

April 2018

MHR

MANUFACTURED HOUSING REVIEW

News and educational articles to help you run your business in the manufactured home industry.

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Where Are Interest Rates Heading?

Early Industry Observations
Formed From My First
Community Purchase

MHI Announcement U.S. Senate
Passes Bill Giving Industry Relief
from the Dodd-Frank Act

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Publisher's Letter

By Kurt D. Kelley, J.D.
Publisher

Your continued comment and feedback is valuable to us here at the Manufactured Housing Review. We continue to hear that you value the articles focusing on legal updates for small business owners, in particular community and retail center operators. We are also receiving positive feedback regarding community management and industry news. Georgia community owner and manager David Roden's article about the value of knowing the police report and crime statistics in your community received a lot of positive feedback. If you have a topic you'd like to hear more about, please let me know.

This month's edition has more of what you've asked for – good business operations advice for operators selling homes or renting homes and home sites. It also includes

some uplifting announcements from our industry leaders in Washington DC, MHI and MHARR. Some of the problems they've been addressing for many years are actually getting solved and should be great growth enhancers for the Manufactured Housing industry.

Thank You!



Kurt D. Kelley, J.D.
Publisher
kkelley@manufacturedhousingreview.com





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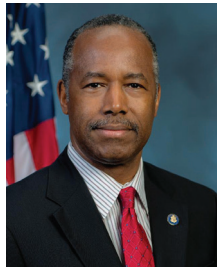
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April 24-26, 2018
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Keynote Speaker – Secretary Ben Carson

We are excited to announce Secretary Ben Carson of the U.S. Department of Housing and Urban Development will be the keynote speaker for the upcoming 2018 MHI Congress & Expo.



Secretary Carson will speak at the Opening General Session of the MHI Congress & Expo at the Paris Hotel in Las Vegas on Wednesday, April 25 at 9 a.m.

Educational Workshops

Over 11 educational sessions will be presented this year during the show on Wednesday, April 25 and Thursday, April 26. These workshops are a great way to gain critical insight and hear from industry experts. Make sure not to miss hot topics on Fair Housing, Filling Sites in Communities, Disaster Prevention, Installing New Homes and much more!

2nd Annual Hart King / Lutz, Bobo & Telfair
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on April 24 from 8 a.m.- 5 p.m.

14th Annual Oliver Technologies
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Buying Manufactured Home Communities at Auction: A Primer

By Dave Reynolds

While we are all familiar with the concept of buying things at auctions – from automobiles to antiques – it's an entirely different experience to buy a manufactured home community in this manner. The stakes are much higher, as is the pressure. At the same time, the profits can be enormous if you do it properly.

How the process works

Auctions are based upon the concept that multiple bidders offer competing amounts to buy the property, with the person who is willing to pay the most chosen as the winner. Auctions date back to 500 B.C. and have always been considered a fair way to create immediate liquidity using the pricing set by the market. Manufactured home communities have been sold at auction for over a half-century, and the format has remain unchanged since that time. The seller places the community into the auction arena, and provides third-party reports such as the Phase I and survey (although this is not always the case). The bidder registers to bid, and is assigned a bidder number. All due diligence must be performed before the auction begins. Once the auction starts, the bidder places their bid until the price exceeds what they are willing to pay. If victorious, the bidder must immediately place a 10% deposit based on the winning bid, and has typically 30 days to pay the remaining balance. If the bidder fails to bring in the balance within 30 days, the seller keeps the 10% deposit and the community is placed up for auction again. Some sellers place a "reserve" on the pricing at which they will sell; if the auction price does not meet or exceed this "reserve" price then the winning bid will not be honored. Other sellers place their properties in a "no reserve" framework, in which the winning bid is accepted regardless of how low it is.

Why these can be great buys

Many individuals don't like the labor and uncertainty of doing due diligence in advance of even knowing that you'll be the winning bidder, and others don't like the pressure of having to get the financing done and closing within a 30 day window. As a result, the number of bidders can sometimes be few and far between. In those cases, it's possible to make some great buys at auction. Additionally, sometimes the bidder pool at the auction is not very knowledgeable on the industry and fails to realize that rents can be raised, utilities sub-metered and billed back, and vacant lots filled. Not realizing the potential can result in a bid that is far too low for the raw material presented. Over the years, we have bought many terrific properties at what we felt were low prices at auctions – both in-person and online.

