Module 2.2
Study Guide

HUD Housing Counselors Training

U.S. Department of Housing
and Urban Development

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Module 2.2 Housing Affordability/ Affordable Housing Options

Module Introduction

Module Introduction

Once clients have a better understanding of their financial ability to afford housing, housing counselors can provide additional information to help them make an informed decision about their housing options.

In this module, you'll learn about different types of mortgages and related costs, including mortgage insurance.

You'll also learn to identify funds available to potential homebuyers for down payment assistance, as well as sources of rental assistance and other resources available to future tenants.

Before we begin, let's take a look at the module learning objectives.

Lesson Objectives

By the end of this module, you'll be able to:

1. Apply an understanding about the different types of loans that may be used by a client to purchase a home, including a manufactured home, and counsel the client on which types of loans may be appropriate for use given the client's specific circumstances.
2. Apply knowledge of how FHA and private mortgage insurance works to discuss the costs and benefits of these options with a client.
3. Apply knowledge of down payment and closing cost assistance programs to analyze a client's circumstances, income, and overall credit profile to determine eligibility for local mortgage and down payment assistance programs, and be able to determine if financing can be layered with HUD/FHA products.
4. Apply knowledge of HUD and local tools available when providing a client with information about the criteria and eligibility of affordable rental housing or assistance programs available, including Section 8.

Types of Mortgages

Introduction to Types of Mortgages

With frequent changes in the mortgage products that are available to first-time and low- or moderate-income families, Rebecca, like other housing counselors, needs to stay current in the field. She often participates in housing counselor workshops, like one she recently attended on mortgage lending.

Stella, a Client, and Rebecca, a Counselor

Attending these workshops is a good reminder of how lenders operate and what they look for in loan applications. Rebecca takes her role as a counselor very seriously and keeps herself informed on matters that impact her clients, including Stella and others she will meet with this week. To stay up to date, she goes to the HUD website to subscribe to the mailing list for FHA Homeownership Updates. Let's take a moment to review the notes in Stella's file.

- She has two children and is divorced.
- She owns a cleaning business.
- She lives with her uncle and his family in their small apartment.
- She has a monthly income of $2,350 and has $358 in monthly debt payments.
- She was denied by a lender once but has been working on her credit and building her savings.

Since her last counseling session, Stella has decided she'd like to buy a home and is prepared for her session today to talk about mortgage loan options and the pre-qualification process. She's brought in the information Rebecca requested.

Choosing between Loan Options

When Rebecca counsels clients on how to choose between loan options, she likes to start by giving her clients an overview of the home purchase options and the types of mortgage products available on the market so they can see the big picture. She describes basic types of homeownership, loans, and mortgages in her meeting with Stella.

Conventional Mortgage Loans

This is the most common type of mortgage and is backed by private lenders, like banks. It offers competitive rates and comes in "conforming" mortgage amounts (limits set by the federal government each year) and less common "non-conforming," or jumbo mortgage amounts (any loan amount or other criteria above the conforming limits).

This type of mortgage is good for those who:

- Have a good credit history.
- Have funds for a down payment (typically 20% of the purchase price) and **closing costs**.
- Meet lender-specific qualification requirements regarding income, credit score, and other factors.

While there are many different types of loan products, the 30-year fixed rate mortgage is most common. Less common terms, like 15-year and 10-year mortgages, are also available and some products offer adjustable rates or **interest only terms**, which come with additional financial risks.

Closing Costs

Fees for final property transfer that are not included in the price of the property. Typical closing costs can include loan origination fees, discount points, appraisal fee, survey, title insurance, legal fees, real estate professional fees, prepayment of taxes and insurance, etc. While closing costs often range from 3 to 4% of the purchase price of the home, they can be lower or higher, depending on geographic region or loan type.

Interest Only Terms

Interest only mortgages give borrowers the option of paying only the interest on the loan, in monthly payments, for a fixed term. These loans are good for those who prefer a monthly mortgage payment that is lower because their income fluctuates but can occasionally make payments toward their principal during the interest-only term. There are risks to this type of mortgage. Expected increases in income may not materialize, and the principal balance remains the same if only interest payments are paid during the interest-only term.

Subprime Mortgage Loans

A type of mortgage with less stringent lending and underwriting terms and conditions, usually offered to borrowers with blemished or limited credit histories. Due to the increased credit risk, subprime loans carry higher interest rates than conventional mortgages, which are also known as prime loans.

This type of mortgage may be a good fit for those who:

- Have a poor credit history.
- Are ineligible for other loans.

While subprime loans can provide an opportunity for borrowers with poor credit to purchase a home, higher rates result in more expensive monthly payments, which increases financial risks for subprime borrowers. Clients will need to consider whether or not they want to pay the additional costs.

Government-Insured Mortgage Loans

There are several government-insured mortgages. While each agency issues a range of products, the 30-year fixed rate mortgage is the most common. Other loan types may be available for home purchase, such as a 15-year fixed rate or adjustable rate mortgage, as well as products for home rehabilitation, which we will learn more about in Module 4.2.

The most common government-insured loans are:

FHA

The Federal Housing Administration, or FHA, is a federal government agency that provides mortgage insurance on loans made by private FHA-approved lenders.

FHA-insured mortgages may be a good fit for clients who:

- Have limited funds for a down payment and closing costs.
- May not qualify for a conventional mortgage loan due to flawed credit history, bankruptcy, or high debt-to-income ratios. (Recall calculating debt-to-income ratios in the previous module.)

VA

Another type of mortgage is insured by the Veterans Administration, or VA. These mortgages are guaranteed for eligible veterans, active duty personnel, and surviving spouses. They offer competitive rates and low or no down payment.

This type of mortgage may be a good fit for those who:

- Are eligible veterans, active duty personnel, and surviving spouses.
- Have suitable credit and sufficient income.
- Have a valid Certificate of Eligibility.

USDA

The United States Department of Agriculture, or USDA, Rural Development program offers both guaranteed and direct loans to homeowners interested in living in eligible rural areas.

Guaranteed loans, issued by private lenders and insured by the USDA, are designed for homebuyers with low- to moderate-income, offer competitive rates, and do not require a down payment.

This type of mortgage may be a good fit for those who:

- Want to live in eligible rural areas, as defined by the USDA.
- Make less than 115% of **Area Median Income**, or AMI.
- May need flexible credit guidelines or need to rely on non-traditional credit for qualification.
- May not have funds for a down payment.
- Must be without adequate housing.

Area Median Income

The midpoint in the family income range for a metropolitan statistical area or for the non-metropolitan parts of a state. Determined annually by HUD, the figure often is used as a basis to stratify incomes into very low, low, moderate, and above moderate. Frequently used to determine income eligibility for various housing programs.

USDA direct loans are designed for low to very-low income families, based on AMI, and funded directly by the government. Key differences for this type of mortgage include:

- Homebuyer income must be less than 80% of AMI.
- Homebuyers are unable to obtain other financing but have reasonable credit.
- Loan terms can go up to 33 years, though exceptions allow for loan terms up to 38 years if certain income criteria apply.

Mortgage Pre-qualification Assessment

After learning about the types of mortgages available on the market, Stella has a few questions. Let's observe their session.

Stella. I didn't realize there were so many kinds of mortgages. What kind of mortgage do you think I will qualify for?

Rebecca. To find out, we'll need the information you brought in from our last couple of sessions. Let's take a look.

Monthly income: $2,350

Debt: $358

Current debt-to-income ratio: 21.6%

Credit score: 640

Rebecca. As we discussed during our last session, based on your credit score, current debt, and monthly income, I believe you will qualify for a loan.

Stella. That's great. I've worked hard to improve my credit score, and have paid down my debt, but I don't have much money for a down payment or closing costs.

