interest rate, construction contingency, and payment reserves are established at close.

LNG issued at signing and construction begins.

**Securitized Version**
- Principal, interest, taxes, insurance (PITI) payments are made during construction from the reserve.
- Construction complete. No loan mod needed. Excess contingency reserve funds applied as principal curtailment.

**Interest Only Version**
- Monthly interest is paid from interest payment reserve on construction loan balance.
- Construction completed and excess reserves applied to principal. Loan modification to re-amortize the remaining balance.
Lender Responsibilities
Combination Construction to Permanent Loan

- Oversees Disbursement of Loan Proceeds
- Monitor the construction of subject property
- Obtain documentation confirming construction is complete
- Ensure use of fixed price construction contract (established contingency is ok)
Once Lenders have USDA-approval, by submitting the request for Conditional Commitment, they are Self-certifying staff has two or more years experience making and administering construction loans.

In lieu of the above, a Lender may employ a construction loan management company with two or more years of experience. Lender confirms eligibility of the company employed.

Confirm the eligibility of contractors/builders (next slide)
LENDER verifies (& documents in their files) the Builder has:

- 2 or more years of building/construction experience (SFH)
- State-issued construction or contractor license (as state or local law requires)
- Commercial general liability insurance ($500,000 min)
- (Acceptable credit history/criminal background check NO LONGER required as of Nov ’22)
- Contractors building their own residence are ineligible

A key to the success of the CTP loan feature is the financial stability and reputation of the builder constructing the home.
A contingency reserve is not required but may be utilized to cover eligible expenses associated with unplanned problems with construction or change orders.

- Limited to 10% of the cost of construction (including labor, materials and soft costs).
- Funds must be deposited into the construction reserve account.
Loan Closing
Combination Construction to Permanent Loan

- Standard industry closing docs are used
- Lender ensures Promissory Note signed & valid 1st lien obtained at closing
- Term of loan at closing is 30-years
- Interest rate during construction must be fixed rate
- Adjustable rates during construction are not allowed
  - But, rate during construction may be higher than permanent rate (our Reg reads the perm rate may be reduced at Ream)
- Annual Guarantee Fee begins to accrue at loan closing & will be due each year at anniversary date
Once construction is complete, Lender obtains/retains in file:

- Appraiser’s final inspection
- Certificate of Occupancy
- Final Title Policy clear of all liens
- Construction phase inspections
- Construction contract
- Cost breakdown
- Construction ledger
- Builder’s Warranty
- Complete Lender Loan Closing System
Manufactured Housing Pilot has been renewed
Expected to permanent in the near future – stay tuned

Link for Pilot in the Federal Register

Unit must...

- Have been constructed on or after January 1, 2006.
- Not have been previously installed on a different homesite.
- Have a floor area of not less than 400 sq. feet.
- Meet all other criteria set forth in 7 CFR Part 3555 and HB-1-3555.
- Have no alterations or modifications since construction in the factory except for...
- Porches, decks, or other structures which were built to engineered designs or were approved and inspected by local code officials are acceptable.

States included in the pilot are: CO, IA, LA, MI, MS, MT, NV, NH, NY, ND, OH, OR, PA, SD, TN, TX, UT, VT, VA, WA, WV, WI, and WY.

Manual File Submission Job Aid
**Program Updates**

**NEW!! “SAVE” Changes**

**Requirement Checks**
- New Construction Dwellings: USDA new construction requirements and documentation are met. (P)
  - Choose One
- Existing Dwellings: Current minimum property requirements (MPR) of HUD Handbook 4000.1 are met. (P)
  - Yes

**Additional Borrower Information**
- Borrower's Name
- Do you have a relationship with any Rural Development employee? (P)
  - Yes
  - No

**Immigration/Naturalization Check**
(The automated Immigration/Naturalization verification is no longer available. Approved USDA lenders are required to secure/document a non-U.S. citizen's legal residency, outside of the Guaranteed Underwriting System, and retain this documentation in their permanent casefile. This verification must occur prior to a final submission. Current information pertaining to acceptable citizenship or immigration status is available in Chapter 8 of Handbook-1-3555.)
Login.gov

The public's one account for government.

Use one account and password for secure, private access to participating government agencies.

https://content.govdelivery.com/bulletins/gd/USDARD-38d4479?wgt_ref=USDARD_WIDGET_1

SFH Guaranteed Origination

March 18, 2024

Make the Switch to Login.gov

Switch to Login.gov Today!

