



February 5, 2020

To: Chair Kelley
Vice Chair Feldman
Members of the Senate Finance Committee

From: The Manufactured Housing Institute

Re: **Senate Bill 0155: Consumer Protection – Mobile Home Purchasers
Favorable, with Amendments
Written Testimony for the Record of Lesli Gooch, Chief Executive Officer of MHI**

Introduction

The Manufactured Housing Institute (MHI) is the only national trade association that represents every segment of the factory-built housing industry. Our members include home builders, suppliers, retail sellers, lenders, installers, community owners, community operators, and others who serve our industry, as well as 49 affiliated state organizations. Taken together, our membership provides the largest form of unsubsidized affordable housing in the United States and the only type of housing built to a federal construction and safety standard. In 2019, our industry produced nearly 95,000 homes, accounting for approximately 10 percent of new single-family home starts nationwide.

In Maryland, approximately two percent of the state's occupied housing units are manufactured homes (which are still referred to as "mobile homes" under state law). Currently, there are over 35,000 manufactured homes in the state, representing nearly 100,000 Marylanders.

MHI supports "SB 0155: Consumer Protection – Mobile Home Purchasers," but with appropriate clarifying amendments. We believe our recommendations will strengthen the bill, further extending to everyone in Maryland the opportunity of affordable, attainable homeownership through manufactured housing.

1. Anti-Steering Provision and the Definition of "Steer" (beginning on Page 7, Line 2)

MHI opposes illegal steering, which is where a party not licensed as a lender or loan originator is compensated or receives some other financial benefit for directing consumer borrowers to specific loan products or services. However, a manufactured home retail seller who discusses financing in general terms (such as helping customers understand the loan application process or answering a customer's basic questions about how financing works) is not steering. Further, retail sellers only earn a commission or similar compensation when a home is sold, regardless of whether the buyer purchases the home with cash or finances the transaction. The amendment we propose more succinctly clarifies this established concept within SB 0155.



In Section 14-4202 of SB 0155, MHI recommends that Subsection B, Paragraph 2, be amended as follows:

May not steer a prospective consumer borrower to ~~financing products that offer terms that are less favorable than a comparable cash transaction;~~ and

MHI supports Maryland's proposed definition of "steer," as the term is defined in Section 14-4202, Subsection A, of SB 0155. However, expanding on this definition in the anti-steering provision under Section 14-4202, Subsection B, Paragraph 2, will only create confusion. The proposed definition already sufficiently captures the phrase, ". . . to financing products that offer terms that are less favorable than a comparable cash transaction . . .". To repeat this language is duplicative, confusing, and unnecessary. MHI believes the term "steer" accurately defines and explains the prohibited activity, and the new term should stand alone.

2. Amend the Definition of "Mobile Home" (beginning on Page 9, Line 3)

MHI asks that Maryland update its terminology to help combat negative stereotypes associated with manufactured housing by eliminating the term "trailer" from its definition. Specifically, MHI recommends that Section 11-501, Subsection H-1, of SB 0155 be amended to better align the term with how it is defined elsewhere under Maryland law:

"Mobile home" means a structure:

- (1) Transportable in one or more sections;***
- (2) Eight or more body feet in width and 30 or more body feet in length;***
- (3) Built on a permanent chassis; and***
- (4) Designed to be used as a dwelling, with or without a permanent foundation, when connected to the required utilities.***

"Mobile home" includes the plumbing, heating, air conditioning, and electrical systems contained in the structure.

In December 1974, President Ford signed the National Manufactured Home Construction and Safety Standards Act (MHCSS Act) into law. Approximately 18 months later, HUD finalized the first Manufactured Home Construction and Safety Standards, and since June 15, 1976, HUD has prohibited the manufacture of mobile homes and trailers. While those terms still apply to homes built before that date, since then, every home built to meet HUD's requirements is a manufactured home. MHI believes the definition under the Real Property Article is more precise and better aligns Maryland's definition with the federal definition under the MHCSS Act.



Further, the term is already defined in Maryland’s Real Property, Business Regulation, and Public Safety Articles (see Maryland Code, Real Property § 8A-101(c); Business Regulation § 4.5-101(l); and Public Safety § 12-301(g)). These definitions are all consistent. Adding a new definition under the Financial Institutions Article—one that is quite different from the others—will create confusion within the manufactured housing industry, which only hurts current homeowners and prospective homebuyers.

3. Amend the Definition of “Mortgage Broker”

MHI supports the Maryland Bankers Association’s recommended changes to Maryland’s definition of “mortgage broker” under Section 11-501, Paragraph I, of the Financial Institutions Article. While this is not currently in SB 0155, we support the proposal and recommend that it be included.

Based on our reading of SB 0155, which aligns Maryland law with the federal requirements in the Truth in Lending Act, a manufactured home retailer and its employees are exempt from Maryland’s “mortgage loan originator” licensing requirements as long as they do not do anything that would trigger registration. It is MHI’s understanding that the Maryland Legislature’s intent is to extend this exemption to include Maryland’s “mortgage broker” licensing requirements. Consequently, MHI believes the definition of “mortgage broker” should be amended to align it with the retailer exemption under the “mortgage loan originator” definition.

Conclusion

Manufactured housing is the most affordable and attainable homeownership option available in the U.S. today. MHI appreciates the Committee’s effort and dedication as you move forward with prioritizing this legislation. Continued progress on these issues is very important, and MHI will always support the elimination of barriers that block consumer access to safe, affordable manufactured homes.