

MH Advantage® Guideline Addendum

Supplements CMG’s loan product guidelines with guidance specific to Fannie Mae’s MH Advantage®.

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Overview of MH Advantage

Designated manufactured homes (MH) designed with features similar to site-built homes are now eligible for financing terms more consistent with standard conventional loans.

MH Advantage homes have features like lower profile foundations, garages or carports, and drywall throughout. See the [Retailer Home Specs](#) for details.

Appraisers choose the most appropriate comparable sales,. For standard MH two manufactured home comps are required and then the appraiser may include sales of site-built homes; for MH Advantage, the appraiser is not required to include two manufactured home comps. Confirming the home is eligible for MH Advantage is also easy for lenders:

- The appraiser will include photos of the MH Advantage [manufacturer sticker](#).
- Lenders must confirm those photos are present in the report to know a home is eligible.

While most manufactured homes are produced by manufacturers participating in MH Advantage, visit www.fanniemae.com/manufacturedhomes to confirm. As a reminder, the sales price of the manufactured home may include bona fide and documented transportation, site preparation, and dwelling installation at the site. A separate construction loan is not necessary; however, if the borrower does obtain construction financing a refinance of that construction loan is permitted. CMG does not participate in the construction loan or phase.

It is the manufacturer's responsibility to construct the home to be MH Advantage-eligible. Before leaving the factory, the manufacturer will apply the MH Advantage sticker as proof that the home is MH Advantage-eligible.

For new construction, appraisals will either be based on plans and specifications or an existing model home, according to Selling Guide sections B4.1.2-03 and B4-1.4.01. The appraiser will use the best comparable sales in the appraisal, which may include the sales of site-built homes. The appraiser must provide pictures of the HUD plate, MH Advantage sticker, sidewalk, and driveway as part of the appraisal.

Affordable Financing Features

MH Advantage brings affordable financing to manufactured housing with the following flexibilities:

- A down payment as low as 3%. (Higher loan-to-value (LTV) ratios, up to 97%)
- Waived Manufactured Home LLPA, which means more homebuyer savings
- MI coverage comparable to site-built homes (Reduced MI coverage required for fixed-rate terms ≤ 20 years)

What makes a property eligible for MH Advantage financing

MH Advantage is manufactured housing that is built to meet construction, architectural design, and energy efficiency standards that are more consistent with site-built homes. Examples of the physical characteristics for MH Advantage include:

- Specific architectural and aesthetic features, such as distinctive roof treatments (eaves and higher pitch roofline)
- Lower profile foundation, garages or carports, porches, and dormers
- Construction elements, including durability features like durable siding materials
- Energy efficiency standards (minimum energy ratings apply)

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Eligibility Matrix

<u>Principal Residence (1 unit only)</u>
Purchase/LCOR: 97% LTV/CLTV <ul style="list-style-type: none"> ○ All other <i>Selling Guide</i> requirements for 97% LTV apply, including first-time home buyer requirement for non-HomeReady loans; the max LTV for ARMs is 95%.) ○ 97%/105% with eligible Community Seconds® financing only
Principal Residence (1 unit) cash-out refinance: 65% LTV/CLTV
Second Home (1 unit): Purchase/LCOR 90% LTV/CLTV. Cash out not permitted.
Investment Property: Not Eligible

Use standard product codes, however, MH Advantage must be selected in the Subject Property Type field.

MH Advantage & HomeReady mortgage

MH Advantage may be combined with HomeReady to include added flexibility, such as funding their down payment through multiple sources (such as gifts, grants, and Community Seconds®).

Credit

All borrower must have a valid credit score. Minimum 620 qualifying score required. All other CMG credit standards apply.

Underwriting

- Must be DU approved
- Select MH Advantage in the Subject Property Type field (even if the property is located in a project)
- Special Feature Codes: SFC 235 and SFC 859 in addition to other applicable codes
- All other manufactured home requirements must be met. (Alta 7, Conversion to Real Property, etc)
- CMG Internal – Any manufactured home not converted to real property prior to underwriting must be submitted to CMG’s project standards team for review and approval prior to clear to close.

