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Most of the mobile homes sold each year require a developed site. Mobile home owners usually contemplate renting a space connected to utilities in parks with neighborhood facilities and conveniences.

This Handbook sets forth procedures whereby it becomes easier for private developers to finance mobile home parks, and it permits the building of larger, better designed parks with more of the customary neighborhood amenities. The Handbook also outlines such matters as mortgage amount, term and conditions, property standards, application procedures, underwriting instructions, and local considerations.

In processing an application under the Section 207 Mobile Home Park Program, the Underwriting procedures to be followed shall be the same as those for the basic Section 207 rental housing program except as modified herein.

HUD personnel at the Field Office and Regional Office levels are available to answer inquiries and give advice to any person regarding the Mobile Home Park Program.

The Mobile Home Parks Mortgage Insurance Program is authorized by Section 207 of the National Housing Act, as amended (Public Law 84-345).

References:

- (1) 4410.1 REV - Project Fiscal Procedures
- (2) 4445.1 - Underwriting - Technical Direction for Project Mortgage Insurance
- (3) 4550.1 - Basic Cooperative Housing Insurance Handbook
- (4) 4940.5 - Minimum Design Standards for Mobile Home Parks
- (5) 4035.3 - Market Analysis Services Related to Housing Production
- (6) 4010.1 - Definitions, Policy Statements and General Rulings
- (7) 4465.1 - Valuation Analysis for Project Mortgage Insurance

References: (Continued)

- (8) 4460.1 REV - Architectural Analysis and Inspections for Project Mortgage Insurance
- (9) 4455.1 REV - Land Planning Analysis, Principles and Procedures

for Project Mortgage Insurance

- (10) 4470.1 - Mortgage Credit Analysis for Project Mortgage Insurance
 - (11) 4450.1 - Cost Estimation for Project Mortgage Insurance
 - (12) Circular HM 4381.5 - Management Requirements in Processing Insured Multifamily Housing Projects
 - (13) HM 4381.5 - Compensation for Management Services in Multifamily Housing Projects with Insured or HUD Held Mortgages
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CHAPTER 1. SECTION 207, MOBILE HOME PARK

- 1-1. THE PURPOSE OF THE SECTION 207, MOBILE HOME PARK PROGRAM. The purpose is to assist in financing the construction or rehabilitation of mobile home parks.
- a. The Project must include at least eight spaces and must make adequate provision for families with children. There are no income limits. However, the rental rates established under this program must be tailored to the incomes of the market to be served. The mobile home park must be designed, and include the number and types of amenities and services necessary, to be competitive with other parks competing for the same rental market.
 - b. If the proposal is obviously ineligible for the mobile home park program, the sponsor shall be so advised before any substantial effort is expended. If the proposal appears to meet the objectives of the program, HUD personnel shall assist the sponsor in preparing a request for SAMA analysis.
 - c. The multifamily processing system consists of three processing stages -- Site Appraisal and Market Analysis (SAMA) Letter, Conditional Commitment, and Firm Commitment. During the SAMA Stage, the market need for the project is determined and the acceptability of proposed rents is determined, as well as the Value of the Site Fully Improved and the Land Use Intensity Rating. During the Conditional Commitment Stage, the project schematics and outline specifications are developed by the sponsor and his/her architect. The Affirmative Marketing Plan and the Management Plan are submitted by the sponsor with or prior to the Conditional Commitment Application. At this stage, HUD analyzes the proposal and establishes the project economics. During the Firm Commitment Stage, the contract documents and exhibits are reviewed by HUD for conformance to determinations made at prior stages of processing.
 - d. A description of the management program must be furnished when application for conditional or firm commitment, if the conditional commitment stage has been bypassed, is submitted. The description shall be brief, and shall address the relationship between the owner and the management agent,

the proposed staffing of the project, and describe the rent collection and maintenance procedures. A copy of the proposed lease shall also be submitted for approval. If the management agent has operating handbooks, they may be submitted instead of the above statement provided all of the above items are addressed.

- e. The Management Agreement shall be in conformity with the relevant sections of the "Suggested Housing Management Agreement" (Appendix 6, Circular HM 4381.2) and shall be submitted when application is made for firm commitment. The proposed management fee shall be developed in accordance with Handbook 4381.5 and shall be submitted as a part of the Management Agreement.
- f. A sponsor may submit complete exhibits and apply at the outset for firm commitment. Similarly, a sponsor with sketch drawings and specifications may apply for a conditional commitment at first application.

1-2. FEES AND CHARGES.

- a. HUD Requires the Following Fees: (See Reference (1) of the Foreword.)
 - (1) Application Fee. For SAMA stage processing, a fee of \$1.00 per thousand dollars of the requested mortgage amount shall accompany the SAMA request.
 - (2) Commitment Fee. A fee, which when added to the application fee, will aggregate \$3.00 per thousand dollars of the face amount of the firm commitment. When SAMA stage processing is employed, a fee of \$1.00 per thousand of the requested mortgage amount shall accompany the conditional application, and a fee of \$1.00 per thousand shall accompany the firm application. If, in SAMA, the sponsor applies for conditional commitment at first application, a fee of \$2.00 per thousand dollars of the requested mortgage amount shall accompany the application. Similarly, if single stage processing is utilized, a fee of \$3.00 per thousand dollars of the requested mortgage amount shall accompany the application.