REBECCA. Okay, before we talk about that, let's talk about the mortgage term. You can get either a **fixed rate mortgage** or an **adjustable rate mortgage**. Let me take a moment to explain each type:

Fixed Rate Mortgage

A fixed rate mortgage, typically paid off in 30 years, has an interest rate that does not fluctuate. It stays the same over the life of the loan. You can count on your payments being the same for the next 30 years. Some people get a 15-year or other term, but these have higher monthly payments since you're paying off the mortgage faster.

Adjustable Rate Mortgage

Adjustable rate mortgages have an initial interest rate that applies for a defined period of time (typically from one month to 10 years) and then adjusts at pre-determined intervals for the life of the loan. Interest rates can increase or decrease when they are adjusted, but there are caps on how large an adjustment can be.

STELLA. I would not like the uncertainty of a payment that might change. I would prefer to know what my payment would be over time. Do you think the 30-year fixed rate is better for me?

REBECCA. From my knowledge of the qualification process, you would most likely qualify for a 30-year fixed rate mortgage. I think this may be the most appropriate option for you and here's why.

For a 30-year fixed rate mortgage, the portion of the mortgage payment for principle and interest won't ever change, though taxes and insurance can fluctuate over time. Of course, with an adjustable rate mortgage the principle and interest portion of the payment could decrease when the rate adjusts, but it is just as likely to go up.

Also, a loan for less than 30 years, say a 15-year loan, will have higher monthly payments as you're paying off the mortgage faster. This might be unaffordable for you. If you take out a 30-year mortgage and find extra money one month, you can elect to send in a larger payment without being obligated to do it all the time.

STELLA. Yes, a 30-year seems like the least risky type. I don't want any surprises if rates go up in the future. I want to know how much I'll have to pay each month, so I can plan for it. And I don't want to get in over my head with higher monthly payments.

Knowledge Check 1

A counseling agency has several clients looking to finance home purchases. All of these clients would like to buy a $100,000 home and are steadily employed.

Sample Credit Ranges:

Excellent: 720+

Good: 660-719

Fair: 620-659

Poor: 619 and below

Match each client description on the right to the best loan option for that client on the left.

A. VA
B. USDA
C. FHA
D. Conventional

___ 1. Client 1 has $25,000 in savings and a credit score of 740. She plans to keep some savings in reserves and has identified additional funds to cover closing costs.

___ 2. Client 2 has $2,500 in savings and a credit score of 690. Family members have offered to contribute to down payment costs to help him buy the home.

___ 3. Client 3 has $3,500 in savings and has a credit score of 635. She is on active duty with the Army.

___ 4. Client 4 has $2,000 in savings and a credit score of 650. His family makes 60% AMI. He lives in a small, rural town and would like to buy a farm.

Knowledge Check 2

Review each statement to determine if it is true or false based on what you know about adjustable rate mortgages. For those that are true, place a "T" before the statement. For those that are false, place an "F" before the statement.

___ A. The interest rate can go down, but it is also as likely to go up.
___ B. The borrower can request for the interest rate to adjust at any time.
___ C. There are caps on how much the interest rate can adjust.
___ D. VA borrowers can take out an ARM

Knowledge Check 3

Sara is almost ready to purchase her first home. Which criteria would decrease the likelihood that she could obtain an affordable mortgage?

A. She has saved $10,000 and is looking to purchase a home for $150,000.
B. Almost 6% of her monthly income goes to paying her student loans.
C. Her credit score is 577 due to several collection accounts.
D. Her debt-to-income ratio is 33%.

Mortgage Insurance

Mortgage Insurance Costs and Benefits

Now Rebecca explains to Stella what mortgage insurance is and outlines its costs and benefits. Let's return to their session.

Rebecca. It is important to understand what mortgage insurance, or MI, is and what it may cost you on top of your mortgage, so you can plan for it.

Stella. Is it like life insurance, where it can pay money to my family to pay off the mortgage if something should happen to me?

Rebecca. Not really. It is actually a mortgage insurance premium paid by you, the borrower, to protect the *lender* in case you stop paying your mortgage. It should not be confused with life insurance, which may be used to pay off a mortgage in the event of a borrower's death or disability, or with homeowners insurance, which protects the homeowner's investment in the case of damage to the home.

Stella. Oh, I see. It protects the lender, not me. Do I have to get it?

Rebecca. Your lender may require you to buy mortgage insurance if your down payment is less than 20% of the sales price or the appraised value of the home.

Stella. Well, as you know, I don't have that much for a down payment.

Rebecca. Then you may have to plan for this additional monthly expense. Some people who don't have enough for a 20% down payment obtain a **second mortgage**, or a so-called piggy-back loan. The second mortgage ensures that the first mortgage is only 80% of the sales price or appraised value of the home and thus does not require mortgage insurance.

Second Mortgage

A second mortgage is a subordinate loan on a property. Second mortgages may help lower the amount of the principal mortgage during home purchase, or they can be taken out at any point during the life of the first mortgage to pay for things like repairs, costly purchases, and education.

A second mortgage also places a second lien on the property as collateral for the loan. In the chance of default, the first mortgage takes priority for any possible repayment recuperated through foreclosure or other options. This poses a higher risk for lenders, which typically results in higher interest rates for second mortgages.

As an additional loan, a second mortgage will also have loan fees and associated costs. If you want to explore this option, you should talk to lenders about the risks involved and ask them to help you determine estimated costs.

STELLA. Okay. I'm not sure I want to get a second mortgage. It seems best to compare offers and the numbers for a first mortgage only. Before talking to lenders, can you give me an idea of how much mortgage insurance may cost me?

REBECCA. Sure. We can also discuss the different terms for mortgage insurance, which are based on mortgage type. For conventional loans, borrowers with a down payment of less than 20% of the loan amount may be required to pay private mortgage insurance, or PMI, which comes from private, or non-government, sources.

Several factors influence PMI, including the size of the loan, the **loan-to-value ratio**, or LTV, and the borrower's credit score, but rates typically range from 0.5% to 1.5% of the total loan amount. Your lender must automatically terminate PMI, either when your LTV reaches 78% or at the midpoint of the loan, i.e., after 15 years for a 30-year mortgage. You can request PMI cancellation earlier, once your principal balance falls to 80% of the original loan value, as long as certain requirements are met.

Loan-to-Value Ratio

A percentage calculated by dividing the amount of the outstanding loan amount by the sales price or appraised value of the home; also called an LTV ratio.

STELLA. I'm not sure I understand all of the calculations, but it sounds like a lot of money.

REBECCA. Mortgage insurance requirements vary for government-insured mortgages. Borrowers pay an **upfront mortgage insurance premium, or UFMIP**, and/or an annual mortgage insurance premium, or MIP, which goes to the agency that oversees the loan. In some cases, borrowers can choose to pay the upfront fee in cash or finance it into the loan amount. The annual premium is based on the unpaid principal balance. Effective for FHA loans originating on or after June 3, 2013, mortgage insurance can no longer be removed – it remains for the life of the loan.

Upfront Mortgage Insurance Premium, or UFMIP

An insurance premium of 1.75% that is collected on FHA loans. UFMIP can be paid at the time the loan closes or rolled into the mortgage payments. It is in addition to ongoing mortgage insurance premium payments.

For government-insured mortgages, agencies have different requirements and terminology. Here is a chart that outlines the differences:

	Upfront Charge	**Annual Charge**	**Factors**
FHA	1.75% UFMIP	0.8-1.05% Annual MIP	Loan origination amount and LTV (30-year mortgages)
VA	1.4–3.6% Funding Fee	None	Type of loan, military category, down payment amount, and whether first time or subsequent loan user
USDA	1% Guarantee Fee	.35% Annual Fee	None

Information up to date as of January 11, 2021.

REBECCA. I know I've shared a lot of information. The point to remember is that mortgage insurance can cost you hundreds or even thousands of dollars a year. Calculations are complex, so, again, you will want to ask your lender to estimate mortgage insurance costs.

STELLA. Okay, I will. Are there any benefits to having mortgage insurance?

