Commercial Real Estate

Manufactured home community financing handbook

By Tony Petosa, Nick Bertino, Erik Edwards, and Matt Herskowitz

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Fourteenth Edition | Second quarter, 2020

About the authors

Tony Petosa, Nick Bertino, Erik Edwards, and Matt Herskowitz specialize in financing multifamily properties — manufactured home communities (MHC) and apartments — for Wells Fargo Multifamily Capital. They have more than 80 years of combined experience in the industry, and are active in numerous trade associations and advisory councils advocating expanded lending opportunities within the MHC sector.

Wells Fargo offers Freddie Mac (Freddie), Fannie Mae (FNMA), conduit, balance sheet, and correspondent lending programs. Since 2000, Wells Fargo has originated more than $13 billion in financing within the MHC sector. Wells Fargo was named Community Lender of the Year (12 years in a row) by the Manufactured Housing Institute, has been #1 in total loan volume origination since 2000 according to George Allen's annual National Registry of Landlease Community Lenders, and has been the #1 commercial real estate lender in the U.S. since 2009 according to the Mortgage Bankers Association (MBA).

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We would like to extend a special thanks to Eric Enloe and Scott Belsky of JLL Valuation for contributing the article in Section 3 "Valuation Trends in the Manufactured Housing Community / RV Resort Industry."

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Preface

We published our first edition of this Handbook in 2006 at the suggestion of and with encouragement from George Allen, CPM Emeritus, MHM-Master. After being regular contributors of articles for George's newsletter and other trade publications, George made the observation that a Handbook with periodic updates would be a useful resource that both educates and promotes our lending activities. For this inspiration we once again thank George.

Our goal is to provide insight on recent lending trends, economic conditions, and underwriting considerations impacting the operations of Manufactured Home Communities (MHCs). Hopefully for our readers this Handbook pulls back the curtain on how lenders and other market participants view the MHC sector. In recent years we have also included additional commentary on the Federal government's role supporting lending programs as part of their mandate to support affordable housing.

Much has changed since our first edition in 2006 (just before the financial crisis). Overall, MHCs have fared very well during various economic cycles and have gone from being an afterthought for many to one of the most in-demand property types for both lenders and investors. While challenges and risks remain we do believe that 2020 will be another strong year for the MHC sector and commercial real estate in general.

— Tony, Nick, Erik, and Matt

Section 1: General information

Lending alternatives

Due to the strong historical performance of MHCs, borrowers have an abundant array of attractive financing options available for acquiring or refinancing MHCs. While the same lending alternatives have been available for several years — the Government Sponsored Enterprises ("GSEs" — Fannie Mae and Freddie Mac) conduit lenders (CMBS), life insurance companies, banks, and debt funds — each lending program offers distinct advantages and disadvantages in underwriting parameters, loan structures, interest rates, closing costs, servicing, and how the lender responds to the whims of the market. The following discussion provides an overview of the current lending environment and alternatives for MHCs and the overall multifamily lending market.

Government Sponsored Enterprises (GSEs)
FNMA and Freddie are the two GSEs that actively lend on MHCs, and both have proven to be reliable sources of financing through numerous market cycles. Fannie Mae saw their MHC lending volume increase dramatically after the 2008 financial crises, and Freddie Mac has also experienced growing market share following their entrance into the MHC lending space in 2014. In 2019, Fannie Mae provided $2.5 billion in MHC financing while Freddie Mac provided $1.4 billion.

FNMA loans are obtained through delegated underwriting and servicing (DUS) lenders who are authorized to underwrite, process, close, and service loans for FNMA. Freddie loans are accessed through a network of correspondent lenders, called Optigo seller/servicers, who perform a similar role as FNMA's DUS lenders. Since FNMA DUS lenders share risk with FNMA, more decisions are delegated to DUS lenders than to Freddie Optigo seller/servicers. In both cases, lenders must qualify to become designated GSE lenders by demonstrating financial strength, underwriting expertise, loan servicing experience, and capacity to generate and handle meaningful loan origination volume. Max leverage for Agency loans are typically sized using 75% – 80% Loan To Value ("LTV") with a minimum 1.25x Debt Service Coverage Ratio ("DSCR").

Both Freddie and FNMA have been responsive to market changes in the MHC sector. For example, both GSEs will finance MHCs having up to (and sometimes more than) 25% park-owned rental homes as a standard underwriting guideline, and they have also demonstrated an increased willingness to lend on well-maintained three-star quality properties in most markets based on solid operating history and professional management. This is consistent with their push in recent years to lend on workforce housing. FNMA and Freddie loans are nonrecourse and typically allow borrowers to apply for a supplemental loan (second trust deed) after the first year of the initial loan term, which is a feature that distinguishes GSEs from commercial mortgage-backed securities (CMBS) lenders whose standard programs prohibit secondary financing.

Both FNMA and Freddie have experienced excellent performance with their MHC loans. Freddie Mac reports no delinquency or losses in the space since they entered in 2014. Fannie Mae's August 2019 market report stated that MHCs had a 0.0% serious delinquency rate across their entire $11.7B MHC portfolio.

The most notable development for the GSEs recently was the lending volume cap structure that the Federal Housing Finance Agency (FHFA) announced in October of 2019. The maximum lending cap for each GSE was set at $100 billion through 2020 with a noteworthy requirement that 37.5% of their total volume be dedicated to "Mission Driven Business" (formerly known as "uncapped" business), which happens to include MHCs. Another important item of note in the FHFA's plan is that "Green Financing" — financing for borrowers who commit to implement certain energy and water efficiencies at their properties — will not fall under the definition of Mission Driven Business. Given that Green Financing accounted for as much as half of the GSE's uncapped business in recent years, we expect the GSEs will have added motive to pursue MHC financing throughout the rest of the year as they will need to fill the void that will be left as a result of the exclusion of Green Financing from Mission Driven Business. As such, MHC borrowers should not be surprised to see interest rate spreads quoted by the GSEs be significantly lower than spreads for conventional multifamily properties.

Commercial Mortgage Backed Securities (CMBS) Lenders
CMBS, or conduit, lenders originate and pool loans that are sold in the capital markets. CMBS loans first gained popularity in the 1990s, filling a void in traditional lending that resulted from the savings and loan (S&L) crisis and the prolonged lending downturn that followed. The CMBS and securitization market provides lenders with liquidity by enabling them to sell their loans and distribute risk across a large pool of investors with different appetites for risk and returns.

The CMBS market went into hibernation during the financial crisis. Higher loan delinquencies during the Great Recession resulted in extensive CMBS bond defaults, making it difficult to attract investors back to the market. In 2010 and 2011, the CMBS market began to reemerge with early transactions benefiting from more reasonable underwriting parameters.

The CMBS industry and the banks which are its core participants are subject to provisions of the Dodd-Frank Act, which was enacted in 2010. It requires lenders to maintain risk in the loans they originate after the loans are securitized by retaining some of the securities in the loan pool. There was much trepidation leading up to the implementation of the CMBS risk-retention rules that went into effect in December 2016. However, the concerns that the requirements would increase spreads did not play out as bond buyers have actually appeared to embrace the risk-retention structure and most prefer lenders having "skin in the game."

CMBS loans are nonrecourse, allowing sponsors to keep contingent liabilities off their books, and typically feature 10-year balloon payments with a 30-year amortization (full-term or partial interest-only may be available for quality properties and low-leverage transactions).

In 2019, CMBS lenders captured their highest total loan volume since the years preceding the 2008 market crash. Most industry experts expect loan volume to remain strong in 2020, but as it relates specifically to MHCs, we don't expect CMBS lending programs to be the first choice for most MHC borrowers, particularly for properties that qualify for GSE financing. CMBS lenders will typically have wider spreads, a more expensive process, and more restrictive loan structures when compared to other lending options. Additionally, their interest rate pricing may be more volatile relative to other lending options as CMBS lenders are more closely tied to movements in the general financial markets. CMBS lenders do, however, like the MHC asset class as it provides diversity to the pools they securitize, and they can often be a good option for MHCs of lower asset quality, MHCs located in tertiary markets, and for properties or borrowers not meeting GSE underwriting guidelines.

If you ultimately choose to move forward with a CMBS lender, it is important to choose one that has demonstrated its dedication and capacity to staying in the CMBS market for the long haul. It is recommended for a borrower to seek a CMBS lender that also offers balance sheet loans just in case a backup option is needed. Finally, it is also beneficial to work with a lender that services its CMBS loans. A few CMBS lenders have taken steps to reduce fees and red tape associated with routine requests as a result of complaints related to the servicing of loans. Top CMBS lenders are cognizant of this backlash and have improved the customer experience.

Life insurance companies (lifecos)

Lifecos have an ongoing need to invest money in long-term, fixed-rate investments, which include commercial real estate loans with defined maturities. Lifecos are portfolio lenders so they tend to not be immediately affected by the day-to-day fluctuations of the capital markets. However, they do respond throughout the year to market conditions, and individual lifecos can become less competitive later in the year as they fill their annual lending allocations. Some lifecos will work directly with borrowers, particularly on larger transactions, but most of their loans are generated through networks of mortgage bankers who may also service the loans they originate.

Historically, lifecos have been more focused on lower loan-to-value (LTV) transactions, but recently we have seen many lifecos demonstrate more willingness to move up the LTV scale. Still, lifecos tend to be more selective on asset quality when assessing MHCs, and they also prefer larger loan transactions (often $10 million or higher). For these reasons, we do not envision lifecos greatly increasing their MHC lending volume in 2020, and instead would expect them to pursue higher quality conventional apartment loans where spreads may be more attractive, particularly given the FHFA's mandate for the GSEs to originate a material portion of their allotted lending volume on affordable multifamily properties. For those MHC owners who do finance their properties through lifecos, they can take advantage of competitively priced fixed-rate long-term debt (up to 30 years) and the ability to lock in the interest rate at the time of loan application. But, in today's low interest environment, most lifecos are implementing interest rate "floors," which often results in an all-in interest rate that is higher than the quoted spread plus the actual index yield.

