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September 17, 2009

Mr. Alfred M. Pollard
General Counsel
Federal Housing Finance Agency
Washington, D.C. 20552
Submitted via www.regulations.gov and E-mail to RegComments@fhfa.org

RE: RIN 2590-AA27 Duty to Serve Underserved Markets for Enterprises

Dear Mr. Pollard and associates:

As a volunteer advocate for owners of mobile/manufactured homes at the local, state and national level, I appreciate the opportunity to respond to the **Federal Housing Finance Agency's** (FHFA) request for comments concerning **Fannie Mae**'s and **Freddie Mac**'s (Enterprises) duty to serve underserved markets. This duty should certainly focus on serving the interests of homeowners and by so doing, serve the greater public interest.

Golden State Manufactured-home Owners League (GSMOL) has been an advocate since 1962 for the roughly one-million residents of manufactured home communities in California. Our advocacy focuses primarily on those who own homes in land-lease communities and consequently, most of the comments in this letter will relate to serving the interests of that constituency, most of whom are senior citizens, who fall within the underserved market of 'Manufactured Housing' in the Enterprises' *Duty to Serve*.

In California, we are fortunate to have some form of rent regulation for one-third of the homeowners in land-lease communities and have achieved significant consumer protections codified within the California Mobilehome Residency Law, California Civil Code Chapter 2.5. Most other states are not so fortunate to have such protections. These safeguards have helped protect the value of homeowner investments, benefiting both the homeowner and the lender, making home purchase and placement in land-lease communities an attractive housing option [see FHFA attachment 1].

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Underserved Markets: Manufactured Housing

Threatened Homeowners and the Survival of a Way of Life

Today, manufactured home owners are under threat like never before. "Get rich quick schemes" on the Internet tout ownership of manufactured home communities as sure money-makers and encourage "pushing of rents relentlessly" to achieve a 20% capitalization rate [see FHFA attachment 2-reddened text for emphasis]. The days of "Mom and Pop" land ownership of communities have given way to control by powerful real estate moguls, Real Estate Investment Trusts (REITs) and other corporate conglomerates. Many of them operate as today's version of the Robber Barons, driven by a competitive zeal, unscrupulous greed and a mindset of being above the law. Vulnerable and captive homeowners too often become the helpless prey of these predatory community landowners [see FHFA attachment 3]. The elderly are particularly vulnerable due to their trusting nature and preoccupation with health and safety challenges in their lives. We are not "homeowners" to these real estate speculators, we are numbers on a ledger and their goal is to maximize profits, regardless of the impact upon their "customers." Home dealers/agents and lenders often have a similar opportunistic mindset to take full advantage because, after all, they don't anticipate repeat business from this type of one-time customer. **The need for consumer protection of homeowners has never been greater.**

Manufactured housing is currently the most significant source of unsubsidized affordable housing in the United States but regrettably is now on the 'endangered' list due to threat of continued widespread community closures for change of land use and unconscionable rent increases causing economic eviction of homeowners from their own homes and loss of the equity in their homes.

Need for affordable housing has never been greater

With over 40 million Baby Boomer households entering the retirement years in the next 20 years, the need for affordable housing of seniors has never been greater. Manufactured housing communities offer a relatively safe and secure environment for seniors to live and avoid the need to seek government subsidized housing. Providing incentives for seniors to "downsize" from their site-built homes to livable manufactured home communities will, in turn, make millions of site-built homes available on the real estate market for families in need.

Human Rights, Civil Rights, Constitutional Rights and Contractual Rights

A constitutional right to shelter for the homeless has been established in cases such as ***Callahan v. Carey.*** Shouldn't captive homeowners in land-lease communities who **provide their own shelter** be afforded special protections to prevent economic eviction from their own homes and to preserve the value of their homes? Without protections, their next 'mobile' home might be a cardboard box. This sort of rental arrangement is unique and unlike other types of landlord/tenant relationships. In land-lease manufactured home communities, there exists a "co-investor partnership," even more so than between utility companies and their captive customers. In land-lease manufactured home communities, both parties, the land owner and the homeowner, have fiduciary duties to the other party and both can enjoy either mutual benefit or mutual harm from the actions of the other party.

Manufactured Home Owner Bill of Rights/Home-Land Security Act

Considering that Federal protections for credit cardholders were recently adopted in the form of the **Credit Cardholder Bill of Rights Act of 2009** (HR 627), we feel a Bill of Rights for owners of manufactured homes is long overdue and desperately needed, especially for the captive homeowners in land-lease communities who are vulnerable targets for abuse and have no practical means to relocate their homes if conditions become unbearable.