REBECCA. Well, it is an additional cost, but it does open up the option of homeownership to those who don't have funds available for a 20% down payment. Let's take a look at an example.

Loan Options—Mortgage Insurance Comparison

Homebuyer Jane plans to purchase a $100,000 home. After researching to compare loan options, she learns the following about down payments and mortgage insurance:

Conventional Loan

- Down payment: $20,000, or 20%
- Mortgage amount: $80,000 (6% interest), $479.64/monthly
- Monthly payment: $479.64

Conventional Loan and Second Mortgage

- Down payment: $10,000, or 10%
- Mortgage 1: $80,000 (6% interest), $479.64/monthly
- Mortgage 2: $10,000 (8% interest), $73.38/monthly
- Monthly payment: $553.02

Conventional Loan and Mortgage Insurance

- Down payment: $10,000, or 10%
- Mortgage amount: $90,000 (6% interest), $539.60/monthly
- PMI*: $37.50 (0.5%)
- Monthly payment: $577.10

FHA Loan

- Down payment: $3,500, or 3.5%
- Mortgage amount: $96,500 (6% interest), $578.57/monthly
- UFMIP: $1,688.75 (paid at closing or financed into loan)
- Monthly MIP*: $76.40 (0.95%)
- Monthly payment: $654.97

**PMI and MIP are adjusted annually based on the remaining principal balance, so payments will decrease slightly each year. PMI terminates after certain conditions apply, but effective June 3, 2013, FHA loans do not provide cancellation of MIP payments during the term of a 30-year loan. Check the most recent FHA Mortgagee Letters for any updates.*

STELLA. Ok, I think I see now. Conventional loans might not have mortgage insurance but require more funding up front, while FHA loans might allow me to purchase without a huge down payment. The monthly payment on the conventional loan with a 20% down payment looked great, but it might take too long to save $20,000. My kids and I can't stay with my uncle forever!

REBECCA. That's right. Also, FHA mortgages include loss mitigation options to avoid foreclosure that might not be available under other mortgage programs. And, mortgage insurance payments may be tax deductible.

STELLA. Tax deductible, that's great. And, what you said is true for me. I wouldn't be able to buy a home if I had to put down 20%. I wish there was some way to come up with more money.

REBECCA. There are a couple of provisions you may be able to take advantage of. For example, though gifts toward a down payment may not be allowed for all loans or may have restrictions, FHA and some other loans allow homebuyers to accept gifts from family or friends to go toward their down payment or closing costs.

STELLA. Really? My sister may be able to help us. I'll check into that.

REBECCA. That's a good idea. Now let's take a moment to prepare you for shopping for a loan and talking with lenders about your options. I have a sample loan chart that outlines some of the information we've talked about today.

STELLA. Okay. That sounds like a good way to prepare.

Comparing Mortgage Loan Products

Rebecca shows Stella a lender brochure that includes the following information. They talk about the different types of mortgages, and Rebecca highlights samples of the kinds of loan options they discussed. The information in the table reflects sample requirements for mortgage approval with a lender for educational purposes. Actual approval is subject to particular lender and program requirements. *Refer to page 16 for more information about credit score criteria for FHA loans.

Neighborhood Bank Loan Product Comparison					
	Conventional Fixed Rate Mortgage	**Neighborhood Conventional Fixed Rate Mortgage**	**5/1 Adjustable Rate Mortgage**	**FHA Fixed Rate Mortgage**	**USDA Rural Development Loan**
Terms	15, 20, and 30 years	10, 15, 20, and 30 years	30 years	15 and 30 years	30 years
Overview	Interest rate and monthly payments are fixed for the life of the loan	Interest rate and monthly payments are fixed for the life of the loan; borrower must purchase home in designated zip codes	Interest rate set for first five years, then adjusts annually for life of loan	Smaller down payment requirement and flexible underwriting	No down payment requirement, used for eligible borrowers and properties
Requirements	95% maximum LTV; PMI if LTV is higher than 80%	97% maximum LTV; PMI if LTV is higher than 80%	80% maximum LTV	96.5% maximum LTV; UFMIP and annual MIP for all loans	102% maximum LTV; income and property requirements
Down Payment	At least 5%; can be borrower funds, a gift, or combination	At least 3%; can be borrower funds, a gift, or combination	20%, of which at least 10% must be from own funds	At least 3.5%; can be borrower funds, a gift, or combination	None required
Credit Score	700+	660+	720+	600+	640+
Target Borrower	Has good credit and funds for down payment	Has good credit, smaller down payment, and wants to live in revitalized neighborhood	Has down payment, wants lower interest rate for a few years and proves can handle adjustments, and may not own home for more than five years	Has little funding for down payment and lower credit score but can afford homeownership	Wants to live in eligible rural area, meets requirements, and has had trouble obtaining mortgage elsewhere

Though credit approval is subject to lenders, FHA allows financing options for borrowers with lower credit scores. Rebecca reviews the following information, which shows the scores required for certain financing amounts to obtain an FHA-insured loan.

Score	FHA Financing Allowed
580+	Maximum LTV 96.5%
500-579	Maximum LTV 90%
<500	Ineligible

Knowledge Check 4

Which statement best describes private mortgage insurance?

A. It protects the borrower in case of default due to job loss.
B. It can be used for FHA mortgages.
C. It always includes an upfront premium and monthly charge.
D. It protects the lender in case the borrower defaults.

Knowledge Check 5

If Stella chooses to obtain a conventional mortgage through a private lender, when can she request that the lender remove the PMI from her monthly payments?

A. When the mortgage balance is 90% of the original value of the home.
B. When the mortgage balance is 80% of the original value of the home.
C. When the mortgage balance is 78% of the original value of the home.
D. When the mortgage balance is 60% of the original value of the home.

Manufactured Homes

Owning a Manufactured Home

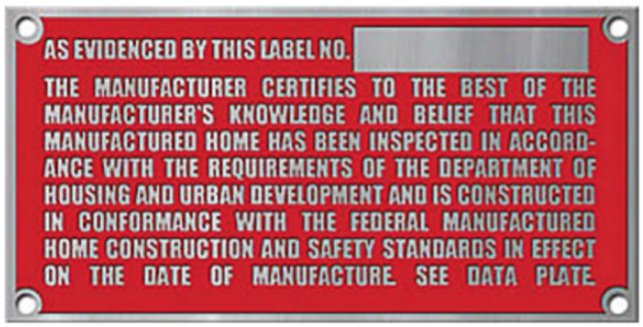
Manufactured homes are a popular affordable housing alternative for many homebuyers, and the largest source of unsubsidized affordable housing in the country. Manufactured-home buyers are often financially vulnerable, which means housing counselors need to understand the many factors involved in the manufactured home purchase and financing processes in order to provide guidance.

A manufactured home is built in a factory to the "HUD Code," which is formally referred to as the Manufactured Home Construction and Safety Standards, then transported to the placement site.

Manufactured Home

A manufactured home is built in a factory in accordance with the "HUD Code," or HUD Manufactured Home Construction and Safety Standards, then transported to the placement site. Each transportable section is identified as HUD Code compliant by a red certification label attached to the exterior. Factory-built homes that were built after June 15, 1976, are considered manufactured homes. Factory-built homes constructed before June 15, 1976, are known as mobile homes.

Each transportable section is identified as HUD Code compliant by a red certification label attached to the exterior. Manufactured homes without the red certification label cannot be "reconstructed" for compliance with HUD Code. If the label is not found on the home, HUD does not reissue the label. However, homeowners can request a Letter of Label Verification from the Institute for Building Technology and Safety if a previously certified home is missing a label.



Factory-built homes are often referred to as **modular homes**, manufactured homes, or **mobile homes**, but there are clear distinctions between the terms. Modular and mobile homes do not conform to the HUD code and, therefore, do not receive red labels. Modular homes are more similar to site-built homes because they are constructed according to the building codes and specifications of the placement location rather than the HUD Code. Modular homes are typically titled as real estate and financed through a mortgage.