Banks

When it comes to MHC financing, it can be hit and miss with the banks, and it is difficult to tell at this point whether they will increase their market share in 2020. While some banks have a good understanding of MHCs (i.e. strong credit performance), and will therefore quote aggressive loan terms, others view MHCs as "special purpose" real estate and will only lend on a conservative LTV basis and/or on a short amortization schedule (20 years in some cases). In contrast to the non-recourse lending options provided by the Agencies, CMBS lenders, and lifecos, MHC owners should be prepared to sign personal guarantees on most bank loans, and the personal credit of the borrower will be subject to just as much scrutiny as, if not more than, the performance of the property. Furthermore, we expect most banks to continue to focus on properties located in strong infill markets while shying away from tertiary markets. In fact, regional banks are typically not willing to lend on properties located outside of their retail footprint. One way banks are expected to compete for market share throughout the year is by continuing to offer lower closing costs and more flexible structures in comparison to the other financing options discussed above. For MHC owners that are building their portfolio with smaller properties that may not yet qualify for Agency or CMBS financing, Bank debt may be the only available financing option.

Debt funds

A debt fund is an investment pool in which core holdings are fixed-income investments versus equity investments (stocks). Commercial real estate debt funds rose from the ashes of the financial crisis as investors identified an opportunity to step in and lend at higher rates to fill a liquidity void while banks were temporarily sidelined. Investors were able to realize good returns, especially with the absence of bank competition immediately following the downturn, without the volatility of stocks and with the added security of being in a stronger creditor position on the underlying collateral. They often compete for acquisition loans needing a flexible structure and timely certainty of close.

Debt funds have a higher cost of capital than life insurance companies or banks as their money comes from investors with appetites for higher returns who are also willing to accept higher risk by relying on the funds' asset management capabilities. Since debt funds are unregulated, they can often lend on challenging properties or to borrowers with previous credit issues, such as bankruptcies and foreclosures. As a result, debt funds tend to do tougher deals at higher interest rates and with more complex loan structures (reserves, liquidity covenants, etc.) to ensure repayment of the debt.

Many real estate analysts expect the private lending market to play an increased role going forward, particularly financing higher risk projects, such as construction or redevelopment properties. Regulated lenders face additional capital constraints extending these types of loans, providing a competitive advantage to private capital in this segment of the market. Debt funds to date have not played a major role financing MHCs due to competition from traditional lending alternatives and because many debt funds focus on larger transactions.

While it may be intimidating for borrowers to have to assess so many different lending options, remember that this is a good problem to have. As we go to print, U.S. Treasury yield have reached several all-time lows. Given the combination of historically low interest rates, high property values, strong occupancies, increasing rents, and multiple lenders to choose from, we can't think of a better environment in which to be financing an MHC.

A framework for assessing loan alternatives

Because you likely have multiple lending options, it is important to have a clear vision of your investment goals and to formulate a general business plan before moving forward on a loan. After providing a preliminary quote, most lenders issue an application to the borrower. The application includes a summary of terms and underwriting assumptions.

When this application is returned to the lender, it will require a good faith deposit to cover closing costs, such as third- party reports. Therefore, you should assess your alternatives before selecting a lender and returning its application along with deposit.

This process should include an analysis of the advantages and disadvantages of various loan alternatives and how they match up with your priorities.

When determining investment goals, contemplate the following questions:

- Am I comfortable with personal recourse, or is it a nonstarter?
- What do I want to achieve five and 10 years from now? For example, pay down debt or borrow additional money based on an increase in value?
- What is my likelihood of selling the property during these time frames?
- Am I comfortable taking interest-rate risk with an adjustable-rate loan, or would I prefer to lock in a long-term interest rate?

The answers to these questions will help determine what type of loan is appropriate.

Many lenders offer both floating-rate and fixed-rate loan programs. There is usually an inherent trade-off between floating- and fixed-rate programs. While some floating-rate programs offer interest rate caps or are fixed for a period of one to five years, there still exists the risk of an interest-rate increase in the future. The major advantage of floating-rate loans is that they often offer lower starting interest rates than fixed-rate loans, but many lenders add interest rate floors to their floating-rate loans, which diminish this advantage. Typically, floating-rate loans have the advantage of lower prepayment penalties when compared to fixed-rate loans.

Fixed-rate loans lock in an interest rate for a specific period of time, and have been an attractive option in recent years because of favorable treasury rates. Treasury rates, or yields, are the most common benchmark used to determine fixed-term interest rates, and treasury yields have been at or near historic lows in recent years, even when taking into account the increase in treasury yields we experienced in the fourth quarter of 2018. Longer-term fixed-rate loans also enable an owner or investor to lock in his or her cost of capital for an extended period.

To achieve the lowest fixed rate, however, lenders typically need to structure fixed-rate loans with prepayment penalties that are usually more onerous than the prepayment provisions found on floating-rate loans. Prepayment penalties are, in part, the result of the lender needing to fix or "match fund," the cost of capital for the entire loan term. While some fixed-rate loan programs offer a defined prepayment penalty, usually as a percentage of principal balance, the lowest fixed rates are usually achieved through a yield maintenance or defeasance type of prepayment penalty.

The actual amount of a yield maintenance penalty is a function of the rate on the loan being paid off and treasury yields at the time the loan is prepaid, as well as the remaining loan term and balance at the time of prepayment. As a general statement,

yield maintenance prepayment penalties are minimized if rates have increased since the time the loan was originated and are typically very large when a loan is paid off in the early years of the loan term. It is important to note that most loans offer an assumption provision, and a low fixed-rate loan can be attractive to a future buyer, as long as the loan amount is relatively high

in proportion to a property's value. Since a fixed-rate loan typically has an open prepayment window near the end of the loan term, many borrowers also match the fixed-loan term to the anticipated holding period for the property.

Another important consideration in the past has been selecting the type of loan. CMBS loans usually offer high leverage and attractive rates, but are generally less flexible than portfolio loans. Conduit loans remain an alternative to consider, particularly for properties or borrowers who do not qualify for or want a portfolio or GSE loan.

In an attempt to avoid the mistakes of the past, conduit lenders focus more heavily on escrows for replacements (and re-tenanting in the case of commercial projects), and often have

a requirement of "cash management" if debt coverage deteriorates to a defined level. Many full leverage conduit loans require "cash management" from day one as a condition for closing the loan.

A portfolio loan, by definition, is held by a lender on its balance sheet during the loan term. These loans are typically originated by banks, credit unions, and life insurance companies. Conduit loans, by contrast, are intended to be held by a lender for a short period, ideally less than three months, and are then securitized

— sold to bond investors. A portfolio or balance sheet lender can more readily modify certain aspects of a loan during the term should the need arise. However, there is no guarantee that a lender will agree to modify a loan in the future, and with fixed-rate loans, the lender may not be able to change the prepayment penalty for reasons discussed above.

A common disadvantage of portfolio loans is that the interest rates are typically higher, particularly on longer-term fixed-rate structures, and LTVs can be lower because of the use of more conservative underwriting parameters. Additionally, portfolio lenders may have more restrictive requirements related to the borrower's experience, as well as the quality and location of the property. Many portfolio lenders still have a perception of MHCs as "special purpose" properties and consequently may only lend on them on a conservative basis. Also, many portfolio lenders will require a personal guarantee from key principals of the property's ownership group.

Lastly, the GSE programs, which comprise close to half of the overall multifamily market, are the dominant lending source in the MHC sector. From the outset, the GSE programs offered attractive and dependable terms primarily because of the favorable capital and market access available to them. Seeing the success that FNMA experienced in lending to MHCs, Freddie tried to move into the MHC lending arena for several years, ultimately receiving regulatory approval in 2014 to lend on MHCs. Today, both FNMA and Freddie Mac provide attractive financing options to MHC owners. Both remain committed to the sector in response to their regulator's mandate to address manufactured housing as one of the three identified underserved markets in the country. For additional detail pertaining to FNMA and Freddie's Duty to Serve mandate, please refer to Section 3 of this handbook.

Fannie Mae and Freddie Mac: An inside look

FNMA and Freddie Mac continue to be the dominant lending sources for multifamily and MHC properties. In October 2019, the FHFA announced new lending caps of $100 billion for each GSE with the requirement that 37.5% of their business be "Mission Driven Business," and MHCs are defined as one of the property types that falls under the Mission Driven Business categorization.

Because the GSEs will likely be the preferred financing option for many multifamily borrowers, it is important for MHC owners to be familiar with the background and requirements of each GSE.

Fannie Mae
Initiated in 1988, the FNMA DUS program provides approved lenders the ability to originate and subsequently sell loans on multifamily properties, usually in the form of a mortgage-backed security (MBS). The MBS is purchased by investors at a low yield because the security is guaranteed by FNMA. The loan origination and closing process can be completed by the DUS lender without FNMA's involvement, as long as the collateral and borrowers meet established underwriting and pricing guidelines. MHCs were added as an eligible FNMA property type in 1999 when a pilot lending program was launched. FNMA currently works with 25 DUS lenders, but only a few of these lenders originate the bulk of the loans on MHCs.
DUS lenders typically service the loans they originate and retain a risk position through a loss-sharing formula with FNMA. As

mentioned above, a DUS loan can be closed with little to no interaction with FNMA if the established lender guidelines are met.

FNMA DUS loans offer an assortment of financing structures. and attractive pricing for both age-restricted and all-age MHCs. Borrowers have the ability to obtain a loan with defined fixed-rate terms between five and 30 years and typically amortized more than 30 years with a period of interest-only payments sometimes being available. In addition to fixed-rate terms, FNMA also offers adjustable-rate programs.

