United States Senate
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS
WASHINGTON, DC 20510–6075

January 10, 2020

Mr. Hugh R. Frater
CEO
Federal National Mortgage Association
1100 15th Street, NW
Washington, DC 20005

Dear Mr. Frater:

I am writing regarding the increase in private equity investment in and ownership of manufactured housing communities (MHC) and a troubling trend of rent increases and resident displacement in many of these communities. I have seen first-hand how residents in these communities, many of whom are elderly and have fixed incomes, have experienced rent and other housing cost increases with few consumer protections. The information I am requesting here will help me better understand Fannie Mae's role in financing private equity-owned MHC properties and what resident protections, if any, are included in the Enterprise's financing process.

Manufactured housing remains a critical source of affordable housing for an estimated 22 million people.[1] Congress recognized the importance of manufactured housing when it included manufactured housing among the three underserved markets that Fannie Mae and Freddie Mac (the Enterprises) have a Duty to Serve. As the Enterprises have documented, manufactured housing is especially important in meeting the housing needs of low- and moderate-income families.[2]

While some manufactured housing residents site their home on land they own, more than one third of new manufactured homes were placed in MHCs in 2018.[3] By some estimates there are nearly three million households[4] living in more than 37,000 MHCs across the country.[5] While

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[2] "Fannie Mae: Duty to Serve Underserved Markets Plan for the Manufactured Housing Market," July 2, 2019, available at https://www.fanniemae.com/resources/file/aboutus/pdf/dts-manufactured-housing-final.pdf; "Freddie Mac Duty to Serve Underserved Markets Plan for 2018-2020," Revised December 2018, available at http://www.freddiemac.com/about/duty-to-serve/docs/Freddie-Mac-Underserved-Markets-Plan.pdf.
[3] "MHS Annual Data: Selected Characteristics of New Manufactured Homes Sold and Placed for Residential Use by Size of Home and Region 2014-2018," June 2019, United States Census Bureau, available at https://www.census.gov/data/tables/time-series/econ/mhs/annual-data.html.
[4] "Manufactured Housing Resource Guide: First Steps Toward a Resident Purchase Opportunity," I'M HOME and the National Consumer Law Center, February 2017, available at https://prosperitynow.org/sites/default/files/resources/FirstSteps_Toward_a_Resident_Purchase_Opportunity.pdf.
[5] "Spotlight on Underserved Markets: Tenant Protections in Manufactured Housing Communities," Freddie Mac Multifamily, available at https://mf.freddiemac.com/docs/tenant-protections-manufactured-housing-communities.pdf.

publicly available MHC data is limited, news stories and reports from residents, including several I have met, indicate that there is a new and concerning pattern in private equity ownership of MHCs. Over the past several years, large investors, including a number of private equity investors, have purchased MHCs encompassing hundreds of thousands of units.[6,7] In some cases, those transactions involved financing from the Enterprises.

For homeowners residing in an MHC, housing costs come in two parts – the home loan and the lot rent. If either of these components of housing cost become overly burdensome, homeownership may no longer be affordable for an MHC resident. Over the past several months I have seen reports and heard directly from residents of MHCs in Ohio and throughout the country who have seen lot rent increases, coupled with new fees and other charges, that are unsustainable for existing residents.[8] Many news reports of rent increases have come shortly after the MHC was purchased by a private equity fund that subsequently raised rents. Given the number of these news reports and private equity's destructive track record, I am increasingly concerned that investment in communities without regard for the needs of existing tenants could result in displacement and fewer, not more, affordable housing opportunities.

As stated above, there is little data on MHCs. There is even less data available on private equity's involvement in all segments of the American economy, including MHCs. While the Enterprises are just one of many outlets for financing MHC purchases, I would like to better understand the role that private equity has played over the last several years in MHC ownership from the Enterprises' perspective. I would also like to understand what steps Fannie Mae is taking to ensure that residents of the communities it finances are not forced out by irresponsible rent increases.

In 2018, Fannie Mae reported $2.9 billion[9] in manufactured housing community financing, while Freddie Mac reported $1.8 billion.[10]

- How many communities did Fannie Mae finance in 2018? How many manufactured home lots were financed through these communities? Please provide a list of all communities financed and the state in which those communities are located while

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complying with applicable privacy standards and without disclosing any personally identifiable information.