The term "mobile home" refers to factory-built non-modular homes built before the HUD Code became effective on June 15, 1976. Mobile homes are not typically titled as real estate, nor are they considered eligible collateral for a mortgage.

Depending on how the home is titled and taxed, a manufactured home may be considered real estate and eligible collateral for a mortgage. Manufactured homes can be purchased new or used from a manufactured home dealer or used from the current homeowner. The HUD Office of Manufactured Housing Programs web page provides valuable consumer information related to the purchase, installation, and consumer protections for new manufactured homes.

Modular Home

Modular homes are constructed in a factory to all applicable state and local building codes, similar to the way traditional site-built homes are constructed, and then transported to the home site. Instead of being built according to the HUD Code, the standards by which a modular home is built can vary based on the local ordinances of the home site. For example, some states and municipalities have standards that regulate the minimum roof pitch, overhang length, and foundation wall requirements.

Mobile Home

Mobile homes are any factory-built home that is not a modular home constructed in a factory prior to June 15, 1976, when the National Manufactured Housing Construction and Safety Standards Act was enacted. Mobile homes were not built in accordance with HUD Manufactured Home Construction and Safety Standards.

Land Property Interest

Indicates the legal interest of the manufactured-home owner in the land on which the home is situated. Types of manufactured-home land property interest include direct ownership, indirect ownership, paid leasehold, and unpaid leasehold.

Personal Property

Personal property refers to tangible property, other than real property, such as cars, recreational vehicles, and manufactured homes that are not taxed or titled as real property.

Real Property

Real property refers to the ownership of physical real estate, which typically includes land and buildings titled as real estate.

In May 2021, the CFPB publication, [Manufactured Housing Finance: New Insights from the Home Mortgage Disclosure Act Data](), provided important information about factors that impact manufactured-home buyers and the unique consumer protection concerns related to financing manufactured homes. While manufactured homes typically cost less than site-built homes, manufactured-home owners typically pay higher interest rates and are offered shorter loan terms, both of which impact the monthly payment. Additionally, manufactured-home owners typically have fewer financing-related consumer protections, depending on how the home is taxed and titled.

Whether the homeowner owns the land on which the home is placed may determine how the manufactured home is taxed and titled and which financing options are available. The home's title designation, per state law, and the owner's **land property interest** are likely to determine if the manufactured home is **personal property**, also known as chattel, or **real property**, also known as real estate, which then determines the type of financing available to the manufactured-home buyer.

The land property interest type indicates the legal interest of the manufactured-home owner in the land on which the home is situated. The following types of land property interest impact whether a manufactured home is eligible to secure a personal/chattel loan or a mortgage loan as collateral.

Direct ownership—the borrower owns the land on which the manufactured housing unit is located. The home is taxed and titled as real estate, making it real property and eligible for most types of conventional and government-insured mortgages.

Indirect ownership—the borrower is a member of a Resident Owned Community, or ROC, where the members of the community collectively own the land where the manufactured home is located. Indirect ownership is typically taxed and titled as real estate, making it real property and potentially eligible for mortgage financing. However, the ROC must meet the specific guidelines of the mortgage product.

Paid leasehold—the borrower pays rent for the property, which may include land contracts or lease purchase agreements, making it personal property in most cases.

Unpaid leasehold—the borrower does not pay rent for the land. This interest type includes loans where the manufactured home is located on land owned by a family member without a written lease or agreement regarding rent payments, making it personal property in most cases.

Note: The type of property interest for land contracts depends entirely on the terms of the agreement and state law. In most cases, land contracts are considered paid leasehold interest because the title to the land is not transferred to the buyer until the land contract is paid off.

New manufactured homes are generally titled as personal property, or chattel, per state law. In order to qualify for mortgage financing, a buyer must convert the title of the manufactured home to real property in a process that varies from state to state. FannieMae.com provides helpful information on titling a manufactured home as real property by state.

While most states will convert a manufactured home title to real property in cases of direct or indirect ownership interest, many do not allow homes on leased land to be converted. Where allowed, an extended lease and/or the community owner's permission is often required for the home to be converted to real property. The benefits of converting a manufactured home to real property include better financing options and consumer protections, while the drawbacks include the possibility of a greater tax burden and limitations on bankruptcy remedies.

Typically, the requirements for a manufactured home to be converted to real property include:

- Removal of the tongue, wheels, and axles.
- Permanent attachment of the home to the land (which could be leased land in some states).
- Surrender the certificate of title to the appropriate revenue commission.
- Comply with state requirements to have the manufactured home assessed as real estate.

If a homeowner does not follow the process required by the state, the manufactured home will remain classified as personal property.

Secured Property Type

Identifies whether a manufactured home loan is a personal property loan, meaning secured by the manufactured home and not land (chattel), or real property, meaning secured by the manufactured home and the land (mortgage).

Financing a Manufactured Home

The **secured property type** of the loan collateral identifies whether a manufactured home loan is a personal property loan or a real property loan. Chattel secured property type means the loan is secured by the manufactured home as personal property and not the land. Mortgage secured property type means the loan is secured by the manufactured home and the land as real property. According to the CFPB, 44% of manufactured home loans in 2021 were **chattel loans**, which tend to have higher interest rates and shorter loan terms.

Chattel loan

Chattel loans are loans that are secured by a movable piece of personal property. Manufactured homes on leased land are typically financed with chattel loans. The manufactured home continues to secure the loan even if it is moved to a new location. Interest rates for chattel loans tend to be higher than interest rates for mortgages.

Housing counselors need to be knowledgeable regarding the many ways to finance the purchase of a manufactured home. Depending on the whether the home is classified as real property or personal property, there may be several financing options available. However, many traditional lending institutions do not make loans for manufactured homes. Without appropriate guidance from a housing counselor on all possible financing options, many buyers choose to finance through the manufactured home retailer with a chattel loan.

Manufactured Home Loan Products

Most manufactured homes that are classified as real property with direct or indirect ownership interest are eligible for financing through conventional and government-insured mortgage products if both the property and borrower qualify.

Manufactured Home Mortgage Products

Private lenders have the option to finance manufactured homes with conventional loans that conform to Freddie Mac or Fannie Mae, Government-insured loans, and non-conforming conventional loans. In addition to the borrower, the home and site must also qualify for financing according to the specific guidelines of the mortgage product. The following home and site requirements generally apply to manufactured home mortgage products:

- The home must have been built after June 15, 1976, and the red certification label must be attached to the exterior of each section.
- The home must be taxed and titled as real estate to secure a mortgage on the home and the land.
- The home site and foundation must meet product-specific guidelines.
- The home can only be moved from the dealer to the site and must not have been placed on a previous site.
- The home's installation (set up) must meet the Model Manufactured Home Installation Standards and carry a one-year manufacturer's warranty if the unit is new.

Additional home and site requirements may also apply depending on the mortgage product.

Government-insured Manufactured Home Loans

The FHA Title I Manufactured Home Loan Insurance Program insures loans made by approved private lenders that finance the purchase or refinance of a manufactured home and/or the lot on which the home is located. The Title I Manufactured Home Loan Program increases the availability of affordable financing for buyers of manufactured homes by offering longer term and lower interest rate financing for the home, the land, or both the home and the land.

Borrower and property eligibility requirements include:

- The home must have been built after June 15, 1976, and the red certification label must be attached to the exterior of each section.
- No income limit or minimum credit score required, though the credit score could impact the size of the down payment required.
- The home must be the borrower's principal residence.
- The home can be classified as real or personal property on land that is owned or leased by the borrower.
- For paid or unpaid leasehold interest, the initial lease term must be for a minimum of three years with a provision that the homeowner will receive written notice at least 180 days in advance in the event the lease is to be terminated.
- The home must meet the Model Manufactured Home Installation Standards and carry a one-year manufacturer's warranty if the unit is new.
- The home site must meet established local standards for site suitability and have an adequate water supply and sewage disposal facilities available.