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- (3) Inspection Fee. An inspection fee of \$5.00 per thousand dollars of the mortgage amount is paid at initial endorsement for insurance of advances cases and prior

to the start of construction for insurance upon completion cases.

- b. Mortgagee Fees and Charges. The mortgagee may collect from the mortgagor an initial service charge not to exceed 2% of the face amount of the mortgage. In addition a 1 1/2% commitment fee, charged by the permanent lender, and interest may be included in the commitment. No other fees and/or charges made by the mortgagee may be included by HUD in its calculation of the commitment amount.

1-3. THE MORTGAGORS.

- a. Types of Mortgagors. The mortgagor may be a corporation, trust, partnership, cooperative or individual regulated or restricted by the Assistant Secretary-Federal Housing Commissioner as to rents or sales, charges, capital structure, rate of return, and methods of operation. The mortgagor may also be a federal or state instrumentality, a municipal corporate instrumentality of one or more states, or a limited dividend, redevelopment, or housing corporation formed under and restricted by federal or state laws or regulations of a state housing or insurance department as to rents, charges, capital structure, rate of return, or methods of operation.
- b. Form 2530; Previous Multifamily Participation Review Procedures. Sponsors are to file Form 2530 with their request for SAMA analysis. They shall file immediately when the person or firm first becomes associated with the project if the participation begins at a later date. The Form 2530 procedure provides a central source of information on participants in HUD multifamily projects.

1-4. CONTROL OF MORTGAGOR. The liberal financing under the HUD mortgage insurance program imposes certain responsibilities and obligations on all mortgagors. The basic description and outline material indicated below pertain to all rental housing programs.

- a. Responsibilities and Obligations. The most important of these responsibilities and obligations are:

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- (1) Equal Opportunity in Housing. Federal law and HUD regulations require that neither the mortgagor nor anyone authorized to act for him shall decline to rent, or otherwise make unavailable, any of the spaces in a mobile home park to a prospective tenant because of his race,

color, creed, sex, marital status, or national origin. The mortgagor must further agree to comply with state and local law and ordinances prohibiting discrimination.

- (2) Cost Certification Procedure. All HUD insured rental housing projects are subject to cost certification. After project completion, the mortgagor must certify to the actual cost of the project - including fees, charges, and off-site construction costs. In cases involving identity of interest builder-sponsors, the contractor, as well as the mortgagor, must certify to the actual cost of the project.
- (3) Annual Financial Statements. Profit and loss statements and balance sheets are required annually on each insured project. In most cases it is required that these be certified by a CPA or independent Public Accountant.
- (4) Occupancy Surveys. Annually a form is mailed to all project mortgagors for them to return with complete data on occupancy ratios and rentals by type of space.

b. Execution of a Regulatory Agreement. The execution of Form Regulatory Agreement, by the mortgagor will give to the Assistant Secretary-Federal Housing Commissioner control over some aspects of the mortgagor's operations. This requirement as well as the others set forth in this chapter shall be discussed with sponsors and explained to them fully at the initial interview.

1-5. RATE OF RETURN ON INVESTMENT. The rate of return achieved by the owner varies from project to project, and depends upon the type of mortgagor entity. HUD sets a maximum project rental rate sufficient to allow mortgagors a fair return on their investment. The rate of return cited does not include the tax benefits of depreciation on the property which, for many sponsors, may be the primary reason for investing in rental housing.

1-6. ELIGIBLE PROPOSALS. To be eligible for HUD mortgage insurance the proposal must fall into one of the following categories:

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- a. No work beyond site clearing, and earth moving may have been done to the site subsequent to the initial inspection and approval of the site by HUD.
- b. Substantial rehabilitation of existing spaces and facilities.

Substantial rehabilitation means that the rehabilitation must be of such an extensive nature as to affect materially the livability, marketability, and competitive position of the park and that, otherwise, the park is incapable of producing sufficient income to meet operating expenses and mortgage debt obligations.

- c. A proposal is not eligible for insurance if the sole or primary purpose of the mortgage transaction is to either refinance an existing project or acquire an existing project without a program of substantial rehabilitation.

1-7. ELIGIBLE MORTGAGES.

- a. Maximum Mortgage Amounts. The mortgage shall involve a principal obligation not to exceed the lesser of:
 - (1) \$3,250 per space (as defined by the Assistant Secretary for Housing-Federal Housing Commissioner). The Secretary is authorized to increase this limit up to 50% in any geographical area where cost levels so require. The limits for all applicable multifamily sections of the Act are set forth in Reference (2) of the Foreword. The limits established for any particular locality may not be less than the basic statutory amounts, and, under no circumstances, may the limits established for any community exceed the listed maximum statutory limits.
 - (2) 90% of the estimated value of the property after the improvements are completed.
- b. For New Construction. 90% of the estimated value of the property after construction of improvements.
- c. For Rehabilitation.
 - (1) Property Held in Fee. If no part of the proceeds is to be used to finance the purchase of the land or structures

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involved, the mortgage will be reduced to an amount not to exceed 100% of the approved cost of the completed repair or rehabilitation.