Mortgage Insurance Coverage

MH Advantage loans are subject to standard mortgage insurance coverage requirements; the deeper coverage required for manufactured homes does not apply.

LTV Range	FRM only, term <=20 years	ARM any term; or FRM >20 years
80.01–85.00%	6%	12%
85.01–90.00%	12%	25%
90.01–95.00%	25%	30% (25% if combined with HomeReady)
95.01–97.00%	35% (25% if combined with HomeReady)	35% (25% if combined with HomeReady)

Financed MI allowed: Up to 97% CLTV

Standard coverage only.

EPMI (Agency Paid Mortgage Insurance): Not eligible

Down Payment Requirements

When the property meets the MH Advantage requirements and the loan meets the requirements for LTV ratios of 95.01-97%, the borrower must contribute a minimum down payment of 3%*, from his or her own funds unless the loan meets the gift, grant, or funds from an employer policy.

*When combined with HomeReady, the HomeReady flexible source of funds is permitted.

The borrower's equity in the land is considered the borrower's own funds. Where the borrower holds title to the land on which the manufactured home will be permanently attached, the value of the land may be credited toward the borrower's minimum down payment requirement. The borrower's equity contribution will be the difference between any outstanding liens against the land and the market value of the land.

The following table describes how to determine the value of the land based on when and how the borrower acquired the land.

Date of Land Purchase	Value of the Land	Documentation Requirements
More than 12 months preceding the loan application.	The current appraised value.	None.
12 or fewer months preceding the date of the loan application.	The lesser of the sales price or the current appraised value.	The lender must document the borrower's cash investment by obtaining: <ul style="list-style-type: none"> • a copy of the settlement statement, • a copy of the warranty deed that shows there are no outstanding liens against the property, or • a copy of the release of any prior liens(s).
The borrower acquired the land at any time as a gift, inheritance, or other non-purchase transaction.	The current appraised value.	The lender must obtain appropriate documentation to verify the acquisition and transfer of ownership of the land.

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Trade Equity from the Borrower's Existing Manufactured Home

Trade equity from the borrower's existing manufactured home may be used as part of the borrower's minimum down payment requirement. The maximum equity contribution from the traded manufactured home is 90% of the retail value for the traded manufactured home based on the *NADA Manufactured Housing Appraisal Guide* except:

- If the borrower has owned the traded manufactured home for less than 12 months preceding the date of the loan application, the maximum equity contribution is the lesser of 90% of the retail value or the lowest price at which the home was sold during that 12 month period.
- Any costs associated with the removal of the traded home or any outstanding indebtedness secured by liens on the home must be deducted from the maximum equity contribution.

Traded Manufactured Homes

For traded manufactured homes, Fannie Mae requires a lien search in the appropriate real property and personal property records to verify ownership and to determine whether there are any existing liens on the manufactured home and land, or on the home and the land if they are encumbered by separate liens. The seller of the new manufactured home must provide proof of title transfer and satisfaction of any existing liens on the traded manufactured home.

Purchase Money Transactions

Purchase money transactions are those in which the mortgage proceeds are used to finance the purchase of the manufactured home or the manufactured home and the land. The land may be previously owned by the borrower, either free of any mortgage or subject to a mortgage that will be paid off with the proceeds of the new purchase money mortgage.

Note: The borrower does not receive any cash back with a purchase money transaction.

New Manufactured Homes

The LTV ratio (and CLTV/HCLTV ratio, if applicable) for a loan secured by a newly built manufactured home that is being attached to a permanent foundation system in connection with a purchase transaction will be based on the lower of:

- the sales price of the manufactured home plus:
 - the lowest sales price at which the land was sold during that 12 month period if the land was purchased in the 12 months preceding the loan application date; or
 - the current appraised value of the land if the land was purchased more than 12 months preceding the loan application date.
- the "as completed" appraised value of the manufactured home and land.

Existing Manufactured Homes

The LTV ratio (and CLTV/HCLTV ratio, if applicable) for a loan secured by a manufactured home that already exists on its foundation will be based on the lowest of:

- the sales price of the manufactured home and land;
- the current appraised value of the manufactured home and land; or

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- if the manufactured home was built in the 12 months preceding the loan application date, the lowest price at which the home was previously sold during that 12-month period, plus the lower of:
 - the current appraised value of the land, or
 - the lowest price at which the land was sold during that 12 month period (if there was such a sale).