Maximum Loan Amount

- Manufactured home only - $69,678
- Manufactured home lot - $23,226
- Manufactured home and lot - $92,904

Maximum Loan Term

- 20 years for a loan on a manufactured home or on a single section manufactured home and lot
- 15 years for a loan on a manufactured home lot
- 25 years for a loan on a multi-section manufactured home and lot

Knowledge Check 6

Which manufactured home would qualify as real property, or real estate, to secure a mortgage as collateral?

A. A manufactured home titled by state law as real property with a paid leasehold interest.
B. A manufactured home titled by state law as real property with unpaid leasehold interest.
C. A manufactured home titled by state law as real property with direct ownership interest.
D. A manufactured home titled by state law as personal property with direct ownership interest.

Knowledge Check 7

Review each type of manufactured home financing to determine if homes classified as real property, personal property, or both are the most typical collateral. For those that require real property, place an "R" before the financing type. For those that finance personal property, place a "P" before the financing type. For those that finance both personal and real property, place a "B" before the finance type.

___ A. Conventional mortgages
___ B. Fannie Mae MH Advantage
___ C. Chattel loan through a private lender
___ D. FHA Title I Manufactured Home Loan
___ E. Retailer financing
___ F. Government-insured mortgages (FHA, USDA, VA)

Affordable Mortgage Down Payment Assistance and Rental Programs

Affordable Mortgage Down Payment Assistance Programs

After discussing the information and loan options, Rebecca has one last thing she'd like to discuss with Stella. She thinks that Stella may qualify for a down payment assistance program offered by the county.

As a housing counselor, it is important to be knowledgeable about down payment and closing cost assistance programs to provide clients with options for making homeownership affordable.

HUD awards funding through several source programs, such as the **HOME Investment Partnerships Program**, or HOME, and the

> **HOME Investment Partnerships Program**
>
> HUD program that provides grants to states and localities for building, buying, and/or rehabilitating affordable housing for rent or homeownership or providing direct rental assistance to low- and moderate-income persons.

Community Development Block Grant Program, or CDBG. Funding from these and other sources is granted to local or state government agencies, as well as nonprofit organizations, which manage program administration and distribute funds to the homebuyers.

Program availability and requirements vary by state and locality. Here are several resources for information.

Community Development Block Grant Program

HUD program that provides grants to states and localities to provide decent housing and a suitable living environment and to expand economic opportunities, principally for low- and moderate-income persons.

Down Payment Assistance Program

HUD Homeownership Assistance by State

Select your state on the "State Information" page. On your state page, select link to "Learn about Homeownership," then find "Assistance Programs" (e.g., Homeownership Assistance: California).

Local or state public housing authority (e.g., Atlanta Housing Authority)

Local or state housing division (e.g., New Jersey Housing and Mortgage Finance Agency)

Community action agencies or other nonprofits (e.g., Habitat for Humanity)

Department of Veterans Affairs (e.g., VA Benefits: Home Loans)

Government-sponsored bank cooperatives (e.g., Federal Home Loan Banks)

To practice skills related to counseling clients on this topic, let's join Rebecca and Stella again. Rebecca is sharing some information about a local program in their county. Rebecca compiled similar information on a number of different programs.

REBECCA. We looked at one way to increase your down payment, through gifts of cash from family or friends. I wanted to share with you another way you may be able to increase your down payment to 20%, by taking advantage of down payment assistance, or DPA, programs.

STELLA. Okay. Please tell me more about them.

REBECCA. A DPA program is typically offered by a nonprofit or government entity to help low-income families cover the costs of a mortgage down payment. Sometimes they also help pay closing costs. Eligibility varies depending on the program, but it is typically based on income, family size, and the property purchased.

STELLA. I didn't know about them. What do I need to qualify for a program?

REBECCA. Let me show you a brochure from a local DPA program to learn about a typical program and its eligibility requirements.

STELLA. Okay.

SAMPLE DOWN PAYMENT ASSISTANCE PROGRAM

Rebecca shows Stella the brochure drawing her attention to certain key points

Metropolitan Affordable Homeownership Assistance Program	
Program Description ❶	• $10,000 of mortgage assistance in form of 0% interest rate **soft second mortgage** ❷ • Payment is forgivable 20% each year for five years • The prorated balance is due if property is sold, refinanced, foreclosed, not owner-occupied, or title transfers within five years • Funding covers up to 40% of closing costs
Borrower Eligibility	• Must be first-time homebuyer • Borrower must occupy property as primary residence • Credit score above 620 ❸ • Household income cannot exceed 120% of the AMI adjusted for family size
Buyer's Maximum Annual Household Income Adjusted for Household Size ❹	
1	$36,000
2	$41,000
3	$46,000
4	$51,000
5	$56,000
Property Eligibility ❺	• Must be located in the city limits • Maximum purchase price on new or existing home is $250,000 • Must be single-family detached home, townhouse, or condominium • Must be owner-occupied primary residence
Homebuyer Education Requirement ❻	• Must attend an eight-hour homebuyer education class conducted by a HUD-approved counseling agency prior to closing
First Mortgage Requirements	• Must have mortgage pre-approval from a participating program lender ❼ • Must be a conventional, FHA, or VA 30-year fixed rate loan

1. Each program has a maximum amount available to borrowers, often at 0% interest with deferred payments.
2. Second mortgage that is subsidized by a down payment assistance program. Payments on the loan are deferred under certain conditions, and the full loan amount is often forgivable if requirements are met.
3. Often a borrower's credit score needs to be above 620.
4. The borrower must earn less than a certain level to qualify.
5. Maximum home price, location, and home type are important qualifying factors.
6. Often borrowers are required to complete homebuyer education and/or housing counseling.
7. Borrowers often need to be pre-approved by a lender for a certain type of mortgage, most commonly a 30-year fixed rate mortgage.

Note: Most DPA programs allow the funds to be used toward the purchase of a manufactured home only when the home will be mortgaged as real property.

After they finish looking at the brochure and do the calculations, they determine that Stella qualifies because she meets the income and credit score requirements and plans to buy a property that conforms to the regulations. Rebecca suggests that if Stella is interested in applying for the program that she contact the program and begin the steps to qualify.

Knowledge Check 8

Review each statement to determine if it is true or false based on what you know about the Housing Choice Voucher Program (Section 8). For those that are true, place a "T" before the statement. For those that are false, place an "F" before the statement.

___ A. Moves due to changes in family size or job location are allowed.
___ B. Landlords cannot provide unsanitary housing or charge a high rent.
___ C. Vouchers are provided to participants directly from the local HUD office.
___ D. Elderly renters can participate in the program.

Affordable Rental Assistance Programs

Before Stella leaves, she spots a brochure titled Rental Assistance Programs. She tells Rebecca that her friend Angela recently moved to town and may need some help finding an affordable place to live for herself and her family. Rebecca suggests that Angela make an appointment with her agency to discuss housing options.

Like homeownership programs, rental assistance programs vary by region. Federal government funding for affordable rental housing programs is administered by local nonprofits and government agencies, which adhere to certain program and eligibility requirements.

It is important for housing counselors to be knowledgeable about resources to help clients looking for affordable rental options. HUD offers a wide array of programs established to provide decent, safe, sanitary and affordable housing for eligible low-income families, the elderly, and persons with disabilities. The HUD website helps housing counselors find local agencies that provide both affordable rental housing units and rental assistance programs. Many housing counselors also find their local nonprofits and government agencies, such as the department of community affairs or housing authority offices, to be good sources of information.

A Counselor, Jake

To learn more, let's check in with Jake, an experienced housing counselor who just moved to the area also.

Jake recently moved to a new county and needs to become familiar with local rental assistance programs. To do this, Jake visits HUD.gov and enters "Rental Help" and the name of his state in the search bar. HUD maintains a listing of housing resources for each state, so all housing counselors can perform a similar search. On the state page, he finds information from two main resources and identifies possible client questions about each one.

