



Multifamily Selling and Servicing Guide

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Section 603 Legal and Property Compliance

603.01 Borrower and the MH Community

603.01A Borrower Ownership

Requirements

If the Borrower is a non-profit entity, then you must ensure that each of the following complies with [Part I, Chapter 3: Borrower, Guarantor, Key Principals, and Principals](#):

- the Borrower;
- Key Principals;
- Guarantors; and
- Principals.

Guidance

If the Borrower is a non-profit entity, you may reimburse the Borrower from the Origination Fee for up to a combined total of \$10,000 for the cost of any required MH Community Mortgage Loan third-party reports (e.g., Appraisal, Environmental Site Assessment).

Operating Procedures

Fannie Mae will reimburse the cost of any third-party report within 2 months after the delivery of the Mortgage Loan. To receive reimbursement, you must:

- request an invoice from the vendor with the report cost listed as a separate line item from any ancillary charges (Fannie Mae will not reimburse other costs such as fees for expediting a report);
- within 1 month after the Mortgage Loan Origination Date:
 - complete [Form 4829](#), detailing the Lender's information, the commitment number or loan number, Property information, wiring instructions, and listing the third-party cost as "Other" (note that any fields related to servicing may be left blank); and
 - manually sign or e-sign [Form 4829](#), scan or save it as a PDF file, and email the signed PDF [Form 4829](#) and the third-party report invoice to: mhc_report_reimbursement@fanniemae.com.



603.01B Collateral; Borrower-Owned Homes and Affiliate-Owned Homes

Requirements

The collateral for an MH Community Mortgage Loan consists of

- the MH Community's land and infrastructure,
- the rents for the MH Sites, and
- any other Borrower-owned property used for the MH Community.

The percentage of Borrower-owned Manufactured Homes must not exceed 35%. If the percentage of Borrower-owned Manufactured Homes is greater than 25%, then:

- the Borrower's business plan must reflect the conversion of the Manufactured Homes to owner-occupied over time; and
- on-going business related to the sale, financing, or rental of a Manufactured Home located on the Property must be performed by an Affiliate.

If any Affiliate-Owned Manufactured Homes are leased to tenants of an Affiliate of either the Borrower or a Key Principal, then:

- The lease must be at a market rate rent.
- If the tenant's rent payment includes both the rent for the Affiliate-Owned Manufactured Home and the rent for the MH Site, then either:
 - the check must be payable to and deposited by the Borrower, which must pay all required P&I, and escrows before remitting the rent payment to the Affiliate; or
 - you must consider whether it is appropriate to require a lockbox arrangement with the Borrower and the Affiliate
 - into which all rent checks for the Manufactured Homes and MH Sites must be deposited, and
 - from which you can control the disbursement of funds for P&I, required escrows, and the Manufactured Home rentals, with the remainder disbursed to the Borrower.

603.01C MH Community

Requirements

An MH Community Mortgage Loan must be secured by a first priority Lien on an MH Community that:



- has a minimum of 50 MH Sites;
- is made up of contiguous parcels or, if the MH Community is made up of Non-Contiguous Parcels, then:
 - all parcels are located within the same MSA; and
 - each separate parcel (individually), and all Non-Contiguous Parcels (together), comply with the Guide; and
- achieves at least a Level 3 Quality Rating per the Manufactured Housing Community Quality Rating Standards table in [Part III, Chapter 6: Manufactured Housing Communities, Section 603.02: MH Community Score](#).

An MH Community must be served by either

- public underground utilities, or
- private sewage treatment plants, septic systems, and private water wells which are:
 - common for the market;
 - owned by the Borrower or an Affiliate; and
 - in compliance with all applicable government requirements.

➔ Guidance

The Mortgage Loan may be secured by either an Age-Restricted MH Community or an All-Age MH Community.