If you believe an FNMA loan may be a consideration for you, first determine whether your property is eligible based on FNMA's underwriting guidelines. While the entirety of FNMA's guidelines is too extensive to list here, some MHC requirements worth noting are as follows:

- Physical occupancy of at least 85% and economic occupancy of at least 80% (lower occupancies will be considered based on history and business plan to increase)
- Professional skirting with home hitches covered/ removed
- Paved roads and driveways. Off street parking preferred
- Majority of the property, including the entrance, is not located in a flood zone
- Amenity package is not required, but must be common in the marketplace

If a property does not meet all of the guidelines, it does not necessarily preclude the property from qualifying for an FNMA loan, but it does require the DUS lender to obtain a waiver from FNMA. This is achieved by successfully presenting compensating factors. The maximum loan-to-value (LTV) ratio on a standard FNMA loan is up to 80% on acquisitions and noncash-out refinances and 75% on cash-out refinances. The minimum debt service coverage ratio (DSCR) required is typically 1.25 times. However, underwriting requirements can vary in particular markets.

FNMA loans are nonrecourse with standard recourse carve-outs usually to the key principals for actions, such as fraud or unauthorized transfer of controlling interests. For lower leverage loans, most of the carveouts do not apply to the key principals.

Loans are assumable (multiple times), subject to approval of the new borrower's credit and experience. Secondary or "supplemental" financing, which many find to be an attractive feature of the program, is available after the first year of the loan term. When a supplemental loan is obtained, the term is typically coterminous with the first mortgage, and the interest rate on the "supplemental" loan is based on the then-prevailing FNMA rates for supplemental loans.

Freddie Mac (Optigo)

As previously mentioned, Freddie announced its entrance into MHC financing at the MHI National Congress in April 2014, in Las Vegas. The entry of Freddie Mac into the sector materially changed the competitive landscape resulting in more aggressive overall loan terms for MHCs, including more relaxed guidelines to qualify. Freddie closed its first MHC loan in July 2014, and closed approximately $1 billion of MHC loans by the end of 2015. Over the past three years, Freddie has closed roughly $4.3 billion in MHC financing..

Freddie originates multifamily loans through a network of 22 lenders known as Optigo Lenders. Freddie Mac does not fully delegate any of its processes to its Optigo Lenders and is more actively involved in the quoting and closing process than FNMA.

Freddie securitizes all of its MHC loans — putting approximately 5% MHC loans into each of its securitizations. Freddie provides both fixed- and floating-rate loans with terms from five to 10 years, but in 2017 they also began offering more routinely longer-term fixed structures, such as 12- and 15-year terms. Freddie Mac has similar property and MHC requirements as referenced above for Fannie Mae.

Freddie offers an "index lock" to qualified borrowers shortly after execution of a loan application designed to eliminate the volatility of the interest rate by locking in the treasury index. In order to take advantage of this option, the borrower is required to provide a 2% index lock deposit, which is refundable at loan closing. After index lock and before closing, the loan amount can move 5% up or down without any unwinding cost. Unlike CMBS loans, there are no margin calls if rates decline and the hedge is then in a loss position. Check the specific index lock agreement document, but typically the worst-case scenario when a loan is rate- locked and does not close is that the maximum liquid damages the borrower will suffer in the Freddie program are limited to the 2% deposit.

Freddie Mac loans are also nonrecourse with standard recourse carveouts usually to the key principals for actions, such as fraud or unauthorized transfers of controlling ownership interests. For lower leverage loans, it may be possible to waive the requirement of a carveout guarantor, but this is easier to achieve after a borrower has already closed a loan with Freddie. Loans are assumable and Freddie also offers a secondary, or "supplemental," financing program. Freddie has also demonstrated a willingness to quote 80% LTVs for MHCs on a case-by-case basis. This is based in part on the solid performance that they have experienced so far with their MHC portfolio.

Even if you do not borrow from Freddie or FNMA, their lending on MHCs has provided more lending alternatives for borrowers and increased competition among lenders. The result has been better financing terms for MHC owners on a wider range of properties throughout the country.

Fannie Mae and Freddie Mac credit facilities

While most MHC owners are familiar with the standard lending programs offered by Fannie Mae and Freddie Mac, owners of multiple properties may be interested to know that they may also be eligible for another, albeit perhaps lesser known, program offered by both GSEs: the credit facility. The Fannie Mae Credit Facility and Freddie Mac Revolving Credit Facility can provide borrowers with flexibility and diversification along with attractive pricing and leverage. But there are differences between each GSE's credit facility that borrowers should be aware of so they can properly evaluate which program will ultimately be the best fit for their business plan.

Fannie Mae Credit Facility

The Fannie Mae Credit Facility has a minimum initial advance size of approximately $100 million with unlimited expansion capabilities. The term of the credit facility can be up to 15 years, and it allows for staggered loan maturities of five to 15 years. The facility can be structured entirely as fixed rate, floating-rate, or a mixture of both fixed and floating rate. Any floating rate advances generally require the purchase of an interest rate cap or other hedging instrument, and can be converted to fixed rate during the term of the facility. In addition to being able to stagger the maturities of the loans within the facility, by choosing a mix of fixed- and floating-rate loans a borrower can also diversify the prepayment penalty structure of the facility to include yield maintenance, declining prepay penalties, and fixed prepayment penalty schedules.

The parameters of the credit facility can be up to 75% – 80% LTV with a minimum DSCR of 1.20x to 1.25x depending on property type. These underwriting parameters are set at both the facility, or "pool," level and individual property level. The facility allows for multiple property types, including MHCs and apartments.

Interest-only and amortizing structures can be available based on property and pool performance. Furthermore, the facility allows for future additions, substitutions, and borrow-ups. Borrow-ups differ from standard supplemental loans in that they receive first lien pricing. No rebalancing of the facility is required, and there are no unused capacity fees. Just as is the case with the standard Fannie Mae MHC loan program, the Fannie Mae Credit Facility is nonrecourse with standard carveouts.

While the properties are underwritten on an individual basis, they are cross-collateralized and cross-defaulted with the facility being governed by a single Master Credit Facility Agreement.

A benefit to this "crossed" structure is that weaker properties (i.e. properties with lower occupancy rates) receive credit enhancement from being crossed with stronger properties, thereby allowing weaker properties to receive more favorable underwriting treatment than they would if they were financed on a standalone basis. Moreover, because the aggregate size of the credit facility is much larger than the average size of the individual loans, the facility typically receives more aggressive interest-rate pricing than a single-property loan transaction. Due to the cross-collateralized nature of the credit facility, common ownership among the properties is preferred.

Freddie Mac Revolving Credit Facility

The Freddie Mac Revolving Credit Facility typically has a minimum size of $100 million with expansion rights of up to 50% of the initial commitment amount. The term is five years and is interest-only with two one-year floating-rate extension options. Fixed- and floating-rate tranches are available, however the fixed-rate tranche cannot be more than 50% of the initial commitment amount and must be established and funded on the first day of the facility. The facility allows borrowers to lock in credit parameters and pricing terms before identifying properties, so it is well suited for borrowers looking to reposition assets on a short-term basis or acquire properties in the future.

The maximum LTV of the Freddie facility is 75% and the minimum DSCR will depend on the property type. Similar to Fannie Mae, property types allowed in the facility can include a mixture of MHCs and apartments. Unlike Fannie Mae, Freddie Mac does not require an interest rate cap on floating-rate debt, but does charge an unused commitment fee, as well as a seasoning fee beginning in the fourth year an asset is in the facility. Within the floating rate tranche, properties in the pool can be released without a fee charged when the property is refinanced with a Freddie Mac securitized product.

Freddie Mac's facility can be either crossed or uncrossed, and there is no minimum occupancy requirement. On a crossed facility, the minimum LTV and DSCR parameters are set at the facility level only, with no limits at the individual property level. On an uncrossed facility, each property is underwritten individually, and must meet minimum LTV and DSCR limits individually. No common ownership is required, which allows for different equity structures, and borrowing entities can be either Single Asset Entities or Single Purpose Entities.

From a big picture perspective, it is important to note that the Freddie Mac Revolving Credit Facility has a shorter term at five to seven years (inclusive of extensions) when compared to the Fannie Mae Credit Facility, which has a term of up to 15 years. This is because the Freddie Mac facility is designed to be a feeder into Freddie Mac's standard securitized lending program. This is one of the reasons why Freddie's credit facility does not have a minimum occupancy requirement and can accommodate properties that may be "turnaround" in nature. Fannie Mae's credit facility, having a loan term of up to 15 years, can be utilized as a permanent financing vehicle in and of itself, and is typically better suited for a pool of properties that are already stabilized. Whether a borrower's credit needs are better aligned with the Fannie Mae Credit Facility or Freddie Mac Revolving Credit Facility, it is important to work with a lender who has experience not only with lending on MHCs, but also with closing credit facilities with Fannie Mae and Freddie Mac.

Section 2: Preparation before financing

Preparing your property and information for financing

It is strongly recommended to start the financing process early in case unexpected delays occur. Before contacting a lender, the first step is to assess and prepare the property, your financial information, and your personal information to be submitted for financing. This review should take into account the physical condition of your property, the state of financial records, and market competitiveness of your community. In addition, you should prepare documents that will be needed to underwrite the loan and consider the manner in which information should be presented.

Take a step back and assess the overall asset quality, or curb appeal, of your community. Is the landscaping adequate and well maintained? Are the entrance and signage welcoming? Remember, these are your property's "front doors." Do the homes reflect pride of ownership, and are community regulations being enforced? Is the skirting surrounding the homes intact and in good shape? Is the average age of the homes, density of the community, and amenities in line with competitive properties in the local housing market? If not, be prepared to explain how you compete for residents and plan to sustain occupancy and rental rates going forward. These are all questions a lender will consider when screening a property.

