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United States Senate

COMMITTEE ON BANKING, HOUSING, AND
URBAN AFFAIRS

WASHINGTON, DC 20510-6075

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December 19, 2022

Mr. Michael DeVito
Chief Executive Officer
Federal Home Loan Mortgage Corporation
8200 Jones Branch Drive
McLean, VA 22103-3107

Dear Mr. DeVito:

I am writing to express my continued concern about the Federal Home Loan Mortgage Corporation's (Freddie Mac) financing of manufactured housing communities for institutional investor owners.

Manufactured housing is a critical source of affordable housing for 22 million people across the country¹, including 3.2 million seniors.² Congress acknowledged this when it required Fannie Mae and Freddie Mac to create plans to serve the very low-, low-, and moderate-income families in the manufactured housing market through Duty to Serve Underserved Market Plans as part of the Housing and Economic Recovery Act of 2008. In its latest Duty to Serve plan, Freddie Mac states that manufactured housing is "an important source of affordable housing for millions of families nationwide and directly supports our mission."³ Unfortunately, Freddie Mac's financing of manufactured housing communities at times undermines affordable housing, and in some cases enables community owners whose actions ramp up rents, turning this housing from "affordable" to "unaffordable" for residents.

I was recently contacted by residents of Navarre Village, a manufactured housing community for seniors in Navarre, Ohio. Their community was purchased in October by an out-of-state owner called "Legacy Communities, LLC." Before Freddie Mac could even update its online database of guaranteed properties to reflect the transaction, Legacy Communities had doubled lot rents in this community for new tenants and increased rents for some existing residents by more than eight percent.⁴ These sudden and drastic rent increases are putting Ohio seniors, many of whom live on fixed incomes, in an impossible situation – they can't afford the rent increases, and they aren't able to sell their homes because few potential buyers can afford Legacy Communities' new lot rents.

¹ "2022 Manufactured Housing Facts: Industry Overview," Manufactured Housing Institute, August 2022, available at <https://www.manufacturedhousing.org/wp-content/uploads/2022/04/2022-MHI-Quick-Facts-updated-05-2022-2.pdf>.

² "Data Spotlight: Profiles of older adults living in mobile homes," Consumer Financial Protection Bureau, 2022, available at <https://www.consumerfinance.gov/consumer-tools/educator-tools/resources-for-older-adults/data-spotlight-profiles-of-older-adults-living-in-mobile-homes/>.

³ "Duty to Serve Underserved Markets Plan 2022-2024," Freddie Mac, pg. MH1, available at <https://www.freddiemac.com/about/duty-to-serve/docs/Freddie-Mac-Duty-to-Serve-Underserved-Markets-Plan.pdf>.

⁴ "It's paralyzing: Neighbors in Stark Co. retirement community blast new owners for doubling HOA fee," Catherine Ross, News 5 Cleveland, November 7, 2022, available at <https://www.news5cleveland.com/news/local-news/its-paralyzing-neighbors-in-stark-co-retirement-community-blast-new-owners-for-doubling-hoa-fee>.

This is not the first time I have raised concerns about the consequences of Freddie Mac's policies for manufactured housing communities it finances. In January 2020, I wrote to your predecessor about the consequences for renters when private equity companies used Freddie Mac financing to purchase manufactured housing communities and raise rents.⁵ Since then, it seems that harm to residents has only continued.

While I applaud Freddie Mac's decision to require certain tenant protections for all of its newly financed manufactured housing communities, Navarre Village residents' experiences show that the existing tenant protections are not enough to protect them from exorbitant rent increases that could ultimately cost residents their homes. In light of these concerns, please respond to the following questions by January 9, 2023:

1. What rental rates did Freddie Mac use to underwrite the loan it guaranteed for Navarre Village? Did Freddie Mac expect that Legacy Communities would be able to repay the loan Freddie Mac guaranteed based on those rental rates?
2. Did Freddie Mac require or expect Legacy Communities to make any necessary repairs to Navarre Village when it guaranteed the loan for this community? If so, did Freddie Mac's underwriting of the loan depend on future rent increases for residents in order to fund these repairs?
3. Did Freddie Mac review Legacy Communities' plan for owning and maintaining Navarre Village, including financial plans, prior to backing the loan for the community?
4. Does Freddie Mac expect to receive Duty to Serve credit for guaranteeing the loan on Navarre Village?
5. Does Freddie Mac review a community owner's management record, including records of rent increases, property maintenance, or tenant complaints, prior to guaranteeing a loan to that community owner? If not, why not?
6. Does Freddie Mac believe that a community or building can be considered affordable housing if rents are increased to a level that makes housing unaffordable for or displaces existing residents?
7. Has Freddie Mac considered including any requirements limiting rent increases or preventing displacement of existing residents as part of its pad lease protections for manufactured housing communities it finances as part of its Duty to Serve requirements? If so, please explain. If not, why not?

Thank you for your prompt attention to this important issue affecting the housing of Ohio seniors.

Sincerely,

Sincerely,



Sherrod Brown
Chairman

⁵ Letter from Senator Sherrod Brown to David Brickman, January 10, 2022, available at <https://www.banking.senate.gov/imo/media/doc/1.10.20%20Fannie%20Freddie%20PE%20MHC.pdf>.