- (2) Property Subject to Existing Mortgage. The estimated cost of repair and rehabilitation; plus the lesser of;
 - (1) the outstanding indebtedness secured by the property

or (2) 90% of the estimated fair market "as is" value of the property prior to rehabilitation.

- (3) Property to be Acquired. 90% of the estimated cost of repair or rehabilitation; plus 90% of the lesser of:
(1) the actual purchase price of the property or (2) the estimated fair market "as is" value of the property prior to repair or rehabilitation.

d. Operating Loss.

- (1) If the mortgagor suffers an operating loss during the first two years of the operation of the project, a supplemental loan may be obtained after the two year period to cover his/her loss. However, the consent of the mortgagee must be obtained in writing. The amount of this increase cannot exceed 90% of the excess of the cost of taxes, interest, mortgage insurance premiums, hazard insurance premiums and the expense of maintenance and operation of the project excluding depreciation, over project income.
- (2) It must be shown that sustaining occupancy has been obtained or there is every indication that sustaining occupancy will be attained at a predictable date in the immediate future (in most cases 18 months or less). Also the competence and responsibility of the project management must have been established to the satisfaction of HUD.

1-8. MAXIMUM TERM OF LOAN. The mortgage term cannot exceed the lesser of 40 years or 3/4 of the remaining economic life. However if the park does not conform to anticipated future development of the area, the term cannot exceed 20 years.

1-9. MAXIMUM INTEREST RATE. The interest rate cannot exceed the maximum permissible HUD rate.

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1-10. MORTGAGE COVENANTS. The mortgage shall contain covenants which:

- a. prohibit any form of discrimination on the basis of race, sex, color, creed or marital status in connection with the occupancy of the mortgaged property;
- b. prohibit the use of the mortgaged premises for any purpose other than that for which it is intended at the date the

mortgage was executed;

- c. Prohibit the creation by the mortgagor of liens against the property superior or inferior to the lien of the mortgage and
 - d. Bind the mortgagor to keep the property insured by a standard policy or policies against fire and such other hazards as the Field Office Director may stipulate.
- 1-11. AMORTIZATION. Amortization will be the same as for Section 207 rental housing.
- 1-12. ELIGIBLE MORTGAGEES. To be eligible to apply for and receive commitments for mortgage insurance under any section of the Act, a lender must be a HUD approved mortgagee. Also, if it is contemplated that the mortgages, will be sold to FNMA, the lender should also be an approved FNMA seller-servicer.
- 1-13. OBLIGATION OF GENERAL CONTRACTOR.
- a. Prevailing Wages and Equal Employment Opportunity. In the preconstruction conference, labor standards, prevailing wage procedures and HUD Equal Employment Opportunity policy are outlined to all principals. The principal contractor must certify that all laborers and mechanics will be paid not less than the prevailing wages in the project area and that he accepts the responsibility for such payment by all subcontractors.
 - (1) The Field Office Director shall explain the Equal Employment Opportunity Requirements which must be assumed by a contractor or subcontractor as well as the sanctions that may be applied in the event of noncompliance.
 - (2) A copy of FHA Form 2554, Supplementary General Conditions of the Contract for Construction, Article 1-Labor Standards, is to be made part of all contracts entered into with subcontractors. Each contractor shall be given additional copies to pass on to absent subcontractors who will work on the project.

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- (3) Copies of the Equal Employment Opportunity poster will be given to the contractors and subcontractors present, and additional copies will be furnished each contractor to be given to any subcontractor not present who will work on the project. Each contractor and subcontractor must agree to post copies of the Equal Employment Opportunity poster

in conspicuous places available to employees and applicants for employment.

- b. Inspections. Inspections of multifamily housing projects are made to ensure that the project is being constructed in accordance with the identified drawings and specifications and any approved construction changes. During the construction period the inspector or architect will notify the owner-contractor and the field office of any deviations from the drawings and specifications, or of any work or action which is unacceptable. Failure on the part of the contractor to remedy any unacceptable work or practices shall result in a notification to the mortgagee that the project shall be considered unacceptable for insurance unless correction is made.

1-14. BUILDER'S FEE. A builder's fee consists of two basic considerations:

- a. General Overhead, which represents expenses necessary for the continued operation of a construction business, and
- b. Builder's Profit, which is the return typically anticipated by builders performing their services under competitive conditions. The builder's fee is developed from data and applied in accordance with the following:
 - (1) General Overhead shall be computed by applying 2.0% representing the general overhead percentage of builder's fee percentage to the subtotal for construction which includes the cost of land improvements, structures and general requirements.
 - (2) The Percentage Remaining after subtracting the 2.0% allowance for general overhead from the builder's fee percentage will be the builder's profit percentage. The profit percentage will then be applied to the same subtotal as the overhead percentage.

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- (3) The Allocation for General Overhead Expense shall be allowed in all cases regardless of the total construction cost or the size of the project. This procedure eliminates the need to itemize general overhead expenses for cost certification purposes.

1-15. GENERAL REQUIREMENTS. This is an allowance for miscellaneous items encountered in the construction of, and directly pertaining

to, a specific project.

