



Rural Development

June 29, 2015

Vermont and New
Hampshire
State Office

NH/VT AN 21 (3550 & 3555)
With Attachment A

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Suite 324
P O Box 249
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TO: All NH/VT Rural Development Employees

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Fax 855.794.3680
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SUBJECT: Ownership Requirement Pilot for Energy Efficient Manufactured and Modular Home Financing In Land-Lease Communities Section 502 Single Family Housing Direct and Guaranteed Loan Programs

PURPOSE/INTENDED OUTCOME:

This purpose of this Administrative Notice is to announce Pilot Authority to finance an approved energy efficient modular or manufactured home on leased-land in a mobile home park.

COMPARISON WITH PREVIOUS AN:

No previous AN to be replaced.

IMPLEMENTATION RESPONSIBILITIES:

With this pilot, the ownership requirements found in 7 CFR 3550.58 (b) and 7 CFR 3555.203(b)(3) will be eased (as outlined below). Per 7 CFR 3550.58 (b), a leasehold interest must have an unexpired term that is at least 150 percent of the term of the mortgage for direct loans. Per 7CFR 3555.203 (b)(3), a leasehold interest must have an unexpired term of a least 45 years from the date of loan closing for guaranteed loans. These specific unexpired terms are found in the regulations only. Per 42 USC 1471, the terms "owner" and "mortgage" include, respectively, the lessee of, and other security interest in, any leasehold interest which the Secretary determines has an unexpired term for a period sufficiently beyond the repayment period of the loan to provide adequate security and a reasonable probability of accomplishing the objectives for which the loan is made. This will allow the unexpired term to be at least two years longer than the mortgage term. This minimum is largely based on what is permissible for leasehold terms in the Section 504 loan program. Per 7 CFR 3550.107 (b), the unexpired portion of the lease must not be less than two years beyond the term of the promissory note for the Section 504 loan. While the loan levels and terms are different between the purchase programs and the repair program, this existing guidance does help in establishing a minimum level of tolerance.

USDA is an equal opportunity provider and employer.

If you wish to file a Civil Rights program complaint of discrimination, complete the USDA Program Discrimination Complaint Form, found online at http://www.ascr.usda.gov/complaint_filing_cust.html, or at any USDA office, or call (866) 632-9992 to request the form. You may also write a letter containing all of the information requested in the form. Send your completed complaint form or letter to us by mail at U.S. Department of Agriculture, Director, Office of Adjudication, 1400 Independence Avenue, S.W., Washington, D.C. 20250-9410, by fax (202) 690-7442 or email at program.intake@usda.gov.

Pilot conditions and terms:

- The pilot will take place in Vermont and New Hampshire.
- At a minimum, the homes must be Energy Star compliant.
- The unexpired term of the lease must be at least two years longer than the mortgage term.
- The pilot will be effective for 24 months from June 2, 2015.

Notwithstanding the above, all other requirements of the programs must be met, including but not limited to:

- The homes and foundations must be built to the applicable codes and program regulations; and construction quality must be fully documented.
- The lot rent must be included in the calculation of the principal, interest, taxes, and insurance ratio (and the total debt ratio as well).
- A direct or guaranteed loan through Rural Development must have a valid first lien position and Agency staff must ensure that any incentive associated with a transaction does not jeopardize that position.
- The loan to value must be within the programs' allowances.
 - A guaranteed loan must not exceed the appraised value plus the amount of the upfront guarantee fee.
 - A direct loan must not exceed the appraised value plus the allowable excess costs (appraisal fee, tax service fee, initial escrow deposit, and the cost of the homeownership education).
 - A direct loan with an allowable junior lien (i.e. a soft, silent, or forgivable affordable housing product) must not have a loan to value that exceeds 105 percent (unless an exception is approved by the Deputy Administrator on a case-by-case basis). See 7CFR 3550.59 (a)(2) and Handbook-1-3550, Paragraph 6.7 F. for further details.

Mobile Home Park Requirements:

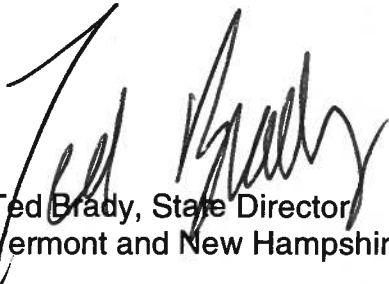
Mobile home parks will be required to provide the following information to the Rural Development NH/VT state office to be able to participate in the pilot.

- Current Bylaws and Addendums to Bylaws
- Articles of Incorporation
- Occupancy Agreement/Leasehold Agreement
- Membership application and park rules
- Evidence that the park is in good standing with the State
- For Direct and Guaranteed RD loans, an amendment to the Bylaws and adoption by the Board adding an exemption for USDA Rural Development or the Lender, containing the same language as the exemption used for Fannie Mae which includes the following:
 - The right of the Agency/Lender to occupy, sublet, or sell the home to a purchaser/occupant that is exempt from any "Low Income" requirement should

- the home be sold or acquired through foreclosure, voluntary conveyance, or abandonment;
- The right of the Agency/Lender to bid at a foreclosure sale or to accept voluntary conveyance of the property in lieu of foreclosure;
 - For Direct loans only, the right of the borrower to transfer the Agency mortgage to an eligible transferee who will assume the Agency's debt, if the borrower defaults or is unable to continue with the lease. Transferee will also have to meet eligibility requirements of the park and other funders if applicable;
 - Advance written notice of at least 30 days to the Agency/Lender of the mobile home park's intention to cancel or terminate the occupancy Agreement/Leasehold;
 - Amounts owed by a borrower/member to a mobile home park will be subordinate to the Agency or Lender, and the Agency/Lender shall not be required to advance more than six (6) months' of rent or other charges owed to it by the borrower/member to the cooperative.
 - Waiver of lease/membership fees if title is held by the mortgagee or if the property is acquired through foreclosure or voluntary conveyance upon evidence of the Agency/Lender proper assignment of the borrower's interest therein.
- Written verification from State regulatory agencies that private on-site water and sewer systems meet state and federal requirements.

At this time, only the Vermod and AHEAD's homes have been approved. If another dealer wishes for their product to be approved for this pilot, a request to be approved should be sent to Michael Urban at the State Office, along with supporting documentation outlining how their home meets the spirit of the pilot: to help low income families save on home and energy costs.

If you have any questions regarding the above conditions and terms, please contact Michael Urban at (802) 828-6013.



Ted Brady, State Director
Vermont and New Hampshire

EXPIRATION DATE:
June 2, 2017

FILING INSTRUCTIONS:
Handbook 1-3550 & 3555