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US RMBS Manufacture Home Loan PD Regression Model

Model Summary Document (MSD)

1. Model Purpose and Description

The model comprises *three* components. First, the model generates *origination* scores that measure the *probabilities of default* (PD) of manufactured home loans over the entire loan period (i.e. from origination to maturity) using the logistic regression approach; then, as the loans age, “*seasoning credit*” is applied to the origination scores to estimate the remaining term PDs of the loans; third, for seasoned loans with delinquent payment history, a penalty adjustment is applied to the seasoned PDs.

2. Model Assumptions

The model applies the assumptions in the US RMBS rating criteria. The model also tests the assumptions for linear regression such as multicollinearity and linearity relationship between variables and outcome.

3. Model Inputs

The key variables used in the models are: fico (with missing flag), origination cltv (with missing flag), origination term, multi-unit flag, land home flag, refi_resold_after_repo_flag, vintage, delinquent payment history, and loan age.

4. Model Development Data

The development sample consists of loan-level information of MH loans from both the Greentree and Intex data source during the 1993 ~ 2002 period.
There are 769,465 observations in the development sample with 42.60% default rate. The “*performance window*” (to define default) of a loan spans its entire period (i.e. from loan origination to maturity).

5. Model Limitations

The model is only intended to be used to evaluate US RMBS transactions.
The vintage of the development sample concentrates before 2002 and may not be able to reflect the later delinquency pattern. However, the loan issues after 2002 are very few as well.

6. Material Changes

The current model version is 1.2.0. Any future material changes will be disclosed in this section

Contact Information

model_disclosure@fitchratings.com