

SenAugustine_FAV_SB155

Uploaded by: Augustine, Senator Malcolm

Position: FAV

MALCOLM AUGUSTINE
Legislative District 47
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Finance Committee
Energy and Public Utilities Subcommittee

Senate Chair, Joint Committee on the
Management of Public Funds



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THE SENATE OF MARYLAND
ANNAPOLIS, MARYLAND 21401

Testimony of Senator Malcolm Augustine
Regarding Senate Bill 155: Consumer Protection – Mobile Home
Purchasers

Before Senate Finance Committee

On February 5, 2020

Chair Kelley, Vice-Chair Feldman, and members of the Senate Finance Committee.

It's important to note that key stakeholders including Maryland Department of Labor, Maryland's Commissioner of Financial Regulation, the General's office and members of the Mobile Home industry, worked out a compromise on this consumer protection bill. This Mobile Purchaser Consumer Protection bill was part of the much larger consumer protection bill presented by Senator Rosapepe last year who, along with Senator Reilly, is a co-sponsor of this bill.

Maryland is currently home to approximately 33,000 mobile homes. Senate Bill 155 makes three (3) overarching changes to current law that will ensure reasonable protections for owners of mobile homes. The bill:

1. Establishes a duty of good faith and fair dealing for mobile home retailers;
2. Requires retail sellers of mobile homes to provide consumers with certain disclosures of their rights at the time of sale; and
3. Expands the notice requirement in the mobile home foreclosure process from 10 days to 30 days, with exceptions for abandoned or voluntarily surrendered property.

Establishing a duty of good faith and fair dealing for retail sellers of mobile homes will ensure that Maryland's consumers are protected from illicit lending practices and prevent retailers from steering consumers toward captive finance companies. Requiring disclosures at the time of sale will ensure that Maryland's consumers are aware of their rights and abilities to seek redress.

By aligning the foreclosure process for mobile homes more closely to the process for residential real property, Senate Bill 155 ensures that families in mobile homes are protected from undue foreclosure. This bill will require creditors to provide a 30-day (rather than 10-day) notice and waiting period

before undertaking any efforts to repossess the home. **Please note that creditors retain the ability to repossess the home quicker than 30 days if the home is abandoned or voluntarily surrendered.**

Senate Bill 155 will provide greater protections for the owners of mobile homes that are consistent with protections afforded to homeowners under federal law. **For the aforementioned reasons, I respectfully request a favorable report from the Committee on Senate Bill 155.**

Background Information

Purpose: The Office of the Commissioner of Financial Regulation (OCFR) seeks to enhance consumer protection provisions related to the purchase of mobile homes in Maryland. These enhancements are accomplished by adopting certain consumer protection standards similar to those found in state and federal law.

Proposal: The bill codifies the federal definition of “dwelling” and provides a State law definition of “mobile home” in order to prevent Maryland law from being affected by potential changes made at the federal level. This bill also strengthens consumer protections by establishing a duty of good faith and fair dealing for the mobile and manufactured home retailers doing business across Maryland in order to prevent them from steering customers toward captive financing companies, and further requiring them to provide consumers with certain disclosures regarding their rights.

Further, the bill formalizes certain foreclosure rules regarding chattel loans that involve mobile homes, aligning them with those applicable to residential real property. Specifically, it establishes a 30-day notice and waiting period before repossession efforts are taken (expanded from the 10-day notice and waiting period

under current law) while preserving a creditor's ability to repossess property sooner under circumstances that are similar to those applicable to real property. In sum, this proposal provides greater protections for upwards of 30,000 Marylanders who own or reside in mobile homes, and is consistent with similar protections that are provided under federal law.

Fiscal Information: While it is difficult to anticipate or quantify the number of complaints that will arise out of the new requirements, OCFR is confident that the proposal can be implemented and carried out with existing resources.

AMENDMENTS TO SENATE BILL 155
(FIRST READING FILE BILL)

On page 7, in line 15, strike “THAT ARE LESS FAVORABLE THAN A CASH TRANSACTION” and, beginning after “OFFER” on line 15, insert “LESS FAVORABLE TERMS.”

On page 9, strike line 3 beginning with “MOBILE HOME” down through line 8 ending with “FACILITIES” and replace with “MOBILE HOME’ MEANS A STRUCTURE:

(1) TRANSPORTABLE IN ONE OR MORE SECTIONS;

(2) 8 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.

(5) “MOBILE HOME” INCLUDES THE PLUMBING, HEATING, AIR CONDITIONING, AND ELECTRICAL SYSTEMS CONTAINED IN THE STRUCTURE.

MCRC_FAV_SB155

Uploaded by: White, Marceline

Position: FAV



Maryland Consumer Rights Coalition

**Testimony to the Senate Finance Committee
SB 155: Consumer Protection - Mobile Home Purchasers
Position: Favorable**

February 5, 2020

Delores G. Kelley, Chair
Senate Finance Committee
3 East, Miller Senate Office Building
Annapolis, MD 21401
Cc: Members, Senate Finance Committee

Honorable Chair Kelley and Members of the Committee:

The Maryland Consumer Rights Coalition (MCRC) is a statewide coalition of individuals and organizations that advances financial inclusion and economic justice for Maryland consumers through research, education, direct service, and advocacy. Our 8,500 supporters include consumer advocates, practitioners, and low-income and working families throughout Maryland.

MCRC is in strong support of SB 155.