Don't wait -- sign up and make the switch to Login.gov today! Login.gov provides added security benefits of multi-factor authentication to protect your personal information.

What you need to know:

The second phase of transitioning USDA customers from eAuth to Login.gov will begin the evening of Monday, March 25, 2024. The target goal for the final phase of transitioning customers with existing eAuth accounts to Login.gov for access to USDA is the end of September 2024. Once implemented, Login.gov will be the mandatory method for accessing all USDA eAuth protected applications.

How it will work:

Login.gov will continue to be optional during this second phase, however, it is highly recommended transitioning to Login.gov for the added security benefits.

- Customers who log in with eAuth accounts will be prompted at every login to link their account with Login.gov.
- Select the “Link with Login.gov” option to create a Login.gov account and link with eAuth for access to USDA sites.
- Select the “Not Now” option to go to the application.
Recent Policy Adjustments

- Created “Policy Desk” similar to FHA’s “Drafting Table” to receive stakeholder feedback on potential changes to our policy Handbook.*
- Reduced documentation requirements such as no longer requiring a signed copy of the 1008 Underwriting Transmittal Summary.
- Eliminated need for verifying non-recurring deposits under $1K
- Eliminated the need to obtain documentation for a previous Agency loss older than 7 years.
- Exemption (issued May 9) says: Real Estate commission fees paid by Sellers are exempt from the 6% cap on seller concessions.
Handbook Revisions Published – PN 613 on May 6, 2024

- Chapter 9
  - Clarified that tax transcripts not received prior to closing for any reason will not delay closing. As long as the applicant filed their taxes, they may proceed without the transcripts if they are unavailable (even when the taxes are filed late).
  - Clarified that written and email verifications are options for the VVOE within 10 days of closing.
  - Removed part-time income from the matrix and included under base wages.
  - Clarified lenders can use a lesser amount for reserves than the verified amount, at their discretion.
  - Simplified the gift sourcing guidance to now only require a gift letter and either evidence of the applicant’s deposit, a copy of the donor’s funds by check or transfer to the closing agent, or a copy of the closing disclosure showing receipt of the donor’s funds.
  - Updated the list of Federally Mandated Exclusions from Income in Attachment 9-D.
Handbook Revisions Published — PN 613 on May 6, 2024

- Chapter 10
  - Updated the guidance for non-traditional credit to allow monthly subscription services and gym memberships to be considered as sources of non-traditional credit.

- Chapter 16
  - Updated the maximum insurance deductible requirements to 5% of the total coverage amount for hazard insurance and $10,000 for flood insurance.
Policy Updates

➤ Handbook Revisions Pending Publication
  ▪ Chapter 11 - *Posted to The Policy Desk through June 7, 2024*
    • Increased the maximum PITI Ratio to 34% (applicable to non-GUS Accept files).
    • Clarified that when omitting a debt on an applicant’s personal credit report because it is paid by a business, it should also be verifiable within the businesses’ cash flow analysis and/or profit and loss statements.
    • Clarified that waivers are not permitted to increase the PITI ratio above 34% for purchase transactions (applicable to non-GUS Accept files).
    • Clarified that the 680 credit score requirement for a debt ratio waiver must be a validated credit score to be eligible.
    • Updated the list of compensating factors to include instances where there is a minimal housing payment increase and the financing of an energy efficient home.
    • Removed the requirement for the debt ratio waiver underwriting analysis documentation to be signed when submitted to the Agency for review.
The Policy Desk

- Located on the LINC Training and Resource Website
  https://www.rd.usda.gov/resources/usda-linc-training-resource-library

- Provides stakeholders an opportunity to provide feedback on proposed policy revisions, prior to implementation

- Chapter 11 is currently available for review and comment (changes in Ratio Analysis)
Policy Adjustments Under Consideration

- Simplifying annual income calculation requirements
- Relaxing debt ratio waiver requirements
- Updating/upgrading the GUS mortgage scorecard for “accept” and “refer” results
- Expanding opportunities for financing manufactured homes
- Reducing the seasoning period for refinance transactions
- Lenders to have online access to the lender scorecard (PRMT)
- Loan Servicing: Payment Supplement Account
  - Partial claim will provide loan payment supplements
  - Distressed borrowers will be able to keep their low-rate mortgage instead of a loan modification at higher interest rates
Manufacured Homes (HB-1-3555, Chapter 13)

- Does USDA allow the financing of existing Manufactured homes?
  Existing manufactured homes are ineligible unless it is a purchase of an existing Rural Development Section 502 Direct or Guaranteed financed home. However, select states have been included in an Existing Manufactured Housing Pilot program where existing manufactured homes built after January 1, 2006, may be eligible for financing. Please see the Federal Register Notice on this topic for additional information.
An applicant is purchasing a manufactured home that was constructed 3 years ago but was never sold by the manufacturer. It is being purchased directly from the manufacturer and will be moved from the manufacturer to the site. Does this constitute a “new” manufactured home?