- a. Items of Cost to be considered in the allowance include, but are not limited to: supervision, field engineering, field office expense (including job clerical employees' wages), temporary sheds, toilets, tool storage and shops, temporary heat, water, light and power for construction, equipment rental (if not included in trade item costs), clean-up and rubbish disposal, building permit, watchmen's wages and/or theft and vandalism insurance or allowances for such losses, medical and first-aid facilities, temporary walkways and fences, sidewalk and street rental, temporary roads, sidings and docking facilities.
- b. Items will vary due to project type, location and site conditions.

1-16. OCCUPANCY REQUIREMENTS AND RENTAL RATES.

- a. Occupancy Requirements. There is no restriction to occupancy by virtue of the tenant's income. The only requirements are:
 - (1) In selecting tenants, the mortgagor may not discriminate against a family that has children.
 - (2) There may not be any leases executed for a period of less than thirty days.
 - (3) The owner may not operate an insured park as a "closed park" i.e., one that rents spaces only to persons who have purchased or rented their home from a specific dealer or manufacturer;
 - (4) The owner must not make any additional charges to prospective tenants who have not purchased or leased their unit from a specific dealer or manufacturer.

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- (1-16) (5) Accordingly, the following "condition No. 18" must be added to the Regulatory Agreement:
 18. Owners shall not require, as a condition for occupancy, that the lessee will have purchased his mobile home from a specific dealer or dealers or that his/her mobile home will have been constructed by a specific manufacturer or manufacturers. The mortgagor shall not use

or permit the use of any portion of the mortgaged premises for demonstrating mobile home models or for other sales purposes, except the mortgagor may rent up to 10% of the total number of spaces in the project to mobile home dealers for the purpose of demonstrating their sales models providing the following conditions are met:

- (a) Any leasing to dealers shall terminate on the first day of the tenth month following the date of final endorsement, or the month in which 80% of the spaces are occupied by non-dealer tenants, whichever comes first;
- (b) The rental paid by dealers for a space shall be the rate set forth on Form HUD 92458, and no special consideration will be given to any specific dealer;
- (c) No more than 2 spaces may be rented to any one dealer and no dealer may be precluded from demonstrating models until 10% of the total spaces have been rented to dealers or until the time period referred to in (a) above has expired;
- (d) All leases shall be on a month-to-month basis;
- (e) In the open space in front of each mobile home demonstration a sign shall be placed bearing the following: "This model is for demonstration purposes only. A tenant of this park may have purchased his/her home from any dealer of his/her choice."

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(1-16) NOTE: In cases where the mobile home park is owned by a cooperative, the above "condition 18" shall be inserted at the appropriate place in the Cooperative Regulatory Agreement, Form 3225.

- b. Rental Rates. The maximum rental that may be charged is determined on a project by project basis. Project owners may not charge a gross rental in excess of that determined by HUD as necessary to meet all expenses, reserves, and mortgage obligations and to provide a reasonable rate of return on investment. The rental income maximum may be

increased upon approval by HUD in response to demonstrated increases in operating expenses (primarily maintenance and taxes).

c. Development of Property.

(1) Size. The size of the project must be suitable for the general market to be served and must be economically feasible. The project must, however, contain at least eight spaces.

(2) Property Requirements. The real estate on which the project is to be located, may be held:

(a) In fee simple; or

(b) In leasehold estate. A mortgage on a leasehold estate will be eligible for mortgage insurance only if such practice is common in the area. (If the lessor is a governmental agency or Indian or Indian tribe this condition is not applicable.)
In addition:

1 The lease must be on the fee and must have 50 years to run from the date of the endorsement of the mortgage for insurance, or it must be a lease for 99 years which is renewable. Such a renewable lease for 99 years would not need to have 50 years to run to the renewal date; or

2 Under a lease executed by a governmental agency, an Indian, or an Indian tribe, the lease must have a term equal to the maximum term consistent with the legal authority for the execution of

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such lease, provided that the term of any such lease will run for a period of not less than fifty years from the date the mortgage is executed.

3 The annual ground rent and the amount for which the Secretary may acquire the fee, in the case of acquisition of the leasehold by him/her, must be approved or disapproved in writing by the Assistant Secretary-Federal Housing Commissioner. The annual ground rental shall not exceed the amount resulting from the application of the

proposed mortgage interest rate to the "as is" value of the site.

- 4 The lease must contain no provision in conflict with HUD requirements and must otherwise be satisfactory to the Assistant Secretary-Federal Housing Commissioner. It must include the provisions of the Section 207 Lease Addendum.
- (3) The Property Constituting Security for the mortgage must be held by an eligible mortgagor as defined in paragraph 1-3 and must at the time the mortgage is insured be free and clear of all liens other than that of such mortgage. The property, including improvements, shall comply with the zoning or deed restrictions applicable to the project site and with all applicable building codes and governmental regulations.

1-17. AMENDMENTS TO REGULATORY AGREEMENT, FORM 2466.

- a. Paragraph 2 - strike in its entirety and substitute in lieu thereof the following:

"2. This agreement covers a mobile home park. The terms "dwelling" "housing", "units", "accommodations", or similar references will be construed to refer to "mobile homes spaces."