HUD Website Resources

Subsidized Apartment Search

What is it?

A directory, maintained by HUD, listing privately owned subsidized housing units for low-income residents to search for affordable apartments by location.

How does it work?

HUD helps apartment owners offer reduced rents to low-income tenants. Families receive housing assistance as long as they live in the subsidized property.

How do I apply?

Residents can search for an apartment on the HUD website and apply directly at the property management office.

Public Housing Agencies

A state, county, municipality, or other government agency that develops or operates low-income housing. PHAs, which receive federal funding from HUD for program administration, include a broad range from local housing authorities to state departments of community affairs or housing and finance agencies.

Public Housing Agency, or PHA

What is it?

Public housing agencies offer public housing and housing vouchers for low-income residents. Housing can range from scattered single-family houses to high-rise apartments.

How does it work?

HUD administers funds to PHAs, who manage affordable housing units and housing assistance programs for residents.

How do I apply?

Residents can search for their local PHA contact information on the HUD website and apply through the PHA.

Let's take a closer look at what Jake finds.

Fair Market Rent

A determination of the monthly rent of a rental property, calculated by HUD. Factored by geography and unit size, it sets payment standards for public housing programs.

Affordable Rental Apartment Search

From his search in the HUD directory of subsidized apartments, Jake identifies affordable apartments and subsidized rental properties in his area and contacts the properties for more information. He also contacts the local PHA to learn about their housing programs. Lastly, he looks up the area's **fair market rent**, or FMR, on the HUD website.

Jake makes a list of the resources he finds. Let's look at details he records about several properties in his county.

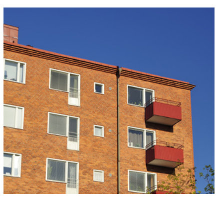
County Affordable Apartments			
Name of Property	**Description**	**Eligibility**	**Rent Determination**

Town Green 	Private property with subsidized rent	• Income: Less than 80% AMI
		• Priority: Persons with disabilities
			• Lower of following amounts:
			  • 90% of FMR
			  • 35% of monthly gross income

County Affordable Apartments			
Name of Property	**Description**	**Eligibility**	**Rent Determination**

Creek Crossing 	Private property designated for seniors	• Income: Less than 80% AMI
		• Age: 55 and older
			• Lower of following amounts:
			  • 90% of FMR
			  • 30% of monthly gross income

Cedar Ridge 	Private property with 20% of units allocated to HUD project-based vouchers	• Income
		  • Market rate units: No limit
		  • Voucher: Less than 50% AMI
			• Market rate units: FMR
			• Voucher: Total Tenant Payment

Rocky Gardens 	Public housing complex	• Income: Less than 30% AMI	• **Total Tenant Payment**

Total Tenant Payment

Under the Total Tenant Payment calculation, families will pay the highest of the following amounts:

- 30% of monthly adjusted income (deductions calculated based on family size, elderly and/or disabled residents, and other factors)
- 10% of monthly gross income
- Welfare rent (in states where applicable)
- $25 minimum rent (determined by PHA)

Federal Housing Choice Voucher Program (Section 8)

Next, Jake adds standard resources that he is already familiar with to his list. One of these is the Housing Choice Voucher Program, which is commonly referred to as Section 8. This is the federal government's major program for assisting very low-income families, the elderly, and the disabled to afford decent, safe, and sanitary housing in the private market. Housing choice vouchers are distributed locally by PHAs, which receive federal funding from HUD for program administration.

Participants are free to choose any housing that meets program requirements and are not limited to units located in subsidized housing projects. As factors like family size and job location change housing needs over time, the program is designed to allow families to move without losing assistance. Families moving to a new PHA jurisdiction will need to consult with the current PHA to verify procedures.

These housing choice vouchers are sometimes referred to as tenant-based vouchers, to distinguish them from another component of the program. The Project-Based Voucher Program allows PHAs to allocate up to 20% of its housing choice vouchers for project-based vouchers attached to specific housing units. PHAs contract property owners and agree to subsidize housing units, provided that the owner of the property agrees to construct units, rehabilitate units, or set aside a portion of units in an existing development.

This project-based rental assistance differs from the location flexibility of the Housing Choice Voucher Program. If the family moves out of the unit, the contract with the owner ends and the family loses the voucher assistance.

Let’s take a look at additional details and requirements. As requirements may change, we’ll use this information (reviewed January 2020) for instructional purposes.

Housing Choice Voucher Program	
Target Audience	Very low-income families, the elderly, and the disabled
Purpose of Program	Assist program participants to obtain decent, safe, and sanitary housing in the private market
How Program Funds Are Administered	Housing choice vouchers are administered locally by PHAs that receive federal funds from HUD
How Subsidy Is Paid	Subsidy is paid to the landlord directly by the PHA on behalf of the participating family; family then pays the difference between the actual rent and amount subsidized
Voucher Recipient (Family’s) Responsibilities	Applying for the program and finding a suitable housing unit of the family’s choice where the owner agrees to rent under the program
Landlord Responsibility	Provide decent, safe, and sanitary housing that passes and maintains program standards and offers a reasonable rental rate
Rental Terms	Family signs a lease for at least one year with possibility of subsequent month-to-month lease
Additional Provisions	Moves due to circumstances like changes in family size or job location are allowed; family must notify PHA and terminate lease under leasing terms

Eligibility is determined by the local PHA using this criteria:

- Based on total annual gross income and family size
- Limited to U.S. citizens and specified categories of non-citizens who have eligible immigration status
- In general, family's income may not exceed 50% of the median income for the county or metropolitan area
- PHA must provide 75% of its vouchers to applicants whose incomes do not exceed 30% of the **area median income**
- Voucher recipient must pay 30% of monthly adjusted gross income for rent and utilities; if the unit rent is greater than the payment standard, the family is required to pay the additional amount

Area Median Income

Area median income levels are published by HUD and vary by location. Local PHAs can also provide these.

Affordable Rental Assistance Programs

Next, Jake adds **national HUD rental assistance programs** to his list. Though the programs operate throughout the country, the specific contacts vary by location, so Jake takes a moment to review resources and make local connections. Let's take a look at two more programs he identifies.

National HUD Rental Assistance Programs

Housing counselors can also contact their local HUD office to learn about any additional programs funded by HUD and administered by local entities.

HUD Rental Programs

Program	Agency	Purpose of Program	Target Audience	Contact
Veterans Affairs Supportive Housing, or VASH	HUD provides housing choice vouchers and the Department of Veterans Affairs, or VA, provides case management and outreach.	To end veteran homelessness	Currently homeless veterans	877-4AID-VET or www.va.gov/homeless/hud-vash.asp

HUD Rental Programs				
Program	**Agency**	**Purpose of Program**	**Target Audience**	**Contact**
Housing Opportunities for Persons with AIDS, or HOPWA	HUD makes grants to local communities, states, and nonprofit organizations for projects that benefit low-income persons living with HIV/AIDS and their families.	To assist with housing needs of people living with HIV/AIDS	Low-income persons living with HIV or AIDS	www.hudexchange.info/programs/hopwa

Jake adds these programs to his list of rental resources. He also consults the HUD Rental Housing Toolkit for Housing Counselors, which includes a section on Assistance Programs for Renters, before he continues his research.

Sample Local Rental Assistance Program

To round out his search, Jake visits websites of local government agencies, nonprofits, and other organizations that offer subsidized or reduced rents to low-income residents, becoming familiar with eligibility requirements and income limits. Here's an example of what he learns about one such local program.