Important provisions of a **Manufactured Home Owner Bill of Rights/Home-Land Security Act** should include, but not be limited to the following:

- Rent regulation, both for current homeowners and when homes are sold
- Allowing homeowners in-place sale of their homes
- Allowing subleasing in certain circumstances and the assignment of leases
- Allowing "For Sale" signs on the home and home site
- Placing limits on a community owner's discretion to reject new purchasers
- Manufactured homes to be recognized as real property--not chattel
- Securing comparable mortgage and insurance rates as site-built homes
- Enforcement of laws with appropriate fines based on the severity of the violations
- Civil Rights protection of free speech, association, and the right to canvass our communities
- Allowing homeowners to record any discussions with community representatives, lenders, dealers, etc. relating to their home or residency in the community
- Protection from retaliation, discrimination, political harassment and unfair eviction
- Grace periods for rent payments and a Right to Cure
- The ability to purchase communities for a fair price
- Legal protections against community closure and fair compensation of homeowners when communities are closed
- Prevention of elder abuse and exploitation in manufactured home communities
- Formal rejection of the term "market rent" as applied to land-leased monopolies/oligopolies

- Homeowner rights shall be extended to any owner of a mobile/manufactured home, including 'park models' that cannot realistically be prepared for relocation within a 24-hour period
- Providing a reasonable time period after an eviction to sell the home.
- Enhanced consumer protections against predatory lending and home sale practices
- Clarify the rights of homeowners to live in peaceful, safe, clean and well maintained communities

Not only does Section 1129 of the **Housing and Economic Recovery Act of 2008** (HERA) give FHFA authority and responsibility to mandate the *Duty to Serve*, the ***Older Americans Act*** (OAA) and ***Elder Justice Act*** (OJA) should provide additional Federal authority and responsibility to make concerted efforts to thwart elder abuse and exploitation. *Duty to Serve* is an opportunity to create necessary protections to provide all homeowners better living conditions, greater peace of mind and freedom from the fear of losing their homes, communities and way of life. In other words, home-land security.

Positive and Negative Incentives

Considering the tremendous need for affordable housing in the years to come, innovative strategies need to be considered to encourage retention of existing communities and construction of new communities. Some possibilities include:

- Work with Federal and State Departments of Veteran Affairs to build new manufactured home communities on Federal land, including military bases and create loan products to benefit those who have faithfully served our Country.
- Federal incentives to encourage adoption of state and local rent protections.
- Offer incentives to State and local governments who construct new manufactured housing communities and provide attractive primary and secondary lending options.
- Legislation such as ***HR 2454,*** which includes a "cash for clunker homes" rebate, can be a helpful incentive to replace older homes and upgrade communities but without homeowner protections in place, few existing homeowners in land-lease communities would consider assuming new debt and risk the loss of home equity due to unfair rent increases or closure of the community.
- Offer attractive loan packages and/or tax breaks to encourage sale of communities to non-profit groups or resident associations if supported by a majority of the residents themselves. Resident ownership is the ultimate means to buy one's freedom from fear of economic eviction or community closure.
- Provide incentives for dealers to inform homebuyers of conventional loan options instead of steering them toward predatory loan products.
- Establish more effective consumer protections to combat assault, battery, fraud, conspiracy and unfair business practices in manufactured home communities.

- Adopt tighter Federal regulation and greater oversight of REITs and other entities that own manufactured home communities while enjoying considerable Federal tax breaks
- Loans provided by the Enterprises used for the purchase or construction of manufactured home communities should contain regulatory agreements by which the borrower is required to comply with the provisions of the **Manufactured Home Owner Bill of Rights** referenced above.

Evaluation of Performance

Loan Product Test

The loan product test should be judged qualitatively over a period of time. We understand that the Enterprises have developed pilot projects with such products in the past. Clearly, any loan product developed that was effective in promoting the unique features of our communities and home ownership would assist the *Duty to Serve* language in all three areas—manufactured housing, affordable housing, and rural areas. The products and underwriting requirements described above should be tested and evaluated yearly to determine their effectiveness.

Appraisal standards for manufactured homes should be modified and move beyond the often-used, but inaccurate and nebulous N.A.D.A. Appraisal Guides.

Outreach Test

The Enterprises should conduct outreach and education for current owners and prospective purchasers of manufactured homes to make them aware of conventional lending options and of threats to be aware.

Provide a consumer protection clearing house of information regarding business practices and ratings of community owners, manufacturers and lenders.