Tips and warnings

That being said, there are several things you need to know about buying at auction:

- The only "safe" way to buy at auction is to either have the cash or line of credit available so that you can close within the prescribed period without fearing a default. Getting a bank loan done in a 30-day window is a stretch for even the best borrower with long-standing banking connections.
- Do not ever get caught up in the "emotion" of the auction environment – it can literally destroy you. Establish the correct, maximum price you will pay before the auction begins, and ignore all of the hysteria surrounding you, as well as the auctioneer pushing you to "bid just a little more". We have witnessed terrible auction results where the bidder got carried away and paid \$500,000+ more than the property was worth. They probably knew better, but their adrenalin rush got the better of them. Don't let that happen to you.
- Don't always follow the herd. Some bidders assume that properties with little or no bidding activity must be "dogs". This is simply not the case. We have made some of our best auction buys by focusing on these communities that get little attention. Make your own determination of quality and price and don't let others influence you. They are frequently wrong.
- It's a good chance you're not going to win, so don't get disappointed. Sometimes people give up on auctions after attending only one, convinced that it's impossible to win. That's simply not true. Everyone's odds are always low – if you stick to your guns – but those who try it once and quit are just not being logical. You have to be more resilient.

Conclusion

While it can seem stressful and awkward, bidding on manufactured home communities in an auction setting can be a great way to make solid purchases. But it's important to keep a level head and think independently.



Dave Reynolds has been a manufactured home community owner for almost two decades, and currently ranks as part of the 5th largest community owner in the United States, with more than 23,000 lots in 28 states in the Great Plains and Midwest. His books and courses on community acquisitions and management are the top-selling ones in the industry. He is also the founder of the largest listing site for manufactured home communities, MobileHomeParkStore.com. To learn more about Dave's views on the manufactured home community industry visit www.MobileHomeUniversity.com.



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Early Industry Observations Formed From My First Community Purchase

By Frank Rolfe

I bought my first manufactured home community in 1996. It was a total dump. In the back corner was a crude wrestling ring and concession stands for Saturday night wrestling matches. Non-running vehicles were strewn about the vacant lots. There was a man with one arm that was frequently found being dragged by the leash attached to a giant Rottweiler. It was an eccentric group and a challenging location along the highway on the wrong side of town. Despite those crazy beginnings, I was able to see through it all and realized that I was on to something special. These are the observations I made in those first few months – in what can only be called a classic “trailer park” – and why I kept at it despite making a difficult initial purchase (although, in the end, a highly profitable one).

Residents are not scary

The first thing I did as the proud new owner of this manufactured home community was to get a concealed handgun license. I had been sold on the stereotype of these properties as being full of violent residents and inherent danger through years of watching television and movies that portrayed them exactly like that. However, one of my first observations from sitting in the office (yes, I officed in the property full-time for that first year) was that I had been misled. While my residents were an eccentric group, they were anything but scary. I realized that I was more in danger of shooting myself in the foot accidentally than I was in needing protection. So I quickly began leaving the gun at home and lost my fear of “trailer parks”.

Demand is huge

This was my first big takeaway – derived by running a simple classified ad under the “mobile homes for rent” section of the Dallas Morning News. My phone literally rang off the hook. If you wanted to go to sleep you had to turn the phone off, and the minute you turned it back on it started ringing again. The volume of calls was mind-blowing. I had never seen anything like it before. My first thought was “people must really like mobile homes a whole lot more than I thought”. Of course, that force was compounded by the affordable housing shortage in the U.S., which is just as powerful as the innate desire for the product. I also realized, from talking to applicants, that another huge part of the demand was the fact that Class B and Class C apartments are falling apart and offer high levels of crime and transient neighbors.

Old homes ever die

My first park was built in 1951. Any many of the homes dated from around that era. They were 100% flat-roof, metal-on-metal units, with the newest one from the early 1980s. After touring some of the vacant ones, my first impression was “these things wear really well”. Then it occurred to me that a mobile home is nothing more than a stick-built home sheathed in metal. There’s no reason that they should ever really wear out, as long as they

are adequately maintained. I also found that even a 1950s model – with new paint and carpet – had a unique retro charm, which has escalated in recent times.

It’s bad to be too close to your property

This was a very important lesson learned. It took me a year to figure it out. That first property was only about 15 minutes from my house, so I sat in the office there every day, thinking I was imparting value. After about a year I realized that my being there had been completely meaningless. All I was doing was renting land – and the occasional home – and my physical presence had no value add. On top of that, by being there every day, I started coming up with all kinds of stupid ideas to rationalize my presence. There was the time I painted the laundry buildings three different times because I didn’t like the shade of green. Or the time I hired the architect to brainstorm ways to improve the looks of a flat-roof trailer – and nearly painted all the homes terracotta, their doors turquoise, and re-named the property “Little Santa Fe”. Once I had figured out that you only need to physically be in your property a couple times a year, I was able to rapidly expand my portfolio, using technology and systems to replace physical presence as my management solution.