County Rental Assistance Program Overview				
Target Audience	**Purpose of Program**	**How Program Funds Are Administered**	**Units Availability**	**Rent Determination**
Families, individuals, seniors, and supportive housing for special populations	Assist working households with incomes that are higher than those allowed under Public Housing and Housing Choice Voucher Programs, or families with income between 30–80% of AMI	Administered locally by nonprofit and government organizations that receive public housing funding	52 family units 14 senior units	A minimum rent amount, or 30% of household income, whichever is less

Eligibility:

- Must also qualify by income (at least the minimum and no more than the maximum) for particular unit and household size; applicants cannot make less than 30% AMI and cannot make more than 80% AMI
- Must fill out pre-application form; program will check credit, rental references, and police records
- Must live or work in county

County Median Income $56,300	**Percentage of Medium Income** (based on HUD and local guidelines)	Current Year Income Limits Per **Number of Persons** in Household				
		1	2	3	4	5
	30%	11,850	13,550	15,250	16,900	18,650
	50%	19,750	22,550	23,350	28,150	30,950
	80%	31,550	36,050	40,550	45,050	49,550
	120%	47,400	54,120	60,840	67,560	74,280
	140%	55,300	63,140	70,980	78,820	86,660

Note: As rental properties and eligibility requirements vary by region and may change, we'll use this example for instructional purposes.

Affordable Rental Housing Counseling Session

Now that Jake has a complete list of affordable rental resources available, he is ready to meet with his clients. His first client of the day is Angela, Stella's friend. Let's join their session.

A Counselor, Jake, and a Client, Angela

JAKE. Hi, Angela. I understand you are in need of affordable rental housing.

ANGELA. Yes. My husband, our young son, and I recently moved to town to take care of my mother. We're living with her right now in her one-bedroom apartment. My husband started a new job a few months ago, and I think it's time we find a place of our own.

JAKE. Okay. I'd be happy to help you. Did you bring the information we asked you to bring for our appointment today?

Angela. Yes, I have his paystubs, statements from our monthly bills, and our credit report.

Jake. Great. These will help me determine how much you can afford for rent and see if you qualify for any rental assistance programs.

Angela. Okay. I'm not sure we can afford the rents around here without some assistance.

Jake. Well, from the information you provided it looks like your husband makes $440 a week, which equals an annual income of $22,880 and a monthly income of $1,906. Your other debts aren't substantial, and your credit score is 600.

Angela. Yes, it's just not enough money for apartments in this town.

Jake. Probably not. You should only be paying 30% of your income to rent, so based on this calculation that means $572. It will be hard to find a decent apartment for that amount.

Angela. What can we do? Move further away? I won't be able to help my mother as easily if we do that.

Jake. There are some rental assistance programs for which you appear to qualify. Let's talk about them. You could qualify for the Housing Choice Voucher Program (Section 8) as your family makes less than 50% of the area median income, or AMI. Through this program, you would pay no more than 30% of your income on rent—so $572—the program subsidizes the additional amount.

Angela. That sounds affordable. Are there other programs we qualify for as an alternative?

Jake. It looks like you also qualify for the County Rental Assistance Program. With this one, you work with the county and find apartments that are participating in the program.

Angela. That is a good option, too. I'd like to keep our rent down as I'm sure my bills will be increasing. Then when we get on our feet and I start working part-time maybe we can afford an apartment without assistance.

Jake. Yes, increasing your income will provide you with more housing options. For now, I recommend that you apply for both the Housing Choice Voucher Program with City Housing Authority and for the county program. Please let me know how it goes.

Angela. I will. Thank you for your help with this.

Knowledge Check 9

Which statement is **false** based on what you know about the Housing Choice Voucher Program (Section 8)?

A. Moves due to changes in family size or job location are allowed.
B. Landlords cannot provide unsanitary housing or charge a high rent.
C. Vouchers are provided to participants directly from the local HUD office.
D. Elderly renters can participate in the program.

Knowledge Check 10

Which clients below will qualify for the County Rental Assistance Program discussed in the module? For those that qualify, place an "A" before the description. For those that don't qualify, place a "B" before the description.

___ 1. Joseph is 37 years old, is married with two children, and makes $16,525 a year.

___ 2. Betty is 62 years old, is not married and has no children, and makes $30,380 a year.

___ 3. Regina is 27 years old, is not married and has a child, and makes $14,213 a year.

___ 4. Hank is 52 years old, is married and has three children, and makes $51,150 a year.

Summary

In this module, you learned to:

1. Apply an understanding about the different types of mortgage loans that may be used by a client to purchase a home and counsel the client on which types of mortgage loans may be appropriate for use given the client's specific circumstances.
2. Apply knowledge of how FHA and private mortgage insurance works to discuss the costs and benefits of these options with a client.
3. Apply knowledge of down payment and closing cost assistance programs to analyze a client's circumstances, income, and overall credit profile to determine eligibility for local mortgage and down payment assistance programs, and be able to determine if financing can be layered with HUD/FHA products.
4. Apply knowledge of HUD and local tools available when providing a client with information about the criteria and eligibility of affordable rental housing or assistance programs available, including Section 8.

Appendix

Knowledge Check Answer Key

1. **Correct matched items:**

   (D) Conventional: 1. Client 1 has $25,000 in savings and a credit score of 740. She plans to keep some savings in reserves and has identified additional funds to cover closing costs.

   (C) FHA: 2. Client 2 has $2,500 in savings and a credit score of 690. Family members have offered to contribute to down payment costs to help him buy the home.

   (A) VA: 3. Client 3 has $3,500 in savings and has a credit score of 635. She is on active duty with the Army.

   (B) USDA: 4. Client 4 has $2,000 in savings and a credit score of 600. His family makes 60% AMI. He lives in a small, rural town and would like to buy a farm.

2. **Correct True or False items:**

(T) True	(F) False
A. The interest rate can go down, but it is also as likely to go up—There is no guarantee that interest rates will only go down when they adjust.	B. The borrower can request for the interest rate to adjust at any time.
C. There are caps on how much the interest rate can adjust—Interest rates on these mortgages can only go up or down by a certain percentage at each adjustment. The percentages are set by the lender and should be disclosed to the borrower. D. VA borrowers can take out an ARM—The VA will insure ARMs though they are much less common than fixed rate mortgages.	

3. **(C) Her credit score is 577 due to several collection accounts.**

   A low credit score will deter most lenders from offering financing to a borrower because they have a history of not handling debt well. Or, lenders may offer financing with a higher interest rate, which can make the mortgage unaffordable.

   Incorrect answers: (A) She has saved $10,000 and is looking to purchase a home for $150,000—While she doesn't have 20% of the purchase price saved, she could qualify for an FHA loan; (B) Almost 6% of her monthly income goes to paying her student loans—As long as the monthly payment amount does not raise her debt-to-income ratio above the allotted limits and Sara makes timely payments, she can still qualify for a mortgage. In fact, positive account history is actually improving her credit score; and (D) Her debt-to-income ratio is 33%—Having a low debt-to-income ratio is appealing to lenders as it shows the borrower isn't overextended financially.

4. **(D) It protects the lender in case the borrower defaults.**

   Mortgage insurance, in general, aims to insure the lender against losses due to borrower defaults.

   Incorrect answers: (A) It protects the borrower in case of default due to job loss.—PMI does not protect the borrower. However, some lenders now offer a job loss insurance product to help borrowers protect against mortgage default after losing their jobs; (B) It can be used for FHA mortgages—PMI can only be used for private loans, not government-insured loans; and (C) It always includes an upfront premium and monthly charge—PMI typically only entails a monthly charge.

5. **(B) When the mortgage balance is 80% of the original value of the home**

   Once the balance is 80%, she can request that the PMI be removed.

   (A) When the mortgage balance is 90% of the original value of the home—The LTV must be lower than 80% in order to terminate PMI; (C) When the mortgage balance is 78% of the original value of the home—PMI terminates automatically once the LTV reaches 78%; and (D) When the mortgage balance is 60% of the original value of the home—PMI terminates automatically once the LTV reaches 78%.