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- b. Paragraph 4(a)-strike in its entirety and in lieu thereof substitute as a rider:

"4.(a) Owners shall make mobile home spaces and services of the project available to occupants at charges not exceeding those established in accordance with a rent schedule approved in writing by the Assistant Secretary-Federal Housing Commissioner, which charges shall be such as to provide reasonable rentals and a return to the mortgagor on its investment. Such accommodations shall not be rented for a period of less than thirty (30) days. Commercial facilities, if any, shall be rented at not less than the rate approved by the Commissioner. Subleasing of mobile home spaces, except for subleases of single mobile home spaces by the tenant thereof, shall be prohibited without prior written approval of the owners and the Assistant Secretary-Federal Housing Commissioner and any lease shall so provide. Upon discovery of any unapproved sublease, owners shall immediately demand cancellation and notify the Assistant Secretary-Federal

Housing Commissioner of such demand."

c. For the required addition with respect to occupancy requirements, see Paragraph 1-16a.(5).

1-18. COMMERCIAL INCOME. Commercial facilities adequate to serve only the needs of the occupants may be included provided income from the rental of such space is expected to be sufficient to meet the increase in debt service resulting from the added costs of providing the space. Commercial facilities may include stores, offices, laundry concessions and the like. Accessory income from the rental of commercial space may not ordinarily exceed 15% of the estimated total gross project income. When accessory income (other than that from garage and parking intended for tenant needs) is to exceed 15% of the total gross income, prior approval must be obtained from the Assistant Regional Administrator for HPMC.

1-19. SPECIAL PROCEDURES APPLICABLE TO COOPERATIVE MORTGAGOR. As stated in Paragraph 1-3, a cooperative can own a mobile home park (Management Type). The Section 207 Regulations and procedures are applicable, but in addition the sponsor must satisfy all the requirements pertaining to management-type cooperatives.

a. The Most Significant Factors are:

(1) Use Form 2013 in lieu of Form 3201 for all stages of processing. Amend this form by adding a box entitled "Cooperative Mortgagor" in the heading. Check this box.

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- (2) The Field Office must approve the cooperative organizational and sales documents, which include the information bulletin, the charter and by-laws, and the subscription agreement and occupancy agreement, prior to any solicitation for membership in the cooperative. Use Form 3225, in place of Form 2466.
- (3) Prior to the initial endorsement of the mortgage, the mortgagor must secure cooperative members approved by HUD for at least 90% of the spaces in the project.
- (4) The Field Office must be certain that the organization of the cooperative, the sale of memberships, the management, and the maintenance of the accounts and records are in accordance with the instructions contained in Reference (3) of the Foreword.

(5) Use commitment Forms 3206 and 3209 in lieu of Forms 2432 and 2453mm. Delete any reference to Section 213 on both forms and substitute Section 207.

(6) Follow the closing instructions in Forms 3257A or 3257D in lieu of Form 1022.

b. Any Sponsor contemplating forming a cooperative should discuss fully the HUD requirements pertaining to cooperatives during the preapplication phase of processing. The Field Office will furnish the sponsor with a kit containing model forms and a listing of all requirements.

1-20. PROCESSING REQUIREMENTS AND DESIGN AND CONSTRUCTION STANDARDS. For information on HUD processing requirements and Design and Construction Standards consult the Mobile Home Park Development Standards. See Reference (4) of the Foreword.

1-21. PROCESSING INSTRUCTIONS.

a. Cost Processing will follow the outstanding procedures for a Section 207 Mobile Home Park with space rentals.

b. Valuation processing is accomplished in accordance with instructions contained in paragraph 2-2.

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c. Mortgage Credit development of the maximum insurable mortgage amount shall conform to the instructions for the Section 207 Rental Housing Program. Mortgage Credit processing of the members of the cooperative will be the same as that presently used for management type cooperatives.

1-22. INQUIRIES.

a. Regional and Field Offices. Sponsors interested in obtaining insurance benefits on mobile home parks should contact the nearest HUD Field Office.

b. Headquarters Office. Inquiries for the purpose of clarification, or otherwise, should be addressed to:

Director, Office of Insured and Direct Loan Origination,
Housing
Department of Housing and Urban Development
Washington, D. C. 20410

CHAPTER 2. UNDERWRITING

- 2-1. GENERAL. In processing an application under the Section 207 Mobile Home Park Program, the Underwriting procedures to be followed will be the same as those for the basic Section 207 rental housing program except as modified herein.
- 2-2. VALUATION ANALYSIS.
- a. Mobile Home Parks. The Section 207 Mobile Home Park Program is intended to stimulate new construction, expansion of existing construction, and the rehabilitation of mobile home parks. The procedures and standards for this program shall be kept as simple as possible. (For example, planning requirements are to be consistent with the projected rental levels rather than with rigid requirements which disregard the rental range and amenities to be offered).
- (1) A mobile home park is a residential facility designed as a relatively permanent place of residence providing spaces to be rented for the accommodation of mobile homes.
- (2) The analysis of design and market will not consider transient occupancy.
- b. Eligibility Criteria. The park shall conform to the state or local regulations. This includes zoning, land use, design, water supply, and sewage disposal requirements.
- (1) The domestic water supply and sewage disposal systems must meet state and local as well as HUD standards. Individual wells and septic tanks are not acceptable. Central sewer and water serving the development, or community systems serving greater areas, may be considered if public facilities are not available and the proposed systems meet the approval of both local and state health officials and HUD.
- (2) The project must consist of eight or more rental spaces. However, the project must be sufficiently large to meet the test of economic soundness. Smaller owner-operated projects of 30 spaces or less may prove economically feasible.