The impact of bad management is vast and has both good and bad attributes

My first property was the epitome of bad management when I bought it. Here’s an example. The seller was paying the cable television for every lot in the property, including the 40 vacant lots. It cost around \$3,000 per month. I canceled this amenity and then found that, of the 43 occupied lots, only about 10 of them were not on DirectTV. Basically, the seller had been paying for nothing. While most people think that there’s no way an owner could be that out of touch, it’s a fact that there are more sellers with \$5,000 per month water leaks and \$100+ under-market rents than there are those who are running things

Early Industry Observations Formed From My First Community Purchase cont.

correctly. The good news is that this creates huge financial opportunity. The bad news is that it can put you in strange circumstances, such as the Saturday night wrestling ring. Don't strive to be liked, only respected

During that time in the community office (a little single-wide), I would have residents come in constantly with the sole intention of trying to brown-nose me into letting them not pay the rent, or take over the neighboring vacant lots for their outdoor space. There was a direct correlation between the residents that wanted to pretend to be my friends and those that were trying to use me. What I learned was that the goal of the landlord should not be to be liked, but only to be respected for following rules that treat all residents the same and for being a good steward of the property. In addition, I found that many of the problems with the business – such as universally free cable TV – were the direct result of the seller trying to be a friend and not a landlord.

Conclusion

I learned more than I would have ever imagined from that first community purchase. Sitting in the office for a year was a true eye-opener, in which I learned some major lessons that shaped my views on the industry and – contrary to what people expected – did not scare me off. If anything, it further strengthened my confidence in the business model and affirmed my future course of action.



Frank Rolfe has been a manufactured home community owner for almost two decades, and currently ranks as part of the 5th largest community owner in the United States, with more than 23,000 lots in 28 states in the Great Plains and Midwest. His books and courses on community acquisitions and management are the top-selling ones in the industry. To learn more about Frank's views on the manufactured home community industry visit www.MobileHomeUniversity.com.

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Time To Relax Marijuana Testing For Manufactured Home Community and Retail Center Employees?

By Kurt D. Kelley, J.D.

A strengthening economy is a good thing from most perspectives. However, that's not always so for businesses looking to hire quality employees. Today's unemployment rates are low. And in many areas of the country, they are historically low. As a result, when you are hiring today, it's unlikely you are getting the pick of the litter.

Is it now worthwhile to consider marijuana users as employees in jobs not involving heavy machinery or dangerous processes? Marijuana use is now legal in nine states plus Washington, DC. These states account for 20% of all Americans. As a consequence, the number of employers screening for marijuana use is dropping.

Business managers in states that have legalized either recreational or medicinal marijuana are leading the way on dropping drug tests. A survey last year by the Mountain States Employers Council of 609 Colorado employers found that the share of companies testing for marijuana use fell to 66 percent, down from 77 percent the year before. This is simply because drug testing further restricts a tight employee candidate pool. In surveys done by the Federal Reserve last year, employers cited an inability by applicants to pass drug tests among reasons for difficulties in hiring. Failed tests reached an all-time high in 2017, according to data from Quest Diagnostics Inc. AutoNation and the "Denver Post" both recently ended pre-employment drug screening for all non-safety sensitive positions.

Erin Kelley, an employment placement professional in Denver told me, "My only clients that do drug tests are in highly regulated industries such as government, medical, and some large telecom. Most small companies don't care to pay for it or care about the outcome. But the number of people failing drug tests due to marijuana use has risen." Former FBI Director James Comey even half-joked that the FBI may need to reevaluate its drug testing program in order to recruit the best employees.

A friend of mine who manages a home manufacturing plant in Mississippi reported to me last year that the vast majority of their job applicants failed their drug screening test. Because of their heavy construction work and use of so many dangerous lifts, tools, and equipment, he is compelled to test for illegal drug use and exclude all those from consideration that fail. Ford Motor Company and Burger King publicly continue their firm no drug use policies, too.