You should consider the following:

- For an MH Community that is more than 25 years old, does the Borrower have a plan for placing new Manufactured Homes in the MH Community as MH Sites with older Manufactured Homes are vacated?
- Are the landscaping and entrance signage high quality and well maintained?
- For an MH Community served by a private sewage treatment plant, septic system, or a private water well, then:
 - Address the availability and cost of obtaining a backup source for water if the MH Community has a private water well.
 - Ensure that the operator of the facility, including its employees and contractors, meet all applicable government requirements to perform ongoing operation and maintenance.
 - If the operator is an employee of the Borrower, identify a local, qualified vendor that could be retained if substitute services are needed.



- Exercise reasonable due diligence, including contacting municipal agencies, to confirm that
 - the MH Community’s connection to a municipal system has not been mandated, and
 - no mandate is expected to occur during the term of the Mortgage Loan.
- If hookup is imminent, determine if an escrow for the cost is appropriate.

603.02 MH Community Score

Requirements

You must determine the MH Community Score using the MH Community Quality Rating Standards table. The overall MH Community Quality Rating is based on the lowest rating for any 1 characteristic.

The MH Community must:

- meet a Level 3 Quality Rating; or
- achieve most of the minimum Quality Rating characteristics and either
 - the unsatisfactory characteristics are not materially detrimental to the performance, overall appearance, desirability, and quality of the MH Community, or
 - any failed characteristic must be remediated as a Completion/Repair item.

| Manufactured Housing Community Quality Rating Standards | | | |
|---|------------------------|---|---|
| Characteristic | Level 3 Quality Rating | Level 4 Quality Rating | Level 5 Quality Rating |
| | Minimum Standard | Minimum Standard applies (except as detailed) | Level 4 applies (except as detailed) |
| Streets | Paved Roads. | Same as Level 3. | Rolled curbs (if warranted by layout/drainage needs). |



| Manufactured Housing Community Quality Rating Standards | | | |
|---|--|--|--|
| Characteristic | Level 3 Quality Rating | Level 4 Quality Rating | Level 5 Quality Rating |
| | Minimum Standard | Minimum Standard applies (except as detailed) | Level 4 applies (except as detailed) |
| Home Sites | <ul style="list-style-type: none"> • Area under the Manufactured Homes consists of concrete, crushed rock, or dirt. • Entry to the Manufactured Homes is through a patio or porch. • Manufactured Homes are supported by stacks of hollow concrete block or steel pier systems along the main beams (with ground anchors and steel straps holding the frame against movement) that meet local and state requirements. | Same as Level 3 with at least 60% of MH Sites having commercial grade porch/cabanas or patios. | Same as Level 3 with all MH Sites having commercial grade porch/cabanas or patios. |



| Manufactured Housing Community Quality Rating Standards | | | |
|---|--|---|--------------------------------------|
| Characteristic | Level 3 Quality Rating | Level 4 Quality Rating | Level 5 Quality Rating |
| | Minimum Standard | Minimum Standard applies (except as detailed) | Level 4 applies (except as detailed) |
| Site Size | Preference for 50% doublewide MH Sites, however you have delegated discretion on the percentage of doublewide sites as long as the MH Community is competitive with a clear market demand for singlewide MH Sites. | Same as Level 3. | Minimum 50% doublewide MH Sites. |
| Density | Density reflects the norm for the Property market. Generally, maximum density is 12 MH Sites per acre, however you have delegated discretion to determine the typical density in your market. | Density reflects the norm for the Property market. Generally, maximum density is 7 MH Sites per acre, or 10 MH Sites per acre if developed before 2000. | Same as Level 4. |



| Manufactured Housing Community Quality Rating Standards | | | |
|---|--|---|---|
| Characteristic | Level 3 Quality Rating | Level 4 Quality Rating | Level 5 Quality Rating |
| | Minimum Standard | Minimum Standard applies (except as detailed) | Level 4 applies (except as detailed) |
| Skirts/Hitches | <p>100% of the Manufactured Homes are professionally skirted, with hitches covered or removed.</p> <p>You can meet this requirement through a Completion/Repair Agreement.</p> | Same as Level 3. | All of the Manufactured Homes are professionally skirted, with hitches removed. |
| Parking | <p>Minimum of 2 on- or off-street parking spaces per MH Site that are properly maintained, paved, concrete, or gravel (if common in the market). You have delegated discretion to determine compliance based on prevailing market conditions, subject to local ordinances.</p> | Same as Level 3. | 2 paved off-street parking spaces per MH Site. |



