



Fannie Mae®

Multifamily Selling and Servicing Guide

Effective as of April 17, 2023

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Summary of Changes

HIGHLIGHTS

Effective for Manufactured Housing Community Mortgage Loans Registered as of April 17, 2023, and Committed by June 1, 2023, you may no longer reimburse for-profit Borrowers for the cost of required third-party reports.

Primary Changes

Since Tenant Site Lease Protections (TSLPs) are required for all MHC Mortgage Loans, you may no longer reimburse a for-profit Borrower for the cost of third-party reports for implementing TSLPs.

However, a non-profit MHC Borrower remains eligible for reimbursement from the Origination Fee for up to \$10,000 for the cost of required third-party reports per [Part III, Chapter 6: Manufactured Housing Communities, Section 603.01A: Borrower Ownership](#).

Questions

Please contact the Fannie Mae MHC Finance Team at MF_MHC@fanniemae.com with any questions.



Chapter 6 Manufactured Housing Communities

Section 601 Description

Requirements

An **MH Community** is a residential real estate development with lots on which **Manufactured Homes** are located, together with amenities, utility services, landscaping, roads, and other infrastructure.

Section 602 Lender Eligibility

Requirements

You must be approved in writing to **Deliver MH Community Mortgage Loans**.

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; Tenant-Occupied 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 tenant-occupied [Manufactured Homes](#) must not exceed 35%. If the percentage of tenant-occupied [Manufactured Homes](#) is greater than 25%, then:

- the [Borrower's](#) business plan must reflect the conversion of tenant-occupied [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 by an [Affiliate](#) of either the [Borrower](#) or a [Key Principal](#), then:

- The [MH Site](#) 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 eligible **MH Community** must:

- have a minimum of 50 **MH Sites**;
- consist of contiguous parcels or, if the **MH Community** is made up of **Non-Contiguous Parcels**:
 - all parcels must be located within the same **MSA**; and
 - each separate parcel (individually), and all **Non-Contiguous Parcels** (together), must comply with the **Guide**; and
- achieve 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).



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.
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.
Skirts/Hitches	100% of the Manufactured Homes are professionally skirted, with hitches covered or removed. You can meet this requirement through a <u>Completion/Repair Agreement</u> <u>Completion/Repair Schedule</u> .	Same as Level 3.	All of the Manufactured Homes are professionally skirted, with hitches removed.



Parking	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.	Same as Level 3.	2 paved off-street parking spaces per MH Site.
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 Manufactured Home HUD Code.

Guidance

Fannie Mae may allow Manufactured Homes predating the Manufactured Home HUD Code if

- they are Borrower-owned Manufactured 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 Manufactured Homes predating the Manufactured Home HUD Code will be added to the MH Community during the term of



the Mortgage Loan, and

- you document the number of Manufactured Homes predating the Manufactured Home HUD Code.

Fannie Mae may allow rental units that do not comply with the Manufactured Home HUD Code (e.g., certain park model recreational vehicles) if the rental income is included as commercial income in Part III, Chapter 6: Manufactured Housing Communities, Section 606: Property Income and Underwritten NCF.

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

MH Site Leases must

- be in writing, and
- not contain an option to purchase the **MH Site**.

The **Borrower** must agree to implement the **Tenant Site Lease Protections** for all **MH Sites** by the end of the first loan year.

Operating Procedures

The **Tenant Site Lease Protections** may be incorporated

- by amending each **MH Site Lease**; or
- within the **MH Community's** rules and regulations, if the **MH Site Lease** incorporates the rules and regulations by reference.