Marijuana-averse employers have a notable ally in U.S. Attorney General Jeff Sessions. Sessions rescinded the Obama-era policies that allowed state-legalized cannabis industries



to flourish. Employers may also earn discounts on workers' compensation insurance for maintaining a drug-free workplace by, in part, drug-testing workers. But the savings, if any, varies greatly by job classification. A job in an office setting or light duty job such as a community manager or home salesperson won't usually save workers compensation insurance costs by using marijuana drug screening. Accordingly, potential employers of park managers, home salespersons, and administrative staff may not need to be so restrictive.

At \$30 to \$50 each, drug test direct expenses aren't bad. But their potential cost to employers where recreational marijuana usage doesn't directly imperil job performance may be much higher. So for those of you hiring for positions that don't involve using heavy equipment or involve handling sizable sums of money, evaluating your employee drug screening rules is likely smart business. That said, an employer should not publicize that they don't do drug screening, else they will likely have a disproportionate amount of drug using applicants. And employers should always retain the right to test for drug usage after a work-related accident or if an employee comes to work notably impaired.



Kurt D. Kelley, J.D.

Kurt is President of Mobile Insurance and Expert Climate Control, a lawyer, and an insurance agent licensed in 46 states. You can contact Kurt at kurt@mobileagency.com

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Do You Understand the Risks of Fair Housing and ADA?

By Donna Rishel

Over the last ten years, I have headed the effort by Rishel Consulting Group to help community owners and independent retailers put together their required Compliance Management Systems to fulfill their federal, state, and local regulatory burden requirements. While we don't know of all regulatory actions, we are aware of about 3,000 such actions where retailers and community owners have run afoul of various regulators from issues ranging from Safeguards violations to OFAC and AML violations as well as a variety of other problems. When caught, the fines and penalties have been substantial, but the frequency of getting caught has been fairly low.

What I have been seeing over the last three years is alarming. The rise in regulatory actions and lawsuits as a result of Fair Housing and Americans with Disabilities Act violations is far greater than all of the other compliance areas we cover put together. One community operator, before coming to us for help, told my husband that he was budgeting \$3,000 per month for each community he owned to cover fines, penalties and lawsuits and he owns over 20 communities. Other operators have been coming to us for help who have been sued and the total of monies paid out now exceed \$3,000,000.00 and is growing every day.

Perhaps our company should accept some of the blame for this because we have not made publicizing this a priority for us, but we have done some education on this topic at state trade association meetings and at other industry events like George Allen's International Annual Round Table, the Louisville Show, and other events. The problem from our perspective is this not the mainstay of our business so most of our educational efforts have been elsewhere.

Rick Robinson of MHI has been talking about it for a couple of years now and trying to warn owners of the danger, but most of his efforts must, by the very nature of the venues and MHI's philosophy are often limited to one hour appearances which give him time to warn people of the dangers but little time more than to recommend that to solve the problem, people need to talk to us for help. While that is not a bad thing, it is human nature to put off such things unless the operator fully understands the level of risk that seems to be growing.

Those of you who know me, know that I have only been a part of the manufactured housing industry for about ten years,



but you also know that my husband, Ken, has been a part of this industry for over 40 years and that he is passionate about the industry and has instilled some of that same passion in me as well. So, I have decided to devote part of my time to increasing industry awareness of the growing risks presented by Fair Housing and the Americans with Disabilities Act to our industry. I am starting with a series of articles in industry publications, and, provided reader feedback encourages them to continue to print those articles, I will be contributing on a regular basis. I will also be taking questions via email and responding with answers in future columns.

So, let's get started. It is important to know that when it comes to these two federal laws, that those laws are added to by means of rules, regulations, and letters of advisement. In addition to federal laws, there are often state laws and local laws that add even more complexity to the issue. A community owner that operates in multiple cities and states will often need multiple policy and procedure manuals as well as multiple sets of forms to deal with the changes from place to place. Employee training will certainly vary from state to state, as will the regulators that must be dealt with. So too will the so called "not for profit" groups looking for lawsuits.

Based on what I know so far, HUD, one of the federal regulators, almost never gets involved directly, but does make many referrals to state agencies. (Almost never does not, however, mean never.) State and local agencies vary in their aggressiveness. Areas where liberal political

Do You Understand the Risks of Fair Housing and ADA? cont.

philosophies prevail tend to be more aggressive, but individual local regulation is often at odds with state policies. As a general rule, the larger the population base of the area, the more aggressive the regulators are going to be.