Have a good handle on market conditions and be prepared to identify and comment on the competitive set of properties. Are rents at market when compared to nearby manufactured home communities? What is the general demographic profile of the local housing market, and how does the property successfully compete for new residents?

After assessing the condition of the property and its market, it is likely that there will be some shortcomings. At the very least, have a plan for mitigating potential concerns, particularly if financing an acquisition. For example, perhaps the community being purchased has older homes. The business plan may be to replace or renovate these homes over time. Make the lender aware of your long-term plan, and describe how it will be implemented. If you have been successful completing similar improvements in a community you currently own, draw the lender's attention to that and provide details.

The next step is to evaluate the financial condition of the property. Typically, a lender will ask for a current rent roll along with property operating statements (income and expenses) for the past three years, as well as the most recent 12-month period, ideally broken out by month (commonly referred to as a trailing 12-month statement or "T12"). When examining the rent roll, the lender will likely look for rental, lender-owned, or investor-owned homes in the community. While property owners may be motivated to rent homes, from a lender's perspective, the fewer rental homes, the better. In most cases, the lender will discount additional rental income derived from rental homes and underwrite solely based on the site rent. A correctly structured rent-to-own program is more palatable to lenders than a rental without a path to resident ownership. Since lenders are generally unable to capture as property net operating income (NOI) in their underwriting income and expenses from rental home operations, it is also best practice to identify or remove rental home data, both income and expenses, on the property's operating statements.

Monthly rent collection figures on the trailing 12-month statement will be a key focus. The trend of rental income reflected on the trailing 12-month operating statement has a major effect on a lender's desire to make a loan and the determination of the loan terms. Lenders will want to see rent collections be stable and/or trending upward from month to month. This is especially the case when a recent rent increase has been implemented to verify not only that the higher rent is being collected, but also that it has not caused any residents to move out.

In addition to the income stream from the site rents, lenders will examine the collection history of other income items. It is important that other income items are segregated on the historical statements, meaning separate line items for utility reimbursements, laundry facilities, late fees, and so on, should be detailed. A loan underwriter will try to determine whether these other incomes are sustainable through the foreseeable future. Typically, as long as a good history of collecting ancillary income is demonstrated, lenders will likely include this income in their underwriting.

In the evaluation of the property's historical income and expense statements, identify any large fluctuations in the numbers on either the income or expense side. For example, if there has been a significant increase in annual rental income in recent years, be able to explain why. Did the property experience a high vacancy rate during a recent year and, if so, why? What has been the history of rent increases, and are rents competitive and in line with the market?

You should conduct the same kind of analysis and explanation on the expense side, particularly with respect to expenses that may be unique to your ownership operations. If home office overhead is allocated to the property in lieu of a management fee, be sure to identify that expense, perhaps with a footnote, as a lender will automatically input a management fee even if one is not charged.

While it is common for property owners to expense (for tax purposes) as many items as possible on their operating statements, it benefits the property owner to identify and explain any expenses that are not directly related to the property's ongoing operation. An underwriter only needs to include expenses that the lender would incur if operating the property; therefore, you should provide an itemized breakdown of any capital or nonrecurring expense items that are embedded within the operating statements, such as paving or clubhouse improvements, whenever possible. If identified, the lender can remove these expenditures from the underwritten expenses because it will already be including a replacement reserve deduction for long-term improvements. The goal is to maximize the underwritten net operating income because this will typically translate into higher loan proceeds or a lower interest rate on the loan.

After providing the necessary information on the property, provide a general overview or biography of yourself. What is your background and real estate experience, and how many other properties do you own? What is your financial strength in terms of net worth and liquidity? In general, most lenders want to see that the property owners have a combined net worth equal to or greater than the proposed loan amount and liquidity equal to 10% of that amount. This is not a hard and fast rule, particularly for larger loans more than $10 million, but if you meet these criteria, you are likely to have fewer questions asked about your creditworthiness.

Provide a business plan for the asset being financed. The lender will look at you not only as a borrower but also as a business partner, so outline your plan for operating the asset and demonstrate why the lender should do business with you. The manner in which you present information is an important factor that loan underwriters consider. Computerized and detailed accounting records are always the preference as this presents the borrower as an experienced, professional owner or manager.

Your rent roll should be detailed and accurate, arranged by unit number, no more than one month old, and should have totals and a summary at the end. You will also need to provide a history and current record of any rent delinquencies. Your operating statements should have separate line items for various revenue sources and expense items. It is also helpful to provide recent, good-quality color photos of the property. Loan underwriters prefer to receive information, including property photos, electronically via email. Providing property operating statements in excel format (as opposed to PDF) will help expedite the loan quoting and underwriting process.

By being prepared in advance you will be able torespond to any unexpected needs for financing while at the same time ensuring you are obtaining the best terms available.. In a declining interest rate environment early prepayment can make s economic sense particularly if obtaining higher proceeds or extending the fixed rate term. By providing accurate and detailed information up front, you will facilitate a much smoother loan approval and closing process.

Avoiding common mistakes

You can easily avoid certain mistakes during the financing process with some advance planning. Most of these mistakes can distract from the overall financing goal and cause unnecessary delays in the closing of the loan.

Mistake #1: Not verifying the lender's experience or reputation
Can the lender close on the terms quoted? This is the million-dollar question. While there are no guarantees that the lender will close since unforeseen issues may arise during due diligence, the odds for success are higher if you are working with a lender with a proven track record of closing similar loans on MHCs. If unsure of a lender's track record and ability to close on your loan, ask for several references for examples of the recent comparable transactions the lender has closed.

Mistake #2: Failing to negotiate deal points in the lender's application letter.
It is common for a lender to request an expense deposit before processing a loan to cover transaction costs, such as third-party reports. However, after you determine that you are working with a dependable lender, ensure agreement relative to important loan terms in the application letter before executing the application and sending the required expense deposit.

You should address important deal points before executing a loan application because they will be much more difficult to negotiate once the loan has been approved. It is important to know that most lenders will not acquiesce to all requested changes to the loan application, but at a minimum, you should understand all of the terms and conditions outlined in the application and address any concerns or questions upfront.

Mistake #3: Not engaging an experienced attorney.
Do you think you can close a deal on your own without the services of an attorney? This is unlikely, and generally not advised, even if the lender permits it. At a minimum, attorneys are typically needed to provide the lender with certain opinion letters, and also to ensure final loan documents reflect the terms that have been approved. Above all, do not sign loan documents without an understanding all of the details.

Mistake #4: Waiting to provide checklist items.
Once you begin the financing process, it will benefit everyone if you submit as many closing checklist items as you can (rent rolls, operating statements, personal financial statements, etc.) as quickly as possible. By doing this, the lender can assemble the package needed for committee approval, while waiting for completion of third-party reports. Waiting until the last minute to submit information will cause delays in getting the loan approved, or delay the closing once the loan is approved. With this in mind, it is also important to plan for checklist items that require lead time. For example, check your file to see if there is an existing "as-built" or American Land Title Association survey, which many lenders require as a condition of loan funding. If there is an existing survey, submit it to the lender for review at the beginning of the process. Many times, the lender can use an existing survey with limited updates.

Mistake #5: Failing to review financial information before submitting.
You should review all pertinent personal and property-related financial information closely for accuracy before submitting to the lender. This includes rent rolls, operating statements, and personal financial statements. It is always more difficult to correct mistakes after providing information, particularly if you're arguing for a more favorable result. In addition, even with nonrecourse loans, the key principal has legal and financial exposure for the accuracy of financial information relied upon by the lender.

Mistake #6: Not knowing the terms of your current loan.
If refinancing an existing loan on a property, be sure to understand any payoff conditions or restrictions. The first item to check is whether or not the current loan has a prepayment penalty. Also, check with your existing lender to see if there is a notice provision, or if the existing loan must be paid off on a certain day of the month (some loans, for example, can only be paid off on the final day of the month). The current loan may also have a provision requiring interest to be paid through the end of a given month even if the loan is paid off early in the month, in which case loan funding and closing should be targeted toward month-end.

Mistake #7: Not knowing your property's flood zone designation.
Even if you have previously verified whether or not your property is located in a flood zone, you should recheck before a refinance as the Federal Emergency Management Agency (FEMA) may have completed a review and adjustment of flood zone boundaries since you last checked the flood map for your property. When a property is located in a flood zone, there are alternatives to consider, including a possible letter of map amendment (LOMA) or letter of map revision (LOMR) (discussed in more detail below). In addition, lenders will consider mitigating factors you may want to present that are referenced in the following section.

Key issues for MHC lenders

There are a few key issues that lenders often focus on when determining whether a property should qualify for financing. It is important for MHC owners to not only be aware of these issues, but also to know what approaches may be taken to mitigate the lender's concerns. Some issues that regularly arise include rental homes, home obsolescence, recreational vehicle (RV) income, and flood zones.

Rental homes
Generally speaking, lenders prefer that MHCs have a limited number of rental homes. FNMA and Freddie's standard underwriting guidelines, for example, allow no more than 25% – 35% of the homes in a community to be park-owned and rented to tenants unless an underwriting waiver is received. This includes "rent-to-own", as well as straight rentals. Other lenders, including some conduits, will allow a higher percentage of park-owned rental homes, often with the following caveats:

1. The homes are owned by a separate affiliate and not part of the loan collateral.
2. The operations of the home rentals are separately accounted for and only the site rent is counted in the rental income of the property.
3. The borrower signs an agreement that he or she will not move any homes from the property while the loan is in place (the homes can be sold to individual residents) and signs a carveout guarantee covering any losses incurred by the lender as a result of movement of homes if they are transferred out of the property.
4. Business plan is to reduce over time the number of rental homes

Home obsolescence
Asset quality is one of the most important factors in a lender's willingness to make a loan, and this is largely influenced by the age, condition, and perceived obsolescence of the homes within the MHC. Items that a lender will focus on include whether hitches are attached to the homes, whether the skirting is intact, and whether the homes are in need of painting or updating, such as new siding.