The **Multifamily Loan Agreement** must include a:

- covenant to implement the **Tenant Site Lease Protections** by the end of the first loan year;
- requirement that, if the **Tenant Site Lease Protections** were implemented within the **MH Community's** rules and regulations:



- the rules and regulations are publicly posted; and
- each lessee of an MH Site Lease receives written notice of the Tenant Site Lease Protections; and
- Borrower:
 - representation stating the percentage of MH Site Leases with the Tenant Site Lease Protections;
 - covenant to continue the Tenant Site Lease Protections over the entire Mortgage Loan term; and
 - requirement to annually submit to you a:
 - certified copy of the MH Community's current Rules and Regulations;
 - certified copy of the notice sent to all MH Site Lease tenants if the Tenant Site Lease Protections were implemented by the Rules and Regulations;
 - certified copy of the current form of Residential Leases for MH Sites;
 - copy of any requested MH Site Leases; and
 - certification of the percentage of MH Site Leases with the Tenant Site Lease Protections.

Guidance

You may reimburse the Borrower from the Origination Fee for up to combined total of \$10,000 for the cost of any required third-party reports if the Borrower implements the Tenant Site Lease Protections for all owner-occupied MH Sites.

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); and
- 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.

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 Loan Document Modification

Requirements

You must modify the [Loan Documents](#) to reflect the use of short-term or long-term leases.

Section 604 Property Insurance

Requirements

You must ensure that the security for an [MH Community Mortgage Loan](#) (per [Part III, Chapter 6: Manufactured Housing Communities, Section 603.01B: Collateral; Tenant-Occupied and Affiliate-Owned Homes](#)) complies with [Part II, Chapter 5: Property and Liability Insurance](#).



Section 605

Survey

Requirements

If you obtain an acceptable as-built survey of the [Property](#), it must comply with [Part II, Chapter 3: Legal Compliance, Section 305: Survey](#).

Guidance

You should ensure that the survey only shows the location or dimensions of

- the individual [MH Sites](#),
- any individual [Manufactured Homes](#) or recreational vehicles, and/or
- the related [MH Site](#) or recreational vehicle site, piers, and/or foundations, that constitute encroachments.

605.01 Public Roadways, Private Interior Roadways, and Drives

Guidance

You should ensure that the survey accurately shows all public roadways.

For any private interior access roads, streets, drives, parking areas, visible utilities, and structures without foundations, the survey:

- does not need to show them accurately from field measurements, unless they constitute encroachments;
- should include a sketch showing their approximate location; and
- may locate them by photogrammetric or other approximate methods.

605.02 Setbacks

Guidance

You should identify and show 2 different types of setbacks on the survey:

- setback restrictions shown in documents of record; and
- setbacks imposed by applicable zoning ordinances or building codes.



You should ensure that the survey:

- states that the zoning setbacks apply only to permanent buildings and not to the [Manufactured Homes](#); and
- includes recorded references or citations to authority for the zoning setbacks, or gives the reason why this information is not available.

605.03 Encroachments

Guidance

You may show the following encroachments by a simple indicating mark (i.e., a distinctive mark or symbol identified in the legend), without indicating dimensions:

- nonpermanent outbuildings or other structures; and
- recreational vehicles that are not set upon a supporting foundation, [MH Site](#), or pier.

Section 606

Property Income and Underwritten NCF

Requirements

You must use the following table to calculate [Underwritten NCF](#).

REQUIRED UNDERWRITTEN NCF (MANUFACTURED HOUSING COMMUNITY)		
Item	Function	Description
CALCULATION OF NET RENTAL INCOME		
1		GROSS RENTAL INCOME ¹ – actual MH Site rents in place where Manufactured Homes are installed under leases with residents in occupancy, plus market rents for vacant MH Sites and MH Sites with vacant Manufactured Homes based on a current rent roll (multiplied by 12).