The biggest risk operators have seemed to face however, come from customer or tenant lawsuits originated and sponsored by these so called "not for profit" consumer protection groups that are actively looking for situations that will allow them to sue community owners and/or retailers successfully. Under law, they are allowed to keep 40% of any settlement or award they get for the customer or tenant, so this is very profitable for them and a strong incentive to seek out situations. I am aware of one such "consumer protection group" that is averaging 90 settlements a month on top of the lawsuits that actually go to court. There is big money in this for them and they are getting better at extracting it.

On background it is also important to know that the Fair Housing laws are separate and different from the Americans with Disabilities Act so different strategies for dealing with them must be created. It is also important to know that the Civil Rights Act of 1866 also governs some of this, as do later revisions of it, and while it only applies in limited scope, it has more powerful penalties if it can be invoked.

I think that one of the reasons that most retailers and community owners aren't as worried as they should be about these laws is because they do not believe that the way they do business discriminates against anyone. My husband has often said, "Any smart community owner only cares about two things - getting paid as agreed and that the tenants and their families follow the community rules". While that may be true, Fair Housing compliance means more than avoiding obvious discrimination, and that attitude does nothing to address most of the pitfalls of the Americans with Disabilities Act.

My next article will address the differences between pets, service animals, and support animals. If you have questions, please either email them directly to me with MH Review Question in the title line or send them to MH Review for forwarding to me.

Donna Rishel is a Certified Compliance Consultant, and a Certified Compliance Officer Trainer and is in charge of the Compliance Management System development at Rishel Consulting Group. She has an M.S. and B.S. in Education and has completed many certification programs from various compliance professional associations. She and her staff have worked with thousands of entities in the manufactured housing industry on their compliance issues and she has been a featured speaker at many state trade association events as well as at other industry events.



Event Notification – Financing Hud-Code Homes

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MHI Announcement U.S. Senate Passes Bill Giving Industry Relief from the Dodd-Frank Act

Today, the U.S. Senate passed legislation clarifying that a manufactured housing retailer or seller is not considered a mortgage “loan originator” simply because they provide a customer with some assistance in the mortgage loan process. This provision was included in S. 2155, the “Economic Growth, Regulatory Relief and Consumer Protection Act,” a package of reforms intended to improve the national financial regulatory framework and promote economic growth. MHI worked closely with Senator Joe Donnelly (D-IN), author of the Preserving Access to Manufactured Housing Act (S. 1751) and long-time supporter of manufactured housing, to include this important consumer access provision from his bill in the legislation which passed the Senate. The legislation passed with bipartisan support by a vote of 67 to 31.

The passage of S. 2155 by the Senate is a result of MHI’s longstanding efforts to protect manufactured housing retailers and sellers from being liable under federal consumer protection mortgage rules for the loan portion of a consumer transaction. As long as a retailer or seller does not receive compensation or gain related to the loan, they are not considered a loan originator simply because they help the borrower in identifying potential lenders or provide minimal assistance in the loan process.

MHI’s government affairs team worked diligently on Capitol Hill with Senate leadership and champions of manufactured housing to secure passage of this important provision. The grassroots outreach from MHI members and state executive directors – totaling more than 3,000 calls/emails – was instrumental in helping Senators understand the importance of this provision to their constituents. These efforts also helped to prevent an amendment offered by Senator Ron Wyden (D-OR) to strike this language from the bill from being considered during floor debate.

U.S. Senator Joe Donnelly said, “For many hard-working Hoosiers and Americans, manufactured housing provides the most affordable option available when they look to buy a home. I’m pleased the bipartisan regulatory relief legislation that I helped craft and that passed the Senate Banking Committee includes a provision based on my Preserving Access to Manufactured Housing Act (S. 1751). This measure would help prevent federal regulations from getting in the way of financing that families need as they step into homeownership.”

During Senate debate, Senators Pat Toomey (R-PA) and Thom Tillis (R-NC) each delivered powerful and persuasive

statements about the importance of manufactured housing as an affordable housing option and urged their colleagues to support this important bill.

The manufactured housing provision contained within S. 2155 was supported by the National Association of REALTORS® (NAR) and the Mortgage Bankers Association. In its letter to the Senate, NAR’s President Elizabeth Mendenhall stated, “In many areas of the country, manufactured homes are the best option for quality affordable housing. REALTORS® support clarifying that manufactured home retailers and salespersons are not loan originators.”

The inclusion of this language in the Senate’s financial regulatory relief package is the result of MHI’s persistent efforts. In addition to the Senate regulatory reform package, H.R. 1699, the Preserving Access to Manufactured House Act, which includes a similar provision to S. 2155, was passed by the U.S. House of Representatives on December 1. This language was also passed as a part of the House’s financial reform package (H.R. 10) in June. In September, the House also passed the bill’s provisions as a part of its Fiscal Year 2018 Appropriations package.