This aesthetic factor is so important that it is often worthwhile for the property owner to take it upon himself or herself to improve the quality of the homes, not only by replacing older homes with newer homes but also by improving the existing homes, when possible, on turnover. Substantial benefits can be achieved by improving the quality of the homes in the community: it increases the financeability of the MHC, improves the marketability of the sites, confirms management's commitment to the property for the existing residents, and can often lower the cap rate thereby increasing the value of the community.

RVs

It is not uncommon for MHCs to have RV rental and/or storage sections, and lenders are typically willing to underwrite most, if not all, of this revenue stream, depending on the circumstances.

The first question is: where are the RVs located? It is the preference of most lenders that RVs be located in a separate and distinct section of the property rather than having RVs scattered intermittently throughout the community. Having RVs located in a separate section is perceived to mitigate any management concern related to RV occupancy.

Other factors that lenders will focus on when analyzing RV income include the history of the income and any seasonality it may have. The longer a property can show a consistent RV income stream with little to no seasonality, the more willing lenders are to underwrite a higher level of that income. In cases where RV income is seasonal (high RV revenues during a few months of the year), lenders may require the establishment of a seasonality reserve to mitigate the monthly fluctuations in RV income.

If your MHC derives a material portion of its income from RV tenants, be prepared to support the underwriting of this income stream with detailed records that include original move-in dates of long-term RV tenants, as well as the length of leases signed by RV tenants. On your operating statements, you should break out RV income into short-term and annual revenue categories since annuals with park models/perm RVs can often be underwritten the same as traditional MH C sites.

Flood zones

Do you know if your MHC is located within a high-risk flood zone, either entirely or partially, as defined by FEMA? If it is, additional investigation will be needed before you proceed. There was a time when FNMA was one of the few lenders that viewed flood zones negatively, but over the years we have seen many others, including Freddie and conduit lenders, follow suit.

Flood zones are geographic areas that FEMA has defined according to varying levels of flood risk. Any property located in an “A” or “V” zone — often referred to as a 100-year flood zone, or high-risk flood zone — can be viewed negatively by lenders, unless only a small number of sites are affected. It can also be problematic if the property entrance is in the flood zone as this could potentially hamper ingress to and egress from the property. To check your property’s flood zone, go to https://msc.fema.gov/portal/home.

So, how does an MHC owner overcome flood zone concerns? Let us assume that only a portion of the sites within an MHC are located within a high-risk flood zone. In this case, most lenders will provide financing, but may make an underwriting adjustment to account for the sites located within the flood zone by not underwriting any income from those sites. However, the underlying source of the flood zone and the elevation of the homes compared with the flood zone elevation may enable the lender to include all of the sites and related income in the underwriting.

The cause for biggest concern is when the source of flooding is a moving body of water, such as a river or creek. In this instance, there is potential for a heavy storm to strengthen a normally docile creek to the point of being capable of displacing homes located within the flood zone. For this reason, many lenders require that any sites in the flood zone be removed from the underwritten rental income when the source of flooding is a moving body of water. If a moving body of water is not the source of flooding, however, the threat of damage to the homes is not as high and it may be possible to underwrite rental income from the sites located within the flood zone.

When a property is in a flood zone because of its location in a low-elevation area or being adjacent to a water-retention area, such as a pond, heavy rains may cause the water level to rise and result in flooding, but the water then recedes over time. This is a scenario in which you should consider the elevation of the homes, and you may need to hire a surveyor to provide a more detailed analysis. In addition to verifying exactly how many sites are located within the flood zone, a surveyor can determine the elevation levels of the homes located on those sites relative to the base-flood elevation (BFE) level. If the surveyor’s findings show that the elevation levels of the floors of the homes are above the BFE of the flood zone, a lender may agree to underwrite the rental income from those sites, as there would be adequate data showing that any flooding should not displace the homes within the community.

Another alternative is to ask an experienced surveyor to determine if your property is a good candidate for a LOMA or LOMR. If it is, upon completion of field work, the surveyor can submit a LOMA or LOMR application to FEMA. FEMA will review the application and, assuming it has been completed appropriately, issue an amendment or revision to the current FEMA map in which it removes all or a portion of your property from the high-risk flood zone designation.

Property owners often wonder why simply obtaining the required flood insurance through the National Flood Insurance Program (NFIP) does not alleviate a lender’s concern about an MHC being located in a high-risk flood zone. This is because NFIP coverage can only be purchased for permanent structures and improvements. Residents can obtain flood insurance for their homes, but the community owner is not a party to this coverage. MHCs have limited physical improvements, and the primary improvements to insure are structures, such as clubhouses or laundry facilities, which do not generate income. In fact, as part of the appraisal required when processing a loan, the appraiser provides an insurable replacement cost value that pertains only to the physical improvements at the property, and this is used to determine the appropriate property insurance coverage required for the improvements. There is usually a significant gap between the final appraised value of an MHC and the replacement cost value of the physical improvements. So, even if an MHC owner obtains flood insurance on the permanent structures, it is likely going to fall far short of covering the loan amount.

One solution that Freddie offers to MHCs located within flood zones is for the property owner to purchase additional business interruption coverage to specifically cover rent losses due to flooding for those sites located within the flood zone.

You should be aware of the additional insurance premium cost to obtain such coverage as it may affect what loan amount can be achieved because the lender will need to underwrite the insurance expense at the higher premium level, therefore reducing the NOI used in the minimum debt service coverage ratio calculation. In fact, in order to underwrite rental income from sites located in a flood zone, Fannie Mae recently began requiring business interruption coverage for flood in addition to evidence that the floors of the manufactured homes are above the BFE.

Although you may not agree with some lender underwriting guidelines, it is always helpful to understand your audience and its concerns. Regardless of which hot button you may be faced with, it is important to work with an experienced MHC lender with prior experience in addressing these issues.

Section 3: Additional information

Valuations Trends in the Manufactured Housing Community / RV Resort Industry

Over the last five years, the Manufactured Housing Community (MHC) and RV Resort Industry has seen considerable growth in valuations. JLL Valuation & Advisory's industry leading National Manufactured Housing Community / RV Resort Practice highlights a few reasons for this growth:

Affordable Housing Needs: With the cost of housing options throughout the United States rapidly rising, individuals are seeking new and affordable housing options. According to the Manufactured Housing Institute (MHI), from 2012 – 2017 the average price per square foot of a single-family residence (excluding land) has remained nearly 2x the average cost of a double-wide manufactured home. Throughout most regions, the affordability of manufactured housing ownership represents a reasonable to strong value for residents seeking home ownership.

According to REIS, rental rates for Class B apartments throughout the United States have increased on average 4.4% per year across all metros over the last five years. The Federal Housing Finance Agency (FHFA) notes single-family housing prices throughout the United States have increased on average 5.4% per year over the last five years. These strong year-over-year increases have increased the desirability of rental or ownership for manufactured housing residents.

Positively Stable Performance: The increased need for affordable housing options due to rising single family home prices and apartment rental rates has contributed to occupancy gains for manufactured housing communities throughout the country. With land lease demand rising, community owners have also been successful in commanding strong rental rate bumps without negatively impacting occupancy. Equity Lifestyle Properties, ELS released 3Q 2019 rental income growth of 5.7% year-over-year.

Spike in Investor Interest: On the heels of continued positive industry performance, the once largely locally and regional owned industry has shifted and become significantly populated with sophisticated institutional ownership attracted to the stable cash flow growth opportunities and investment returns. New investor entrants into the space over the last five years have included Private Equity Firms, Pension Funds, Sovereign Wealth Funds, Family Funds and other institutional capital sources. While equity capital is largely being prudent when considering acquisitions, the investor appetite for quality manufactured housing assets and RV resorts has continued to increase as these new buyers swing into action.

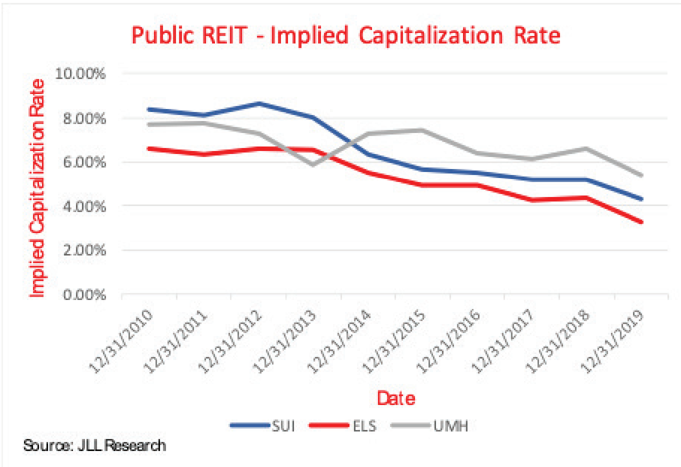
Aggregation and Consolidation: With increased investor demand and limited investment product available in the marketplace, the MHC and RV Resort industry has seen a push towards aggregation and consolidation of asset portfolios throughout the various regions of the United States.

In October 2019, Sun Communities, Inc. closed on the acquisition of The Jensen portfolio including 31 manufactured housing communities located in eight states comprising of 5,200+ developed sites with additional expansion sites available for development. Aggregating a portfolio of properties allows for ownership to benefit from economies of scale to reduce overall expenses and increase net operating income.