| Manufactured Housing Community Quality Rating Standards | | | |
|---|--|---|--|
| Characteristic | Level 3 Quality Rating | Level 4 Quality Rating | Level 5 Quality Rating |
| | Minimum Standard | Minimum Standard applies (except as detailed) | Level 4 applies (except as detailed) |
| Amenities | Not required, but amenity package should be competitive based on market comparables. | Competitive amenity package required. | High quality amenity package competitive with other high-quality MH Communities. |

603.03 Code Standards

Requirements

You must determine if all Manufactured Homes in the MH Community meet the requirements of the Federal Manufactured Home Construction and Safety Standards of 1974 (HUD Code) (42 USC Chapter 70; 24 CFR Part 3280), as amended.

Guidance

Fannie Mae may allow pre-HUD Code Manufactured Homes if

- they are Borrower-owned homes or Affiliate-Owned Homes that comply with local codes with no identified life safety issues,
- the Borrower certifies, and the Loan Documents reflect that no additional pre-HUD Code homes will be added to the MH Community during the term of the Mortgage Loan, and
- you document the number of pre-HUD Code homes.

603.04 Flood Zone

603.04A Rising Water

Requirements

For an MH Community located in a flood zone with rising water (e.g., flood water that quickly dissipates and flood zone A or AE) you must ensure the



Borrower notifies all Homeowners and all tenants of Borrower-owned or Affiliate-Owned Homes occupying an MH Site located in the flood zone before the Mortgage Loan Origination Date.

For Manufactured Homes located in a rising water flood zone...

If you

- do not know the base flood elevation for the flood zone (e.g., flood zone A), or
- know that the living floor levels are below the base flood elevation

Then:

- you must calculate the Underwritten DSCR excluding the site rent for Manufactured Homes with living floor levels within the flood zone; and
- if the resulting Underwritten DSCR decreases to more than 10 basis points below the minimum Tier 2 standard, you cannot underwrite the site rent for those Manufactured Homes.

603.04B Moving Water

Requirements

For an MH Community located in a flood zone with the potential for flooding due to moving water (e.g., typically in flood zone A and AE and located next to a stream, river, etc.), you must ensure:

- your underwriting assumes that MH Sites located in the flood zone are considered non-income producing MH Sites; and
- the Borrower notifies all Homeowners and all tenants of Borrower-owned or Affiliate-Owned Homes occupying an MH Site located in the flood zone before the Mortgage Loan Origination Date.

603.05 Lease Terms

603.05A Master Leases

Requirements

You must ensure there are no master lease arrangements affecting any of the MH Sites.

603.05B MH Site Leases



☑ Requirements

Leases must be in writing and must not contain an option to purchase the MH Site.

➔ Guidance

You may reimburse the Borrower from the Origination Fee for up to a combined total of \$10,000 for the cost of any required third-party reports if the Borrower implements all of the following tenant MH Site Lease protections for at least 50% of the MH Sites:

- 1-year renewable MH Site Lease term, unless there is good cause for nonrenewal;
- minimum 30-day written notice of rent increases;
- 5-day grace period for rent payments, and tenant's right to cure defaults for nonpayment of MH Site Lease rent; and
- tenant's right to:
 - sell the Manufactured Home without first relocating it out of the community;
 - sublease the Manufactured Home or assign the MH Site Lease to a buyer, as long as the buyer meets the minimum MH Community rules, regulations, and credit quality for financing consistent in the market;
 - post "for sale" signs on the Manufactured Home that comply with the MH Community Rules and Regulations;
 - sell the Manufactured Home in place within 45 days after eviction; and
 - receive notice at least 60 days before any planned sale or closure of the MH Community.

