



**U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT**  
WASHINGTON, DC 20410-8000

ASSISTANT SECRETARY FOR HOUSING-  
FEDERAL HOUSING COMMISSIONER

**April 2024**

**MORTGAGE LETTER 2024-**

**TO: All FHA-Approved Multifamily Mortgagees**

**SUBJECT: Utilizing Section 223(f) for Manufactured Home Community Program**

**I. Purpose**

This Mortgagee Letter (ML) launches a program (the Manufactured Home Community Program or MHC Program), to allow refinance and purchase transactions under Section 223(f) for eligible borrowers. This ML describes the features of the MHC Program, including underwriting criteria, eligibility requirements, application exhibits and the process for HUD application review.

**II. Background**

This ML launches the MHC Program by providing permanent financing on transactions that might otherwise be ineligible for financing. The eligible borrowers are states, units of local government, resident-owned manufactured housing communities, cooperatives, non-profit entities including consortia of nonprofit entities, CDFIs, Indian Tribes, and other entities approved by the Secretary. The Program will permit applications for permanent financing processed under Section 223(f) for properties that are being refinanced or purchased. A regulatory waiver of 24 CFR 200.24 has been granted to allow manufactured home cooperative borrowers to be eligible for the acquisition component of this program.

**III. Programs Available under the Program**

1. Section 223(f) refinance or purchase of existing MHC for eligible borrowers.
2. Section 223(f) permanent financing of newly constructed or substantially rehabilitated MHC projects that are complete, have reached stabilized occupancy and are processed under the 3-year requirements that are currently in effect.

**IV. Application Processing**

- A. Designated Multifamily Regions. The program is available nationwide, but HUD Headquarters (HQ) will determine which Regions will participate in the processing of the applications for the MHC Program based on the office's experience and its capacity to execute the MHC Program

transaction as described in this ML without detracting from the processing of its regular application pipeline.

- B. Designated Underwriter. Each participating Region will designate one staff person to serve as a Designated Underwriter (DU) for the MHC Program. The Regional Director will also designate an alternate DU to serve as the back-up in case the DU is unavailable.
- C. Designated Asset Management Point of Contact (POC). The HQ Office of Asset Management will designate one member of the HQ Asset Management staff to serve as the POC for all MHC Program applications. This individual will have expertise in coordinating the various HQ and field staff Asset Management approvals that may be required for a Section 223(f) refinance such as approval for prepayment of an existing FHA insured loan and special approvals such as certain 2530 approvals, and/or other related waivers or approvals.
- D. Required concept meeting. Prior to submission of an application under the MHC Program, the lender must participate in a concept meeting with the DU and other regional staff as the DU deems appropriate, to discuss the transaction, the proposed repairs, if any and any necessary Asset Management approvals.
- E. Underwriting Criteria. Standard 223(f) underwriting applies with the following exceptions:
  - 1. LTV maximum is 90%.
  - 2. Cash Out is not permitted.
  - 3. DSCR minimum is 1.10.
  - 4. Cooperative ownership is allowed.
  - 5. The MHC must prohibit RV's or seasonal use and cannot offer an option to purchase the pads.
- F. Application submission. The application must include all standard Section 223(f) MAP application requirements.
  - 1. Narrative and sources and uses review. The DU will review the lender's narrative, application exhibits and forms. The DU is expected to perform all reviews and process the application using the procedures outlined in this ML.
  - 2. Architectural, Engineering, Cost and Mortgage Credit review. The DU will review the e-tool and the proposed repair costs, except in cases when review by technical staff will assist with mitigating risk, with resolving complex transaction issues and/or with compliance with regulatory requirements, or in cases where the lender has identified significant repair work that: a) the DU believes may be more than the permitted rehabilitation limits under the MHC Program. The DU will engage the HUD

Construction Analyst to review ADA compliance and other accessibility issues, as necessary. The DU will review the lender's mortgage credit analysis.

3. A MAP complaint third party appraisal is required. Review of the appraisal and income/expenses is delegated to the lender but subject to HUD's approval. The results of the lender's review will be included in the underwriter's narrative.
4. Site Visit: The DU is required to conduct a site visit to assess if the scope of repairs is sufficient and if the borrower and management company have the capacity to effectively manage the property.
5. Environmental Review. The DU will review the HEROS submission with the assistance of technical staff as needed.
6. Role of HUD HQ Office of Multifamily Development. HUD HQ Staff will track, and monitor projects being processed under the MHC Program and will provide guidance to DUs in participating Regions to resolve issues and help manage the pipeline. The role of the HQ staff will be as follows:
  - a. Hold bi-weekly tracking calls with participating Regions.
  - b. Provide guidance to DUs on specific transactions; and
  - c. Provide training to participating HUD and lender staff on the MHC program, policy, and process issues.
7. HUD Approval and Issuance of Firm Commitment. At completion of application processing, the DU will prepare an underwriting narrative for submission to the Regional Loan Committee. The regional loan committee will include a representative from HQ.

This Mortgagee Letter is effective immediately and remains effective until amended, superseded, or rescinded.

For questions about this Mortgagee Letter, please contact Willie Fobbs, Production Director, Office of Multifamily

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Julia R. Gordon, Assistant Secretary for Housing-  
Federal Housing Commissioner