



July 31, 2023

Federal Housing Finance Agency
Office of Multifamily Analytics and Policy
400 7th Street SW, 9th Floor
Washington, D.C. 20219.

**RE: MHI RFI Comment Letter ---
Tenant Protections for Enterprise Backed Multifamily Properties**

To Whom It May Concern:

The Manufactured Housing Institute (MHI) is pleased to submit these comments in response to the Request for Input (RFI) regarding “Tenant Protections for Enterprise Backed Multi-Family Properties” issued by the Federal Housing Finance Agency (“FHFA”).

MHI is the only national trade association that represents every segment of the factory-built housing industry. Our members include builders, suppliers, retail sellers, lenders, installers, community owners, community managers, and others who serve our industry, as well as 48 affiliated state organizations. In 2022, our industry produced nearly 113,000 homes, accounting for approximately 11 percent of new single-family home starts. These homes are produced by 35 U.S. corporations in 146 homebuilding facilities located across the country. Today, MHI members represent over 85 percent of all manufactured homes produced, and we are pleased to submit the following comments on behalf of this important industry.

There are more than 43,000 land-lease communities in the country with almost 4.3 million homesites. Today, 51 percent of new manufactured homes are placed in land-lease communities. Land-lease communities are critically important to the availability of affordable housing in America. 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 and operators. Across land-lease communities today, we find that owners consistently improve and routinely make investments in their communities each year—enhancing the near-term and long-term value of the community. Further, lease rates are competitive within their markets and increases are in line with or lower than other housing alternatives.

Communities offer quality, value, experiences, and other housing benefits that have resulted in satisfied residents who choose to remain in these communities long-term. Demand for living in land-lease manufactured housing communities continues to rise because of the financial and lifestyle benefits of owning a manufactured home versus the limitations of renting an apartment or buying a condominium or other site-built home. These communities provide an effective way for residents to become homeowners without the substantial barrier to entry posed by the down payment necessary for the purchase of land.

In the aftermath of the pandemic, where families are seeking their own outdoor space and neighborhood amenities, the popularity of land-lease manufactured housing communities is growing, and occupancy rates are high. The vast majority of manufactured housing community owners and operators provide quality affordable housing opportunities along with their commitment to serve residents and focus on community building. In addition, many have started philanthropy programs to support residents with educational scholarships, home improvement grants, and other community enrichment causes (like funding for residents who help others with transportation, home maintenance, or grocery deliveries).

The subject of this Request for Input (RFI) is “Tenant Protections for Enterprise-Backed Multifamily Properties.” Enterprise manufactured home community loans are not multifamily properties, and the 25 questions posed in this RFI do not ask about such loans or properties. But this RFI does include a section describing the eight tenant site lease protections that apply to pad leases for the land underneath individual manufactured homes when an Enterprise makes a loan to a manufactured home community.

Some housing advocates seek to increase or expand these pad lease protections for homeowners in manufactured home communities. We are also aware that some Members of Congress are exploring heightened pad lease requirements through legislation.

The main purpose of this comment letter is to make two essential points regarding any efforts to increase or expand Enterprise manufactured home community loan pad lease protections:

- (1) These balanced tenant pad lease protections cover all the essential consumer protections that are needed to ensure that a manufactured homeowner can protect their home investment, including situations when homeowners are financially unable to make pad lease payments, and
- (2) Any expansion or heightening of tenant pad lease protections would run a serious risk that manufactured home community owners would no longer seek Enterprise financing for communities—which would then undermine the preservation of older communities that need financing to repair aging infrastructure to preserve the sale value of the manufactured homes in these communities.

Manufactured housing communities across the country routinely provide land lease protections for their residents. Moreover, MHI has always supported balanced pad lease protections that help manufactured homeowners in communities achieve their goal of sustainable, affordable, and safe affordable homeownership and that protect their home investment. In fact, MHI constructively worked with FHFA in its development of the strong pad lease protections that are required for Enterprise community loans, which are:

- A one-year renewable term for the site lease.
- 30-day written notice of rent increases.
- The right to sell the manufactured home without moving it out of the community.
- The right to sublease the manufactured home or assign the site lease to a buyer, subject to reasonable qualification restrictions.
- The right to receive at least 60 days’ notice of planned sale or closure of the community.
- The right to post “For Sale” signs.

There is simply no evidence these pad lease protections have not adequately protected tenants in communities financed by Enterprise loans. Moreover, despite a few outlier stories about new community owners imposing big rent increases after taking over a community, the evidence shows that annual rent increases in manufactured home communities lag nationwide percentage rent increases in rental housing units. Additionally, many state laws governing manufactured home communities already contain numerous protections for residents of manufactured home communities that either augment or, in some cases, exceed Enterprise lease protections.

Finally, the evidence is strong, based on consumer surveys, that consumers are very happy with their own community. Nationwide customer surveys show that 90 percent of homeowners living in land-lease communities are satisfied with their homes, and 87 percent would likely recommend a manufactured home to others. The great majority of communities are very well run and full of occupants, further evidencing the demand for living in a quality community that offers real value.

It is critical to keep in mind that these strong Enterprise tenant protections are balanced, also taking into account the need for community owners to make a profit and to create incentives for investments in such communities. As with any landlord-tenant relationship, the landlord must have rights to protect their financial interest if the tenant can no longer meet their financial obligations. This is particularly critical because many manufactured home communities are aging and in need of substantial infrastructure repairs to streets, water, sewer, and other utilities. In some cases, longstanding Mom and Pop owners of older communities lack the financial resources to keep pace with needed infrastructure repairs. New owners with the financial capability of buying the communities and completing infrastructure repair are needed—and Enterprise community loans have played a critical role in financing these purchases and investments. This protects existing homeowners by safeguarding their safety, well-being, and financial investment while also keeping communities vibrant and a good place to live.

However, upsetting the careful balancing of the current pad lease protections, with stricter requirements, could easily deter community owners from playing this critical role. If pad lease terms are not balanced, community owners will simply decide not to use Enterprise community loans. And the withdrawal of this financing will mean that many communities will no longer be modernized and updated. Any proposed requirements for pad lease terms should avoid unnecessary operational and property management interruption and ensure continued affordable housing opportunities for residents.

MHI shares in FHFA's commitment to solving the affordable housing crisis in the country. MHI appreciates that FHFA does not appear to be considering heightening manufactured home community tenant pad lease protections as part of this review of multi-family loan tenant protections. And we urge caution and evidenced-based policymaking for any future review of existing manufactured home tenant lease pad protections. As the FHFA finalizes any proposed rule regarding pad lease protections, MHI respectfully requests consideration of our recommendations to increase affordable manufactured housing opportunities.

MHI appreciates the opportunity to submit comments on this subject.

Sincerely,

A handwritten signature in black ink that reads "Lesli Gooch". The signature is written in a cursive, flowing style.

Lesli Gooch, Ph.D.
Chief Executive Officer