



3900 Wisconsin Avenue, NW
Washington, DC 20016-2892

Date: February 10, 2004

To: All Fannie Mae Sellers

Subject: LL01-04: Negotiated Product Terms for Mortgages Secured by Manufactured Homes

Fannie Mae invests in mortgages secured by manufactured homes as part of our mission to expand affordable housing. Manufactured homes play an important role in providing affordable housing for many low- to moderate-income borrowers, especially in high cost and rural areas.

In June 2003, Fannie Mae reaffirmed its commitment to the manufactured housing market by announcing changes to our requirements for mortgages secured by manufactured homes. Announcement 03-06 restated existing requirements and incorporated new requirements related to the definition of a manufactured home, identification of loans, property eligibility, mortgage eligibility, underwriting, pricing adjustments, appraisal requirements, and servicing. In addition, for the first time we provided guidance on the titling of manufactured homes as real property. Those requirements took effect for all mortgages secured by manufactured homes sold to Fannie Mae with application dates on or after August 24, 2003.

In Announcement 03-06, we acknowledged that there are differences between the origination and servicing of mortgages secured by manufactured homes and mortgages secured by site-built homes. We also stated that lenders must have the requisite level of expertise to understand the property, titling, appraisal, and servicing issues associated with this product. With the release of Announcement 03-06, we committed to work with lenders and industry participants on origination and servicing practices within the manufactured housing industry to address any issues that may adversely affect buyers of manufactured homes and investors in mortgages secured by manufactured homes.

As part of Fannie Mae's continuing effort to support manufactured housing, we are offering a 30-year, 95 percent loan-to-value mortgage option for borrowers purchasing manufactured homes through lenders that have demonstrated expertise in the areas of underwriting, titling, appraising, and servicing mortgages secured by manufactured homes. Some lenders have developed "best practices," which include measures that help ensure that consumers purchasing a manufactured home do not pay more for the home than what it is worth. Other lenders have implemented additional processes and procedures, such as close monitoring of the origination, underwriting, appraisal, titling, and servicing of mortgages secured by manufactured homes, which have resulted in better loan performance. We believe lenders that employ these types of additional measures to mitigate the risks associated with lending on mortgages secured by manufactured homes are good candidates to offer a 30-year, 95 percent loan-to-value mortgage.

To this end, we are proactively working with several lenders that possess this type of expertise and will partner with them on a negotiated basis to deliver 30-year, 95 percent loan-to-value mortgages secured by manufactured homes. We believe that the efforts described herein are important steps in our commitment to work with lenders and industry partners to find ways to share “best practices” and to increase the availability of affordable housing financing options for low- to moderate-income borrowers while mitigating the unique risks associated with higher loan-to-value, longer term mortgages secured by manufactured homes.

We will work on a negotiated basis with other lenders that have implemented similar measures to better manage the risks associated with the origination, underwriting, appraisal, titling, and servicing of mortgages secured by manufactured homes. Lenders that possess this type of expertise and are interested in delivering 30-year, 95 percent loan-to-value mortgages secured by manufactured homes to Fannie Mae should contact their Customer Account Manager for consideration.

Pamela S. Johnson
Senior Vice President