Freddie Mac Multifamily Requires Tenant Protections on All Future Manufactured Housing Community Transactions

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Tenant protections go above and beyond state and local requirements, protecting residents who own their home but lease an MHC pad

MCLEAN, Va., Sept. 13, 2021 (GLOBE NEWSWIRE) -- Freddie Mac (OTCQB: FMCC) Multifamily today announced that effective immediately all future Manufactured Housing Community (MHC) transactions will include a series of tenant protections, as defined by the Federal Housing Finance Agency's (FHFA) Duty to Serve regulation, that go above and beyond current state and local requirements. The protections, which include renewable lease terms, written notice of rent increases, grace periods for late rental payments, and rights governing the sale of a manufactured home at an MHC, are intended to support those who own their home but lease the pad on which it sits.

"Manufactured housing communities often represent the most affordable multifamily housing option available in many areas, particularly rural areas," said Debby Jenkins, executive vice president of Freddie Mac Multifamily. "We have been ramping up our tenant protections offering since 2018, and today we're making these protections a requirement for all future transactions."

Given their unique structure, MHCs represent a category of housing that often lacks protections afforded to a typical homeowner or typical renter. Freddie Mac examined the patchwork of state laws that govern MHCs in a 2019 white paper and determined that no state offered the comprehensive slate of tenant protections identified by FHFA in its Duty to Serve regulation.

After issuing its white paper, Freddie Mac began incentivizing borrowers to voluntarily adopt protections through its pricing structure. Prior to today's announcement, more than half of the company's new MHC business this year had already adopted the protections. Freddie Mac expects to finance over 75 MHCs with tenant protections this year for over $700 million and anticipates doing even more next year.

Freddie Mac is requiring the following tenant protections in future MHC transactions:

- One-year renewable lease term, unless there is good cause for non-renewal
- 30-day written notice of rent increases
- Five-day grace period for rent payments and the right to cure defaults on rent payments
- Right to sell the manufactured home to a buyer that qualifies as a new tenant in the community, without having to first relocate it out of the community
- Right to sell the manufactured home in place within 30 days after eviction by the community owner
- Right to sublease, or assign the pad site lease, for the unexpired term to the new buyer of the tenant's manufactured home without any unreasonable restraint, so long as the new buyer or sublessee qualifies as a new tenant within the community
- Right to post "For Sale" signs that comply with community rules and regulations
- Right to receive at least 60-days' notice of planned sale or closure of the community

Freddie Mac will also continue to purchase loans for resident-owned manufactured housing communities (MHROCs) where residents manage their community collectively through a cooperative, corporation or other similar legal framework. Given their self-governance structure, these loans are likely to already have meaningful tenant pad lease protections. Freddie Mac launched its MHROC offering in 2019.

Freddie Mac Multifamily is the nation's multifamily housing finance leader. Historically, more than 90% of the eligible rental units we fund are affordable to families with low-to-moderate incomes earning up to 120% of area median income. More than 90% of the mortgages purchased support rental units for households earning 120% of area median income or below. Freddie Mac securitizes about 90% of the multifamily loans it purchases, thus transferring the majority of the expected credit risk from taxpayers to private investors.

Freddie Mac makes home possible for millions of families and individuals by providing mortgage capital to lenders. Since our creation by Congress in 1970, we've made housing more accessible and affordable for homebuyers and renters in communities nationwide. We are building a better housing finance system for homebuyers, renters, lenders and taxpayers. Learn more at FreddieMac.com, Twitter @FreddieMac and Freddie Mac's blog FreddieMac.com/blog.

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