Congress of the United States
Washington, DC 20515

August 4, 2022

Honorable Sandra Thompson
Director
Federal Housing Finance Agency
400 7th Street, S.W.
Washington, D.C. 20024

Dear Director Thompson,

As you know, when Congress originally chartered Fannie Mae and Freddie Mac (the Enterprises or GSEs) they designed them to facilitate access to affordable housing by providing increased liquidity to the secondary mortgage market. Manufactured housing communities are one of the last bastions of naturally-occurring affordable housing[1], but the GSEs are failing them. As we all work to ensure every American has a safe and affordable roof over their head, we urge the Federal Housing Finance Agency (FHFA) to improve protections for residents in manufactured housing communities (MHCs) financed by the Enterprises.

Across the country, outside investors are purchasing MHCs using GSE financing, and proceeding to significantly increase rents, add fees, or push residents out to replace existing units with new higher-cost homes.[2] This is happening to Americans up and down the income ladder. [3][4] Since manufactured housing residents tend to be older and have lower incomes, these are often the people who are least able to afford these increases. Those that own their home, but rent the land underneath, often cannot afford the $10-15,000 it costs to relocate.[5]

Not only are some investors benefiting from federal backing while taking advantage of our constituents, these purchases are actually getting credit towards obligations that Fannie Mae and Freddie Mac have to serve underserved communities.[6] We ask that you better support MHC residents, and ensure the Enterprises are not simply financing investment firms' efforts to buy properties and extract maximum profit from those who have less.

Current Protections

As you know, both Fannie and Freddie offer a financial incentive for MHC purchasers willing to offer a set of Tenant Site Lease Protections (TSLPs). We appreciate recent steps taken by both Enterprises to require that all MHC loans they purchase finance MHCs that will be covered by these TSLPs. Those

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[1] https://www.manufacturedhousing.org/wp-content/uploads/2017/10/Understanding-Manuactured-Housing.pdf
[2] https://www.nytimes.com/2022/03/27/us/mobile-home-park-ownership-costs.html
[3] https://www.washingtonpost.com/business/2022/06/06/mobile-manufactured-home-rents-rising/
[4] https://www.newyorker.com/magazine/2021/03/15/what-happens-when-investment-firms-acquire-trailer-parks
[5] https://www.npr.org/2021/12/18/1034784494/how-the-government-helps-investors-buy-mobile-home-parks-raise-rent-and-evict-pe
[6] https://docs.house.gov/meetings/AP/AP20/20220526/114841/HHRG-117-AP20-Wstate-McCarthyG-20220526.pdf

loan purchases currently count for credit towards the Enterprises' Duty to Serve (DTS) obligations, as do loans to resident-, government-, or nonprofit-owned MHCs. While the TSLP program has made progress in some ways, we feel the FHFA and the GSEs, both through this program and DTS obligations generally, could do far more to protect people living in MHCs.

The FHFA defined the current set of minimum pad lease protections in the 2016 Duty to Serve Rule.[7] These have since been implemented by both Fannie and Freddie, with loan purchases of MHCs protected by the TSLPs beginning in 2019, and more than 20,000 pad leases now covered. While we're encouraged that more residents currently have some basic level of protections, we believe the existing TSLP offerings are just that – basic – and that the Enterprises should do a better job of protecting the residents in covered MHCs.

Public disclosure of MHCs backed by the Enterprises

First, we are concerned by a lack of public information about which MHCs are covered. This can leave some residents unsure if they are covered or not, a problem that is exacerbated by MHCs where TSLPs only cover some of the tenants. We appreciate the recent changes made at both Enterprises to ensure that all residents in newly purchased parks covered by TSLPs will have those protections, but prior purchases of MHC loans that received TSLP financing benefits did not require that all residents had these protections. Prior TSLPs from Freddie did not clearly include residents who rented both the pad and home in those parks, and, prior to 2022, Fannie Mae only required some of the homes in an MHC to be covered by the TSLPs in order for the owner to receive a pricing benefit for the entire community. In addition to creating confusion and doing less to protect residents in MHCs backed by the Enterprises, disparate treatment for neighbors within a community makes oversight of the program by either Congress or the FHFA far more difficult.

Requiring a full public list of the covered MHCs, including the date at which those TSLPs went into effect and the units covered, would greatly improve our ability to assess the effectiveness of the TSLPs in protecting renters. Service to the manufactured housing market could also be enhanced by earlier disclosure when a community is being purchased by an owner using GSE financing. This will have three primary impacts. First, it can improve resident awareness of a change in ownership of the park, where all too often they first find out when they're notified of a rent increase.[8] Second, it could increase the chances for a resident-owned group or nonprofit to work to purchase the park. And finally, it will increase public information about what can be an opaque market.

