

## Fannie Mae Launches MH Select™ Initiative Provides Financing on Par with Site-Built

William L. Wilson, Jr.

Director, Manufactured Housing Strategy, Fannie Mae

With traditional housing markets still working through the most serious disruption to the housing and mortgage markets in decades, this could be a banner year for manufactured housing.

Manufactured housing has always provided an affordable option for home buyers but often at a higher financing cost than site-built housing. Now buyers have more affordable financing options with a new initiative developed by Fannie Mae in collaboration with the Manufactured Housing Institute (MHI) and other industry leaders.

The initiative, known as MH Select™, allows lenders to offer loan terms for new manufactured homes on par with financing for site-built homes. Manufacturers who build and sell MH Select™ homes commit to high standards of design and service. The homes financed as part of the MH Select™ initiative must be titled as real estate and have a minimum of 1,200 square feet. They must be comparable to existing homes in the

neighborhood, with a garage or carport and landscaping consistent with the surrounding area. The homes will also have upgraded appliances and drywall interior walls and ceilings. These and other standards will help assure buyers and lenders that their investment is secure.

MHI Chairman Barry McCabe, is a big fan. “American home buyers will be the real beneficiaries of this collaboration,” he says. “Homes financed through MH Select™ provide better than site-built quality and design at lower-than-site built prices with mortgage rates comparable to conventional. What’s not to like?”

Nearly all MHI member manufacturers have indicated their intent to participate in the program. Kevin Clayton, CEO of Clayton Homes, calls the MH Select™ initiative “an excellent and much needed move for affordable housing.”

“This industry can deliver higher quality with superior aesthetics at a more affordable price than site-built.” Clayton says. “Leveling the financing when this is achieved unleashes this important option for consumers.”

**Manufacturers who participate in MH Select™ agree to:**

- build homes that fit specified design criteria,
- provide a five-year extended warranty,
- obtain a post-installation inspection from a third-party inspector,

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- accept additional responsibilities to the home buyers in the event the dealer/retailer does not fulfill them.

CIS Financial is one of the lenders now offering MH Select™ mortgage loans. CIS President Paula Reeves said MH Select™ provides buyers with “the same advantages of the site-built home buyer in regards to rates, appraisals, and loan requirements.”

Fannie Mae has invested in manufactured housing mortgage loans for more than 25 years to support its affordable housing mission and because it's good business. Manufactured housing has provided an affordable path to homeownership for millions of Americans. Manufactured homes accounted for more than one-sixth of the total growth in homeownership between 1993 and 1999. Yet much of that homeownership growth was fueled by lax underwriting standards that led to loan approvals for too many manufactured home buyers who were unprepared for ownership. As a result, the foreclosure rate rose rapidly during the period and many lenders stopped originating manufactured home loans.

The lending capacity of the industry contracted quickly and severely, causing many manufacturers to leave the market. Shipments declined from a peak of 348,100 in 1999 to the 40-year lows of recent years. In late 2006, MHI saw the opportunity to bring Fannie Mae and key manufacturers together to address disparities in lending and help revitalize the industry.

“Working with MHI and other industry leaders to offer MH Select™ is a great fit,” says Harold Lewis, Senior Vice President, Specialty Lending at Fannie Mae. “It helps us provide liquidity to the home finance market and support affordable homeownership opportunities, both mission goals for us.”

After a year of collaborative development, MH Select™ rolls out at a fortuitous time. The subprime fallout has

forced a return to traditional underwriting standards—standards Fannie Mae never abandoned—and manufactured housing stands to regain a sizable share of the affordable market.

**Demographic trends also support optimism about a market rebound:**

- Legal immigration created more than 40 percent of new households between

2000 and 2005. In California, New York, New Jersey, and Florida, at least one in five recent home buyers is an immigrant. The continuing surge of new legal immigrants will likely create 3.6 million new households through 2015.

- Baby Boomers are in the market for second homes. The Harvard Joint

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Center for Housing Studies estimates that about 500,000 “Boomer” households will buy second homes in the next eight years. Retirees looking to downsize offer another strong market for manufactured homes.

- Echo Boomers—people born between 1985 and 2004—are a cohort almost as large as the Baby Boomers. The oldest Echo Boomers are just now entering the labor force and forming households. Over the next decade, they will feed the demand for housing.

The nation will need more homes for the 19 million new households predicted over the next 15 years, and working families will need flexible, affordable lending so they can share in the benefits of homeownership. As the Center for Responsible Lending reported last March, “History has shown that borrowers with lower incomes or blemished credit can be successful homeowners when given suitable mortgages with reasonable terms and fees.”

With MH Select™, buyers of manufactured homes can feel confident about superior housing quality, financing on par with financing for site-built homes, and the reassurance that comes from greater accountability by manufacturers and retailers. Despite today’s uncertain mortgage market, manufacturers and retailers know that mortgage financing will be available through Fannie Mae and its lender partners.

As long as participants throughout industry do their part, Barry McCabe is optimistic about the impact of MH Select™. “We’re confident MH Select™ is structured as a win-win for consumers, Fannie Mae, and the industry,” he says.

Specific information about the financing flexibility offered by MH Select™ is available on Fannie Mae’s website at [www.efanniemae.com](http://www.efanniemae.com). ■

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