Build more effective networks of communication with State Administrative Agencies, manufacturers, dealers, lenders, HUD, Department of Justice, Consumer's Union, State Departments of Consumer Affairs, State Attorney Generals, Veterans and senior/affordable housing advocacy groups to track complaints and successful resolution of disputes.

Incorporate and implement a comprehensive civil rights strategy with other Federal Enterprises; dovetail the Enterprises *Duty to Serve* with other Federal mandates of consumer protection and promotion of homeowner rights.

Purchase Test

It should be appropriate to use a quantitative evaluation method by detailing what mortgage products were successful and why, based on percentage in good financial standing. Extra credit and consideration should be give to new and innovative products that enhance the long-term viability of manufactured housing.

Grants Test

Investments and grants should encourage local governments and other entities to develop strategies to preserve existing affordable housing and develop new manufactured home communities. A top priority should be to facilitate conversion of land-lease communities to non-profit or resident ownership if first achieving resident support and local government support. Local jurisdictions that developed effective ordinances and protective zoning to preserve their stock of affordable housing should become models nationwide and be financially rewarded for doing so.

Conclusion

Adoption of an effective *Duty to Serve* strategy in 2010 will help ensure that manufactured housing will remain a viable source of affordable housing in the years ahead. With proper consumer protections in place, homeowners will be able to live with greater peace of mind, lenders will have greater security in their investments, there will be less burden on tax payers to provide affordable housing and the greater public interest will be served.

Sincerely,

Tim Sheahan
President, Golden State Manufactured-home Owners League (GSMOL)
VP-Manufactured Home Owners Association of America (MHOAA)

[Attachments]

FHFA Attachment 1

Bay Federal
CREDIT UNION

April 17, 2009

The Honorable Norma J. Torres, Chairwoman, Assembly Committee on Housing
State Capitol
P.O. Box 942849
Sacramento, CA 94249-0058

Re: **Bay Federal Credit Union's Policy on Mobile home Rent Control Vacancy Control and In Opposition to AB 761**

Dear Ms. Torres:

I am writing on behalf of the Bay Federal Credit Union, to clarify our policy on mobile home rent control and vacancy control. In order to protect our member' investments in their mobile homes, and our security interests in our mobile home mortgages, it is the policy of the Bay Federal Credit Union to offer financing for mobile homes located in jurisdictions that have mobile home rent control only if the ordinance includes full vacancy control. For this reason we are strongly opposed to AB 761, which, if enacted, would eliminate "vacancy control" from all mobile home rent control ordinances throughout California.

Bay Federal Credit Union is a not for profit financial institution with a commitment to providing financing in the moderate and low income housing market. In that regard, we are largest provider of mobile home purchase mortgages in our area of California, currently funding approximately $115,000,000 of mobile home loans to our members. In order to protect our security interests in those mortgages, as well as to protect our member/owners' personal investments in their mobile homes, it is our policy of only offering mortgages to mobilehome owners who live in rental mobile home parks if those parks are located in local jurisdictions that have mobile home rent control with vacancy control. The reason that we are required to maintain this policy is that if a mobile home park owner is permitted to raise the rent on a mobile home space without limit, then the selling homeowner will not be able to recover their investment in their mobile home nor will their financial institution be able to recover their outstanding investment in the homeowner's mortgage. Accordingly, if AB 761 became law, it is very likely we would no longer provide mobile home financing in rental mobile home parks. Under the current financial crisis that our nation is facing, this bill would be very detrimental to affordable housing and financing in California.

For these reasons, we believe that AB761 is very ill advised and we must, therefore, strongly oppose it. Your serious consideration to our above concerns will be greatly appreciated by both our members and by the other financial institutions who offer affordable mobile home purchase mortgages in California.

Yours very truly,

Carrie L. Birkhofer

How To Make Money In The Mobile Home Park Business

Simple and proven strategies

Published on:
Tuesday, August 12, 2008
Written by:
David Reynolds
☆☆☆☆☆
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Advice on due diligence and buying and operating mobile home parks effectively has filled dozens and dozens of books, but the general theory of how to make money with mobile home park investments could fit on the back of an envelope. This article will explain in a few, simple steps how to make money in mobile home parks.

Buy a park in a big market
It doesn't have to be New York City, but you need a market large enough size to fill vacant lots and push rents. A mobile home park in a tiny town suffers from little population growth and high dependency on the employment trends of a few large, local employers. Also, you need prevailing two-bedroom apartment rents in the $700 or so range. In housing markets where the rent for a two-bedroom apartment is $295 per month, tenants do not need mobile homes for affordable housing and owners cannot push rents.