SB 155 strengthens consumer protections by addressing the rights of mobile home buyers. The bill expands protections for mobile home buyers – buyers of mobile homes are often low-income individuals without much access to credit. Through a vagary in Maryland code, the dwellings that they purchase do not warrant the same protections as others who purchase homes, because mobile housing is on wheels.

SB 155 expands long overdue protections for these vulnerable mobile home owners by increasing the foreclosure notices to 30 days from a paltry 10 days notice. SB 155 also increases transparency and disclosures around the financing for these homes, as well as establishes a duty of good faith and fair dealing in terms of financing for a mobile home.

For these reasons, we support SB 155 and urge a favorable report.

Best,

Marceline White
Executive Director

Horizon_FWA_SB155

Uploaded by: Gooch, Lesli

Position: FWA



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

Re: SB155 – Consumer Protection – Mobile Home Purchasers
Favorable with Amendments

Horizon, whose sole business is owning and operating Manufactured Housing Communities ("MHCs"), owns and operates 12 Manufactured Housing Communities ("MHCs") throughout Maryland. Horizon excels at creating and maintaining affordable, clean, and desirable land-lease neighborhoods located in generally desirable/high cost of living locations. Just like traditional "stick-built" homes on non-leased land, homes located in and MHC are valuable assets whose value will increase or decrease with the real estate market. For that reason, the location and general standards of the MHC where a home is located are critical factors to maintaining the value of the home. In other words, management, maintenance, resident satisfaction, and most importantly, landlord integrity are keys to ensuring both a quality yet affordable neighborhood and maintaining home values. Horizon understands this, and we have made it our mission to provide our residents with a quality affordable housing opportunity.

Horizon is supportive of consumer protection efforts to protect the purchasers of mobile homes. However, SB155, as drafted contains a few provisions that require clarification and an updating of the law. The clarifying amendments that we support are detailed in the written testimony submitted by the Manufactured Housing Institute (MHI), the national trade association that represents every segment of the factory-built housing industry. It is our understanding that MHI has been in conversations with the Department of Labor to work through these amendments.

For these reasons, Horizon supports SB155 Consumer Protection – Mobile Home Purchasers with the clarifying amendments detailed in the written testimony of the Manufactured Housing Institute.

Lesli_Gooch_FWA_SB155

Uploaded by: Gooch, Lesli

Position: FWA



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.

Maryland Bankers Association_FWA_SB155

Uploaded by: Murphy, Kathleen

Position: FWA



Senate Bill 155 – Consumer Protection – Mobile Home Purchasers
Senate Finance Committee
February 5, 2020
Favorable With Amendments

Senate Bill 155 establishes several requirements related to mobile home retailers. Banks in Maryland have relationships with mobile home retailers to provide financing for mobile home purchasers.

This bill has been introduced to address changes in Maryland law needed as a result of the enactment on May 24, 2018 of the Economic Growth, Regulatory Relief, and Consumer Protection Act (S.2155) at the federal level. Section. 107 of S. 2155 specified that retailers of manufactured homes meet certain requirements. Senate Bill 155 is drafted to address these requirements.

Senate Bill 155 includes various provisions to ensure that Maryland buyers of manufactured homes are protected in their home buying transactions. The Maryland Bankers Association supports Senate Bill 155 and has been working with the Maryland Department of Labor, the Commissioner of Financial Regulation and other stakeholders on clarifying amendments in two sections of the bill:

- 1) Definition of steering
- 2) Definition of “mobile home.”

With these amendments, the Maryland Bankers Association supports Senate Bill 155 and urges the Committee to give the bill a favorable report.

MDDepartmentofLabor_FAV_SB155

Uploaded by: Salazar, Tony

Position: FWA

Senate Bill 155

Date: February 5, 2020
Committee: Senate Finance Committee
Bill Title: Consumer Protection – Mobile Home Purchasers
Re: **Letter of Support**

Senate Bill 155 establishes reasonable consumer protections for Marylanders who are seeking to purchase or currently own a mobile home.

The bill makes three (3) overarching changes by: (1) establishing a duty of good faith and fair dealing for mobile home retailers; (2) requiring retail sellers of mobile homes to provide consumers with certain disclosures of their rights at the time of sale; and (3) expanding the notice requirement in the mobile home foreclosure process from 10 days to 30 days, with exceptions for abandoned or voluntarily surrendered property.

Establishing a duty of good faith and fair dealing for mobile home retailers during the purchase of a mobile home will ensure that Marylanders are protected from being steered toward captive finance companies that fail to provide customers with market rate transactions or charge excessive fees. Moreover, by requiring that mobile home retailers inform prospective buyers of their rights at the time of sale, Senate Bill 155 ensures that Maryland’s consumers are aware of their rights.

Senate Bill 155 aligns the foreclosure process for mobile homes more closely to the process that covers properties governed by the Real Property Article. Specifically, Senate Bill 155 extends the foreclosure timeline from 10 days to 30 days with limited exceptions for abandoned or voluntarily surrendered property. These changes are consistent with similar protections provided to homeowners under federal law, and provide greater protections for the more than 30,000 mobile homes in Maryland.

Finally, Senate Bill 155 eliminates the reference to federal law for the definition of the term “mobile home” in favor of using the definition of “mobile home” that is presently found in the Real Property Article of the Maryland Code. This change ensures that Maryland maintains authority over mobile homes regardless of future changes to federal law.

For these reasons, the Department respectfully requests a favorable report from the Committee on SB155.