Shift in Investor Preference:
In recent years, the industry has seen a significant price appreciation associated with 2-3 Star Communities. With aggregation and consolidation of portfolios throughout the United States, pricing has materially increased for assets of this quality level which were previously less in demand from institutional investors. Smaller, lower quality assets which may have not previously been a desirable property for an institutional investor, have now become sought after as potential investors seek regional scale to help drive cost savings.

Cost of Capital: There has also been a shift in the financing markets for MHC and to a lesser extent RV Resort product types. With a variety of financing options available and attractive interest rates, the low cost of debt capital has contributed to driving up asset prices nationally.

Capitalization Rate Compression: The combination of consistently positive growth in underlying asset performance, increased investor capital attracted to the marketplace, and low-cost debt capital, have led to continued asset price appreciation and associated capitalization rate compression in the industry. This capitalization rate compression is best exhibited by the strong and steady decline in the implied capitalization rates associated with all three of the industry's pure play manufactured housing and RV Resort REIT's - Equity LifeStyle Properties, Inc (NYSE: ELS), Sun Communities Inc. (NYSE: SUI) and UMH Properties (NYSE: UMH) - over the last decade, as depicted in the chart below.



Yield compression has been so strong among the MHC REIT's that their combined implied capitalization is the lowest of any property sector in the publicly-traded REIT arena.

Duty to Serve

FNMA and Freddie's Duty to Serve originated from the Housing and Economic Recovery Act of 2008 (HERA), which was brought about by the economic crisis as the GSEs entered into conservatorship. The GSEs' regulator, the FHFA, tasked them with the Duty to Serve to increase liquidity and distribution of mortgage investment capital to the following three underserved markets: Manufactured Housing Market, Affordable Housing Preservation Market, and Rural Housing Market. This initiative is aligned with FNMA and Freddie's mission to serve families of modest income with the goal of providing safe and affordable housing throughout the US.

At the end of 2016, the FHFA implemented regulations requiring both of the GSEs to submit three-year Duty to Serve Plans for each of the three underserved markets. The Plans undergo an annual evaluation by the FHFA and receive a final rating based on their effectiveness and market impact. The GSEs developed their plans through community outreach, industry research, and public input. In December 2018, both GSEs published their updated 2018 – 2020 Duty to Serve plans after receiving "Non-Objections" from the FHFA. Both GSEs' Are in the process of assembling their plans for 2021 and beyond.

The four sectors of the Manufactured Housing Market that the Duty to Serve targets are:

- Manufactured housing communities with certain pad lease protections
- Manufactured housing titled as personal property (Chattel)
- Manufactured housing titled as real property
- Manufactured housing communities owned by a government entity, non-profit, or resident owned communities

The following sections focus on the first two sectors listed above as these will pertain to investor owned MHCs.

Manufactured housing communities with certain pad lease protections.
In addition to providing liquidity to the markets referenced above, the FHFA gives Duty to Serve credit to the GSEs for promoting the implementation of tenant lease protections. The FHFA identifies a set of eight Pad Lease Tenant Protections through either state law or lease agreement that are required to receive FHFA Duty to Serve credit:

1. One-year renewable lease term unless there is good cause for non-renewals
2. 30-day written notice of rent increase
3. Five-day grace period for rent payments and the right to cure defaults on rent payments
4. Tenant's right to sell the manufactured home without having to first relocate it out of the community
5. Tenant's right to sell the manufactured home in place within a reasonable time period after eviction by the MHC owner
6. Tenant's right to sublease or assign the pad site lease for the unexpired term to the new buyer of the tenant's manufactured home without any unreasonable restraint
7. Tenant's right to post "For Sale" signs
8. Tenant's right to receive at least 60 days' notice of planned sale or closure of the MHC

In 2018, Freddie commissioned an extensive survey of all 50 states that identifies which Tenant Protections are already offered in each state. In January 2019, FNMA incorporated interest rate pricing discounts of up to 15 basis points into their standard MHC program for communities that provide all eight lease protections and up to $10,000 for third party report cost reimbursement. Both GSEs are seeking to increase their purchase of loans with Pad Lease Tenant Protections in 2020.

Manufactured housing titled as personal property (Chattel)
Chattel financing is one of the largest housing markets that the GSEs currently do not provide liquidity to. Given that manufactured housing titled as personal property is a significant source of affordable housing, entering this market is an opportunity that is closely aligned with the GSEs' missions and

one that they are seeking to learn more about in order to explore the possibility of creating a stable secondary market.

Both GSEs cite the lack of chattel loan performance data as a hurdle to their entry into this market. As part of their 2018 – 2020 Duty to Serve Plans, FNMA and Freddie will conduct extensive market research into chattel financing, seek to launch pilot programs subject to FHFA approval, increase access to homebuyer education and explore the viability of a securitization structure to foster a secondary market.

The MHC Industry can expect to see continued outreach and efforts by the GSEs to further increase their impact on these sectors of the Manufactured Housing market. Both GSEs emphasize the importance of industry stakeholders' collaboration as they look to put their three year Duty to Serve Plans into action.

Captive home finance programs

For many years, some MHC owners have been offering financing options for resident-owned homes within their communities, typically to facilitate the sale of inventory homes. While not all owners actively engage in captive home finance programs ("in-community" chattel financing), many owners find it advantageous to incorporate home financing activities into their core operations. This is especially true in a community with vacancy.

Notwithstanding increased legislative and regulatory complexity, captive finance programs are likely to remain for the foreseeable future because:

- There are an insufficient number of potential residents in many markets who can pay cash for a home or qualify for affordable third-party financing to fill vacancies that occur naturally, particularly if there are a material number of vacancies to fill.
- Even age-restricted communities that are historically less affected by limited availability of chattel financing are finding that there can be fewer potential residents who can pay all cash for higher priced homes or qualify for traditional financing.
- The MHC industry is consolidating and the acquisition of new communities has become increasingly competitive. Entities seeking to acquire existing properties may have to purchase properties with above average vacancy. A captive finance platform can be key to the successful lease up of an asset.
- Captive home finance programs can also supports home price stability.

Done properly, captive home finance programs can produce positive results, such as:

1. Maintain or increase occupancy by extending credit to a wider spectrum of qualified borrowers.
2. Produce consistent site rent with the ability to implement periodic rent increases.
3. Facilitate the repositioning of a property for future sale.
4. Upgrade housing stock by replacing older homes with newer, energy-efficient homes.

Appendix

Historical MHC lending volume

(active lenders and mortgage brokers)
Numbers shown in millions of dollars

Lenders	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Totals
Wells Fargo Bank	324	381	659	501	560	540	1106	1740	1271	1241	906	**9,229**
Berkadia/Capmark Financial	92					684	650	440	732	650	700	**3,948**
Northwestern Mutual	95	70	24	39	119	391	145	454	247	758	698	**3,040**
Onyx Capital (AIG)		141	162	215	230	310	260	250	400	400	412	**2,780**
Security Mortgage Group	82	80	168	408	220	210	290	265	289	315	321	**2,648**
Key Bank RE Capital								759	262	1052	425	**2,498**
Walker & Dunlop						414	189	257	372	619	643	**2,494**
Capital One (formerly Beech Street)			105	188	340	165	285	242	297	287	310	**2,219**
PNC-ARCS Commercial Mortgage	45	7.5	26	95	206	147	130	429	217	458	370	**2,131**
Collateral/Grandbridge Capital	284	111	251	134	108	40	168	227	197	385	58	**1,963**
Monroe and Giordano	73	90	203	161	161	194	107	136	201	205	422	**1,953**
Tremont Realty	127	117	93	131	179	164	160	145	150	103	173	**1,542**
C-III Commercial Mortgage				150	250	200	118	112	100	110		**1,040**
Holliday Fenoglio Fowler (JLL)		43	57	57	146	142	123	134	137	174	155	**1,013**

Source: George Allen, Annual National Registry of Landlease Community Lenders (lenders and mortgage brokers with total volume of $1 billion or more during the last 11 years).

Community Owners and Operators 2019 Rankings

2019 Rank	2020 Rank	2020 Rank # Sites Owned & Managed	Entity	Entity State	2020 # States	2020 # Comm. Owned	2020 # Comm. Managed	2020 # Sites Owned	2020 # Sites Managed
1	1	156,081	ELS, Inc.	IL	32	413	0	156,081	0
2	2	133,149	Sun Communities	MI	32	382	0	132,973	176
3	3	65,530	RHP Properties	MI	27	258	4	64,341	1,189
4	4	56,000	Yes! Communities	CO	18	215	0	56,000	0
5	5	33,740	Hometown America	IL	NA	115	0	33,740	0
7	6	23,000	UMH Properties	NJ	9	122	0	23,000	0
6	7	22,421	Impact Communities	CO	25	201	6	21,630	791
9	8	20,982	Meritus	MI	6	51	0	20,982	0
8	9	20,210	Lautrec Ltd.	MI	10	53	0	20,210	0
10	10	20,128	Newport Pacific	CA	12	4	121	399	19,729
11	11	17,317	Kingsley Management	UT	12	60	0	17,317	0
12	12	16,800	ROC USA	NH	18	248	0	16,800	0
13	13	15,778	Bessire & Cassenhiser	CA	NA	9	72	1,532	14,246
15	14	13,500	Investment Property Group	CA	8	99	0	13,500	0
16	15	13,080	J&H Asset Management	CA	3	4	116	230	12,850
14	16	12,789	Riverstone	MI	14	77	0	12,789	0
18	17	11,307	Inspire Communities	CA	14	42	3	10,302	1,005
20	18	11,000	Horizon Land Co.	MD	10	65	0	11,000	0
19	19	10,783	Zeman MHC	IL	6	40	0	10,783	0
24	20	9,072	Commonwealth Real Estate	OR	10	0	107	0	9,072
17	21	8,933	Continental Communities	IL	10	29	0	8,933	0
N/A	22	8,221	Flagship Communities	KY	3	43	0	8,221	0
26	23	7,900	Nodel Parks	MI	9	31	0	7,900	0
29	24	7,831	Newby Management	FL	3	0	42	0	7,831
25	25	7,750	MHPI	IL	6	34	1	7,500	250
27	26	7,360	Garden Homes Management	CT	6	100	0	7,360	0
32	27	7,235	Cove Communities	AZ	5	22	0	7,235	0
42	28	6,669	Murex Properties	FL	2	16	0	6,669	0
30	29	6,050	Ascentia Real Estate	CO	7	39	0	6,050	0
33	30	6,045	Richard Kellam & Assoc.	TX	10	17	0	6,045	0
36	31	5,981	K.P.M. Management	NY	10	35	0	5,981	0
34	32	5,834	Park Advisors	MN	17	33	0	5,834	0
38	33	5,520	Affordable Community Group	NC	8	37	0	5,520	0
35	34	5,452	STAR Management	CA	6	21	24	2,396	3,056
37	35	5,321	Asset Development Group	WI	3	51	0	5,321	0
N/A	36	5,165	Killam Properties, Inc.	CN	4	35	0	5,165	0
41	37	5,000	Four Leaf Properties	IL	2	10	8	3,000	2,000
39	38	4,848	Millennium Housing	CA	1	20	0	4,848	0
43	39	4,552	Green Courte Partners	IL	4	11	0	4,552	0
31	40	4,236	Heritage Financial	IN	3	29	0	4,236	0
40	41	4,143	Ravinna Communities	IL	4	35	0	4,143	0
44	42	4,137	Creekside Communities	MI	3	21	0	4,137	0

