
MHOAA

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United State House of Representatives

Financial Services Committee

Subcommittee on Insurance, Housing and Community Opportunity

“Implementation of the Manufactured Housing Improvement Act of 2000”

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Testimony

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Manufactured Home Owners Association of America (MHOAA)

Good morning Madam Chair Biggert, Ranking Member Gutierrez, and Members of the Committee. Thank you for the opportunity to share the manufactured home owners’ perspective with you this morning.

My name is Ishbel Dickens and I am the Executive Director of the Manufactured Home Owners Association of America (MHOAA).

I have been working with manufactured home owners for more than 20 years. First as a volunteer for my church, gathering signatures to help preserve a manufactured housing community nearby; then as a community organizer, working with manufactured home owners in Washington to help them gain stronger legal protections to save their communities and consequently their biggest asset – their homes. Since that time I had the opportunity to attend the University of Washington, School of Law and earned my law degree specifically to be a stronger advocate for people who own their homes but not the land under them. After law school, I was awarded a two year fellowship by Equal Justice Works to continue my manufactured housing work and was then hired as a staff attorney by a legal services agency. I have been the Executive Director of MHOAA since November 2010.

The mission of MHOAA is to promote, represent, preserve, and enhance the rights and interests of manufactured home-owners throughout the United States.

MHOAA is a national association of manufactured home owners and represents the interests of 17 million people who live in manufactured homes in this country.

There are more than 50,000 manufactured housing communities throughout the United States and they provide rental spaces for 2.9 million home owners and their families upon which to place their manufactured homes.

There are a variety of reasons why people choose to purchase manufactured homes, not least being their relative affordability. The average price of a new manufactured home is \$68,000. This may seem like a “steal” and it may be if the owner is able to afford to own the land upon which they want to place the home. Additionally, manufactured home living can be a good way for young families to start out on the home ownership ladder, and it can also be a way for seniors to “downsize” when adult children have moved out or when a spouse has passed away and the seniors want to continue to live independently in their own homes. However, if the home owner does not own land and is considering placing the home in a manufactured housing community, then the dream of home ownership may quickly turn into a nightmare when the home owner realizes what renting space in a manufactured housing community really means.

For instance, does it make sense to purchase a home and then place it on a rented pad when you do not have security of tenure? Yet that is the reality facing manufactured home owners. Most states that have Manufactured/mobile Home Landlord Tenant Acts (and 15 states have no such laws) allow for no more than one year rental agreements, and some do not even allow that. State laws also allow community owners to close the community without compensating the home owners for any costs associated with this displacement, thus not only is the household displaced from their neighbors, friends, chosen location, but in all likelihood they will also lose their biggest asset, their home, as a result of the community closure since it is unlikely that there are vacant lots in other manufactured housing communities to move to.

Additionally, manufactured home owners, living in land lease communities find themselves at the mercy of landlords, who can raise lot rents as much as they want, knowing full well that they have a “captive audience” since the home owner, unlike someone renting an apartment, cannot simply up and move when the rent gets too high or the landlord neglects the upkeep in the community.

Indeed, many manufactured home owners feel like “prisoners in their own homes” since they lack any other affordable housing option. Thus, instead of rewarding people who choose to live within their means by purchasing an inexpensive home, we are crippling them by forcing them to stay in communities that are becoming less and less affordable to seniors on fixed incomes.

I do not make this claim, inadvisably. Indeed, at a public hearing before the Lynnwood City Council in Snohomish County WA, a city council member asked the attorney representing the

community owners if he would advise his own mother to move into a manufactured housing community. The attorney responded that not only would he not advise his mother to move into a manufactured housing community, but he would not advise anyone to move into a manufactured housing community.

However, despite the significant barriers to manufactured home ownership, a significant number of people choose to purchase manufactured homes. If only it was easier to do so! For instance, it is rare for a potential purchaser of a manufactured home to have access to the same financing products as are available to the potential purchaser of a "site built" home. Manufactured home purchasers are more often steered towards chattel loans which tend to have much higher interest rates and shorter amortization times than real estate mortgages. Some may argue that chattel loans are better for manufactured home owners because the closing costs may be less. That may be true, but the actual monthly payments on a chattel loan will be almost double the amount that would be required if the same loan had been financed with a real estate loan product. For instance, the principal and interest monthly payments for an FHA 5.375% fixed rate 30 year mortgage on \$100,000 are \$560 whereas someone with a chattel loan for the same amount would likely pay \$1,136/month since the loan would be offered at an interest rate of 10.99% and would have a maximum term of 15 years. Indeed, I heard recently that a triple-wide home owner who has his home on waterfront property was required by his credit union to pay 1% higher interest on his mortgage because when Chase took over his former bank they refused to allow him to refinance his loan.