Limited Cash-Out Refinance Transactions

Limited cash-out refinance transactions involve the payoff of an existing mortgage secured by the manufactured home and land (or existing liens if the home and land were encumbered by separate liens). The maximum LTV ratio (and CLTV ratio, if applicable) for a limited cash-out refinance transaction for a loan secured by a manufactured home and land will be based on the lower of:

- the current appraised value of the manufactured home and land; or
- if the manufactured home was owned by the borrower for less than 12 months on the loan application date and:
 - if the home and land are secured by separate liens, the lowest price at which the home was previously sold during that 12-month period plus the lower of the current appraised value of the land, or the lowest sales price at which the land was sold during that 12-month period (if there was such a sale);
 - if the home and land are secured by a single lien, the lowest price at which the home and land were previously sold during that 12-month period.

Proceeds of a limited cash-out refinance mortgage may be used to:

- pay off the outstanding principal balance of an existing first lien mortgage secured by the manufactured home and land (or existing liens if the home and land were encumbered by separate first liens);
- pay off the outstanding principal balance of an existing subordinate mortgage or lien secured by the manufactured home and/or land, but only if it was used to purchase the manufactured home and/or land;
- finance closing costs (including prepaid expenses); and
- provide cash back to the borrower in an amount not to exceed the lesser of 2% of the balance of the new refinance mortgage or \$2,000.

Cash-Out Refinance Transactions

A cash-out refinance:

- involves the payoff of an existing first lien mortgage secured by the manufactured home and land (or existing liens if the home and land were encumbered by separate first liens); or
- enables the property owner to obtain a mortgage on a property that does not already have a mortgage lien against it, and permits the borrower to take equity out of the property in the form of mortgage proceeds that may be used for any purpose.

To be eligible for a cash-out refinance, the borrower must have owned both the manufactured home and land for at least 12 months preceding the date of the loan application. The LTV ratio (and CLTV/HCLTV ratio, if applicable) for a cash-out refinance for a loan secured by a manufactured home and land will be based on the current appraised value of the manufactured home and land.

Appraisal Requirements

Appraisers must use other MH Advantage homes, when available, for the comparable sales. If fewer than three MH Advantage sales are available, then the appraiser must supplement with the best and most appropriate sales available, which may include site-built homes.

The Manufactured Home Appraisal Report (1004C) or Appraisal Completion Report (1004D) must include photos of the MH Advantage Sticker, HUD Data Plate, HUD Certification Labels, and the site showing all driveways, sidewalks, and detached structures located on the site. Lender must confirm the driveway and walkway are built and accounted for in the appraisal.

Ineligible Collateral

The following property types are ineligible for manufactured home financing:

- Investment properties
- Temporary buydowns
- Single-width manufactured homes
- Leaseholds
- Properties with a chattel lien on the home plus a real property lien on the land
- Homes in manufactured home parks where the borrower does not own the land
- Previously moved units
- Manufactured homes in non-surrender certificate of title states (NY, NJ, LA)
- Manufactured homes with non-standard utilities are ineligible. Examples of non-standard utilities include, but are not limited to, solar power, hauled water, cistern, on-site wastewater treatment systems (other than acceptable septic systems), and off-grid properties. Note: Standard wells and septic systems meeting local requirements and standard Fannie eligibility are acceptable.