The House and Senate will next need to work together to reconcile differences between the House and Senate regulatory relief bills, in order to agree on identical language, so that a bill can be sent to the President for his signature and enactment into law.

If you have any questions, please contact MHI’s Government Affairs Department at MHIgov@mfghome.org.



The Powell Fed: A New Era - Where Are Interest Rates Heading ?

By: Brian S. Wesbury

In the history of the NCAA Basketball Tournament, a 16th seed has never, ever, beaten a one seed...until this year. But, on Friday March 16th, the University of Maryland, Baltimore County (UMBC) beat the University of Virginia - not just a number one seed, but the top ranked team in the USA.

We don't expect the unexpected, however, when the Federal Reserve finishes its regularly scheduled meeting on Wednesday. Based on the federal funds futures market, there is a 100% chance that the Fed will boost the federal funds rate by 25 basis points, to a new range of 1.5% to 1.75%.

The markets are even giving a roughly 20% chance that the Fed raises rates 50 basis points. That's better odds than UMBC had, but we suspect it's highly unlikely given that this is Jerome Powell's first meeting as Fed chief.

The rate hike itself is not worrisome. It's expected and, at 1.75%, the federal funds rate is still below inflation and the growth rate for nominal GDP. There are also still more than \$2 trillion in excess bank reserves in the system. The Fed is a very long way from being tight.

Instead, investors should focus on how the Fed changes its forecast of what's in store for the economy and the likely path of short-term interest rates over the next few years.

Back in December, the last time the Fed released projections on interest rates and the economy, only some of the policy-makers at the Fed had incorporated the tax cuts into their forecasts. Prior to the tax cut, the median forecast from Fed officials expected real GDP growth of 2.5% in 2018 and 2.1% in 2019. Now that the tax cut is law, we expect Fed forecasters to move those estimates noticeably higher, to near 3% growth for 2018 and 2019, which should lower unemployment forecasts.

In December, the median Fed forecast was that the jobless rate would reach 3.9% in the last quarter of 2018 and remain there in 2019 before heading back to 4.6% in following years.

We're forecasting the unemployment rate should get to 3.3% by the end of 2019, which would be the lowest since the early 1950s. Beyond 2019, it's even plausible the jobless rate goes below 3.0%, as long as we don't lurch into a trade war or back off tax cuts or deregulation.

We doubt the new Fed forecast gets that aggressive, but with the jobless rate already at 4.1%, faster economic growth should push Fed forecasts well below 3.9% in spite of faster labor force growth.

For the Fed, lower unemployment rates mean faster wage growth and higher inflation. This may force a change in the Fed's "dot plot," which puts a dot on each member's expected path of short-term interest rates.

Back in December, the dot plot showed a median forecast of 75 basis points in rate hikes this year - basically, three rate hikes of 25 bps each. Four Fed officials expected four or more rate hikes in 2018, while twelve expected three or fewer. This time, we expect the dots to show a much more even split between "three or fewer" and "four or more."

At present, the futures market is pricing in three rate hikes as the most likely path this year, with a 36% chance of a fourth rate hike (or more). Look for the market's odds of that fourth rate hike to go up by Wednesday afternoon, which means longer-term interest rates will also likely move higher.

In addition, the markets will be paying close attention to Jerome Powell's performance at his first Fed press conference. With journalists planning "gotcha" questions, some negative headlines could result. If so, and if equities drop, the smartest investors should treat it as yet another opportunity to buy.

Since 2008, the Fed has embarked on unprecedented monetary ease. Rather than boosting the actual money circulating in the economy, however, quantitative easing instead boosted excess bank reserves, which represent potential money growth and inflation in the years ahead.

The Fed has decided that it can pay banks to hold those reserves, and not push them into the economy. Four rate hikes in 2018 mean the Fed will be paying banks 2.5% per year to hold reserves. Never in history has the Fed tried this. The jury is out. The Fed thinks it will work, we're not so sure. The odds of rising inflation in the next few years, because of those excess reserves, are greater than the chance of a number 16 seed beating a number one seed. Granted, that's not high odds, but we suggest investors, especially in longer-dated fixed income securities, should be worried. Stay tuned.