By highlighting the issues inherent in manufactured housing community living, I hope I have also identified some of the areas where the consumers that I work with and represent could also get together with the manufactured housing industry to work on matters of common concern. After all if home owners are scared away from living in manufactured housing communities because of ever increasing rents, short-term leases, and lack of security of tenure, then the sales of manufactured homes are going to continue to decrease.

MHOAA welcomes the opportunity to work with the industry as together we do our best to guarantee (i) adequate financing products to ensure loans on manufactured homes are as competitive as those for "site built" homes, (ii) long-term security of tenure, and (iii) reasonable rents and rules so that manufactured housing community living really is an attractive option for lower income households and retirees who desire to own their own homes, and so that home owners are not forced to abandon their homes as a result of economic eviction.

MHOAA also welcomes the opportunity to work with the Department on two very specific issues that could make a huge difference in the lives of the 2.9 million households who live in manufactured housing communities. For instance, as I mentioned earlier there are 14 states that do not have any laws on the books to protect the rights of home owners living in manufactured housing communities. This means that these home owners are amongst the most vulnerable home owners in the country. Indeed, not only are they at risk of losing their

biggest asset, their homes, but they may well be living in situations where their basic constitutional rights are being infringed upon, since their landlords may have established rules that prevent them from meeting together to discuss issues of common concern, or they may fear retaliation if they attempt to pass out fliers inviting their neighbors to a meeting. MHOAA encourages the Department to look at ways to incentivize states to establish manufactured home landlord tenant acts so that manufactured home owners are entitled to the same fundamental freedoms (freedom of speech, freedom of assembly, freedom from retaliation, and equal protection under the law) as everyone else in the country can exercise without fear of eviction. One way to do this would be to withhold HOME funds from any state that had not enacted a manufactured housing landlord tenant act.

A second proposal that the Department might consider, which would be of great importance to manufactured home owners, would be to look at ways to incentivize community owners so that they are encouraged, should they be considering selling their property, to sell it to the home owners' association, the local housing authority, or another non-profit affordable housing agency. This way manufactured housing communities can be preserved and continue to provide affordable housing options for senior and low income households. There are over 100 resident owned communities in the country and not one of them has yet defaulted on its loan. Housing Authorities in some jurisdictions have also stepped in to purchase at-risk manufactured housing communities and preserved them as affordable housing for hundreds of home owners. An incentive program that encouraged community owners to sell the land to their tenants and/or other non-profit affordable housing agencies would help preserve this affordable home ownership opportunity for current and future low income households.

Furthermore, next week this Committee will be considering a housing voucher reform bill, the "Affordable Housing and Self-Sufficiency Improvement Act of 2012". As currently drafted this bill only allows manufactured home owners to use vouchers to help pay for the lot rental in a manufactured housing community, but there is no language in the bill that allows a low income household to use the voucher to help pay off the mortgage or insurance on the home. I encourage you to consider amending the voucher reform bill to include such additional opportunities for manufactured home owners.

These are just three examples of ways that the federal government could help protect and preserve this unique home ownership opportunity in a way that would benefit both the consumers and the industry.

My invitation to participate in this hearing asked that I not only address the current state of manufactured housing but that I also focus on four specific questions which were listed in the invitation. I turn to them now.

1. *Has the Department fully implemented the Manufactured Housing Improvement Act of 2000?*

I believe the Department is better placed to respond to this question than I am. It is my understanding that given the limited resources available to HUD to carry out the intent of the Manufactured Housing Improvement Act of 2000 that staff are doing what they can.

2. *How does the Department determine the make-up of the Manufactured Housing Consensus Committee (MHCC)? What role does the 2000 Act give to the MHCC?*

The Manufactured Housing Consensus Committee (MHCC) is made up of 21 voting members, seven represent the manufactured housing industry, seven represent consumers, and the remaining seven are supposed to represent the general public. Each member of the MHCC serves a three-year term and may renew for one additional three year term. I have been serving on the MHCC since January of 2011 and was appointed by the Secretary of HUD following the submission of my application and due consideration.