(2-2) c. Underwriting Analysis.

- (1) The sponsor shall submit his application using Form 2013. Processing of this application involves the same fundamental valuation considerations that are outlined in the basic Section 207 instructions. Mobile home parks, however, generally have a different tenant appeal. For this reason, the particular categories of tenants to be served by the park shall be described, whether elderly, or whether construction workers, for example. Notwithstanding the market analysis prepared by EMAD, the valuation processor is responsible for the marketability determination.
- (2) Occupancy rates in existing mobile home parks are important for market determination and calculation of the operating deficit. These rates should be fully considered in the market analysis. Where data on other mobile home parks show variations from estimates made for the project in process, justification for using an occupancy rate that is higher than that indicated by comparable projects is required. The Remarks section of the Form 2264 or an accompanying memorandum may be used for this purpose.
- (3) Adequate documentation is essential to assure a thorough review of all factors in the underwriting process.

d. Market Analysis.

- (1) A market analysis review of every mobile home park application of significant size shall be prepared by the Area Office Economic and Market Analysis Division or Insuring Office Market Analyst in accordance with the procedures of Reference (5) of the Foreword. Although the "significant size" criterion generally is considered to be applicable to mobile home parks with 100 or more spaces in SMSAs and to those with 50 or more spaces in non-SMSA areas, the Chief Underwriter should request a market analysis review for proposals of smaller size whenever there is uncertainty concerning market prospects.

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- (2-2) (2) Market analysis reviews of mobile home park proposals should encompass the analytical framework illustrated by the format outlined in Reference (5) of the Foreword.

Data collection and analysis, of course, should be tailored to the specialized nature of the mobile home submarket. In particular, there must be consideration of local economic factors (especially current and prospective employment) and also of current and prospective population changes (natural growth, immigration and outmigration, shifts in age structure, changes in number and rate of household formations, etc.) which would significantly affect prospective mobile home residents. Such critical housing variables as vacancies in existing mobile home parks, recent absorption experience of spaces in new parks, and the supply of spaces under development should be fully explored.

- (3) Where several consecutive mobile home park proposals have been received in a single office and where the Area Economist has previously analyzed specific proposals in depth and detail, he can refer to these antecedent reviews and findings, as appropriate, when reviewing subsequent proposals. Copies of these previous market analysis reviews shall be attached to the current project reviews in order to provide complete docket information and documentation.
- e. Market Area. Because of the comparatively limited sources of available land for mobile home park space in relation to the overall demand for housing in most communities, the market area for purposes of mobile home park market analysis may be much more extensive in some instances than the market area in analyzing the demand for conventional housing. A mobile home park may attract tenants from several communities within a reasonable commuting distance that are otherwise considered to be independent rental housing market areas.
- f. Analysis of Location. The use and design of the site for a mobile home park should not adversely affect adjacent properties. The site should be reasonably accessible to shopping centers or neighborhood stores, sources of employment, with the parks, and to schools, if families with children are anticipated. The analysis must reflect the preferences exhibited by this particular market segment. Consideration

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- (2-2) must be given to the alternative locations available. Rejection of an otherwise acceptable proposal is not warranted unless there are available alternative sites at better locations, which can be zoned for mobile home park use and better serve the same user group.

- g. Zoning. Zoning must be permissive. If it is not and zoning change is required, there should be evidence of community predisposition for such change or evidence from the sponsor that he is cognizant of the need for zoning and has a workable timetable for effecting the change. Zoning may be other than residential provided the site is not subject to annoying, undesirable or unhealthful uses or influences that would make it unsuitable for residential use.
- h. Environmental Clearance. The appraiser shall prepare the environmental clearance Form HUD-ECO-2/3, which shall be processed in accordance with Reference (6) of the Foreword. The burden of assessing environmental impact is with the HUD office and not with the sponsor.
- i. Clearinghouse Review. For mobile home parks with 50 or more spaces in urban areas, or 25 or more spaces in all other areas, a copy of the initial application shall be submitted by the Field Office to the appropriate State clearinghouse and metropolitan or regional clearinghouse for the 30 day review provided for by OMB Circular No. A-95 dated January 13, 1976.
- j. Mortgage Term.
 - (1) The maximum 40-year mortgage term is available only in instances when the file is documented to show:
 - (a) The proposed use is consistent with local comprehensive planning or,
 - (b) Where no such plan exists, the proposed use can reasonably be expected to be consistent with desirable growth patterns in the foreseeable future.
 - (2) In the event the file cannot be adequately documented to this effect, the maximum available mortgage term is limited to 20 years.

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- (2-2) (3) The appraiser must promptly advise the Chief Underwriter of the mortgage term available. The appraiser shall document the file by providing an explanation in remarks (see Section 0 of Form 2264) and by entering the mortgage term after Item K-1 of Form 2264.

