



Multifamily Mortgage Business Lender Memo 19-01

January 18, 2019

To: Multifamily Lenders

From: Michele Evans, Senior Vice President and Chief Operating Officer, Multifamily Mortgage Business

Subject: Manufactured Housing Community (MHC) Pricing or Reimbursement Incentives for Non-Profit Borrowers or MHCs with Tenant Site Lease Protections

HIGHLIGHTS

Effective January 22, 2019, Fannie Mae will offer new pricing incentives and reimbursement for the cost of third-party reports for:

- Non-profit MHC Borrowers; or
- MHCs that implement required tenant Site Lease protections.

Pricing and Reimbursement Incentives

Fannie Mae will offer reduced pricing for Mortgage Loans secured by an MHC where either the Borrower:

- is a non-profit entity; or
- will implement the required tenant protections in at least 25% of the Site Leases by the Mortgage loan Origination Date.

The Lender may apply a single pricing reduction for a Mortgage Loan based on either its non-profit status or its tenant Site Lease protections.

In addition, see the Reimbursement of Third-Party Report Costs section below to determine the eligibility and process for Fannie Mae to reimburse the cost of third-party reports for qualifying MHC Mortgage Loans.

Non-Profit MHC Borrower

If the MHC is owned by a non-profit entity and meets the requirements for a Borrower, Key Principals, and Principals in Part IIIA, Chapter 4 of the Multifamily Selling and Servicing Guide (Guide), the Lender is delegated the authority to reduce both the Guaranty Fee and the Servicing Fee by 7.5 basis points.

Tenant Site Lease Protections

1. Required Tenant Site Lease Protections

To qualify for a pricing reduction, the Borrower must implement all of the following tenant Site Lease protections at the MHC:

- 1-year renewable Site Lease term, unless good cause exists for nonrenewal;
- minimum 30-day written notice of rent increases;



- 5-day grace period for rent payments, and tenant's right to cure defaults on nonpayment of Site Lease rent; and
- tenant's right to:
 - sell the manufactured home without having to first relocate it out of the community;
 - sublease the manufactured home or assign the Site Lease to a buyer, provided the buyer meets the minimum MHC rules, regulations, and credit quality for financing consistent in the market;
 - post "for sale" signs on the manufactured home, provided the signage complies with the MHC rules and regulations;
 - sell the manufactured home in place within 45 days after eviction; and
 - receive at least 60 days advance notice of any planned sale or closure of the MHC.

2. Pricing Reduction

The Lender is delegated the authority to reduce both the Guaranty Fee and Servicing Fee by:

- 7.5 basis points if at least 50% of the Site Leases incorporate the required tenant protections; or
- 5.0 basis points if at least 25% of the Site Leases incorporate the required tenant protections.

3. Process

To obtain a pricing reduction for implementing the required tenant protections for the specified percentage of Site Leases, the Lender must:

- receive a signed Borrower Commitment:
 - certifying whether 25% or 50% of the Site Leases will incorporate all of the required tenant protections; and
 - informing the Borrower that the Gross Note Rate will be increased by the applicable pricing incentive if all of the required tenant protections are not implemented for the specified percentage of Site Leases by the Mortgage Loan Origination Date;
- enter into a Rate Lock with the Borrower and inform the Investor and the Multifamily Trading Desk that:
 - the MHC will incorporate all of the required tenant Site Lease protections; and
 - confirmation of the specified percentage of Site Leases containing all of the required tenant protections will not be completed until the Mortgage Loan Origination Date;
- include in the Loan Documents:
 - a Borrower representation in the Multifamily Loan Agreement stating the actual percentage of Site Leases in the MHC that incorporate the required tenant protections;
 - a Borrower covenant in the Multifamily Loan Agreement that the specified percentage of Site Leases (i.e., 25% or 50%) will include all of the required tenant protections over the entire Mortgage Loan term;
 - a Borrower requirement in the Multifamily Loan Agreement to annually submit to the Lender:
 - a certified copy of the Rules and Regulations currently in effect at the MHC;



- a certified copy of the current form of Residential Leases for Sites;
 - copies of any actual Residential Leases for Sites requested by Lender; and
 - a certification of the actual percentage of Site Leases that include all of the required tenant protections, and that no material changes have been made to the Rules and Regulations or to the form of the Residential Lease.
- a Guaranty (Payment) (Form 6020) from the Key Principal, guarantying the repayment (not to exceed 10% of the Mortgage Loan amount) of all pricing incentives, rebates, and fees provided by the Lender if the Borrower fails to maintain the specified percentage of Site Leases with all of the required tenant protections;
- include in the Transaction Approval Memo and underwriting spreadsheets all details regarding how the Rate Lock Amount was calculated, including any change to the Guaranty Fee and Servicing Fee if the MHC Mortgage Loan failed to achieve the specified percentage of Site Leases with all of the required tenant protections; and
 - determine that the MHC meets the specified percentage of Site Leases with all of the required tenant protections (i.e., 25% or 50%). If the MHC does not meet the specified percentage, the Lender must adjust the Rate Lock, and within 1 Business Day:
 - prior to originating the Mortgage Loan, notify the Fannie Mae Deal Team and:
 - update the Gross Note Rate in the Loan Documents to exclude the pricing reduction; and
 - adjust the Mortgage Loan amount, if applicable; and
 - prior to the Delivery Deadline, submit a data change request in the Multifamily Committing and Delivery system (C&D), as described in Part IVA, Section 305, to:
 - update the Gross Note Rate to exclude the pricing reduction; and
 - adjust the Mortgage Loan amount, if applicable.

4. Asset Management

In addition to reviewing the certified material required to be submitted annually by the Borrower, the Lender must confirm the Borrower's on-going compliance by annually auditing at least one-quarter of the specified percentage of Site Leases (i.e., 25% or 50%) to ensure all of the required tenant protections are included. If the Borrower fails to certify compliance, or the Lease audit discloses potential non-compliance, the Lender must contact Fannie Mae. The Lender's audit results and review of the Borrower's certifications should be maintained in the Servicing File.

Reimbursement of Third-Party Report Costs

1. Eligibility

Notwithstanding the prohibition on Lenders paying third-party expenses as provided in [Part IVA, Section 202](#) of the Guide, the Lender may reimburse the Borrower from the Origination Fee for the cost of any required MHC Mortgage Loan third-party report (e.g., Appraisal, Environmental Phase I Report) up to a maximum of \$10,000 if either the Borrower:

- is a non-profit entity; or
- has implemented the required tenant protections for at least 50% of the Site Leases.



2. Process

Fannie Mae will reimburse the Lender following delivery of the Mortgage Loan. To receive reimbursement for the cost of any third-party report, the Lender 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 of 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);
- manually sign or e-sign Form 4829 and scan or save as a PDF file; and
- email the signed PDF Form 4829 and the third-party report invoice to:
mhc_report_reimbursement@fanniemae.com.

A reimbursement request must be submitted within 1 month of the Mortgage Loan Origination Date. Fannie Mae will reimburse the cost within 2 months after the delivery of the Mortgage Loan.

Effective Date

This Lender Memo is effective January 22, 2019.

Questions

Please contact Jose Villarreal, at jose_g_villarreal@fanniemae.com or (312-368-6219), with any questions.

Associated Documents

On the Effective Date, the revised Form Loan Documents will be available on the Loan Documents page on fanniemae.com.

- Form 6020.MHC – Guaranty (Limited Payment) (Manufactured Housing Community)
- Form 6208 – Modifications to Multifamily Loan and Security Agreement (Manufactured Housing Community) ([Form 6208 blackline](#))