



HeritageOneSM Mortgage for Manufactured Homes

Dennis Smith
Freddie Mac

8th Annual Native CDFI Capital Access Convening

Turning the Tide

Sponsored by:



TRAVEL
JUNEAU



Introducing HeritageOne

- **Which Native American tribes are eligible?**
 - Listed as a participating tribe in HUD's latest Section 184 Participating Tribes List
 - Has a memorandum of understanding with Freddie Mac
- **Who is eligible to finance a home with HeritageOne?**
 - Enrolled member of an American Indian or Alaska Native tribe; may be a tribe other than the one in whose tribal area the home is located
 - Homebuyer who will live in the home as a primary residence
 - Not a tribe
- **How can a lender become eligible to sell HeritageOne loans to Freddie Mac?**
 - Must obtain Freddie Mac's written approval
 - Should call a Freddie Mac representative or Customer Support Contact Center (800-FREDDIE) for more information



8th Annual Native CDFI Capital Access Convening

Turning the Tide

Covers a range of land and property types

- **Eligible land types**

- Tribal trust lands
- Allotted trust lands
- Fee-simple lands

- **Eligible properties**

- In the tribal area of an eligible Native American tribe
- 1- to 4-unit primary residence
- Manufactured home titled as real property
- Condominium unit
- Unit in a planned unit development (PUD)
- Property with an accessory dwelling unit (ADU)



8th Annual Native CDFI Capital Access Convening

Turning the Tide

Includes manufactured homes that meet or exceed the HUD Code

- A multi-section home
- A single-section home, including on an individual lot or in a subdivision
- A certified CHOICEHome®
- A manufactured home ADU as part of the mortgaged property



➔ On a leasehold estate, a manufactured home is not required to be in a ground lease community



8th Annual Native CDFI Capital Access Convening

Turning the Tide

Focuses on real property

- Benefits over home-only financing
 - Lower interest rates
 - Longer terms
 - Additional consumer protections
 - Potential tax benefits
- Title conversion requirements vary



8th Annual Native CDFI Capital Access Convening

Turning the Tide

Eligible transactions

- Home purchase or no cash-out refinance
- Fixed-rate mortgage
- Loan-to-value ratio of
 - 95% (total LTV 95%) for standard manufactured home
 - 97% (total LTV 105%) for CHOICEHome
- Affordable Seconds are permitted

➔ Homebuyer education is required on a home purchase transaction when all occupying borrowers are first-time homebuyers



8th Annual Native CDFI Capital Access Convening

Turning the Tide

Underwriting method

- Must be submitted to LPA
- May be manually underwritten under certain circumstances
- Must receive a Risk Class of Accept if the term exceeds 20 years and LTV ratios exceed 90%
- If on a leasehold estate or is a CHOICEHome, must be submitted to LPA and receive a Risk Class of Accept – may not be manually underwritten



8th Annual Native CDFI Capital Access Convening

Turning the Tide

Requires first-lien priority

- The lender must comply with all requirements and obtain all approvals necessary
- The security instrument must be signed by all with an ownership interest (see Guide Section 4101.8 for more information)
- If necessary to establish or maintain first lien, the lender
 - obtains any necessary approvals from the U.S. Secretary of the Interior or the Bureau of Indian Affairs and
 - records the security instrument and all other mortgage documents as required in the appropriate jurisdiction
- **Recommended:** Also record the security instrument and all other mortgage documents in the locality where the home is sited, even if not necessary



8th Annual Native CDFI Capital Access Convening

Turning the Tide

Allows flexibility in the borrower's contributions

For down payment, closing costs, reserves (1-unit manufactured home)

- No minimum borrower contributions from personal funds required
- No reserves required (unless they may offset other underwriting factors)
- Funds may come from various sources
- For funds used to qualify for the mortgage, may come from the occupying and/or the non-occupying borrower
- Agency-provided funds
 - For a gift or grant, an unsecured loan or an Affordable Second provided by an Agency that is a Native American Tribe:



8th Annual Native CDFI Capital Access Convening

Turning the Tide

For leasehold mortgages

- **Lease agreement requirements**
 - A term of at least 25 years with an automatic 25-year renewal
 - Must expire (before renewal) at least five years after the mortgage term ends
 - If necessary, must receive approval from the U.S. Secretary of the Interior or the BIA, as applicable, to extend the term beyond 25 years
- **Lease agreement** - Recommended but not required: Use the most recent version of the standard lease form in HUD's Section 184 Program



8th Annual Native CDFI Capital Access Convening

Turning the Tide

Provides appraisal flexibilities

- **Comparable sales approach** when a sufficient number of comparable sales are available
- **Cost approach** for areas without a sufficient number of comparable sales to develop a fully supported and sufficiently documented opinion of value
- **Site value for leasehold mortgages** is zero if no ground rent is due under the lease agreement and no upfront payment was made
- **Appraisal cost offset credit**, which must be passed to the borrower



8th Annual Native CDFI Capital Access Convening

Turning the Tide

Check out our resources

Native American
Homeownership
Preparedness



CreditSmart®
Homebuyer U



Housing Counselor
Resource Center



HeritageOne web page: sf.freddiemac.com/HeritageOne

HeritageOne Guide Bulletin: guide.freddiemac.com/app/guide/bulletins



8th Annual Native CDFI Capital Access Convening

Turning the Tide

Contact us for more information

- **Dennis Smith:** dennis_smith@freddiemac.com
- **Catherine Houlihan:** catherine_houlihan@freddiemac.com
- **David Westfall:** david_westfall@freddiemac.com



8th Annual Native CDFI Capital Access Convening

Turning the Tide