- k. Analysis of the Sponsor's Proposal. The rentals proposed

by the sponsor shall be reviewed to see that they properly reflect the extent of facilities, services, and other amenities to be provided. Requirements relating to proposed facilities essential to the operation of the project, such as laundry facilities, bottled gas, hot water, etc., must be established. Structures housing necessary adjuncts of the operations, such as office or laundry, may be considered, but personal property, such as desks and washing machines, may not. The type of improvements required should relate to the rental range proposed and the market. The sponsor should be encouraged to include amenities demanded by the typical long-term occupant, such as adequate roadway width with convenient parking, walks in areas of heaviest traffic, underground wiring, and adequate buffering against adverse influences within and surrounding the mobile home park. The processor cannot, however, lose sight of the sponsor's concern for an economically competitive project.

- l. Non-Residential Use. Any portion of a project which is devoted to commercial use will be primarily for the use of or service to the project occupants. Any non-residential use of the property must be subordinate to the residential use and character of the property. A development is ineligible if the non-residential use adversely affects the continued marketability of the subject property or neighboring properties for family oriented residential use.
- m. Analysis of Income Expectancy. Estimate as precisely as possible the gross expectancy from space rentals and miscellaneous sources. Space rental rates must be estimated by the analysis of office data and by a study of the data supplied by the applicant. If the available data are inadequate, information shall be obtained from operators of similar courts in other localities as near to, or as similar to, the subject locality as possible. Transient (overnight) rentals are not permitted and shall not be considered in estimating income or vacancy. If rates are properly fixed, the occupancy ratio used in processing a typical project will be approximately 85% and will never exceed 93%. The files must be documented to support the estimate used in processing.

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- (2-2) n. Other Income. Only income in an amount equal to that which could be realized if the space were leased for accessory items such as laundry equipment, concessions, or telephones may be considered. Income from metered utilities when found typical in the area (and permitted by law) may also be considered. Income from equipment is not to be used. Form 2264 shall

be supplemented with necessary explanations of the estimated accessory income.

- o. Analysis of Operating Expense. In processing, expense data will be available from the multifamily data bank. Comparable mobile home parks are selected and the amount of expenses from such projects are adjusted as necessary for significant differences. The comparable mobile home parks should be in the locality of the subject or in other localities as near to, or as similar to, the subject locality as possible.
 - (1) Caution must be exercised to assure that the estimates of annual expense are sufficient to cover reasonable expectancy. The wear and deterioration that occur in utilities, streets, patio pavements, and structures subject them to constant maintenance. This will be a continuing process rather than a periodic investment, and therefore, the usual reserves for replacements will be required.
 - (2) Where sponsor's total expense estimate is within a reasonable range, as supported by the data, his dollar amount should be used in processing. However, if the sponsor's estimate varies widely from the supportable estimate based on data, the processor's estimate shall be used.

- p. Operating Expense. The estimate of operating expense should reflect the needs of the income group to be served. In some cases the operating expense may be higher than that of other similarly constructed projects. Additional management expense may be incurred due to delay and effort required in collecting rents.
 - (1) Management expense may be established as a dollar amount or a percentage of effective gross income depending upon which method the appraiser feels is more accurate under the circumstances and which is more fully supported by

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- (2-2) data on comparable projects. The estimate shall be based upon the type and extent of management services that are typical of comparable projects as evidenced by the data. Mobile home parks often are managed by the owner who, perhaps, may live in the project. Notwithstanding such ownership-management operation, an amount for management expense must be included always in the operating expense estimate. If the appraiser fails

to do this, the project will be overvalued because, in effect, an expense amount will be included as net income that is capitalized into value. An omission of management expense in processing could lead to a finding of feasibility for a project which, otherwise, would be infeasible. A failure to provide for a major item of expense may result in default and foreclosure of the project at a later date.

- (2) Janitorial payroll will include wages, as well as social security and other payroll taxes, for all services necessary for proper operation, including cutting grass, snow removal, cleanup of vacant spaces, and similar janitor work. Where such services are provided by the owner-operator, an amount for janitorial expense shall still be included in the operating expense estimate.
- (3) Taxes upon the realty are to be established on the basis of current taxes imposed on comparable projects with similar characteristics, any foreseeable increases in taxes in the community, and a knowledge of the methods used by the local assessor. Taxes on the mobile home shall not be included.
- (4) The total estimate of maintenance expense shall reflect the level of maintenance and repair costs which may be expected because of the intended occupants. It is important that adjustments for the project in question be applied to individual amounts of operating, maintenance and repair expenses, rather than to an expense ratio. This is true of all expense estimates.

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- (2-2) q. The Capitalization Rate. Reliance on conventional sales data for the extraction of an overall or band of investment capitalization rate will fail to consider the longer mortgage term provisions and minimum downpayment now available on insured projects. The cash flow method is the best means of arriving at a rate that most nearly reflects these considerations. See Reference (7) of the Foreword.
 - r. Estimated Market Price of Site. This will reflect prices currently paid, asked and offered for lands similarly situated and having similar present or potential utility. However, if it is apparent that the site is too costly for economical use for mobile home park purposes, a comment to that effect shall be recorded under "Remarks," or as an addendum. This may occur if high-grade commercial or industrial

use is imminent. The estimate of land value in such a case must be no more than that supported by the proposed use. This will also be considered in the analysis of location. See Reference (7) of the Foreword.

