



Testimony of Mr. Scott Yates

President, Yates Homes, and

Past Chair, Virginia Manufactured and Modular Housing Association

Before the

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Opportunity

Committee on Financial Services

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Field Hearing on

“State of the U.S. Manufactured Housing Industry”

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Chairwoman Biggert and Ranking Member Gutierrez, thank you for the opportunity to appear before you today.

My name is Scott Yates. I am the President of Yates Homes, a family-owned business that has operated in Pittsylvania County since 1986. Over the course of my career, I have sold manufactured and modular homes, and own and operate a manufactured housing community.

I am also a member of the Virginia Manufactured and Modular Housing Association, having served as its Chairman and also as a member of the Executive Committee, the Board of Directors and had the pleasure of being elected to MHI representing Virginia for a number of years.

From day one, I have sold manufactured homes because I knew there was a need for affordable housing and wanted to help consumers realize the American dream of homeownership. For quality of life and economic competitive reasons, every community needs a steady, well-built supply of affordable housing choices, and I decided early that I wanted to play a part in helping provide that in Southside Virginia.

Since 1986, I have seen our industry hit some of its highest points, and likewise, I have been through some of the toughest times as is the case today. At the peak of the industry our business sold 180 homes a year and employed 19 people. As the economy went into a tailspin and the housing market has slowed to a crawl, I have had to adjust our company to only 5 employees as we are selling only 30 homes a year. This being the third downturn we have been through and the longest in my career and I think we have outsmarted ourselves for the sake of fixing the housing problem and forgotten common sense resolutions.

With the constant pressure of government regulation at all levels and a lack of reliable financing sources for our customers, we have had to turn to modular homes instead of manufactured homes. The finance community has turned from manufactured homes because of secondary markets not wanting to buy the portfolios that contain this type housing. The true loser is the customer who wants to provide shelter for their family at an affordable price and who understands that manufactured housing is a viable option to do exactly that.

Four years ago, we recognized that lending sources for manufactured homebuyers were drying up. As such, we deemed it necessary to explore an alternative business model so that our company could survive. We moved into modular homes because they are built to the prevailing local building code, in this case, the Virginia Uniform Statewide Building Code, the same standard that applies to site-built homes. They have fewer restrictions for customers seeking financing and feature many of the same terms as site-built homes.

With manufactured homes, the interest rates are generally higher. In addition, we observed that the appraisals were coming in well below the price for which the home had sold. Finally, it got to the point that selling manufactured homes was a losing scenario from a financial point of view. We were selling at a lower margin and still being cut to the point that we could not make a small profit to keep our company at a profitable level.

In this scenario, however, the true loser is not me, nor is it my company. The true loser is the American people. Not every family can afford a home over 100,000 dollars. These are the families today who are suffering the most in our economy. They are being squeezed between job losses and the increasing cost of providing necessities like food, clothing and shelter for their families. In time, this leads to more people depending on our government to support them, thereby perpetuating the cycle of entitlement and spending that has brought our nation to the brink of financial destruction. This is certainly not what this country was founded on, and in my opinion, it is not the direction our forefathers had in mind when they bravely affixed their names to the Declaration of Independence.

In closing, I would like to share a story from the first year I started Yates Homes. A couple with two children came in. This loving father and mother wanted to provide a home for their family. We had a \$4,000 used manufactured home for sale, and they wanted to put it on property their family owned. The father and mother had scrimped and saved so that they could purchase this home. When they wrote us a check for the \$4,000, the notation in the memo line contained two very simple but powerful words: "a home." I never forget that family and those words that remind us that whether someone is purchasing a home with a \$1,000,000 price tag or a \$4,000 price tag, it is a home that meets their housing needs and provides a home for their family.

Chairman Biggert, Ranking Member Gutierrez and members of the subcommittee, thank you for the opportunity to testify; I welcome any questions.