It is my understanding that the MHCC is required to meet no less than once every two years. Indeed, I attended two in-person meetings in 2011, as well as an in-person new member orientation meeting. There were also several sub-committee conference calls. The MHCC's role is to advise HUD on issues relevant to the construction of manufactured housing to ensure quality products are available to consumers, and to provide balanced input regarding regulations relating to manufactured housing. This quality oversight is of vital importance to consumers since they are investing in their biggest asset, their home, and they need to know that is durable, mold resistant, has healthy indoor air quality, is energy efficient, is built to last and will not fall apart after the warranty period has expired.

3. *How often are the construction and safety and installation standards for manufactured housing updated? How does the Department utilize the MHCC in updating these standards?*

The MHCC has four sub-committees: General, Regulatory Enforcement, Technical Structure & Design, and Technical Systems. Every MHCC member serves on two sub-committees. The sub-committees meet as and when needed, sometimes by conference call between in-person meetings of the whole and generally there is time set aside at the in-person meeting for sub-committee meetings too. All committee and sub-committee meetings are open to the public and the public also has the ability to submit written comments for the MHCC members to review. The main industry representatives, the Manufactured Housing Association for Regulatory Reform (MHARR) and the Manufactured Housing Institute (MHI), make very good use of the public process that is provided for their input. Indeed, I would go so far as to suggest that MHI and MHARR dominate the public comment period and, on occasion, provide in-depth written materials for the MHCC members to digest and consider.

MHCC members are provided with a log that lists all the requests for changes to the HUD code regarding manufactured housing and these log items are assigned to the appropriate sub-committee for discussion and review.

In my opinion, the MHCC spends considerable time, sometimes too much time, reviewing proposals, but also providing opportunities for expert and public input, and discussing the pros and cons of particular proposals.

Ultimately, while the sub-committee needs only a majority vote to bring the proposal to the full MHCC for further deliberation, it requires 2/3 vote of the MHCC members before the

proposal can move forward to HUD. In addition, the MHCC members may choose to vote definitively, vote in principal, or reject any proposal before them.

I must say the process can seem labored at times, especially when an issue one cares deeply about gets stalled repeatedly. I believe consumers and industry representatives on the MHCC have all felt frustrated by the process at different times. Several examples that have frustrated me recently are:

- (1) The unwillingness of industry representatives to support energy efficiency standards that had been proposed. Given the high cost of utilities it certainly made sense to the consumers that manufactured homes be produced to be as energy efficient as possible but there were not enough votes to get energy standards out of the Committee. Fortunately, the Department of Energy currently has jurisdiction over energy efficiency standards for all types of housing (manufactured and "site built") so at least manufactured housing consumers can be assured that their homes are no less energy efficient than other housing types;
- (2) Indoor air quality standards. A member of the public brought this issue to the MHCC in 2009 and illustrated quite graphically how roof ventilation systems that did not meet residential building code standards are causing manufactured home owners serious illness. (The residential code requires 10 feet minimum between the combustion exhaust and the ventilation intake yet in manufactured homes only three feet is required between them.) This issue has yet to be acted upon by the MHCC; and
- (3) Despite a presentation, in March 2011, from an expert on improving moisture durability standards for manufactured homes, the MHCC has had no further discussion on this important issue.

From the consumer perspective the 2/3 vote required to move these issues forward to the Department was incredibly frustrating especially as at least one of the issues deals with health risks that some manufactured home owners currently face since their indoor air quality could be making them very sick.

However, it might be helpful to know that even where there is consensus and the Department moves forward to issue proposed regulations based on the advice of the MHCC, individual MHCC members, as well as the general public, are still at liberty to provide their own comments regarding the proposed rules and therefore have an opportunity to voice concerns contrary to the vote of the MHCC should they choose to do so.

4. *In its FY 2012 budget, the Department proposed to charge a \$60 label fee for each transportable manufactured housing unit produced. What is the Department's process for collecting and administering revenue generated from its label fees? How are these fees used in accordance with the 2000 Act and what effect will the increased fee have on production levels for the manufactured housing industry?*

The Department's process for collecting and administering revenue is laid out in the 2000 Act. See Section 620 (42 U.S.C. 5419). Given the limited resources currently available to the Department I would assume that these fees will be deposited in the Manufactured Housing Fees Trust Fund and that the money will be used to support the State Administrative Agencies (SAAs) (the states' manufactured housing inspection programs) and the Dispute Resolution

Program so that consumers can access timely help if they need to address problems caused by either the manufacture, sale, or installation of their manufactured home, since this dispute resolution program is only available for the first 12 months after the installation of the home. Presumably the cost of the fee will be passed along to the consumers and the increase to \$60 will be money well spent since the SAAs and access to the Alternative Dispute Resolution Program provide consumers with meaningful programs to ensure that they purchase and have installed the best products available and ones that are in compliance with federal and state building and installation codes.

