July 29, 2022

Dear Representative/Senator:

The Manufactured Housing Institute is writing to urge you NOT to sign on to the letter being circulated by Senator Hickenlooper (CO) and Representative Axne (IA-3) to the Director of the Federal Housing Finance Agency (FHFA) suggesting additional requirements for manufactured home community owners receiving financing through Fannie Mae and Freddie Mac (the Enterprises).

MHI appreciates the underlying objective of this letter, which is to protect manufactured homeowners leasing land in manufactured home communities. MHI wholeheartedly agrees that residents of manufactured home communities deserve quality and sustainable homeownership opportunities. While this is the current norm in the industry, and the current requirements by the Enterprises help encourage this outcome, we join the authors in condemning the practices of an entity that received support from the Enterprises prior to last year's implementation of resident protections.

But we ask you to abstain from signing on to this letter for two simple reasons: (1) existing Fannie Mae/Freddie Mac tenant lease requirements that went into effect last Fall include all the basic protections necessary to protect against exorbitant rent increases or predatory practices, and (2) additional restrictions will hurt the very homeowners they seek to protect, by restricting the very capital flow needed to support residents in manufactured home communities to preserve their aging communities and protect them from potential community closure.

Land-lease manufactured home communities are one of the greatest sources of unsubsidized affordable housing in the country, and in 2021, rent increases in such communities averaged 4.2 percent compared to apartment rents, which have jumped nearly 20 percent year over year. Instead of pursuing unnecessary additional restrictions that disincentivize investment in manufactured home communities, Fannie Mae and Freddie Mac should focus on developing a sustainable financing program for families purchasing homes in these communities.

Restricting Enterprise Capital Will Be Harmful to Residents

It is imperative that federal policies encourage capital investment into land-lease communities to increase the supply of quality affordable homeownership options and to preserve these communities and protect them from closure. The suggestion that the Enterprises need to substantively rewrite or expand the resident protections enacted for all community financing just last year is not substantiated by the facts and will be harmful to the very residents the authors of the letter seek to support. Based on feedback from our members, such a change in program requirements just one year since implementation will result in community owners deciding it is simply not worth seeking Enterprise loans for manufactured home communities. This negative impact on program participation will be detrimental for those living in aging manufactured home communities. Investors will seek other sources of capital that have reasonable terms. Worse yet, some will be dissuaded from buying or refinancing aging communities that over time require significant infrastructure improvements, resulting in a reduction of the capital investment that is critical to preserve important affordable housing.

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Many of the proposed enhancements to tenant protections misstate several characteristics of land-lease manufactured home communities. Regarding relocation, manufactured homes are not "mobile" and are not intended to be relocated once they have been set in their location. When a homeowner wishes to relocate from a community, they sell their home in place just as a single-family homeowner or condominium owner would. Regarding eviction protections, every state has applicable landlord-tenant laws to ensure the rights of both tenant and landlord are recognized and protected.

When a community changes hands, oftentimes it is due to a significant need for improvement and a lack of capital from the existing owners to make such improvements. In addition, while infrastructure needs and costs are substantial, a new owner may find the community rents significantly below market. The community may not have been managed properly and the new owner is left with significant challenges. Residents benefit when a new owner comes in with the resources to address infrastructure problems in communities, such as water, sewer, roadways, and other important amenities. MHI research shows that capital expenditure spending by professionally managed communities has continued to increase annually, at faster rates than rent increases. In 2021, the average capital expenditure spending increased by close to 11 percent. In the long run, it benefits the residents of communities when owners do the needed infrastructure upgrades, improve streets and add amenities to preserve the communities even as they age.

<u>Federal Support for Residents of Manufactured Home Communities is Long Overdue</u>

We urge congressional focus to be on how the Enterprises, and other federal programs, can support individuals in need of assistance given the reality of rapidly rising housing costs in America. As it stands now, the Enterprises are not providing any financing support for the consumer seeking the affordable, sustainable, and desirable hybrid homeownership model that land-lease communities offer. Land-lease manufactured home communities provide the most affordable form of homeownership available in America combined with a strong commitment to residents. Communities offer a quality lifestyle at affordable prices and this value has resulted in satisfied residents who choose to remain in these communities long-term. All of this has been accomplished largely without federal support for the residents.

Given the market realities of rising housing costs, there is no question that federal support should extend to low-income residents of manufactured home communities. These residents are currently not being afforded the same federal support as other similarly situated individuals, solely because of their housing choice. The success of the Emergency Rental Assistance Program in keeping residents of manufactured home communities safely housed during the pandemic demonstrates the importance of ensuring federal rental assistance programs are also available to residents of manufactured home communities.

With respect to the Enterprises' actions to meet their Duty to Serve (DTS) obligations, MHI has been consistent in our call for the focus to be on supporting financing for the consumers. In fact, we specifically opposed the Enterprises receiving DTS credit for commercial loans for the purchase of communities. While the Enterprises should continue to purchase these types of loans, this is not an Underserved Market and does not address the critical challenge for homeowners, which is affordable financing for manufactured homes through a strong Enterprise secondary market.

To truly support residents of manufactured home communities, MHI urges congressional focus to be on ensuring the Enterprises are providing the manufactured home consumer with greater access to credit. Enterprise involvement would result in potentially more affordable financing, more lenders in the market, and the ability to refinance as market conditions change.

<u>Consumers are Satisfied and Demand is High</u>

The vast majority of manufactured home community owners already follow the current resident protection requirements of the Enterprises, regardless of whether they receive Enterprise loans. Additionally, many states' laws governing manufactured home communities already contain numerous protections for residents of manufactured home communities that exceed those set forth in the mandatory tenant lease protections. In many cases, the current Tenant Lease Protections contradict state law and create confusion and a likelihood of dispute between community operators and residents. The existing mandatory protections were only implemented last Fall. The suggestion that they already need to be added upon is not evidence based.

Fundamentally, Congress needs to ensure the Enterprises support land-lease communities and the positive benefits that lead homeowners to choose to live in these types of communities. Land-lease manufactured home communities provide a quality and affordable housing option to millions of Americans who otherwise would not have the opportunity to own their home. Nationwide customer surveys show 90 percent of homeowners living in land-lease communities are satisfied with their homes, and 87 percent would likely recommend a manufactured home to others. The great majority of communities are very well run and highly occupied further evidencing the demand for living in a quality community offering real value. They provide the most affordable form of homeownership available in America, combined with a strong commitment to residents.

It is critical that the Enterprises continue to support residents of manufactured home communities, especially financing for consumers to purchase homes. We welcome the opportunity to work with you on meaningful ways to accomplish this objective. However, for the reasons articulated above we strongly ask that you NOT add your signature to the letter being circulated by Senator Hickenlooper and Representative Axne.

Sincerely,

Lesli Gooch

Lesli Gooch, Ph.D.
Chief Executive Officer