2019 Rank	2020 Rank	2020 Rank # Sites Owned & Managed	Entity	Entity State	2020 # States	2020 # Comm. Owned	2020 # Comm. Managed	2020 # Sites Owned	2020 # Sites Managed
47	43	3,907	Keystone Communities	CN	3	24	0	3,907	0
48	44	3,862	Blair Group	FL	1	5	0	3,862	0
61	45	3,842	Saddleback Valley	CO	6	32	0	3,842	0
N/A	46	3,800	Northwestern Mutual Ins. Co.	FL	2	9	0	3,800	0
45	47	3,760	West Coast MHP	CA	6	72	0	3,760	0
50	48	3,300	Park Ridge Investments	MI	2	32	0	3,300	0
52	49	3,275	Evergreen Communities	CA	8	19	0	3,275	0
N/A	50	3,100	Parkbridge Investment Group	MI	4	32	0	3,100	0
49	51	3,094	Follett USA	CA	7	14	0	3,094	0
51	52	3,020	Chesapeake Homes	MD	3	11	0	3,020	0
53	53	2,945	Santefort Real Estate	IL	2	11	0	2,945	0
55	54	2,862	Cobblestone Real Estate	IL	4	8	6	1,100	1,762
54	55	2,825	Pleasant Valley Properties	WI	4	44	2	2,766	59
56	56	2,782	MHC Capital	CA	5	17	0	2,782	0
60	57	2,710	Monolith Properties	CA	N/A	5	25	483	2,227
46	58	2,601	The Choice Group	MI	3	12	0	2,601	0
57	59	2,600	Tread Co.	VA	7	10	0	2,600	0
59	60	2,476	F.R. Communities	MN	5	12	0	2,476	0
58	61	2,435	ALS Properties	CO	3	12	0	2,435	0
21	62	2,125	Stonetown Capital	CO	8	82	3	1,800	325
62	63	2,119	American MH	IL	4	15	0	2,119	0
65	64	2,053	Ashwood Communities	WI	1	14	0	2,053	0
66	65	2,012	Park Street Partners	CA	11	21	0	2,012	0
67	66	2,000	UNIPROP	MI	3	3	0	2,000	0
64	67	1,942	NTH Properties	AZ	1	0	24	0	1,942
63	68	1,911	Harshaw Asset Management	TX	2	8	0	1,911	0
71	69	1,589	Heidler Communities	FL	2	7	0	1,589	0
70	70	1,560	Hauck Homes	IL	3	12	1	1,527	33
72	71	1,500	Cohron's Realty	IN	1	8	0	1,500	0
N/A	72	1,500	Global Mobile	CO	5	12	0	1,500	0
74	73	1,332	State Street Group	MS	1	6	2	899	433
76	74	1,271	Lamb Investments	TX	2	13	0	1,271	0
79	75	1,213	Park Management Specialists	OH	2	8	0	1,213	0
80	76	1,206	Harper Parks	NY	1	4	0	1,206	0
81	77	1,200	Parkway Communities	TX	6	12	0	1,200	0
85	78	1,179	Augusta Communities	CA	1	6	2	928	251
73	79	1,047	Hames Homes	IA	1	3	0	1,047	0
83	80	1,000	Affordable Family Rentals	FL	1	5	0	1,000	0
82	81	957	Community Management Grp.	MI	3	5	0	957	0
N/A	82	948	Dalavai Holdings, LLC	PA	4	28	0	948	0
84	83	946	Brenton Communities	MN	1	5	0	946	0
N/A	84	887	Enterprise Estates	MI	2	6	0	887	0

Source: George Allen, 31st Annual Allen Report (2020).

Manufactured home community questionnaire

Property name: ____

Property address: ____

Prepared by: ____________________________________ Date: ___________

Year built: ___________ Number of sites: ___________ Number of RV sites: ___________

Resident profile: ___________ % Family ___________ % Adult (Age restricted? Yes / No)

Number of park-owned rental homes: ___________ Acreage: ___________

Physical occupancy: ___________ % Current ___________ % Previous Year ______________________

Is any of the property on a ground lease or subject to rent control? Yes / No

Approximate number or percentage of multisection homes in place: ___________

Approximate number or percentage of sites that can accommodate multisection homes: ___________

Is there a scheduled rent increase? Yes / No If yes, how much: ______________________

When does the rent increase go into effect: Lease anniversary / specific date? ________

Please list the property amenities: ____

____

Please summarize any recent capital improvements to the property (within 3 years): ______________________

____

Public utilities? Yes / No If no, please explain: ______________________

Management company: ______________________ Self-managed: ______________________

How many cars can park off the street at each home? ______________________

Is any portion of the property in a 100-year flood zone? Yes / No Number of sites: ______________________

Borrower:

Is the property transaction an acquisition or refinance: Acquisition / Refinance

If acquisition, who is the seller: ______________________________

What is the purchase price: ______________ What is the estimated closing date: __________

If refinance, what is the estimated unpaid balance: ______________

When is the maturity date: ______________ Who holds the current debt: __________

If there is a prepayment penalty, when does it expire: ______________

How long has the property been under current ownership: ______________________________

Name of borrowing entity: ______________/TBD

Type of entity: LLC / Individual / Other   Is this a single-asset entity: Yes / No

Who will sign the nonrecourse carveouts: ______________

Do they have any negative credit information (i.e., nonpayment, foreclosure, etc.): Yes / No

Does the borrower hold any other loans with Fannie Mae or Freddie Mac: Yes / No

Document checklist

Please provide the following items in order for us to provide you with a loan quote:

1. A current rent roll, in Excel format if possible.
2. The past three years of historical income and expense statements, including a recent trailing 12-month statement showing individual months of operation, in Excel format if possible.
3. Brief description of multifamily real estate experience, personal financial statement of the main principals, and schedule of real estate owned.
4. Property photos

Please contact Tony Petosa, Nick Bertino, Erik Edwards, or Matt Herskowitz with any questions:

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Glossary of lending terms

All-in rate. The interest rate charged to a borrower on a loan. The all-in rate includes the benchmark rate used to set the loan, such as the 10-year treasury rate, plus the spread charged by the lender.

Amortization. An accounting term that refers to the process of allocating of an intangible asset over a specified time period. Also refers to the repayment of loan principal over time.

Assumability. A loan that is capable of being transferred to a new borrower, with no change in rate or terms of the loan. It also allows a borrower to sell a property and avoid paying a prepayment penalty because the loan is being transferred, not paid off. An assumption fee typically applies.

Basis point (BP). A basis point is 1/100 of 1%. Example: 25 basis points are equal to 0.25%.

Capitalization rate. A capitalization or "cap rate" is the yield on an investment if paid for in cash. The capitalization rate is calculated by dividing the net operating income by the purchase price of the property.

Captive Finance Company. A chattel (personal property) finance company lending on homes in land lease communities on behalf of its affiliate, the property owner/operator.

Cash management. The controls put on a deposit account used to direct funds in a hard lock box arrangement.

Carveouts. These are exceptions to nonrecourse provisions, where the loan is nonrecourse except for lender losses caused by certain acts of the borrower. Examples of triggering events would be unlawful use of insurance proceeds (the property burns down and the borrower does not rebuild) and misappropriation of funds (rents collected by the borrower after they have already lost title to the property). These are sometimes referred to as the "bad boy" carveouts as the borrower usually has to actively do something to impair the collateral and trigger recourse. See also "key principal."

Chattel. Personal as opposed to real property — any tangible, movable property. A manufactured or mobile home would be considered chattel, and the financing of homes within a land-lease community is referred to as chattel financing.

Commercial mortgage-backed security (CMBS). A security backed by a pool of commercial mortgages as collateral. They are usually structured with individual loans to multiple borrowers (often referred to as conduit loans) with a mix of different property types, loan sizes, and locations. These loans are pooled, and bonds with varying degrees of risk and credit ratings are created and sold to investors.

Consumer Financial Protection Bureau. Federal finance regulatory agency established by Dodd-Frank bill.