We have heard disturbing reports of MHC owners in parks that should be covered by the TSLPs that have not offered lease renewals or may have otherwise violated the TSLPs. However, it can be difficult for the public or a member of Congress to easily ascertain whether a given MHC or tenant is covered by the protections. This hurts our ability to protect our constituents or evaluate whether more needs to be done to ensure compliance with the existing TSLPs. Further, the current penalties for violating the TSLPs may not be sufficient to incentivize the park owner to comply, and we would urge you to evaluate those penalties in that light.

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[7]https://www.fhfa.gov/SupervisionRegulation/Rules/RuleDocuments/2016%20Duty%20to%20Serve%20Final%20Rule_For%20Web.pdf

[8] https://www.desmoinesregister.com/story/news/local/waukee/2019/03/27/waukee-midwest-country-estates-mobile-home-park-havenpark-capital-utah-rent-increase-rates-iowa/3267410002/

Improvements to the existing tenant protections

Second, while the current TSLPs provide some basic rights, we believe these protections could do more to protect tenants. For example, the current TSLPs do not include protection from eviction. Eviction has long lasting impacts on renters because the cost of moving their home may be prohibitively high. In addition, a 60 day notice of the closure of a park can significantly impact the many residents that have put tens or hundreds of thousands of dollars into their homes. Further, and perhaps most importantly, there are no protections from increases in rent or fees, which can have the effect of pricing tenants out of an MHC.

Investors buying MHCs have raised rents and added fees in order to maximize profit from a captive audience. Those increases can be extreme; in Iowa we have seen the total cost at one park financed by Fannie Mae increase by 60% in just two years.[9] These types of extreme increases can mean a resident may be forced to sell their home, or lose it entirely (often allowing the MHC owner to sell that home, or sell a newer replacement home). In addition, in the event the tenant is able to sell the home, they will often get less for it, as the new buyer knows their ongoing costs of renting the pad site will be higher. That leaves these communities in a difficult situation where a rent increase actually decreases the value of homes in the MHC – which can have the effect of transferring value from the homeowner to the park owner.

Longer term leases for pad rentals could also help protect residents from predatory increases in cost, and serve an additional benefit. Multi-year leases will give more certainty for homeowners, which will in turn make it easier for the Enterprises and others to support more traditional mortgages for people buying manufactured homes, a long-term goal to provide better protections and lower costs for homebuyers that is consistent with Fannie Mae's most recent Duty to Serve plan.[10]

Right of First Refusal

Finally, FHFA should work to protect our constituents by requiring that residents have the opportunity to buy their MHC for any property that receives Duty to Serve credit. Resident ownership and control over the land under their homes will give them long term security and ensure any rent increases go towards benefits they want. For example, a MHC in Durango, Colorado was recently bought by its residents, who were able to avoid a projected $350 rent increase from the corporate offer in favor of one for less than $100.[11] Other groups of resident ownership could be supported in one of two ways – first, requiring evidence that the residents were offered the chance to purchase the property for any MHC that would receive DTS credit, or, second, including this protection going forward in the loan agreement for any property covered by the TSLPs (and thus receiving DTS credit).

Properly aligning Duty to Serve credit with the protections for residents

[9] https://www.desmoinesregister.com/story/news/local/waukee/2019/03/27/waukee-midwest-country-estates-mobile-home-park-havenpark-capital-utah-rent-increase-rates-iowa/3267410002/
[10] https://www.fhfa.gov/PolicyProgramsResearch/Programs/Documents/FannieMae2022-24DTSPlan-April2022.pdf
[11] https://www.durangoherald.com/articles/renters-become-owners-of-durango-mobile-home-park/

We also ask that you work to focus more of the Enterprises' support for MHCs on those properties that do protect tenants, and to align the level of DTS credit with the level of protections for the residents. For example, additional credit for sales to resident groups could encourage the Enterprises to do more to support those purchases. DTS credit should also be reserved for loans which actually protect residents from eviction and major cost increases.

We urge you to strengthen existing protections like TSLPs, to better protect residents from eviction and major price increases. These protections should include efforts to ensure long term affordability for tenants, and protect MHC residents from predatory landlords. Some additional possible protections can also be found in legislation like the Manufactured Housing Tenants' Bill of Rights.[12] Over the long run, FHFA should be working to ensure that all homeowners, regardless of the type of home they purchase or where they site it, have the protections and stability that homeowners with site-built homes enjoy today.

We thank you for your work to ensure all Americans will be stably housed and for your attention to the steps FHFA and the GSEs can take to better protect the people living in manufactured housing communities. We hope to work with you further to ensure the Enterprises are fulfilling their intended purpose, and that MHCs they finance are benefiting the residents.

Sincerely,

Cynthia Axne
Member of Congress

John Hickenlooper
United States Senator

Daniel T. Kildee
Member of Congress

Michael F. Bennet
United States Senator

[12] https://www.congress.gov/bill/117th-congress/house-bill/3333/text?r=12&s=2#idF7247B5F531841EFA2BB5733C36B57EB

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