July 12, 2021

Good afternoon,

I am Doug Ryan, Vice President for Policy and Applied Research at Prosperity Now, which for about 17 years managed the Innovations in Manufactured Homes (I'M HOME) program, the first resident-facing initiative that focused on the sector's potential to provide stable and secure homeownership and wealth-building opportunities for low- and moderate-income families. At Prosperity Now, we envision an economy that is just, fair, and free from structural racism, one where every person, family and community has the power to build sustainable wealth and prosperity.

You have heard or will hear from our partners, including from the Lincoln Institute of Land Policy, which is taking over I'M HOME. We will remain active in housing finance and land use issues, which are fundamental to housing access.

As you know, I'M HOME has had substantial success in advancing good policy for homeowners and blocking bad ones. We have shaped successful legislation in Congress and in state houses and provided key resources for homeowners, researchers, advocates, and policymakers. These have led to broader acceptance of manufactured homes as part of the solution to the housing crisis and to better financial security for residents. The scale of our success is reflected in that think tanks, academics, legislators, and practitioners now include manufactured housing in their work. This is a direct result of I'M HOME and one that was unimaginable fifteen or even ten years ago.

The subject of today's session, the Enterprises' support for the financing of manufactured housing communities with meaningful lease protections, is a fundamental one if the housing finance system, still essentially backed by the public, is to meet its duty to serve this market. It is important to restate that many industry players and organizations opposed tenant protections as part of DTS.

Let me start with some overarching comments.

The proposed plans include significant improvements over the previously proposed ones, which FHFA correctly rejected earlier this year. Although the plans should be further improved, the changes reflect real efforts by the GSEs to consider the inputs of residents and advocates and to meet their obligations under what is now a 14-year-old statute.

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One of the most meaningful changes that FHFA could make would be to adopt the plain language interpretation of the statute and permit the Enterprises to make targeted equity investments that support duty to serve and equitable housing finance plans. Such targeted equity investments would make a real difference in each of the duty to serve markets, especially if such investment programs reach beyond CDFIs. As the costs of borrowing have grown, equity investments will be a vital resource to advance DTS goals.

Furthermore, FHFA must enhance its DTS disclosure. FHFA should release scores and the narrative assessments of Enterprise progress at the objective level. Only by releasing information at the objective level will external stakeholders be able to assess what is working and what is not and be able to engage in meaningful dialogue with the Enterprises on where they are making progress and when they need to pivot.

We are pleased that Freddie Mac has proposed moving forward with a chattel lending program. This is essential to addressing the financing gap in the manufactured home market, including for many families wishing to purchase homes in communities. We are disappointed that Fannie Mae failed to advance the idea in their plans and ask that they revisit this decision.

In their reporting on the objective that they purchase loans that institute Duty to Serve tenant protections, both Enterprises detail that in 2021 they easily exceeded their goals. This is a positive development but suggests that the 2021 goals were underwhelming. While both Enterprises propose increasing these transactions, they still may not be aggressive enough, especially in years two and three. It is imperative that FHFA work with the GSEs to ensure that these targets are increased as demand and conditions merit. The take up in 2021 suggests the demand is there.

The lease protections that are now required in all MHC transactions are important, though not enough. Indeed, while such protections exceed what states require under applicable landlord-tenant law, this reflects less the robustness of the FHFA's requirements than the absolute legal inadequacy in so many states, reflecting the political power imbalance between property owners, including manufactured home community owners, and renters at state capitols across the country.

Fannie and Freddie have demonstrated that there is market appetite for these protections. Furthermore, the enterprises should lead the market. FHFA should expand the protections.

Specifically, FHFA and its DTS program should support longer-term leases. These are particularly important if Freddie's (and we hope, Fannie's) chattel program is to gain traction.

Similarly, FHFA should extend the written notice of rent increases to at least 60 days, which reflects the bare minimum to help renters adjust their budgets – especially in today's environment of excessive rent increases. It also would acknowledge the challenges that homeowners face when relocating. FHFA should also extend the advance notice of a planned sale or closure of a manufactured housing community to 180 days, again reflecting the challenges families face to relocate. This would also offer community members the opportunity to purchase their communities or to work with a nonprofit or government entity to secure community stability. (A previous rule included a requirement of 120 days.)

The right to organize, meet, and raise concerns to local, state, and federal officials needs to be included in the program. Without such rights, the access to the enumerated protections is, at best, uneven, and at worse, impossible.

Also, as stated by some of our partners, we strongly advocate for the addition of a new provision that would facilitate the opportunity to purchase communities by resident associations or mission-driven property owners. It is widely accepted that such ownership models provide better security, stability, and value to manufactured homeowners. This, of course, would complement a related component of the DTS program.

Finally, if this objective of the DTS program is enhanced, as recommended in these remarks, the entire manufactured housing program would gain. For example, lenders and borrowers participating in a chattel program would benefit if the underlying community loans included the tenant protections identified in these comments.

In closing, we believe that the Enterprises made progress in 2021 and the proposed plans are a further step to realizing the legislative intent of the Housing and Economic Recovery Act of 2008. There is still a lot of work to do.

Thank you to the FHFA for the opportunity to address these issues.

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