✦ Operating Procedures

Fannie Mae will reimburse the cost of any third-party report within 2 months after the delivery of the Mortgage Loan. To receive reimbursement, you must:

- request an invoice from the vendor with the report cost listed as a separate line item from any ancillary charges (Fannie Mae will not reimburse other costs such as fees for expediting a report);
- within 1 month after the Mortgage Loan Origination Date:
 - complete [Form 4829](#), detailing the Lender's information, the commitment number or loan number, Property information, wiring instructions, and listing the third-party cost as "Other" (note that any



fields related to servicing may be left blank); and

- manually sign or e-sign [Form 4829](#), scan or save it as a PDF file, and email the signed PDF [Form 4829](#) and the third-party report invoice to mhc_report_reimbursement@fanniemae.com;
- include in the Multifamily Loan Agreement:
 - a Borrower representation stating the actual percentage of MH Site Leases that incorporate the required tenant protections, and a covenant to continue the tenant protections over the entire Mortgage Loan term; and
 - a Borrower requirement to annually submit to you:
 - a certified copy of the MH Community’s current Rules and Regulations;
 - a certified copy of the current form of Residential Leases for MH Sites;
 - copies of any actual Residential Leases for MH Sites you request; and
 - a certification of the actual percentage of MH Site Leases that include all of the required tenant protections; and
 - receive a Guaranty (Payment) ([Form 6020 series](#)) from the Key Principal, guarantying the repayment (not to exceed 10% of the Mortgage Loan amount) of all pricing incentives, rebates, and fees you provided if the Borrower fails to maintain the specified percentage of MH Site Leases with all of the required tenant protections.

Guidance

You may allow

- month-to-month lease terms,
- lease terms for up to 2 years, and
- lease terms longer than 2 years, but only if the lease provides for:
 - an annual rent increase sufficient to cover the current and/or projected Consumer Price Index (CPI);
 - the pass-through of real estate taxes over a base year;
 - the pass-through of any utilities provided by the Borrower; and
 - cannot result in the Manufactured Home on the MH Site being titled as real estate.



603.05C Security Instrument Modification

Requirements

You must modify the Security Instrument to reflect the use of short-term or long-term leases.



Glossary

A

Affiliate

When referring to an affiliate of a Lender, any other Person or entity that Controls, is Controlled by, or is under common Control with, the Lender.

When referring to an affiliate of a Borrower or Key Principal:

- any Person that owns any direct ownership interest in Borrower or Key Principal;
- any Person that indirectly owns, with the power to vote, 20% or more of the ownership interests in Borrower or Key Principal;
- any Person Controlled by, under common Control with, or which Controls, Borrower or Key Principal;
- any entity in which Borrower or Key Principal directly or indirectly owns, with the power to vote, 20% or more of the ownership interests in such entity; or
- any other individual that is related (to the third degree of consanguinity) by blood or marriage to Borrower or Key Principal.

Synonyms

- Affiliates

Affiliate-Owned Manufactured Home

Manufactured Home or park model home located on an MH Site that is owned by an Affiliate of the Borrower.

Synonyms

- Affiliate-Owned Manufactured Homes
- Affiliate-Owned Home
- Affiliate-Owned Homes

Age-Restricted MH Community

MH Community that limits residents to those who are over a particular age (e.g., persons who are age 62 or older, or at least 80% of the Manufactured Homes occupied by at least 1 person who is age 55 or older).

All-Age MH Community

MH Community that accepts residents of any age.



Appraisal

Written statement independently and impartially prepared by a qualified appraiser stating an opinion as to the market value of the Property as of a specific date, supported by the presentation and analysis of relevant market information.

Synonyms

- Appraisals

B

Borrower

Person who is the obligor under the Note.