Debt service coverage ratio (DSCR). An underwriting formula that is a parameter used to determine loan size and spread based on cash flow. The calculation is net operating income divided by loan payment. For lenders, the higher the DSCR, the less risky it is to take on the loan.

Debt yield. Net operating income divided by loan amount. This is a common underwriting constraint used for the sizing of conduit loans (i.e., the loan amount equals the net operating income divided by the lender's required debt yield).

Duty to Serve. The "Duty to Serve" statute requires Fannie Mae and Freddie Mac ("the agencies") to provide leadership to facilitate a secondary market for mortgages, including for chattel, on housing for very low-, low-, and moderate-income families in three underserved markets specified in the statute: manufactured housing, affordable housing preservation, and rural housing. The statute requires the Federal Housing Finance Agency (FHFA) to annually evaluate and rate each agency's compliance with their Duty to Serve requirements and to report annually to Congress on FHFA's evaluations. The rule sets forth specific activities that the agencies may consider undertaking, at their discretion, to be eligible to receive Duty to Serve credit, and provides that the agencies may propose additional activities.

Federal Housing Finance Agency (FHFA). FHFA is an independent federal agency responsible for regulating Fannie Mae, Freddie Mac, and 11 Federal Home Loan Banks. FHFA was established through The Federal Housing Finance Regulatory Reform Act of 2008.

Government-sponsored enterprises (GSEs). GSEs are financial institutions that were created by the U.S. Congress to provide liquidity in a given market segment. Fannie Mae, Freddie Mac, and U.S. Department of Housing and Urban Development (HUD) are examples of GSEs.

Holdback. A portion of the loan that is not released to the borrower until an additional requirement is met. A common example would be a holdback for a physical improvement related to deferred maintenance.

Homesite or site. The piece of realty, whether owned fee simple or leased, scattered or in a landlease or subdivision community, on which a factory-built home is or may be sited. Homesites or sites may also be referred to as lots, pads, spaces, or stalls. (GA)

HUD-Code manufactured housing. A general term associated with the type of factory-built housing whose federally preempted construction standards (e.g. using longitudinal steel chassis in the foundation or floor system) are enforced by the U.S. Department of Housing and Urban Development (HUD). (GA)

Key principal. The individual or entity that controls and manages the borrowing entity and who the lender determines is critical to the successful operation of the borrowing entity and the property. The key principal is typically responsible for recourse carveouts.

Landlord. A landlord is the owner of real estate which is rented or leased to an individual or business, which is called a tenant, lessee, or renter.

Lease. A contractual arrangement calling for the lessee (user) to pay the lessor (owner) for use of an asset.

Lease option. A lease that includes an option to purchase the home for a specified dollar amount, during or at the end of the lease term.

Lease-to-purchase. A type of self-finance, offered and provided by the property owner/operator, whereby lessee commits to make rent payments on a home, and in time, receives title to that home. (GA)

Lessee. A lessee is the person or business that rents land or property from a lessor (owner).

Lessor. The owner or title holder of an asset who gives another the right to temporary possession and use of the asset in exchange for rental payments.

Loan to value (LTV). An underwriting calculation that measures the amount of a loan as a percentage of the property's appraised value.

Lock box. A special deposit account set up by a lender and borrower to receive deposits from tenants for the purpose of prioritizing the use of the cash flow of a property.

Manufactured Housing Institute (MHI): The Manufactured Housing Institute is the national trade organization representing the factory-built housing industry. Its members come from all sectors of the manufactured and modular housing industries and 50 affiliated state organizations. Their web site contains links under Industry Resources to web sites for State Associations.

Mezzanine Debt: Bridges the gap between secured debt and equity and receives higher returns compared to other debt, but is typically unsecured.

Mortgage-backed security (MBS). A financing instrument sold by Fannie Mae (FNMA), or other regulated and authorized financial institutions, that is secured by an underlying mortgage. This security is used to lock the interest rate on a FNMA loan before closing when it is sold to an MBS investor.

Net operating income (NOI). NOI is typically calculated using in-place income being collected less stabilized operating expenses, but not including debt service, amortization, or depreciation. Expense deductions also include a management fee (even if not charged) and replacement reserve allowance. The NOI of a property is used to determine the calculation of the DSCR.

Nonrecourse debt. A type of debt in which the principals do not have personal liability for the loan. If the borrower defaults, the lender can seize the collateral (the property), but cannot seek further compensation, regardless of whether that collateral covers the full value of the defaulted amount. An exception is in the event of violation of a carveout.

Occupancy. There are two types of occupancy: Physical and Economic. Physical Occupancy within an MHC is the percentage of rentable homesites being occupied by tenants, calculated by dividing the number of occupied homesites by the total number of rentable homesites at the property. Economic Occupancy is the percentage of rent being collected, calculated by dividing homesite rent that has actually been collected by the potential homesite rent that could be collected if scheduled rent was collected for 100% of the total rentable homesites at the property.

Owner/operator. An inclusive term, commonly used to refer to the individual or business entity overseeing a community or communities on an ongoing basis. (GA)

Portfolio loan. A loan retained on the lender's balance sheet (as opposed to a loan that is originated and then securitized or sold). It is also referred to as a balance sheet loan.

Real estate investment trust (REIT). A REIT is a company that owns or finances income-producing real estate for the purpose of providing investors with a sustainable income stream, diversification from standard stocks and bonds, and the potential for long-term appreciation. REITs typically pay out all of their taxable income as dividends to shareholders. REITs allow both large and small investors to invest in large-scale commercial real estate properties and portfolios.

Real estate mortgage investment conduit (REMIC). The legal term for the pool that is used for collateral for the bonds that are issued in securitized lending.

Recourse debt. Repayment of the loan is guaranteed by personal assets of any principal guaranteeing a recourse loan. This provides additional collateral and a source of repayment beyond the property.

Rent Control: Rent control is a government program that places a limit on the amount that a landlord can demand for leasing a home or for renewing a lease. Rent control laws are usually enacted by municipalities and the details vary widely.

Replacement reserve. An allowance for long-term improvements at a property that is a deduction (expense) included by the lender in underwriting (NOI calculation). Funds may be collected into an account to be disbursed for these defined improvements, or it may only be a deduction made for underwriting. MHCs typically have annual replacement reserves of between $35 per site per year and $75 per site per year.

Secure and Fair Enforcement for Mortgage Licensing Act (SAFE Act). Passed in 2008, the SAFE Act mandates states to license residential mortgage loan originators.

Secured Overnight Financing Rate (SOFR): The secured overnight financing rate is an interest rate that banks use to price U.S. dollar-denominated derivatives and loans. The daily SOFR is based on transactions in the Treasury repurchase market. Regulators and market participants globally are in the process of establishing this as a substitute for LIBOR, a long-standing benchmark rate used around the world.

Single-purpose entity (SPE). Lenders often require each property to be owned by a separate single-purpose entity (SPE). This entity will not own other (material) assets or conduct other business. That way, if any of the borrower's other assets are forced into bankruptcy, the subject property could not be consolidated with the distressed property and used as collateral to pay off that debt. Such entities are known as "bankruptcy remote."

Skirting. The metal or vinyl sheathing, or other generally flameproof materials (e.g. nonbearing block wall) around all four sides of the home, extending from the bottom of the sited home to the ground, keeping out weather, animals, rain, and snow. Also referred to in some locales as foundation fascia. (GA)

Spread. The amount charged by a lender over a defined benchmark such as a treasury yield or swap rate. The spread is one component of the all-in interest rate.

Subordinate debt. A form of debt that ranks below other loans in terms of repayment priority. If a borrower defaults, subordinate debt providers will typically receive payment only after the senior debt is paid off in full.

Swap rate. A commonly used index for conduit loans, the swap rate is equal to the swap spread, plus the corresponding treasury yield.

Swap spread. The premium paid by the fixed-rate payer of an interest-rate swap over the yield of the treasury note with the same maturity as the swap.

Third-party reports. Usually ordered by the lender during the closing process, third-party reports commonly include appraisal, environmental, and property condition (engineering assessment) reports.

Trigger event. A post-closing operating covenant providing the lender the right to take a defined action to protect its collateral.

Underwriting interest rate floor. An assumed interest rate (not the actual interest rate paid) used for sizing a loan as it relates to the minimum DSCR required by the lender. It is often used when interest rates are low and for sizing loans with shorter terms (less than 10 years) and higher LTVs. In these instances, the interest rate actually paid by the borrower may be lower than the underwriting interest rate floor.

Vacancy Decontrol: A provision in some rent control laws reserving rent controls and tenant protections for occupied sites or homes, but removing them once the tenant moves out.

Yield maintenance. A prepayment penalty calculated on the basis that the lender will receive early payoff of the funds and reinvest those funds for the balance of the loan term in U.S. Treasuries. Effectively, the borrower is required to pay the difference between the interest rate and the treasury yield at the time of prepayment (the "yield maintenance") for the balance of the loan term. This is a common prepayment penalty used with fixed-rate term loans.

Note: (GA) at end of definition denotes borrowing with permission from George Allen's Official Manufactured Housing & Land Lease Lifestyle Community Lexicon & Glossary.

Notes

Tony Petosa, Nick Bertino, Erik Edwards, and Matt Herskowitz specialize in financing multifamily properties — manufactured home communities (MHC) and apartments. Wells Fargo offers Fannie Mae, Freddie Mac, balance sheet, conduit, and correspondent lending programs, and since 2000 has originated more than $13 billion in financing within the MHC sector. Wells Fargo was named Community Lender of the Year, for 12 years in a row, by the Manufactured Housing Institute, has been #1 in total loan volume origination since 2000 according to George Allen's annual National Registry of Landlease Community Lenders, and also #1 commercial real estate lender in the U.S. since 2009 according to the Mortgage Bankers Association (MBA).

wellsfargo.com/mhc