Class C- Manufactured Homes

Underwriting Narrative/Program Description

A significant number of Class C Manufactured Homes are present in Delaware and Maryland. They are not typically located in the resort or beach communities due to the high cost of land. They are mostly found in semi-rural and rural areas along county roads. They are primary homes, not secondary and are often newer looking well-kept residential home sites.

The appeal to a homeowner is the lower cost when compared to stick-built construction. Manufactured homes are about half the cost to build. A combination land and manufactured home purchase can be less than $200,000 in areas where stick-built homes are $350,000 and higher.

The typical Class C homeowner has a good credit score, can qualify for conventional FHA or VA financing and would often be described as a middleclass family with employment in the larger town in close proximity to the home site. As previously indicated, these are primary homes with 15-to-30-year traditional mortgages.

The Class C manufactured home is attached to a continuous foundation, wheels removed and tied to the property. They can not be moved and the DMV title has been surrendered.

HO-3 A Limit would be a minimum of $150,000 and base premium would be $950 or higher depending on the actual A Limit and protection class. $1,000 deductible would apply.

I have added some additional information on the topic of financing Class- C Manufactured homes and deed requirements in Delaware and Maryland.

WIC is currently writing Class C Manufactured homes in Delaware and loss experience has been good. We are closing a recent water break claim under a sink for a class C manufactured home- +/- $3,000 reserve, and I have asked the adjuster and appraiser to advise what, if any additional cost incurred in repair expense as it is a manufactured home versus stick-built construction. I'm expecting that report soon.

I would propose a Class C program be continued in Delaware rolled out in Maryland as a good entry point for the company to build agency relationships and regulatory knowledge. A 50-50 Property Quota Share treaty between WIC and FAIC can be written to retain the majority of the premium (90% for gross policy premium) with Trans Re writing the Liability (10% of gross policy premium) As the A limits will be within our combined underwriting capacity, we do not need to cede any property premium to Lloyds.

As the business grows, a common account Catastrophe reinsurance treaty will need to be added to protect both WIC and FAIC in case of a hurricane or severe weather event.

WIC offering an easy to rate HO-3 policy at the agent office coupled with MSO's forms will allow us to access the business in Maryland. We can use our existing Ins Pro/Town and Country system to handle policy issuance and premium billing. Bottom line- start up costs should not be too significant to roll out the program.

Additional note- The home/auto combination policy competition we face in writing traditional primary HO-3 business without auto should not be as big a detriment in the manufactured Class C marketspace.

Underwriting rules for age (less than 25 years old) of the manufactured home, allowable breeds or dogs/pets and no secondary sources of heat will need to be part of underwriting guidelines.

I. Financing and Titling requirements- Maryland and Delaware.

How to Finance/Purchase a Class C Doublewide in Delaware-

There are several loan programs to cover the purchase of a Class C Doublewide manufactured home. In this article I am detailing the FHA loan. With this program you can purchase with a 3 ½% down payment. A rate/term refinance can be done at 97.75% loan to value and a cash out refinance is 85% loan to value. (Loan to value = loan amount divided by the appraised value.)

The FHA loan can be done for borrowers with a 660 or above credit score. The loan term can be 15, 20, 25 or 30 years and the interest rate is fixed throughout the term of the loan.

A Class C manufactured home is defined as a double wide or multi wide manufactured home where the title has been retired and the home has been converted into real property. The home will need to be anchored to the concrete block's piers underneath the home. Plus, it is required to have a cement block foundation under the perimeter of the home. (No skirting.)

For the FHA loan the home must have been built on or before June 15, 1976. You can check by looking at the HUD plates attached to the sections of the home on the interior and exterior. If the tags are missing a request can be made to the Institute for Building Technologies (IBTS). The fee is estimated to be $125 for a copy of the tags to be emailed to you.

The FHA loan covers both the home and the land. It can be used to purchase or refinance. The refinance can be a cash out, rate/term or a Streamline.

For a brand-new home, an invoice will need to be provided by the manufacturer, retailer or dealer. Also, on brand new homes there is a 10% down payment unless: the initial foundation inspection is completed before the conditional commitment or a 10-year protection plan is provided by the builder.

A structural engineer's report will need to be provided to the appraiser and the appraiser must indicate in their report that it was provided. The cost of an engineer's foundation report is normally $400. The engineer's report needs to show the home has not been moved to this

location from another site. Plus, they will need to report that there is no indication that alterations have been made to the home since it was first placed on the lot.