Having responded, as best as I am able, to the specific questions presented, I would now like to offer some personal reflections on the value of the MHCC to consumers.

One of the most important aspects of the MHCC from the consumer perspective is the opportunity it provides to “level the playing field.” Consumers of manufactured homes are always at a disadvantage. They do not have access to the same loan products as those buying more conventional homes; people who place their homes in manufactured housing communities have no security of tenure, no guarantee of reasonable rents, and few legal protections; and without government oversight there would be no way for manufactured home owners to be assured that the home they were purchasing was going to last. Thus, the MHCC provides consumers with a venue to share their concerns with the manufactured housing industry and to find ways to work with the industry to improve its product so that it will continue to be a viable affordable home ownership option for millions of home owners for years to come.

Additionally, unlike the producers of many other products, the manufactured housing industry does not really need to rely on “brand loyalty”. It is unlikely that a manufactured home purchaser will ever need to buy another manufactured home, so without regulation and oversight, it would be possible for the industry to simply provide a product that looks good at the dealers’ lot and can survive the one year warranty period but that might not be habitable for the long-term. The MHCC and the Department provide necessary checks and balances for the consumers and provide guidance to the industry in a way that benefits everyone.

There are more and more “small footprint” homes on the market every day – one only needs to put the words “small footprint homes” into a search engine to be inundated with webpages devoted to this subject. A lot of these small footprint homes are too expensive for the average manufactured home owner but it might give the industry pause to consider how they can compete with this up and coming market in a way that will provide lower income households and seniors with quality affordable manufactured homes.

In closing, let me reiterate some of the ways in which I believe the consumers and the industry could work together for the benefit of all involved. First of all I think it would be extremely helpful if the industry could support better financial tools for the purchase of manufactured homes. Indeed, homes will not sell if potential purchasers cannot afford the loan payments, and chattel loans, as I pointed out earlier, are relatively expensive to pay off.

Second, having the industry work with home owners to secure long term leases in manufactured housing communities, as well as reasonable rent structures and other legal protections, would go a long way towards encouraging potential purchasers to buy manufactured homes. This is especially important as more and more manufactured housing communities are being owned by large corporations who register as “Real Estate Investment Trusts” (REITS). REITS are exempt from paying federal corporate income tax, so at the same time as they are raising lot rents and pricing seniors and low income households out of their homes, these companies are also benefitting from not having to pay corporate income tax.

Finally, having the consumers and the industry work together to improve the “image” of manufactured housing, by showing that these homes are energy efficient, durable and healthy, will allow seniors to “age in place”, and will be an asset that will have increased equity over time could really help boost the sales of manufactured homes.

Thus the opportunity for manufactured home owners and industry representatives to meet together through the MHCC has real benefit and I would hope that we can continue to explore areas of mutual interest for the betterment of all concerned.

Thank you.

United States House of Representatives
Committee on Financial Services

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Clause 2(g) of rule XI of the Rules of the House of Representatives and the Rules of the Committee on Financial Services require the disclosure of the following information. A copy of this form should be attached to your written testimony.

1. Name: ISABEL DICKENS	2. Organization or organizations you are representing: Manufactured Home Owners Association of America (MHOAA)
3. Business Address and telephone number: 	
4. Have <u>you</u> received any Federal grants or contracts (including any subgrants and subcontracts) since October 1, 2008 related to the subject on which you have been invited to testify? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	5. Have any of the <u>organizations you are representing</u> received any Federal grants or contracts (including any subgrants and subcontracts) since October 1, 2008 related to the subject on which you have been invited to testify? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
6. If you answered .yes. to either item 4 or 5, please list the source and amount of each grant or contract, and indicate whether the recipient of such grant was you or the organization(s) you are representing. You may list additional grants or contracts on additional sheets. 	
7. Signature: → Isabel Dickens	

Please attach a copy of this form to your written testimony.