FHFA Duty to Serve Public Listening Session on the Manufactured Housing Market
Tuesday, July 12, 2022
1:00 p.m. EDT

Statement of Lesli Gooch, CEO
Manufactured Housing Institute (MHI)

Thank you to the team from FHFA, Fannie Mae and Freddie Mac, and everyone joining today.

I am Lesli Gooch, CEO of the Manufactured Housing Institute.

MHI is the only national trade association that represents all segments of the factory-built housing industry.

MHI has been a leader in working to support quality homeownership through land-lease manufactured housing communities.

This includes the value proposition and support for residents. Through our National Communities Council, or NCC, MHI has adopted a Code of Ethics, which outlines eight principles that NCC members must subscribe to as part of their membership with MHI. These principles focus on promoting the benefits of manufactured housing and land-lease communities, as well as customer and resident relations.

MHI was an early proactive participant in working with consumer groups and FHFA to develop the resident protections for Duty to Serve that resulted in the guidelines that are the subject of today's session. As part of that process, MHI endorsed balanced protections as part of our comment letters on Duty to Serve.

In fact, the protections we are discussing today were originally put forth by MHI's NCC as a way to encourage Fannie and Freddie to support a secondary market for chattel loans.

It is important to note that the vast majority of community owners follow these protections, regardless of whether they receive Enterprise loans. It is the industry norm.

At the same time, we have heard from some of our community owner members that there are specific technical issues in complying with these requirements - that we believe should be addressed or clarified.

One example is that in some states, the requirements conflict with state law, creating compliance difficulties. To address this, we would ask the FHFA and Enterprises clarify that the requirements apply "except where the condition conflicts with state law…" Another useful clarification would be that when the state law is stronger, a requirement is satisfied, so owners do not have to follow different rules that add no benefit.

Other concerns involve vagueness in the requirements – for example, in the broad range of provisions that give residents the opportunity to sell their unit within a reasonable time period upon eviction or foreclosure. This objective can be accomplished – while at the same time protecting community owners and other homeowners in the community - for example, by clarifying that it is permissible to require substandard homes to be brought up to code.

MHI would welcome the opportunity to work with the Enterprises, FHFA, and seller/servicers to address these ambiguities and concerns.

MHI cannot support expanding these requirements, for the simple reasons that this action is not needed to protect residents in Manufactured Housing Communities. Going further, we think such action would be counterproductive.

If FHFA and the Enterprises were to substantively rewrite or expand the existing tenant protections – to seek a wish list of gold-plated provisions that add little consumer value but substantially increase compliance complexities – that would clearly impact program participation.

Based on feedback from our members, any such effort would likely result in community owners deciding it is simply not worth seeking Enterprise loans for manufactured home communities.

At the end of the day, FHFA policies should encourage capital investment into land-lease communities to increase the supply of quality affordable homeownership options.

The reality is that the great majority of communities are very well run – providing the most affordable form of homeownership available in America, combined with a strong commitment to their residents.

Residents of professionally managed land-lease manufactured housing communities value their community's extensive offering of amenities and the ongoing investments made by community owners/operators.

Communities offer quality, value, experience, and housing benefits, which have resulted in satisfied residents who choose to remain in these communities long-term.

As with other forms of housing, it is easy to come up with isolated incidences of outsized rent increases or questionable practices. MHI condemns the practices of a few bad actors – but it is important to note that the evidence is clear they are outliers.

You have not heard anyone provide data to counter this fact today.

To the contrary…

MHI research demonstrates that consumers absolutely love living in manufactured housing communities.

Objective data shows that rent increases in manufactured home communities across the country today are well below cost increases in other forms of housing. According to DataComp, the largest provider of manufactured home appraisals, inspections, and market data, the average site-rent increase in 2021 was approximately 3.6 percent.

Average manufactured housing community rent increases are substantially below the increases we are seeing in alternative forms of housing. National rents have jumped nearly 20% year over year. And single-family home prices are also surging (Case-Shiller up approximately 20% year over year).

Capital expenditures are consistently used on improvements each year to enhance near-term and long-term value of communities. Community owners have made infrastructure upgrades including various amenities, streets, walkways, street lighting, water/sewer lines and more.

The notion of big national companies buying up communities and broadly imposing huge rent increases runs against the fact that doing so is a bad business model, and furthermore is not supported by broad market observations.

The preservation of manufactured housing communities is critical.

It is a GOOD thing for residents when a new owner comes in with the additional resources to invest in community infrastructure – like water, sewer, roadways, and other important amenities. Those who invest in, and support land-lease communities are incentivized to ensure the long-term quality and competitive position of properties.

Sometimes when a community changes hands, oftentimes it is because of a significant need for improvement and a lack of capital from the existing owners to make such improvements.

It benefits the residents of communities when owners complete needed infrastructure upgrades, improve streets and add amenities – all of this is very important as communities age, and access to equity/debt capital is critical to continue the process of maintaining land-lease communities.

Finally, the notion that resident owned communities are always a preferable form of manufactured home community ownership is totally incorrect.

Many residents prefer to lease a site and hold onto their equity that would have to be spent to purchase the land and improvements.

Many residents prefer to live in a community without an HOA. They prefer a third-party/ownership form of professional management with resources to invest in infrastructure, amenities, home inventory, etc.

There is actually a trend of several resident owned co-op communities being sold to corporate entities.

In these cases, HOAs had been reluctant to initiate Special Assessments resulting in the deterioration of their communities. In the end, while some HOAs maintain their communities well, others do not.

For those that do not, the residents in these communities have recognized the advantages of third-party ownership and professional management – the deferred maintenance/infrastructure needs are attended to, and community improvements/amenities are added.

For those that are selling, board members have become exhausted and pessimistic about continuing to serve.

The HOAs have inadequate reserves and insurance to handle major disasters or general operation. For example, when a homesite becomes vacant they are unable to financially come up with the resources to purchase and setup a new model creating a dues paying site.

It is critical that the Enterprises' Duty to Serve efforts focus on supporting financing for consumers to achieve homeownership through manufactured housing – both on private land and on leased land.

For manufactured housing communities, the focus should be on consumers. This means financing for consumers to purchase homes and a focus on preserving existing manufactured housing communities and developing new communities.

It is far more consumer friendly and impactful to the residents of MHCs for the Enterprises to roll up their sleeves and do the hard work of standing up a long-term flow program followed by securitization – not a pilot – to support chattel loans.

This is more consumer friendly than to spend their energies adding additional tenant protections, which are already robust.

With that, I close my presentation and thank the FHFA for this opportunity to present these views and perspectives.