REQUIRED UNDERWRITTEN NCF (MANUFACTURED HOUSING COMMUNITY)		
Item	Function	Description
2	PLUS	To the extent deducted as an operating expense, MH Site rents for other non-revenue MH Sites, such as: <ul style="list-style-type: none"> • MH Sites with model Manufactured Homes deducted in the “model apartment” operating expense in the “general and administrative” category; and • actual MH Site rent from employee Manufactured Homes deducted in the “employee” operating expense in the “payroll and benefits” category.
	EQUALS	GROSS POTENTIAL RENT (GPR)
3	MINUS	Physical vacancy ² – <ul style="list-style-type: none"> • market rents for vacant MH Sites based on a current rent roll (multiplied by 12); and • net rental collections for occupied MH Sites where the Manufactured Home is vacant, and the MH Site rent is paid by the MH Community owner, prior occupants, or a third party (e.g., a retail creditor).
4	MINUS	Concessions – the aggregate amount of forgone residential rental income from incentives granted to tenants for signing leases, such as free rent for 1 or more months, move-in allowance, etc. ²
5	MINUS	Bad debt – the aggregate amount of unpaid rental income determined to be uncollectable, including any adjustments to other income for bad debt. ²
	EQUALS	NET RENTAL INCOME (NRI) ^{3,4}
<p>1 Includes the MH Site rent for any Affiliate-Owned Manufactured Home or Borrower-owned Manufactured Homes, but excludes the rent (or that portion of the rent) for the Manufactured Home.</p> <p>2 The total of Items 3, 4, and 5 must equal the greater of</p> <ul style="list-style-type: none"> • the difference between the trailing 3-month net rental collections (annualized) and GPR, or • 5% of GPR. <p>If a rent increase with verified actual collections was instituted within the trailing 3 months, then NRI may be calculated based on the trailing 1-month net rental collections (annualized).</p> <p>3 If NRI is greater than the trailing 1-month of actual NRI (annualized), then reduce to actual NRI.</p> <p>4 You must assess any decline in NRI per Part II, Chapter 2: Valuation and Income, Section 202: Income Analysis, and adjust Underwritten NRI as required.</p>		



**REQUIRED UNDERWRITTEN NCF
(MANUFACTURED HOUSING COMMUNITY)**

Item	Function	Description
CALCULATION OF OTHER INCOME		
6	PLUS	<p>Actual other income generated through ongoing operations. The income must:</p> <ul style="list-style-type: none"> • be stable; • be common in the market; • exclude one-time extraordinary non-recurring items; and • be supported by prior years. <p>You must assess the individual month's other income within the prior full-year operating statement or, at a minimum, an operating statement covering at least the trailing 6 months (annualized).</p> <p>If there are fluctuations, you may use other income that exceeds the trailing 3-month other income (annualized), provided it does not exceed the highest 1-month other income used in the trailing 3-month other income calculation.</p>
7	PLUS	<p>For RV Sites with lease terms of 30 days or more, the lesser of</p> <ul style="list-style-type: none"> • actual average net collections for the past 3 years, or • the current trailing 12-month RV Site rents, minus a 10% vacancy.⁵
CALCULATION OF COMMERCIAL INCOME⁶		
8	PLUS	Actual income from leased and occupied commercial space per Part II, Chapter 1: Attributes and Characteristics, Section 108: Commercial Leases .
9	PLUS	Actual average RV Site rental income for RV Sites with lease terms of less than 30 days.
10	PLUS	Actual MH Site rental income for Manufactured Homes that predate the Manufactured Home HUD Code .
11	MINUS	10% of the actual commercial space income (total of Items 8, 9, and 10).
12	PLUS	Commercial parking income (e.g., public parking) that does not exceed actual trailing 12-month collections. ⁶