- s. Leasehold Estate. A mortgage on a leasehold estate shall be eligible for mortgage insurance only if the real estate is held (a) in the interest of the lessee under a lease for not less than 99 years which is renewable; or (b) under a lease having a period of not less than 75 years to run from the date the mortgage is executed. Processing shall be according to prescribed procedure for Section 207, Rental Housing. See Reference (7) of the Foreword.
- t. Start of Construction. A mobile home park submission may be accepted as proposed construction provided no work beyond site clearing and earth moving has taken place.
- u. Cooperative Associations. Valuation instructions for processing applications under Section 207, where the mortgagor is a cooperative association organized for ownership of a mobile home park, are provided in this subparagraph. Valuation processing in this case is accomplished in accordance with preceding instructions and Reference (7) of the Foreword with exceptions noted below:

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- (1) Using Form 2264, the value of the mobile home park is estimated as a rental project, and the maximum mortgage amount is determined. The mortgage limitations of Section 207 apply.
 - (2) To assist in reviewing the cooperative sales bulletin, Form 2264B is used to estimate operating expense for the mobile home park when operated as a management type cooperative. Carrying charges and personal benefit expenses for the various sizes of mobile home spaces are developed. Do not complete sections H, J, L, M, and O.
- 2-3. ARCHITECTURAL ANALYSIS. Instructions contained in Reference (8) of the Foreword will also pertain to projects insured under Section 207 Mobile Home Parks except as outlined below.
- a. To be Considered Acceptable, each mobile home park must:
 - (1) Have easily accessible spaces for 8 or more mobile homes.
 - (2) Comply with Reference (4) of the Foreword.

- (3) Provide water, sanitary, laundry and other facilities which are necessary to make the courts liveable and competitive.
 - (4) Provide a small amount of individual living space and some open community space for general and utilitarian purposes.
 - (5) Provide planting necessary to provide privacy and enhance the appearance of the project.
- b. Commercial Use. The Chief Underwriter shall determine the percentage of land area which can be devoted to commercial use. Any portion of such project which is devoted to commercial use will primarily be for the use of or service to the project occupants.

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- 2-4. COST ESTIMATION AND PROCESSING. Proposed Section 207 Mobile Home Park projects shall be estimated and processed in accordance with basic Section 207 procedures (see Reference (11) of the Foreword) except as modified herein.
- a. The Cost Analyst shall prepare the estimate using Forms 2325 (Report of Cost Estimation Feasibility Stage Work Sheet) and 2326-L1. (Land Improvement Cost Estimate). Form 2328-L1 (Contractor's and/or Mortgagor's Land Improvement Cost Estimate) shall be submitted by the Contractor and/or Mortgagor.
 - b. The Outstanding Rule (which precludes allowing general overhead and profit to a general contractor when any one subcontractor does 50% of the construction contract, or three or less subcontractors do 75% of the construction contract) is not applicable.
 - c. Estimates of "Cost Not Attributable to Dwelling Use" are not prepared.
 - d. Form 2329 (Property Insurance Schedule) is developed for all structures listed "Accessory Structures" as defined in the instructions for preparing the Form 2326-L1.
- 2-5. LAND PLANNING ANALYSIS. Land Planning principles and procedures for Section 207 Multifamily Rental Housing, Reference (9) of the Foreword, apply to mobile home parks, with the following modifications:

- a. Mobile Home Parks shall be designed to provide for a desirable residential environment for mobile homes. Innovative and imaginative design should be encouraged. Stylized patterns and monotony should be avoided. All site improvements should relate to the individual characteristics of the land. The site, including mobile home stands, patios, structures, streets, and other site improvements should be harmoniously, efficiently and conveniently arranged in relation to the topography and the shape of the property.
- b. Each Mobile Home should be fitted to the terrain with the least possible disturbance to the land. Existing trees, shrubs and ground cover should be preserved to the extent possible And used to enhance the site. Additional plantings

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should be provided to screen undesirable views, for shade and for visual appeal. All existing vegetation and proposed plantings shall be shown on the site plan or on a separate planting plan.

- c. Parking Spaces may be provided at each individual lot or in courts or bays with assigned space for each mobile home. The number of spaces should be adequate to meet the needs of residents and their guests without interference with normal traffic. Such facilities should be provided at the rate of at least one space for each four lots in order to have space for guest parking and service vehicles.
 - d. Private Outdoor Living Space should be designed for each mobile home. It should be walled, fenced or screened for reasonable privacy and partially paved for garden furniture. In addition, about eight percent of the grass site area should be improved as a common recreation area and major open space. Tot lots, equipped for small children's play, should be provided if it is anticipated that there will be children residing in the mobile home park.
- 2-6. MORTGAGE CREDIT ANALYSIS. Shall conform to the instructions for the Section 207 Rental Housing Program. See Reference (10) of the Foreword.
- 2-7. REGIONAL OFFICE REVIEW. A post review of all mobile home park applications processed shall be made by the Regional Office.

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