



March 13, 2017

Mr. Jim Gray, Director
Duty to Serve Program
Federal Housing Financing Agency
400 7th St. SW
Washington, DC 20024

Via email: dutytoServeStakeholders@fhfa.gov

Dear Mr. Gray,

I wanted to provide formal comments as a follow-up to the February 8, 2017, Listening Session in Washington, DC and our conversation at the Manufactured Housing Institute's Winter Meeting in San Antonio, Texas.

The need for a secondary market for chattel manufactured home loans has been well established since the proposed rule was published on December 18, 2015. The need is especially acute in Florida where over 2 million people reside in approximately 850,000 mobile and manufactured homes. Manufactured housing represents close to 12 percent of all occupied single-family homes in Florida. A more important number is that 55 percent of manufactured homeowners in Florida have an annual income of less than \$30,000. These are the very low-, low-, and moderate-income families that "Duty to Serve" was intended to serve. A secondary market for chattel will provide families that qualify for home ownership, but may be financially challenged, to benefit from lower down payment requirements, lower interest rates and lower monthly payments.

Florida is the manufactured home community capital of the world with 2,336 licensed mobile home parks and manufactured housing communities with over 320,000 occupied rental sites. Florida also has some of the most comprehensive manufactured home community landlord-tenant laws and regulations in the country, which makes it an ideal place to launch a pilot program for chattel manufactured home loans.

Financing homes in a land-lease setting presents two unique challenges – ensuring that home values are maintained over time and that the lender’s interest is protected in the event of a loan default. The first challenge can be addressed through statutory requirements, which is what Florida does. The second challenge can be addressed through a combination of state requirements and an agreement between the lender and community owner where the home is sited.

Florida is a prime example of how state regulation that balances the interests of manufactured home owners as well as community owners can provide a foundation for a successful chattel lending program. Florida’s manufactured home communities are some of the most highly regulated in the country. The Florida Mobile Home Act (Chapter 723, Florida Statutes) contains many of the elements necessary for a successful chattel loan program, including:

- The required delivery and acceptance of a prospectus prior to tenancy.
 - The prospectus is a disclosure document which details the terms and conditions of the tenancy, including the manner in which site rent will be raised and the factors that may affect site rent.
- A virtual lifetime lease due to for-cause evictions only and the right to cure violations.
- The right to cure a loan default for non-payment.
- A minimum 90-day notice prior to a rent increase.
- The ability for homeowners to challenge a rent increase if they believe the increase is unreasonable.
- The right of homeowners, through their homeowners’ association, to purchase the park if it is being sold for a use other than a mobile home park.

Florida’s disclosure requirements coupled with the homeowners’ right to challenge a rent increase they believe is unreasonable goes a long way to ensuring that unrestrained rent increases do not decrease the value of homes on leased land. This balance is fundamental to the viability of the industry. Florida addresses this potential concern in its landlord-tenant statute through rent regulation, not rent control.

While Florida’s landlord-tenant law is comprehensive, which makes Florida the ideal state to launch a pilot program, we understand that the GSEs may require some additional home owner and lender protections. These additional requirements may precipitate a change in state statute or they may be achieved through a lender agreement with the community owner.

Some other requirements that may be considered include:

- Allowing a homeowner that has been evicted from the community to lease their home in place without relocating it from the rental site under the following conditions:
 - The home meets minimum community standards.
 - A prospective lessee submits an application for tenancy and is approved by the community owner prior to occupying the home.
 - The home is leased within a reasonable period of time, say within 90 days of the eviction.
 - The home owner (former tenant) pays past due rent prior to leasing the home.

- Allowing a homeowner that has been evicted from the community to keep their home in place for up to six (6) months and sell their home without relocating it from the rental site under the following conditions:
 - The home meets minimum community standards.
 - The home is actively listed for sale.
 - A prospective home buyer submits an application for tenancy and is approved by the community owner prior to occupying the home.
 - The home owner (former tenant) agrees to pay past due rent when the home is sold.
 - The lender provides a priority lien to the community owner for the payment of past due rent when the home is sold.

- If the tenant's home is repossessed by the lienholder, the lienholder has the right to sell the home in place without relocating it from the rental site under the following conditions:
 - The home meets minimum community standards.
 - The home is actively listed for sale.
 - The lienholder will not be required to pay site rent for up to 6 months
 - A prospective home buyer submits an application for tenancy and is approved by the community owner prior to occupying the home.

- The community owner agrees not to close the community or sell the community for a use other than a mobile home park while homes in the community are financed through the GSEs. Closure of the community due to circumstances beyond the community owner's control (i.e. natural disaster) would be an exception.

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In Florida, many lenders are familiar with lending on chattel manufactured homes due to the size of the market and the comprehensive regulation of industry. However, many lenders will only provide a modest number of chattel loans, even though it is good business, because they do not want to carry too much paper on their balance sheets. A secondary market would eliminate this concern.

Additionally, community owners in Florida are generally sophisticated and are accustomed to working with lenders to help mitigate losses. Some of the more common practices include: listing homes for sale, helping to organize the repair of homes prior to a foreclosure sale, and purchasing homes from the lender. Community owners understand the importance of having financing available for their customers and are willing to go above and beyond to ensure the lender's interest is protected.

In Florida, we believe that a successful secondary market program can be established for chattel manufactured home loans with proper underwriting, pricing, risk sharing and appropriate home owner and lender protections.

We also believe that Florida has the requisite statutory and regulatory framework in place to ensure a successful pilot program. The Florida Manufactured Housing Association is committed to working with the GSEs and providing the support necessary to assist in the development of a safe and sound chattel manufactured home loan program.

Sincerely,



James R. Ayotte
Executive Director