Brian S. Wesbury, Chief Economist, and Robert Stein, Deputy Chief Economist with Morgan Stanley. Brian Wesbury is an American Economist focusing on macroeconomics and economic forecasting, and regular author with the "American Spectator" as well as a regular on such television stations as CNBC, Fox Business, and Bloomberg.



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MHI Secures Another Legislative Victory: Spending Bill Requires HUD to Rethink Manufactured Housing Directives and Report Findings to Congress

Today, President Trump signed a \$1.3 trillion "omnibus" spending package to fund the government through September 30, 2018. The bill contains a provision addressing the negative impact that the U.S. Department of Housing and Urban Development's (HUD) policies and regulations are having on manufactured housing.

A top priority of MHI has been creating a more cooperative regulatory environment at HUD for manufactured housing. Due to MHI's efforts, the omnibus bill directs HUD to review its add-on letter for garages and carports, the proposed interpretive bulletin on frost-free foundations, and the on-site completion of construction rule and "develop a solution that ensures the safety of consumers and minimizes costs and burdensome requirements on manufacturers and consumers." The bill also directs HUD to "explore if state and local planning and permitting agencies should have jurisdiction over [these issues] and to provide a report to the House and Senate Committees on Appropriations within 120 days."

This directive comes from an amendment offered by Representative Andy Barr (R-KY) when the spending bill first came before the U.S. House of Representatives last September. That amendment was passed unanimously.

Passage of this congressional directive represents MHI's continued efforts with the White House, HUD and Congress to change the Department's approach to the regulation of manufactured housing. MHI and its members are working to ensure Congress and the Administration clearly understand the negative impact of these HUD actions on consumers' ability to access affordable manufactured housing.

In hearings before the U.S. House and Senate this week, HUD Secretary Carson expressed his commitment to addressing the negative impact that HUD policies and regulations are having on manufactured housing. Calling the current regulations "ridiculous," Carson said that HUD has "put a moratorium on [the regulations] and we are inspecting from top to bottom all those regulations right now and getting rid of a lot of them."

MHI has presented Secretary Carson and his senior leadership with a series of recommendations to improve the regulatory climate for manufactured housing at HUD, including during face-to-face meetings and through detailed letters enumerating ways that HUD has overstepped its authority in rules, directives, interpretations, actions and policies governing the design, construction and installation of manufactured homes. In addition, MHI has facilitated a grassroots advocacy effort so members of Congress and HUD officials could hear from voices in communities across the country about the negative impact of HUD actions on manufactured housing.

MHI will continue to work with Congress and the Administration's key housing leaders to achieve a more cooperative regulatory environment and to ensure HUD regulations and policies for manufactured housing do not unnecessarily burden the production or affordability of this important form of housing.

If you have any questions, please contact MHI's Government Affairs Department at (703) 229-6208 or MHIgov@mfghome.org.

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RV/MH Hall of Fame Sets Dates and Agenda for the 2018 Induction Dinner



Christiana Creek Country Club to Host 2018 Golf Classic Fundraiser



ELKHART, Ind. -- The RV/MH Hall of Fame's Annual Induction Dinner honoring the Class of 2018 will be held on August 6, 2018, at the Hall of Fame's Northern Indiana Event Center in Elkhart, Indiana, according to Darryl Searer, president, RV/MH Hall of Fame (Hall).

Searer said, "Our 2018 Induction Dinner celebration begins at 5:30 p.m. with a cash bar cocktail party, followed by the dinner and induction ceremonies at 6:30 p.m. . Invitations are extended to all friends and colleagues of the inductees, as well as all industry associates and I hope a record number will join us this year in honoring these outstanding industry innovators who have had a major impact on our professions and lives."

Those being inducted in the Class of 2018 include:

RV Inductees

- Derald Bontrager
Jayco Corporation
- Roger Faulkner
General Coach Canada
- Gregg Fore
Dicor Corporation
- Rebecca (Becky) Lenington
Pennsylvania RV and Camping Association
- Daniel R Pearson
Pleasureland RV

MH Inductees

- Michael A. Cirillo
Star Management
- Darrel Cohron and Harrel Cohron (deceased)
Cohron's Manufactured Homes
- John Evans
California Manufactured Housing Institute (CMHI)
- Gub Mix
Idaho, Utah, Nevada and Arizona State MH Associations
- Bill Wilson
Cherry Hill Homes, Inc.

In addition to the Induction ceremony, the 2018 Golf Classic Fundraiser returns to Christiana Creek Country Club in Elkhart in the morning of August 6th. The event kicks off with a shotgun start at 8:00 a.m. and then caps off with a luncheon and awards presentation following golf.