New manufactured homes are defined as a new unit in stock that is less than 12 months from manufactured date, which has never been installed or occupied at any other site or location. Since the manufactured date is over 12 months, it does not meet the definition of a "new" manufactured home.
Some FAQ’s


- **Is there a list of approved manufactured dealers?**
  No, the Single Family Housing Guaranteed Loan Program does not approve manufactured home dealers.

- **How do we complete GUS when using the Existing Manufactured Housing Pilot program?**
What are the benefits of using the single-close feature?

Both options in the single-close feature reduce the cost for the applicant, as there is only one closing. An optional interest reserve, contingency reserve, and PITI reserve can be financed as part of the loan, depending on the type of single-close transaction utilized. In addition, lenders are provided the protection of the Loan Note Guarantee throughout the construction period.
Some FAQ’s


- An applicant already owns land and wants to build a home on the property. Is this considered a purchase or a refinance?
  
  Even though the land is already owned by the applicant, lenders should select “Purchase” in GUS for this type of transaction.

- If there is no building inspector for the local jurisdiction, who can complete the final inspection?
  
  It is the lender’s responsibility to find an alternative, qualified inspector when the local jurisdiction does not perform construction inspections.
Lender Toolkit
https://www.rd.usda.gov/programs-services/single-family-housing-programs/single-family-housing-guaranteed-loan-program#other-requirements
Origination FAQs

Bookmark It!

Use Ctrl-F to find answers quickly!


FAQ
Frequently Asked Questions

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Training & Resources

Check back for updates

Don’t forget to sign up for GovDelivery updates

https://www.rd.usda.gov/resources/usda-linc-training-resource-library

USDA LINC Training & Resource Library

The Single Family Housing Guaranteed Loan Program has prepared a comprehensive library of resources for all lending partners. In the categories below you have access to all of the training, resources, and important forms for program participation.

If you have questions or need additional information, please contact us. Contact Information: SFHGLP Contact List
*NEW* Training Schedule

Check back for open registration

Registration announcements sent via GovDelivery

Lender Training Schedule

Training Schedule

Due to the growing response rate to our training opportunities, we have expanded our offerings to include both virtual and in-person options more often throughout the year. All trainings, both virtual and in-person, are free and open to anyone to attend. Registration will typically open 30 days prior to the event. Most virtual events will take place at 2 p.m. Eastern time, but final determinations will be made clear on registration. Please ensure you are signed up for GovDelivery notices as all trainings are announced by email through that system. Please contact the lender and Partner Activities branch with any questions, at sfrpdl.lenderpartner@usda.gov

- December 14, 2023: Hot Topics | Register Here
- January 10, 2024: Single Close Construction and Rehab Repair loans | Register Here
- January 18, 2024: Income | Register Here
- March 6, 2024: Program Overview 101 | Register Here
- March 14, 2024: Credit | Register Here
- April 24-26, 2024: In-Person Loan Origination & Servicing Training, Glenn Allen, VA – Register Here
- May 8, 2024: GUS
- May 13-17, 2024: In-Person USDA Lender Default Servicing Training, St. Louis, MO (Note: This is a servicing lender training only.) – Register Here
- May 16, 2024: Manufactured Housing
- June 11, 2024: Lender Awards
- June 13, 2024: Appraisals & Property
- July 10, 2024: Tribal Lending
- July 18, 2024: Assets
- August 1, 2024: Ratios
- September 12, 2024: Hot Topics
Monitor posted turn times daily

Don’t forget to sign up for GovDelivery updates

https://www.rd.usda.gov/page/sfh-guaranteed-lender
Have a question on POLICY?
Contact the PAC team!

Need TRAINING?
Contact the LPA team!

Have a question on a SPECIFIC FILE?
Contact the OPD!

Live Calls:
CALL USDA (833) 314-0168

Option:

- Turn Time Updates: 1
- Specific File Questions: 2
- Lender Recertifications/Approvals: 3
- Policy & Scenario Questions: 4
- GUS Technical Questions: 5
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