Testimony of Mr. Tyler Craddock
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Before the
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Opportunity
Committee on Financial Services
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"State of the U.S. Manufactured Housing Industry"
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Thank you, Chairwoman Biggert, Ranking Member Gutierrez and members of the subcommittee for the opportunity to testify this morning on the state of the manufactured housing industry.

My name is Tyler Craddock, and I am the Executive Director of the Virginia Manufactured and Modular Housing Association (VAMMHA). Founded in 1965, VAMMHA is the voice of the factory-built housing industry in Virginia. We represent producers and retailers of manufactured and modular housing, community owners, lenders, suppliers and others involved in providing Virginians with well-constructed, factory-built affordable housing choices.

While most of our work is at the state and local level, we recognize that manufactured housing, by its very nature, requires a great deal of attention to federal legislative and regulatory activity. For that reason, we are active members of and work in close partnership with the Manufactured Housing Institute (MHI), very ably represented here this morning by Kevin Clayton with Clayton Homes.

My testimony this morning will center on the overall state of industry in Virginia as well as some of the specific challenges our members are facing. I anticipate that much of it will dovetail with the national perspective that Mr. Clayton is bringing to you. In addition, two of our members, Stan Rush of MHD Empire and Scott Yates of Yates Homes, will provide testimony about how current policies are affecting the industry's ability to meet the housing demands of our customers.

Manufactured housing is an important component of the housing stock here in Virginia.

According to the 2010 Census, it comprises about 5.6 percent of the overall housing stock in the Commonwealth. But, that does not tell the entire story. In many rural localities, especially in Southside and Southwest Virginia, according to 2000 Census data, the latest data we have available on a county-by-county basis, the proportion of manufactured homes exceeds 15-20 percent of the housing stock. That is no small wonder given the relative lack of construction labor in many rural communities and the affordable nature of manufactured homes in Virginia. In 2010, the average cost of a new manufactured home (minus land) was $58,500. Indeed, manufactured housing is a wonderful choice for Virginians looking for a high quality home at an affordable price.

But, given the strong presence of manufactured housing in Virginia and its status as an affordable choice for many Virginia families, the manufactured housing sector of our industry is limping along at present. In 1990, over 5,400 manufactured homes were shipped into Virginia. That number rose to over 7,000 homes in the mid-to-late 1990s and dropped over time to only 1,155 homes in 2010. Thus far in 2011, we are approximately 30 percent off of our numbers from 2010, having only 670 shipments as of the end of September. Additionally, factory-built home shipments have shifted dramatically to modular homes. To date, our modular shipments exceed 2010 shipments by over 30 percent. While it is not uncommon to see modular shipments exceed manufactured home shipments in Virginia, this swing is quite remarkable in that it contains both a pronounced increase in modular shipments and a pronounced decrease in manufactured home shipments, something that has usually not been a part of the mix.

The decline in shipments is mirrored in the decline we have seen in the number of manufactured homes produced in Virginia. In 1990, 3,595 homes were produced here in the Commonwealth. In the years that followed, that number went as high as 4,422 homes in 1998, but declined to only 113 homes in 2009.

To be sure, manufactured housing, modular housing and site-built housing are all facing declining numbers as a result of the economic conditions in which Virginia finds itself. Even with the up-tick in modular shipments, the longer trend is downward. So, some of the decline in manufactured housing can be fairly attributed to the overall economy and to factors that are affecting housing in general, or at least affecting factory-built housing in general. But, we are seeing something more within the housing industry -- a distinct swing to modular homes away from manufactured homes. And this, we believe, is indicative of some issues that particularly affect manufactured housing.

Today, you will have the opportunity to hear from three professionals in the manufactured housing industry who will be able to provide real-world examples of the more general factors that affect factory-built housing overall and those things that have a particular impact on manufactured housing.

While many of the issues we face are state or local in nature and others testifying today can offer more in-depth perspectives on the federal issues affecting our industry, I would be remiss if I did not highlight a couple of issues that have arisen as I have visited with VAMMHA members around the state.

First and foremost, the lack of financing for manufactured home purchasers is putting many of our customers and our industry in a pinch. Time and time again, retailers tell me that they have customers who are ready and willing to purchase a new home, but they cannot get financing for the purchase. In many cases, these are families who in years past would have had no trouble qualifying for a loan, but they cannot do so now.

In addition, for our customers who qualify, there remains the real threat that their home will not appraise out. More and more, I am hearing from retailers who are having trouble with their customers' homes appraising for a value that will allow their home purchase to move forward. While appraisals are tighter across the board for the entire housing industry, a number of my members report that the problem lies not with appraisals in general, but with specific appraisers who do not understand our product. As such, there may be an opportunity for the industry and HUD to work in partnership to help ensure that appraisers are well-educated with respect to manufactured homes.

Another issue that continues to concern our membership is the SAFE Act. While the final rule promulgated by HUD earlier this summer provides some helpful guidance and flexibility for our state regulators, it does not entirely clarify issues of critical concern to the industry.

The industry is seeking additional statutory language to clarify that licensed manufactured home salespersons not engaged in loan origination activities are not mortgage loan originators (MLOs) and thus subject to licensing. As it stands, given the unique nature of the retail side of our industry, manufactured home retailers, who are not in the business of making loans, could be on the hook for thousands in licensing fees at a time when they can least afford it.

In addition, the industry is seeking relief for those that originate only a small amount of manufactured home loans on an annual basis and for those sellers financing the sale of their own manufactured homes. At a time when financing options are very limited for manufactured home buyers, regulatory burdens imposed by the SAFE Act are further limiting the few financing options available to low- and moderate-income manufactured home buyers.

Chairman Biggert, Ranking Member Gutierrez and members of the subcommittee, thank you for the opportunity to testify; I welcome any questions.