Stick to city water and city sewer, if you can
If you can avoid private utilities, you can avoid huge potential capital expenditures. Using public utilities, the worst capital expenditure you may face is a few thousand dollars on pothole repair. But if you have a water well or packaging plant or lagoon, the overnight cash you might have to cough up could be $50,000 to $250,000.

Never count any income but lot rent
You can't use any mobile home rentals, note income or laundry income in your calculations. You can only rely on lot rent. Period. Even if you insist on including other income in your application, your bank will stop you by refusing your loan.

Buy at a 10% cap rate or better
You should only get in the mobile home park business to make money, and positioning yourself to do that is crucial. Buying parks at a 6% or 8% return is starting off behind the 8-ball. You may only cover your mortgage with no cash flow as reward for all your time, effort and risk.

Push rents relentlessly

There is no better way to make money in the mobile home park business than to increase rents. Every dollar that increase goes directly to the bottom line and is worth 10 times more in determining the value of the park. Increasing rents by $1,000 per month yields $120,000 in sales value enhancements, at a 10% cap rate.

Groom the park into a 20% cap rate

If you push the rents by about 10% each year, it will take you only about seven years to double the rent. Can you push rents this aggressively? You bet. At $3,000 or so to move a mobile home, there is a huge barrier to moving out, so tenants will accept pretty much whatever you raise the rents to.

That's the entire roadmap to success. It's not complicated, but people make errors every day. In an effort to buy something quickly, many people will sacrifice their lives and buy a mobile home park on which they can't possibly profit.

If you respect yourself, you have to hold your ground with our strategic deal points. If the seller won't sell at a 10% cap rate, then walk away from the deal. The same is true with all the other subpoints. Without the correct alignment, the park will be an inescapable and profitless burden.

Don't try to get fancy if you want to make a million dollars in the mobile home park business. Follow proven formulas such as ours and you will have the best chance at success.

Dave Reynolds is an active community investor and also the founder and owner of MHPS.com and MHBay.com. Dave recently teamed up with another industry professional and investor, Frank Rolfe, and together they have created an entire series on How to Buy, Sell, Operate and Turnaround MH Communities. For more information contact us at the websites or at 1-800-950-1364 .

Herbert D. Rossman
2395 Delaware Avenue #58
Santa Cruz, CA 95060
(831) 429-8314
May 2, 2009

Assembly Committee on
Housing and Community Development
P.O. Box 942849
Sacramento, CA 94249-0103

Re: Opposition to Assembly Bill AB 761

Honorable Committee Members:

My name is Herb Rossman and I am an 81-year-old retiree, formerly Professor of Legal Studies at Drexel University in Philadelphia, PA. My wife and I live at the De Anza Santa Cruz Mobile Home Park in Santa Cruz. In October, 2003, pursuant to a lawsuit settlement agreement between the park owner and the City of Santa Cruz, the park owner obtained complete vacancy decontrol at the time of the sale of any home in the park. In other words, our park owner got the same benefits that AB761 would now confer on all park owners in California. The results have been disastrous for homeowners at De Anza Santa Cruz Mobile Home Park.

The park owner, claiming that it was seeking to establish realistic "market rate rentals" for various locations in the park, set the new rent schedule at anywhere from three to six times the existing rents. For instance, the "market rate rent" for my space, for which at that time I was actually paying slightly under $800 per month, was set at $5,000 per month. As a result of these new "market rate rents," the market value of the homes which have to be sold has been drastically reduced and, in some cases, completely destroyed. In at least several cases, the homeowner, or the homeowner's heirs, have been forced to forfeit the home and the space location to the park owner. Presently, there are at least fifteen spaces (about 8% of all the spaces) in the park where the homes are either for sale, or are standing vacant, or where there is no longer a home on the lot.

Considering the dire financial situation facing the citizens of our state at this time, I feel that the passage of this bill would have catastrophic results for mobile home owners, particularly working people living in family parks. I have considerable additional material as to the actual affects of vacancy decontrol here at De Anza Santa Cruz which might be of interest to the Committee. If any hearings are going to be held regarding AB176, I would be most interested in giving testimony in opposition to the bill.

Mrs. Rossman and I will be out of state until after May 12, but I would be available to testify any time after that.

Thanks for your kind consideration.

Sincerely,

Herb Rossman

Herb Rossman

Cc: Assemblymember Anna Caballero