  - Of the communities financed, how many financing packages included a plan for necessary capital improvements?
  - Were any planned capital improvements financed through projected increases in charges to residents, through existing rent structures, or some other mechanism?
  - Does Fannie Mae monitor the implementation of capital plans to ensure that they are carried out as proposed?
  - Does Fannie Mae consider current or future rents, capital improvements, or any other information in addition to a property appraisal when setting the maximum loan amount for a community?

- Of the communities that Fannie Mae financed in 2018, how many went to private equity owners?
  - Did Fannie Mae assess purchasers' plans for rents and other resident costs that would be charged in these communities post-financing, including any increases necessary to support planned capital improvements, other investments, and/or other rent increases or new charges, prior to providing financing?
  - Does Fannie Mae monitor rents and other charges imposed by private equity owners in the years in which a loan is outstanding?
  - Does Fannie Mae require any protections for existing tenants, including limitations on rent or other cost increases, property maintenance requirements, compliance with state and local tenant laws, or compliance with fair housing laws, as a condition of its guarantee for MHC loans? If so, please provide a list of those protections.
  - Fannie Mae previously added contract terms to its REO sales contracts to prohibit homes from being subsequently financed through rent-to-own transactions. Does Fannie Mae allow rent-to-own financing for lots and units in the communities it finances?
- Has Fannie Mae seen a change in the proportion of MHCs purchased by institutional investors and private equity firms in recent years? Is Fannie Mae monitoring this trend and its impact on the manufactured housing market and manufactured housing residents?
- Of all the communities that Fannie Mae financed, how many of the communities were already in existence? How many were newly constructed communities?
  - Of those communities that were already in existence, did Fannie Mae evaluate the impact on current residents, including any possible displacement, of the projected rents and other charges that would be assessed to existing residents following the financing of the loan? Did Fannie Mae assess or do they plan to assess any actual impact, including increased or unaffordable housing cost burdens or displacement, after closing the loan?
- Of the communities that Fannie Mae financed in 2018, how many went to an owner looking to preserve affordability for existing and future tenants, including nonprofits, cooperatives, or mission-based owners?
  - How many of these transactions involved local, state, or federal grant funding or other low-cost sources of funds or financing to preserve affordable housing?

- Of the communities that Fannie Mae financed in 2018, how many were financed using financing provided through Fannie Mae's Duty to Serve product that provides more favorable loan terms in exchange for owners adopting certain tenant protections?
    - Of those communities financed using the Duty to Serve loan product referenced above, how many communities were purchased by private equity owners?
- Does Fannie Mae believe that any financing that results in rent and other tenant cost increases that displace residents or result in unsustainable housing cost burdens should be considered "mission-driven" multifamily lending and within the 37.5 percent of its multifamily activity that must be "mission-driven"?
    - What types of loans does Fannie Mae consider mission-driven loans?
- Does Fannie Mae maintain any additional data or statistics on MHC financing that is not publicly available? If so, please provide a description of the categories of data and any analysis conducted.

Manufactured housing and MHCs are an important part of the affordable housing ecosystem. Ownership by investors seeking high returns without regard for the impact on residents could threaten long-term housing affordability for millions of low- and moderate-income Americans. It could also undermine the strides made through the Enterprises' Duty to Serve efforts. I look forward to working with you to ensure that all MHCs continue to be an important source of affordable housing for low- and moderate-income families.

Sincerely,

Sherrod Brown

Sherrod Brown
United States Senator

United States Senate

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WASHINGTON, DC 20510–6075

January 10, 2020

Mr. David Brickman
CEO
Federal Home Loan Mortgage Corporation
8200 Jones Branch Drive
McLean VA 22103

Dear Mr. Brickman:

I am writing regarding the increase in private equity investment in and ownership of manufactured housing communities (MHC) and a troubling trend of rent increases and resident displacement in many of these communities. I have seen first-hand how residents in these communities, many of whom are elderly and have fixed incomes, have experienced rent and other housing cost increases with few consumer protections. The information I am requesting here will help me better understand Freddie Mac's role in financing private equity-owned MHC properties and what resident protections, if any, are included in the Enterprise's financing process.

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