6. **Correct answer: (C) A manufactured home titled by state law as real property with direct ownership interest**

   In order to qualify as collateral for any mortgage, a manufactured home and land must be owned by the borrower and must be titled as real property, or real estate, according to state law.

   Incorrect answers: (A) A manufactured home titled by state law as real property with a paid leasehold interest; (B) A manufactured home titled by state law as real property with unpaid leasehold interest—manufactured homes titled as personal or real property with leasehold interest are not considered real estate because the homeowner does not own the land; (D) A manufactured home titled by state law as personal property with direct ownership interest—a manufactured-home owner may own the land outright or through a separate mortgage then place a manufactured home on the land. However, manufactured homes are titled as personal property in most states until they are converted to real property per state law. In order to include the manufactured home in a new mortgage, the title must be converted to real property.

7. **Correct Matched items:**

(R) Real Property	(P) Personal property	(B) Both
A. Conventional mortgages—Require the manufactured home to be taxed and titled as real property with direct or indirect ownership interest. In cases of indirect ownership, the ROC must meet program guidelines.	C. Chattel loan through a private lender—One of the few options available for manufactured homes classified as personal property with paid or unpaid leasehold interest. Though some manufactured homes financed through chattel loans can be converted to real property by state law, the home must meet manufacturing guidelines and the property must meet site and land property interest requirements to qualify for any mortgage as real property.	D. FHA Title I Manufactured Home Loan—Allows manufactured homes to be classified as personal or real property under any type of land property interest. However, leases must be for a minimum of three years and state that 180 days written notice will be given prior to lease termination.
B. Fannie Mae MH Advantage—Requires the manufactured home to be taxed and titled as real property with direct or indirect ownership interest. In cases of indirect ownership, the ROC must meet program guidelines. Additionally, the home must meet certain specifications as certified by the manufacturer.	E. Retailer financing—One of the most common ways to finance a manufactured home that is not classified as real property. Though some manufactured homes financed through the retailer can be converted to real property by state law, the home must meet manufacturing guidelines and the property must meet site and land property interest requirements to qualify for any mortgage as real property.	

(R) Real Property	(P) Personal property	(B) Both
F. Government-insured mortgages (FHA, USDA, VA)—Require the manufactured home to be taxed and titled as real property with direct or indirect ownership interest. In cases of indirect ownership, the ROC must meet program guidelines. Additionally, the home must meet certain specifications as certified by the manufacturer.		

8. **Correct Matched items:**

(A) Qualifies	(B) Does not qualify
Client 3 is married with two children, makes $50,000 a year, and has a credit score of 640—Client 3 has qualifying income and credit.	Client 1 is married with one child, makes $46,000 a year, and has a credit score of 600—Client 1 meets income requirements but does not have a qualifying credit score.
	Client 2 is not married and has no children, makes $40,000 a year, and has a credit score of 650—Client 2 meets credit requirements but has income exceeding the maximum amount for the family size.
	Client 4 wants to buy an investment property—The MAHA Program requires owner occupancy, so Client 4 should consider other options.

9. **Correct True or False items:**

(T) True	(F) False
A. Moves due to changes in family size or job location are allowed—The Housing Choice voucher is portable, so families can find housing suitable to their needs. If a family moves to a different jurisdiction, continued use of a voucher depends on the PHAs and may have some restrictions.	C. Vouchers are provided to participants directly from the local HUD office.

(T) True	(F) False
B. Landlords cannot provide unsanitary housing or charge a high rent—Landlords must provide housing that meets health and safety standards. Also, if a landlord charges rent higher than an allotted amount, the property will not be approved, even though the rental amount paid by the tenant is based on income.	
D. Elderly renters can participate in the program—There are no maximum age restrictions for the Housing Choice Voucher Program.	

10. Correct Matched items:

(A) Qualify	(B) Do not qualify
2. Betty is 62 years old, is not married and has no children, and makes $30,380 a year—Jake advises Betty that because her household income falls below 80% of the county's AMI and she is over 55, she is eligible for the county program. He lets her know that rentals at Town Green, Cedar Ridge, and Creek Crossing, among others, may all be possibilities. He provides contact information for the county program to begin the application and screening process.	1. Joseph is 37 years old, is married with two children, and makes $16,525 a year—Jake advises Joseph that because his household income falls below 30% of the county's AMI, he is not eligible for the county program, but he may be eligible for the Housing Choice Voucher Program (Section 8). He also lets him know that Cedar Ridge Apartments has several eligible units. He provides contact information for the local PHA to begin the application and screening process.
3. Regina is 27 years old, is not married and has a child, and makes $14,213 a year—Jake advises Regina that because her household income falls between 30% and 80% of the county's AMI she is eligible for the county program. He lets her know that rentals at Town Green and Cedar Ridge, among others, may all be possibilities. He provides contact information for the county program to begin the application and screening process.	4. Hank is 52 years old, is married and has three children, and makes $51,150 a year—Jake advises Hank that because his household income is above 80% of the county's AMI he does not qualify for the county program. He lets him know that there are some other programs for which he may qualify and provides information on them, and lets him know he may not qualify for any rental assistance and to prepare for that.

Resources

Atlanta Housing Authority

www.atlantahousing.org

Community Development Block Grant Program

www.hud.gov/program_offices/comm_planning

CFPB Manufactured Housing Finance: New Insights from the Home Mortgage Disclosure Act Data

files.consumerfinance.gov/f/documents/cfpb_manufactured-housing-finance-new-insights-hmda_report_2021-05.pdf

Fannie Mae MH Advantage Mortgage

www.knowyouroptions.com/buy-overview/affordable-mortgage-options/mh-advantage-mortgage

Fannie Mae Titling a Manufactured Home as real property by state

singlefamily.fanniemae.com/originating-underwriting/titling-manufactured-homes-real-property?utm_source=sfmc&utm_medium=email&utm_campaign=10965074&utm_term=5121337&utm_content=42495993&sfmc_id=653889638#mh-titling-by-state

Federal Home Loan Banks

www.fhlbanks.com

FHA Homeownership Updates

www.hud.gov/subscribe/signup?listname=FHA%20Homeownership%20Update&list=Homeownership-L

Freddie Mac Manufactured Homes

my.sf.freddiemac.com/selling/manufactured-homes#property-and-eligibility-requirements

Habitat for Humanity

www.habitat.org

HOME Investment Partnerships Program

www.hud.gov/program_offices/comm_planning/affordablehousing/programs/home/

Housing Choice Voucher Program

portal.hud.gov/hudportal/HUD?src=/topics/housing_choice_voucher_program_section_8

Housing Opportunities for Persons with AIDS

www.hudexchange.info/programs/hopwa

HUD.gov

www.hud.gov

HUD Financing Manufactured Homes

www.hud.gov/program_offices/housing/sfh/title/repair

HUD Homeownership Assistance: California

www.hud.gov/states/california/homeownership/buyingprgms

HUD Homeownership Assistance by State

www.hud.gov/states

HUD Income Limits

www.huduser.gov/portal/datasets/il.html#2019_query

HUD Office of Manufactured Housing Programs

www.hud.gov/program_offices/housing/rmra/mhs

HUD Rental Housing Toolkit for Housing Counselors

www.hudexchange.info/resources/documents/Rental-Housing-Toolkit-for-Housing-Counselors.pdf

HUD Title I Lender List Search

www.hud.gov/program_offices/housing/sfh/lender/lenderlist

Institute for Building Technology and Safety

www.ibts.org/what-we-do/verification-letter-certificate/

Manufactured Home Construction and Safety Standards

www.hud.gov/hudprograms/mhcss

Model Manufactured Home Installation Standards

www.ecfr.gov/current/title-24/subtitle-B/chapter-XX/part-3285

New Jersey Housing and Mortgage Finance Agency

www.theroadhomenj.com/

VA Benefits: Home Loans

www.benefits.va.gov/homeloans

Veterans Affairs Supportive Housing

www.va.gov/homeless/hud-vash.asp