

Danville manufactured homes industry hit hard

By Tiffany Holland
WLSL 10
November 29, 2011

In the past few years the housing market has seen rough times, and the manufactured housing sector is no exception.

While these homes enjoy a vibrant market in the Dan River Region, it has seen significant decline in the past few years.

On Tuesday, U.S. Rep. Robert Hurt, R-5th District, chaired a hearing in Danville on “The State of Manufactured Housing” where he acquired testimony on behalf of the Congressional Subcommittee on Insurance, Housing and Community Opportunity.

Hurt said he wanted to hear from people in the industry so he could take their concerns to Washington and find ways to help.

Scott Yates, president of Yates Homes in Pittsylvania County, has run his family-owned business since 1986. He said at the peak of the industry Yates Homes sold 180 homes a year and employed 19 people, but as the economy declined it now sells about 30 homes and has five employees.

“With the constant pressure of government regulation at all levels and a lack of reliable financing sources for our customers, we have had to turn to modular homes instead of manufactured homes,” said Yates in his testimony.

Yates said the “true loser” in this is the customer who has a harder time finding affordable housing. The main difference in manufactured homes and modular homes is that manufactured homes are built to federal codes and interest rates are generally higher. Modular homes are built to local and state building codes and have fewer restrictions for financing.

Manufactured homes also tend to lose value over time while modular homes do not, although they are mostly identical. Manufactured homes average price ranges from \$50,000 to \$60,000 and are typically purchased by people on a lower income than most homeowners.

Yates and several other witnesses including Kevin Clayton, the president and CEO of Clayton Homes, were critical of the Dodd-Frank Wall Street Reform and Consumer Protection Act that brings regulatory reform to the banking and financial industry.

Clayton said the act would have the unintended consequence of limiting credit access to buy a manufactured home.

“While drafters of the Dodd-Frank Act recognized that large multi-national banks and small community banks could not be regulated in identical ways, the same realization was not reached for manufactured home loans,” said Clayton.

He said Dodd-Frank unfairly lumps manufactured housing in the same category as “subprime predatory site-built mortgages” that stirred up a housing crisis.

However, Carla Burr, a manufactured housing resident in Fairfax County, applauded the Dodd-Frank Act for giving more rights to the consumer.

“We need better regulations in this marketplace so people understand what financing they receive and avoid becoming delinquent or foreclosing due to balloon payments or placement on land where they could easily be displaced,” said Burr in her testimony.

Burr said education and communication was key, and consumers need protections from unscrupulous dealers. In 2006, First State Bank in Danville, which did not participate in subprime lending, had problems in a segment of its loan portfolio as people were defaulting on home loans. That was largely because of questionable practices like some modular-home brokers misrepresenting what they were doing or inaccurate appraisals for collateral. First State Bank has addressed the issue, but it still caused operating losses.

Hurt said the Dodd Frank Act has added burdens on lenders and costs get passed down to the consumer. He also expressed interest in involving the private sector more with Government Sponsored Enterprises like Fannie Mae and Freddie Mac in the secondary market.

“The general principle that people have a hard time getting a loan for a manufactured home is true right here on the ground in Danville,” said Adam Rust, the research director for the community reinvestment association of North Carolina. “The difficulty with Danville homes starts with a lack of interest by private investors on the secondary market and extends to troubles for individual families.”

In Danville there were 80 mortgages for manufactured homes last year and 42 were secure. Fannie Mae purchased one loan and Freddie Mac did not have any. Rust said in Danville a person applying to buy a manufactured home is three times more likely to be turned down than someone buying a single-family site-built residence. Rust and others urged standards for GSEs change to help provide financing for manufactured home loans.