

Mobile Home Park Updates

Information for the MHP Owner

Commentary – October 2008

****MHI Annual Meeting Recap**

MHI has about 350 members. Non-members, such as me, were allowed to attend this annual meeting. There were approximately 200 attendees at this conference. This conference had a much more “corporate” feel than the mobile home university conferences which I have been attending. The meeting has a “political” feel to it, with many of the participants members of the state or national organizations. I would guess that there were about 20 community owners in attendance, although I only met a handful personally.

Titling Issues:

An attorney (Marc Lifset) from a national law firm (McGlenchey Stafford PLLC) spoke about titling issues in different states. He will be a great resource if you need help in understanding how to settle title issues, merge land with home, re-issue titles, get a title bond, etc.

Generally, there are four steps of conversion:

- **”affix” the home to a permanent foundation
- **”record an “affidavit of affixation” in county records
- **”retire” any mobile home titles and security interests
- **”file” the recorded affidavit of affixation with the titling office

This legal group also seems to do a good job tracking (with state association help) various proposed law changes that may affect the industry, such as predatory lending, water sub-metering, insurance issues, privacy, and transportation.

It was mentioned that NC had a particularly bad predatory lending law and other states were looking to it as a model for what they might do. Apparently, the NC law uses the interest rate on the loan as the sole determination of a predatory loan.

FHA Title 1 reform:

Many people spoke about the Title I reform act. This legislation is supposed to bring back chattel lending to home-only buyers in communities. The legislation is called House Bill 3221. In summary, in the spring, we may begin to see a limited number of lenders be approved to process these loans.

Right now, CIS Lending is the only one doing any loan processing.

Good news: Loan limits increased from \$48,000 to about \$70,000.

Loan limits will be indexed for inflation going forward.
Insurance claims now on a loan-by-loan basis.
There are some new income tax credits and deductions.
HUD is focused on this program at least for now.

Concerns: HUD has not worked out the details of the underwriting guidelines.
They are to complete these details within 6 months.
Insurance premiums have risen to a 2.25% initial fee and a 1% annual fee.
Lot leases must be submitted with loan application.
The lease must run at least 36 months forward.
Presumably, GNMA will pool these loans into securitized products.
GNMA doesn't have manpower or software to accomplish this soon.

National Communities Council (NCC):

There is a sub-group of the MHI called the NCC which focuses on communities and community owners. The meeting I attended had about 20 community owners present. The biggest owners weren't well represented but most of the attendees owned over 1000 pads each.

This group heard a presentation from an insurance firm on the idea of this industry forming a "captive insurance" company for self-insurance. The idea is that significant cost savings can be gained through this structure. The bigger players will be discussing this structure more in the future.

This group has been working with industry lenders to establish a database of home sales within communities (new and used sales). It also works in conjunction with the MHVillage national MLS web site. They have enough data now (\$600mm) that by the beginning of 2009 an "automated valuation model" will be available for community owners to estimate the proper sales price for homes for sale. For more information, search for "Community Attributes System" or www.mhicas.org, a site in which property owners can input information about their communities. This information is overlaid with the MHVillage web site when a buyer seeks a particular home listed and wants to see more about the community.

Some of the bigger community owners (particularly Green Courte Partners and other owners in Florida and Arizona) are promoting long-term leases. These will fit nicely with the FHA Title 1 Reform. Leases are being written for 5 year, 10 year, 30 year and "lifetime" terms, generally providing for steady, gradual increases in rent every year.

I learned of a national association of mobile home park residents, called "Factory Built Owners of America," based in San Antonio, TX. I think the larger, upscale communities are dealing with this more and more.

Manufacturers:

Their needs dominated lots of areas of the annual meeting. The MHI is working in many areas to promote this industry and all of these efforts help us as small park owners. They discussed items such as the effects of the site-built foreclosure crisis (the foreclosure availability has really hurt new manufactured home sales, particularly multi-section homes), new installation requirements, double pitched roofs, promoting “green” construction, other legislative initiatives, and so on.

Economic Forecasts:

An economist from the Federal Reserve Bank of Atlanta and from FNMA both spoke about current economic conditions. My notes summarize their comments as follows:

- **recession is very likely

- **unemployment rate forecasts are about 6.5%, from 6.1%

 - But both suggested the final number might be closer to 7%

- **the current crisis is mostly a crisis of financial “liquidity”

 - It is not nearly as bad as the 1930’s when unemployment hit 25%

- **employment won’t come back and recession won’t end until housing improves.

 - In other words, housing will bottom out first, not the other way around.

- **Obviously, housing hasn’t yet bottomed out.

 - No one really knows when. Effects of the bailout on this are uncertain.

 - Follow the news on this area to know when other things might improve.