Synonyms

- Borrowers
- Borrower's

C

Completion/Repair Agreement

Document evidencing the Borrower's agreement to undertake Completion/Repairs and other identified capital improvements, the terms for funding the repairs, maintenance, or capital items, and the disbursement of funds from the Completion/Repair Escrow (e.g., Form 4505, or the applicable parts of the Multifamily Loan Agreement ([Form 6001 series](#)), including the Required Repair Schedule to the Multifamily Loan Agreement).

Synonyms

- Completion/Repair Agreements

E

Environmental Site Assessment

Report (either a Phase I ESA or a Phase II ESA) identifying whether a Property is subject to Recognized Environmental Conditions or Business Environmental Risks.

Synonyms

- ESA



G

Guarantor Key Principal or other Person who executes a Payment Guaranty, a Non-Recourse Guaranty, or any other guaranty in connection with the Mortgage Loan.

Synonyms

- Guarantors

Guaranty Payment Guaranty, Non-Recourse Guaranty, or other guaranty by a Guarantor for the Mortgage Loan.

Guide Multifamily Selling and Servicing Guide and Delegated Underwriting and Servicing Guide, including any exhibits, appendices, or other referenced forms, as updated, amended, restated, modified, or supplemented by any lender memo; provided, however, if a topic is covered in the Multifamily Selling and Servicing Guide, that Guide shall control unless a Lender Contract specifically requires use of another Guide.

Synonyms

- DUS Guide

H

HUD U.S. Department of Housing and Urban Development

I

Index Basis for determining the Gross Note Rate of an ARM Loan.

K



Key Principal Person(s) who control and/or manage the Borrower or the Property, are critical to the successful operation and management of the Borrower and the Property, and who may be required to provide a Guaranty.

Synonyms

- Key Principals

L

Lease Written agreement between an owner and the tenant of a Property stipulating the conditions for possession and use of real estate for a specified period of time and rent.

Synonyms

- Leases

Lender Person approved by Fannie Mae to sell or service Mortgage Loans.

Synonyms

- Lenders
- Lender's

Lien Lien, mortgage, bond interest, pledge, security interest, charge, or encumbrance of any kind.

Synonyms

- Liens

Loan Documents All documents evidencing, securing, or guaranteeing the debt obligation executed for a Mortgage Loan and approved by Fannie Mae.

Synonyms

- Loan Document
- Mortgage Loan Document
- Mortgage Loan Documents

M



Manufactured Home

Factory-built home located on an MH Site.

Synonyms

- Manufactured Homes

Manufactured Housing Community

Residential real estate development with lots on which manufactured homes are located, together with amenities, utility services, landscaping, roads, and other infrastructure.

Synonyms

- Manufactured Housing Property
- MH Community
- MH Communities
- MHC

Mortgage Loan

Mortgage debt obligation evidenced, or when made will be evidenced, by the Loan Documents or a mortgage debt obligation with a Fannie Mae credit enhancement.

Synonyms

- Mortgage Loans

Mortgage Loan Origination Date

Date the Lender funds a Mortgage Loan to the Borrower.

Synonyms

- Mortgage Loan's Origination Date
- Origination Date

Multifamily Loan Agreement

Agreement evidencing the terms of a Mortgage Loan using the [Form 6001 series](#) Loan Documents or another form approved by Fannie Mae.

N



Non-Contiguous Parcels

Multiple parcels of land securing a Mortgage Loan that do not share common boundaries or that are separated by dedicated or private streets that are major arterials.

Synonyms

- Non-Contiguous Parcel

O

Origination Fee

Fee charged by the Lender to the Borrower for underwriting and originating the Mortgage Loan, per [Part IV A, Chapter 2: Pricing, Origination Fees, and Prepayment Premium Incentives, Section 202: Required Fees and Lender Compensation](#).

Synonyms

- Origination Fees

P

P&I

Principal and interest

Property

Multifamily residential property securing the Mortgage Loan and including the land (or Leasehold interest in land), Improvements, and personal property (as defined in the Uniform Commercial Code).

Synonyms

- Properties
- Property's

S

Security Instrument

Instrument creating a lien or encumbrance on 1 or more Properties and securing the obligations under the Loan Documents.