

United States House of Representatives
Committee on Financial Services
Washington, D.C. 20515

January 12, 2016

The Honorable Richard Cordray
Director, Consumer Financial Protection Bureau
1700 G Street, N.W.
Washington, D.C. 20552

The Honorable Loretta Lynch
Attorney General of the United States
United States Department of Justice
950 Pennsylvania Avenue, N.W.
Washington, D.C. 20530

Dear Director Cordray and Attorney General Lynch:

We write to raise our concerns regarding recent allegations concerning potentially discriminatory lending and collection practices associated with manufactured housing giant Clayton Homes, Inc. and its subsidiaries Vanderbilt Mortgage and 21st Mortgage. A recent investigative series from the *Seattle Times* and BuzzFeed News provided extensive detail into allegations of highly problematic lending and collections practices, which if true, are clear violations of federal fair lending and consumer protection statutes.¹ Similar concerns were identified in early 2015 when these same Berkshire Hathaway companies, with Warren Buffet's endorsement, successfully pressed Congress to pass legislation rolling back consumer protections for manufactured housing borrowers.²³ We request an update on your Agencies' supervision and enforcement efforts regarding the allegations set forth in the investigative series.

The practices detailed in the *Seattle Times* and BuzzFeed News investigation present a disturbing business model that targets low- and moderate-income minority borrowers and that steers them into high-cost loans that often fail to properly account for a borrowers' ability to repay, thereby leaving already vulnerable borrowers uniquely susceptible to default. These issues are further compounded by allegations of highly

¹ "Minorities Exploited by Warren Buffet's mobile-home empire," *The Seattle Times*, Dec. 26, 2015.

² "The Mobile Home Trap: How a Warren Buffet Empire Preys on the Poor," *The Seattle Times*, April 2, 2015.

³ "Warren Buffet Defends Clayton Homes," *The Wall Street Journal*, May 2, 2015.

problematic collections practices and a failure to provide meaningful options for distressed borrowers. As the Bureau noted in its September 2014 study of the manufactured housing industry, the borrowers that tend to seek financing for manufactured housing tend to be older, lower-income and disproportionately members of minority groups and have limited options for home ownership. Therefore, the Bureau concluded that manufactured housing borrowers “stand to benefit from strong consumer protections” afforded under federal fair lending and consumer protection laws.⁴ In light of the Agencies’ broad investigative and enforcement authority under the Equal Credit Opportunity Act and the Fair Housing Act, and the Bureau’s broad authority under Section 1031 of the Dodd-Frank to regulate unfair, deceptive, or abusive business practices, the allegations raised in the news report are squarely within the Agencies’ authority to investigate and pursue appropriate corrective action.

As the investigation makes clear, Clayton is the nation’s largest manufactured housing company and has a “near monopolistic” grip on lending to minority borrowers seeking financing for manufactured housing reaching nearly 72% of African-American borrowers, 56% of Latino borrowers, and 53% of Native American borrowers.⁵ Given Clayton’s uniquely broad control of the manufacture, sale, and financing of manufactured homes, it is imperative that their business practices comply with federal law in order to ensure affordable housing for low-and-moderate income buyers. Surely, if news outlets can launch an investigation into potential violations of federal fair lending and consumer protection laws, agencies charged with protecting the nation’s consumers should be able to investigate these allegations, and, to pursue appropriate enforcement actions.

We will closely monitor the Department and the Bureau’s progress in investigating the concerns raised in the *Seattle Times* and BuzzFeed News investigation, and we look forward to hearing from each of you. Thank you for your attention to this important matter.

⁴ Consumer Financial Protection Bureau, “Manufactured-housing consumer finance in the United States,” Sept. 2014 at 7.

⁵ “Minorities Exploited by Warren Buffet’s mobile-home empire,” *The Seattle Times*, Dec. 26, 2015.

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Respectfully,


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