Appraiser Responsibilities

In conducting the appraisal, appraisers must:

- Use Manufactured Home Appraisal Report (1004C)
- Use a Completion Report (1004D), if applicable
- Follow Fannie Mae's guidelines for MH Advantage Comparable Selection Requirements and other standard guidelines for appraising manufactured homes, including make and model number, as well as (for purchase money mortgages) complete copy of the executed contract for sale of the manufactured home and land, complete copy of the executed contract for both if the land and home are purchased separately, or complete copy of the manufacturer's invoice if the manufactured home is new per (Selling Guide B4-1.4- 01, Manufactured Housing Appraisal Requirements and Standards).
- In addition to the standard appraisal requirements for manufactured homes, for MH Advantage homes, provide photos of: the HUD Data Plate the HUD Certification Label the MH Advantage Sticker (sample shown at right) driveways, sidewalks, and detached structures located on the site

Comparable Selection

The appraiser is responsible for determining which comparables are the best and most appropriate for the assignment. Comparable sales should have similar physical and legal characteristics when compared to the subject property. These characteristics include, but are not limited to, site, room count, gross living area, style, and condition. This does not mean that the comparable must be identical to the subject property, but it should be competitive and appeal to the same market participants that would also consider purchasing the subject property.

For MH Advantage properties, appraisers must use other MH Advantage homes, when available, for the comparable sales. If fewer than three MH Advantage sales are available, then the appraiser must supplement with the best and most appropriate sales available, which may include site-built homes. See Selling Guide B4-1.3-08, Comparable Sales, for additional information. In the event there are no closed sales inside a new subject project or subdivision because the subject property transaction is one of the first units to sell, the appraiser may use two pending sales in the subject project or subdivision in lieu of one closed sale. When the appraiser is using two pending comparable sales in lieu of a closed sale, the appraiser must also use at least three closed comparable sales from projects or subdivisions outside of the subject property's project or subdivision. Sales of new manufactured homes and land (often referred to as land/home sales) may be used as comparables provided both the land and home transpire as a single transaction, and the appraiser must be able to adequately verify the physical attributes, conditions of sale, sales price, and concessions. Appraisers may not create comparable sales by combining separate transactions of vacant land sales with the contract purchase price of a home (improvements only). Such transactions may not be used to meet the required minimum three closed comparables, but may be included as additional support with appropriate commentary.

Appraisal requirements for MH Advantage homes in new subdivisions

- The same general appraisal requirements for new subdivisions (see Selling Guide B4-1.3-08) apply for MH Advantage. The appraiser must select one comparable sale from the subject subdivision or project and one comparable sale from outside the subject subdivision or project. The third comparable sale can be from inside or outside of the subject subdivision or project, provided it is a good indicator of value for the subject property. Two of the sales must be verifiable from reliable data sources, other than the builder.
- In the event there are no closed sales inside a new subject project or subdivision because the subject property transaction is one of the first units to sell, the appraiser may use two pending sales in the subject project or subdivision in lieu of one closed sale. When the appraiser is using two pending comparable sales in lieu of a closed sale, the appraiser must also use at least three closed comparable sales from projects or subdivisions outside of the subject property's project or subdivision.
- To meet the requirement that the appraiser use one comparable sale from inside the subject subdivision or project, the appraiser may need to rely solely on the builder of the property he or she is appraising, as this data may not yet be available through typical data sources (for example, public records or multiple listing services). In this scenario, it is acceptable for the appraiser to verify the transaction of the comparable sale by viewing a copy of the settlement statement from the builder's file.

Lender Responsibilities

In underwriting the appraisal, lenders must:

- Disclose financial and property information, per B4-1.1-05: Disclosure of Information to Appraisers.
- Confirm that the home meets the MH Advantage physical characteristics by reviewing the photos in the Manufactured Home Appraisal Report (1004C) or Completion Report (1004D) of the MH Advantage Sticker (placed near the HUD Data Plate), HUD Data Plate, and HUD certification labels.

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- For new construction, comply with standard appraisal requirements, specifically Selling Guide topics B4.1.2-03: Requirements for Postponed Improvements, and B4-1.4.01: Newly Constructed Manufactured Housing Appraisal Requirements for appraisals based on plans and specifications with square footage and materials (including attached garage, carport, covered porch, covered patio, and decks) or an existing model home.
- Verify through appraisal photos that site improvements that are not attached to the home – including detached garages, driveways, and sidewalks – are complete.

Documentation Requirements

MH Advantage Sticker & MH Advantage specific eligibility

- ensure the property meets the MH Advantage requirements by reviewing appraisal photos evidencing the presence of the MH Advantage Sticker (placed in proximity to the HUD Data Plate), HUD Data Plate, and HUD certification labels.