REQUIRED UNDERWRITTEN NCF (MANUFACTURED HOUSING COMMUNITY)		
Item	Function	Description
<p>5 If the average RV Site rental income for RV Sites with lease terms of 30 days or more is greater than 20% of EGI, then reduce to 20% of EGI.</p> <p>6 If net commercial income is greater than 10% of EGI, then reduce to 10% of EGI. Additionally, total RV Site income from Items 7 and 9 (less 10% vacancy) cannot exceed 20% of EGI.</p>		
13	PLUS	Laundry and, vending, parking, and all other income per Part II, Chapter 2: Valuation and Income, Section 202: Income Analysis .
	EQUALS	EFFECTIVE GROSS INCOME (EGI)
CALCULATION OF OPERATING EXPENSES		
14	MINUS	<p>Line-by-line stabilized operating expenses. Stabilized operating expenses are the expenses during normal ongoing Property operations, not affected by a</p> <ul style="list-style-type: none"> • lease-up, • rehabilitation, or • other short-term positive or negative factors. <p>Non-recurring, extraordinary operating expenses must not be included.</p> <p>You must assess:</p> <ul style="list-style-type: none"> • past operating history; • the appraiser's expense analysis; • all information available to you (including Property contracts, utility bills, real estate tax assessments, insurance policies, and comparable assets); and • the Borrower's budget (in the case of an acquisition). <p>You must:</p> <ul style="list-style-type: none"> • analyze historical operations at the Property; and • apply an appropriate increase over the prior year's operations in determining an estimate.
15	MINUS	<p>Property management fee equal to the greatest of:</p> <ul style="list-style-type: none"> • 3% of EGI; • actual property management fee (exclude any portion of a non-arm's length property management fee that is subordinated to the Mortgage Loan); or • market property management fee.



REQUIRED UNDERWRITTEN NCF (MANUFACTURED HOUSING COMMUNITY)		
Item	Function	Description
16	MINUS	<p>Real estate taxes based on the greatest of:</p> <ul style="list-style-type: none"> • actual future tax bill(s) covering a full calendar year; • prior full year's taxes multiplied by 103% (the 3% trending is not required for trailing 12-month or year-to-date annualized expenses); or • in California, the sum of: <ul style="list-style-type: none"> - any special assessments; plus - the millage rate multiplied by the greater of the <ul style="list-style-type: none"> ▪ Mortgage Loan amount, or ▪ assessed value. <p>You must:</p> <ul style="list-style-type: none"> • consider any automatic reassessment upon acquisition in the next 12-month period; • include ad valorem taxes for Borrower-owned Manufactured Homes; and • for any tax abatement, exemption, deferral, or PILOT expiring within 36 months after the Mortgage Loan Origination Date, underwrite fully assessed real estate taxes. <p>If the Property has real estate tax abatements, exemptions, deferrals, or PILOTs, they must:</p> <ul style="list-style-type: none"> • be in effect at closing, per written documentation from the state or local tax assessor; and • survive a foreclosure on the Mortgage Loan such that Fannie Mae or a subsequent owner will retain the abatement, exemption, deferral, or PILOT (i.e., it is tied to the Property and not the owner). <p>If the timeframe for the real estate tax abatement, exemption, deferral, or PILOT is shorter than the Mortgage Loan term, or begins phasing out or expires within 5 years after the Maturity Date, you must consider:</p> <ul style="list-style-type: none"> • a Bifurcated Mortgage Loan structure (i.e., 2 notes secured by a single first Lien Security Instrument); • an amortization schedule that accommodates the elimination of the abatement; or • providing clear justification and support in the refinance analysis.



REQUIRED UNDERWRITTEN NCF (MANUFACTURED HOUSING COMMUNITY)		
Item	Function	Description
17	MINUS	Insurance equal to: <ul style="list-style-type: none"> • the quoted expense, for insurance policies with a bona fide written quote from a reputable broker for a new 12-month policy; or • 110% of the current expense, for insurance policies with a remaining term less than 6 months.
18	MINUS	Utilities, water and sewer, repairs and maintenance, payroll and benefits, advertising and marketing, professional fees, general and administrative, ground rent, and all other expenses per Part II, Chapter 2: Valuation and Income, Section 202: Income Analysis.
	EQUALS	UNDERWRITTEN NET OPERATING INCOME (UNDERWRITTEN NOI)
19	MINUS	Replacement Reserve expense per Part II, Chapter 4: Inspections and Reserves, Section 404: Replacement Reserve, with a minimum annual amount of \$25 per MH Site.
	EQUALS	UNDERWRITTEN NCF

Section 607

Replacement Reserve

Requirements

If the Replacement Reserve determined by the Property Condition Assessment is more than \$75 per MH Site, full funding of the Replacement Reserve is required per Part II, Chapter 4: Inspections and Reserves, Section 404: Replacement Reserve.