Example of the numbers involved:

$160,000 purchase price would require a 3 ½% down payment ($5600). Base loan amount $154,400 plus $2702 for the upfront mortgage insurance premium = $157,102 total loan amount. Principal and interest payment would be $820.82 based on a 4.75% rate. Add to that, $111.28 for monthly mortgage insurance. And add in estimated property taxes of $70 per month and $60 per month for homeowner's insurance. This equals $1062.10 for a total monthly housing payment.

II. Manufactured Home Titles and Class C Deeds/Real Property:

Titling of Manufactured Homes All new manufactured homes are titled through the Delaware Department of Motor Vehicles (DMV), for a fee of $25 ($35 for a home with a lien) plus a 3.75% document fee based on the sale price or current trade-in value of the home, whichever is higher. For new homes, this application process is typically handled by the dealer. Each section of a multi-section home will have its own title. In order to be declared real property – a main requirement in order to access conventional mortgage financing - this Certificate of Title must be surrendered. The process for surrendering the Certificate of Title and classifying a manufactured home as real property is slightly different in each county, but the main steps are: 1) Notifying the County to request a surrender of title. 2) A form/application/fee is required. 3) The home is inspected by a County official to ensure that it is affixed to the land, its wheels and axles removed and it is anchored to the land. 4) The County issues a letter or other certification to the DMV that the home meets its requirements to be considered real property. 5) The DMV issues a C-grade classification certificate and a notice to the County that the Certificate of Title has been surrendered. Sources: Fannie Mae Guidance on Manufactured Home Titling in Delaware, Delaware Department of Motor Vehicles

In Maryland, the process of obtaining a Certificate of Title from the Maryland Motor Vehicle Administration ("MMVA") may be avoided for a new manufactured home that is permanently affixed to real property. A manufactured home may be converted to real property when: 1. The manufactured home is attached to a permanent foundation; 2. The ownership interests in the manufactured home and the parcel of real property to which the manufactured home is affixed are identical; and 3. An Affidavit of Affixation has been recorded with the clerk of the court of the county in which the parcel of real property to which the manufactured home is affixed is located. The Affidavit of Affixation for a new manufactured home must be accompanied by a manufacturer's Certificate of Origin for the manufactured home that: 1. Has

the word "surrendered" clearly written on its face; and 2. If the manufacturer's Certificate of Origin indicates that there is a lien on the manufactured home, is accompanied by a release from each party that is indicated to have a lien on the manufactured home. The Maryland Affidavit of Affixation may be found here: https://mva.maryland.gov/Documents/VR-451.pdf.

In Delaware, a title to a mobile home ("manufactured home") is held in the form of a Certificate of Title issued by the Delaware Division of Motor Vehicles ("DDMV"). The application for a Certificate of Title for a manufactured home, must contain or be accompanied by, among other things: 1. A full description of the manufactured home, including the name of the maker, the serial number or any number as may be assigned by the DDMV, and any distinguishing marks thereon; 2. Whether the manufactured home is new or used; 3. Full and complete statement of each and all liens or encumbrances, if any, upon the manufactured home; 4. Statement of the name and address of the person to whom the certificate of title must be delivered and such other information as the DDMV may require; 5. The required fee; and 6. Whenever a manufactured home is purchased from a dealer; the application for a Certificate of Title must also include a statement of transfer by the dealer and a Certificate of Origin therefor. The application for a Certificate of Title may be found here: https://www.dmv.de.gov/forms/veh_ serv_forms/pdfs/mv212_application_for_title.pdf?cache=1577130313105. A Certificate of Title may be retired once the manufactured home is permanently affixed to real property, however, the process to retire the Certificate of Title will depend on the county in which the manufactured home is located. A person may obtain a Retirement/Class C Letter from the county in which the home is located and submit this letter to the DDMV to convert the manufactured home into real property. For a sample of this form for one county, see here: https://www.nccde.org/ DocumentCenter/View/436/Mobile-Home-Class-C-Letter?bidId.

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IV. Conclusion:

This is a very **good entry product for WIC** as it looks for **territorial growth outside of Delaware.** We can leverage existing policy writing and billing systems along with our Demotech A Rating. Additional staffing may eventually be required, but our current home office underwriting team should be able to handle the roll out in Maryland.

We are familiar with HO claims and underwriting as we have been successfully writing HO-3 and HO-6 policy's in Delaware for over 20 years.

As we gain knowledge and familiarity of the agents, State Regulations and new territory, we can begin to roll out additional commercial products to the agents.

I'm optimistic the Maryland roll out can be up and running in first quarter 2021. Additional states can be reviewed on a going forward bases.

I look forward to discussing the next steps, getting feedback, answering questions and/or sourcing more information.

Scott Foltz, CPCU