Focusing on Key Priorities

Danny Ghorbani

In the course of less than ten years, sales of HUD Code manufactured homes have declined by a factor of nearly 68% — from over 373,000 per year in 1998, to 117,000+in 2006, with no recovery in sight. The good news is that this grim statistic has little or nothing to do with the performance of HUD Code manufactured homes (or industry members) in the field. The bad news is that it has everything to do with policy decisions in Washington, D.C. that the industry has been unable to influence or alter. Worse, this lack of influence is a by-product of poor decisions made by the industry itself since the adoption of the 2000 Act.

There is no inherent reason why the HUD Code industry should face public policy obstacles in Washington, D.C. The industry offers a much needed commodity — affordable homeownership. It offers that product without the need for taxpayer subsidies and employs thousands of Americans directly, in manufacturing jobs, and in related retailing, transportation, installation and supply jobs. All of these highly positive attributes have been recognized by Congress time and again. Yet, when the time has come for specific public policies to be developed and carried out in the nation's capital — particularly in recent years — the industry has suffered. The reason, quite simply, has to do with a loss of focus by and within the broader industry in Washington, D.C.

When the entire HUD Code industry has been focused on its key priorities in Washington, D.C. — i.e., a viable federal program (Title VI) and available consumer financing — it has achieved positive results, such as the passage of the 2000 Act. It is the failure to remain focused on these key priorities, however, that has led to much of the difficulty that the industry faces today.

Unfortunately, soon after the 2000 Act became law, much of the industry in Washington, D.C. turned its attention away from the implementation of that law to other concerns that, while helpful to the industry, were not inherently related to either the federal program, consumer financing, or any other key federal priority. This loss of focus created an environment where there was little or no accountability to either Congress or the Administration for the full and proper implementation of the critical reforms contained in that law, or the severe restrictions that were placed on consumer financing. As a result, with respect to the federal program alone, the industry today finds itself with a list of 14 key reform areas from the 2000 Act that have either not been implemented, or that have been implemented incorrectly, based on strained or unsupported interpretations of the Act. It also finds its product still treated largely as quasi-vehicular "trailers," rather than housing, as intended by the 2000 Act. This, in turn, has — an will continue to — negatively impact consumer financing.

To illustrate the far-reaching impact of just one of the 14 reform provisions that is not being fully and properly implemented because of this lack of focus, the proposed federal installation program (and related federal installation standards) are instructive. As MHARR has explained in detail, the proposed program would be re-codified and non-preemptive. But under the HUD "final draft" rule recently submitted to — and considered by — the MHCC, installers would not be required to comply with manufacturer installation instructions that go beyond the federal model installation standards. Manufacturers, though, would still face regulatory responsibility if a home installed in accordance with the standards but not the manufacturer's instructions, later developed a defect. Although HUD says that it cannot enforce "instructions," the 2000 Act makes it clear that both the model standards and their enforcement are to be "consistent" with manufacturers' approved designs and instructions. HUD's stance, consequently, is not only inconsistent with the law, but will result in unnecessary disputes and unnecessary problems for consumers.

And such policies have wide-ranging effects including, particularly, their impact on consumer financing. Because HUD Code homes continue to be treated as "trailers," the two Government Sponsored Entities (GSEs) have no reason to treat them differently. Thus, even though the prime mission of the GSEs is to support affordable home-ownership, they currently have no loan product for mainstream, affordable HUD Code housing. Furthermore, by contrast, with foreclosures on "sub-prime" mortgages now becoming a concern, Freddie Mac, as recently reported, is stepping forward with $20 billion pledged for consumer relief. When HUD Code foreclosures became a concern for the GSEs, however, not only did they not pledge any relief for manufactured housing consumers, they used the foreclosures as a basis to severely restrict HUD Code financing, leading to the financing problem that the industry faces today — a clear double standard that continues.

Without available consumer financing, the industry is left with potential purchasers who want to buy HUD Code homes that they can afford — but cannot qualify for suitable loans. This is not a consequence of inadequate "marketing," a failed "business model," or the absence of a national advertising presence. Instead, it is symptomatic of an industry that is being routinely pummeled in Washington, D.C. because it has failed to focus on and prioritize the key federal manufactured housing program (Title VI) and financing issues that can only be addressed by effective, focused attention and advocacy in the nation's capital — the very reason for the industry's presence in the nation's capital.

The fortunes of the HUD Code industry will not change until manufactured homes are afforded fair and reasonable regulatory (industry) and financing (consumer) treatment in Washington, D.C. And this will not occur until the industry decides that it is time for HUD Code homes to be treated as housing under Title VI (including the full and proper implementation of the 2000 Act and parity in financing for its consumers) and all other federal and related programs as a national priority. Until then, the industry is simply wasting its time and resources in Washington, D.C. on activities that, while important, do not directly relate to the status of HUD Code housing as "housing" in Washington, D.C.

In MHARR's view, the key to the industry's full revival is a renewed and clear focus on the regulatory and financing policies made in Washington, D.C. that affect the construction, installation, use, availability, affordability and financing of HUD Code homes across the nation for millions of low and moderate-income families who depend on these homes as their primary (or only) source of homeownership without government subsidies.

Danny D. Ghorbani is President of the Manufactured Housing Association For Regulatory Reform. MHARR is a Washington, DC-based national trade association representing the views and interests of producers of manufactured housing. Danny can be reached at 202-783-4087.