- verify through appraisal or final inspection photos
 - the presence of a driveway leading to the home (or to the garage or carport, if one is present). The driveway must consist of blacktop, pavers, bricks, concrete, cement, or gravel, and;
 - the presence of a sidewalk connecting either the driveway, or a detached garage or carport, to a door or attached porch of the home. The sidewalk must consist of blacktop, pavers, flagstone, bricks, concrete, or cement.
- For new construction, the lender is responsible for compliance with Fannie Mae’s standard appraisal requirements, specifically B4-1.2-03, Requirements for Postponed Improvements and, B4-1.4-01, Factory-Built Housing: Manufactured Housing for appraisals based on plans and specifications. This will ensure site improvements that are not attached to the home, such as detached garages, are complete.

Endorsement 7, 7.1, or 7.2 or any other endorsement required in the applicable jurisdiction for manufactured homes to be treated as real property.

Insured closing protection letter, unless the letter is not allowed under State law or regulations.

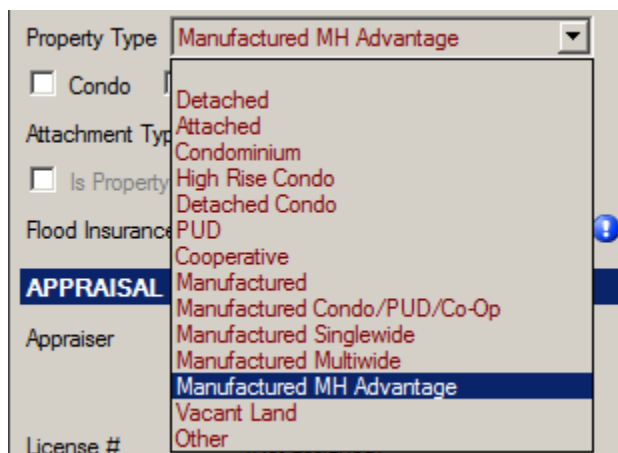
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- Single Lien on the MH and the land on which it is permanently affixed secures the mortgage, and the lien has been properly created, evidenced and perfected.
- Appraisal is completed on the 1004MC.
- Manufactured Home Borrower Affidavit (CMG/lender form) is required at closing. Must be recorded.
- Home is legally classified as real property. Any documentation required under state law to confirm classification as real property is included in the loan file. May include, but is not limited to:
 - Affidavit of Affixture (state required version)
 - Documentation Evidencing Certificate of Title surrendered
 - Manufacturer's Certificate of Origin
- Documentation supporting one time move from dealer to subject site. (Note: it is not acceptable to just accept the appraiser's date installed without supporting documentation). May require copy of final building permit (or equivalent), trip permit, or other documentation to be reviewed/approved by underwriting.
- Legally enforceable road maintenance agreement, when applicable. (Home is situated on a street that is community owned and maintained, or privately owned and maintained if the property is not situated on a publicly dedicated and maintained street.)
- Closing instructions advise closing agents to obtain the required documentation necessary to ensure that the manufactured home is attached to a permanent foundation system on the land, thus becoming part of the real property
- Submitted to CMG's Project Standards Team for review and tracking of final docs for real property conversion

Additional Underwriting Notes (CMG Internal)

Desktop Underwriter® (DU®) only. Select MH Advantage in the Subject Property Type field (even if the property is located in a project). DU will issue a message reminding the lender to ensure that the MH Advantage requirements are met, in addition to all other manufactured housing requirements.



Byte - Special Feature Codes required: SFC 235 and SFC 859

Byte - GSE Investor Designation in Byte: Fannie Mae Only

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DU Findings – Sample Verbiage:

The subject property was submitted as MH Advantage. Verify that the property is legally classified as real property and that it meets the MH Advantage guidelines in addition to all manufactured home guidelines established in the Fannie Mae Selling Guide. If this property is located in a PUD, condominium, or cooperative project, the project may be required to be submitted to Fannie Mae for review, with the exception of PUD projects consisting of double-width manufactured homes. Refer to the Selling Guide for additional information. (MSG ID 3137)

Recent Updates

9/16/19 New program release