

# Utah Manufactured Homeowners Action Group

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June 16, 2010

Mr. Alfred M. Pollard  
General Council  
Federal Housing Finance Agency  
Fourth Floor  
1700 G Street, NW  
Washington, DC 20552

Subject: **COMMENTS/RIN 2590-AA27**

Dear Mr. Pollard,

I have reviewed the Notice of Proposed Rulemaking that has been published by your agency that is designed to fulfill the requirement as outlined in the Housing and Economic Recovery Act of 2008. As one of your constituency who is supposed to be served by your agency, you receive a failing grade. The principle reason is because all you have done is maintain the status quo.

Based on the rules established, the only way a manufactured homeowner can obtain a loan under the new program is if they own the land under which their home lies. Since most urban and suburban areas either by way of covenants, conditions, and restrictions in subdivisions or zoning restrictions – manufactured homes are limited to leased-land manufactured home communities; this new rule benefits a very small minority in these areas.

In rural areas, the individual homeowner needs to acquire the land – provided it is available and affordable. Again, there are zoning restrictions that need to be dealt with that may require a multi-acre parcel for a home site which may defeat the purpose of providing a housing opportunity to low and moderate income

households. Again, this reduces the impact of this new rule to a very small minority.

In your discussion regarding chattel lending, you mention that manufactured homes depreciate quickly. The question I have is if anybody at your agency investigated why this occurred. HUD has been the overseeing agency over the manufacturing of these types of homes for over 30 years.

They have done a very good job at ensuring the quality of the homes has improved dramatically since taking jurisdiction. Many building experts agree that the manufactured homes that are built today are as good as or better than most site built homes – yet they depreciate faster.

As a licensed appraiser in the State of Utah, it is my considered opinion that the cause of the depreciation is neither physical nor functional. It is due to external obsolescence caused by the lack of access to the money market. In essence, the money market is closed to manufactured homeowners in the State of Utah. To illustrate my point I will use my own example.

My wife and I own a home that was built in 1997. We paid cash for the home in 2004. To sell it today, we would receive approximately the same amount as we paid for it in 2004. If we sell, it will be to another cash buyer. The reason is because there is no money available for financing home purchases unless it is a new home. The house we currently own is a 3 bedroom 2 bath double wide that we purchased for \$30,000.

We recently looked at purchasing a brand new home. The manufacturer owns their own mortgage company who serves as the bank for these transactions. We were approved for a new home loan of \$110,000. The home we selected is a 3 bedroom 2 bath model that will cost \$98,000. Once the loan is paid off and I attempt to sell the home, its worth will be somewhere between \$30,000 and \$40,000. The reason is simply this: there is no financing available except for new homes sitting on the manufacturer's lot.

To further illustrate my point, my current home needs a new roof and we would like to remodel the kitchen and bathrooms to the tune of approximately \$15,000. We have attempted to obtain a home improvement loan against our home. We have been told by every bank and credit union in the area that they do not make loans against manufactured homes in leased land communities.

We looked at selling our home. Unless a cash buyer exists or I act as the bank and accept seller financing, it is almost impossible for me to sell my home. I had one potential buyer who spent two days talking to every bank in the area looking for purchase money financing – including his own bank whom he had maintained a long standing relationship with for many years – and the answer was “no” every time. He was a credit worthy applicant.

I discovered that it is easier for me to take on a large debt for a new home that I don't want instead of receiving a smaller loan to fix up the home that I currently own. The bottom line is that since the resale market is in a "cash only" market, you have economic depreciation. The reason manufactured homes depreciate so fast is because the money market is closed. You had the chance to fix the problem, instead – you chose to walk away from it.

In your response you also stated that in order to provide the necessary Real Estate Settlement Procedures Act (RESPA) protections for the chattel loans on manufactured homes, legislative and regulatory changes may be required. What is the problem? Aren't you amongst the leaders in the field that Congress relies on to provide them with guidance on these issues? Shouldn't you be recommending to congressional leaders policies that would benefit their constituencies? Aren't you supposed to be public servants?

In the comments you referred to from the banking community in which they commented about the number of foreclosures on chattel loans on manufactured homes. The following chart illustrates what has occurred in the senior communities in Salt Lake County from 2004 through 2008:

Community	City	State	2004 Rent	2008/9 Rent	Percent Increase	CPI Increase	Difference	Owner
All Seasons	Salt Lake City	UT	\$386	\$443	14.77%	11.20%	3.57%	Equity Lifestyles, Inc.
American Heritage	West Valley City	UT	\$350	\$425	21.43%	11.20%	10.23%	Rick Bills
Crescentwood Village	Sandy	UT	\$250	\$468	87.20%	11.20%	76.00%	American Residential Communities, Inc
Majestic Meadows	Taylorsville	UT	\$390	\$478	22.56%	11.20%	11.36%	Kingsley Management Corporation
Cottonwood Coves	Murray	UT	\$360	\$477	32.50%	11.20%	21.30%	Terry Robison
Country Club Estates	Salt Lake City	UT	\$375	\$520	38.67%	11.20%	27.47%	American Residential Communities, Inc
Camelot	North Salt Lake City	UT	\$375	\$500	33.33%	11.20%	22.13%	American Residential Communities, Inc

Apartment rents increased 15% during this same time period. Since the recession began, apartment rents have returned to their 2004/2005 levels. In the meantime, rents in the senior manufactured home communities have increased on an average of 3% per year. Similar numbers are experienced in family parks. The increases came in spite of an annual CPI that was a negative and no Social Security cost of living adjustments for two years.

If this doesn't illustrate the need for RESPA protections for manufactured homeowners, I don't know what will. Is it any wonder why somebody would walk away from a situation when these types of abuses by park owners occur on a

regular basis? As an organization, we understand the frustration of banks. We also share them because they come from the same common enemy.

We are looking for a market based solution to resolve many of our situations. It becomes impossible to these resolve problems when we are excluded from the market, which is what your proposed rule continues to do.

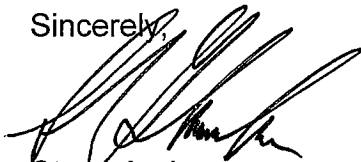
The one sure way of resolving the issue of ever increasing rents is to create programs that favor the formation of resident-owned-communities. I have visited the one such community that we have in Utah. It is the Paradise Palm Park in St George. It is located next door to an investor owned community.

The difference in the appearance of these communities is night and day. In the resident-owned-community, there is a sense of pride of ownership that is severely lacking in the community next door. Another community in Salt Lake City that is just about to become resident owned is Parkhill.

The homeowners in that community have taken that park that was run down and turned it into an attractive area that is an asset to the area. We would like to form more communities, and could do so if we had the financing tools with which make it happen. By maintaining the status quo, you fail in your duty to serve – because nobody is served.

The whole purpose of Duty to Serve was inclusion not exclusion. The purpose of government is to serve the people. Your proposed rules serve nobody! You were charged to establish parameters that would serve all of the manufactured housing market. In it, you failed miserably!

Sincerely,

A handwritten signature in black ink, appearing to read 'Steve Anderson', written in a cursive style.

Steve Anderson  
President