Searer also mentioned that the Hall is seeking sponsors for the various Induction Dinner events as well as for the golf tournament. He added, "Watch your email and RV & MH publications for an invitation to register online for the Induction Dinner and/or the Golf Tournament."

For more information please visit: www.rvmhhalloffame.org. or Contact: Ryan Szklarek at the RV/MH Hall of Fame located at 21565 Executive Parkway, Elkhart Indiana 46514. Toll free 800-378-8694.

"MHARR Leadership Continues to Produce Results for Industry"

Issues and Perspectives
By Mark Weiss

MHARR, as an organization, has always been tasked with being a leader on the issues it addresses. Established by industry pioneers in 1985, MHARR was not designed, and was never intended to be, a status quo organization given to complacency, pulling punches, or "going along" with regulators, industry detractors, or anyone else. It was formed, instead, to be an aggressive fighting force on behalf of manufactured housing industry businesses.

MHARR's primary "objective," from day-one, as its Charter attests, has been to "oppose abusive [regulatory] practices." In pursuing this mission, MHARR's principal focus has always been the federal manufactured housing regulatory program. But the HUD program is not, and never has been, MHARR's sole focus, as government activity (or inactivity) in other areas, such as consumer financing, placement and development issues, and others, have had - and continue to have - a significant (negative) impact on the industry and especially its smaller businesses.

While the fight to protect, defend and advance the HUD Code industry took a major step forward with the enactment of the landmark Manufactured Housing Improvement Act of 2000, the years that followed, and particularly the eight years of the Obama Administration, were difficult, as HUD was able - sometimes with the tacit support of some in the industry - to evade, distort, or ignore major statutory reforms, including: (1) the requirement for an appointed, non-career program administrator; (2) mandatory Manufactured Housing Consensus Committee (MHCC) review of all proposed standards, regulations, interpretations and other changes to HUD policies, procedures and practices; (3) the requirement for "separate and independent" contractors; (4) limitations on the scope and nature of "monitoring;" (5) enhanced federal preemption; and (6) the absence of full and fair competition for program contracts, as exemplified by the 40-year-plus program "monitoring" contractor, among other things.

Very early in 2016, however, and well prior to the election of President Trump, MHARR began to recognize - based on painstaking evaluation and analysis of the President's specific campaign positions - that there would be an unprecedented opportunity under a Trump Administration to change the focus, direction and leadership of the federal manufactured housing program based on the letter and intent of the 2000 reform law, to stop excessive or unreasonable regulations

(and regulatory "interpretations"), and to roll-back other aspects of federal regulation that needlessly increase the cost of manufactured housing while doing little or nothing for consumers. Now, slightly more than a year later, with the 2016 election having made MHARR's recognition of this opportunity and its corresponding plan of action a reality, the results of that plan of action can be assessed.



Objective: Reassign and Replace Hud Program Administrator

MHARR, immediately upon the election of president Trump - and alone within the industry - publicly called for the re-assignment and replacement of HUD manufactured housing program administrator Pamela Danner. In a December 1, 2016 communication to Vice President-Elect Pence (heading the Administration's transition team), MHARR formally sought the reassignment of Ms. Danner and the appointment of a new non-career program administrator. MHARR explained at the time, "[T]he appointment of a non-career manufactured housing program administrator - in accordance with the 2000 reform law and, just as importantly, the policy perspectives of the President-Elect -- is essential to revitalize this program, ensure the full and proper implementation of the 2000 reform law, and re-energize an industry which has suffered unprecedented production declines over the past decade-plus."

MHARR reiterated the urgent need - and necessity for - the appointment of a new, non-career program administrator once again on December 6, 2016, and subsequently raised this matter in every interaction it had with Trump Administration officials at HUD. Others in the industry, by contrast, were publicly silent on this desperately-needed change through most of 2017

As a result of MHARR's public leadership on this matter from the outset, the prior manufactured housing program administrator, as announced by HUD in late 2017, was re-assigned within the HUD Office of Single-Family Housing, and replaced on an interim basis by the program's Deputy Administrator, with further action pending on a permanent replacement. While this initial result is consistent with MHARR's goals, it could have been achieved much earlier if MHARR's public call for a new administrator had been supported by the rest of the industry. Nevertheless, as this process plays-out, MHARR will continue to seek the appointment of a qualified and appropriate non-career program administrator.

Objective: Freeze, Review and Reform Hud Regulations

The day after the 2016 election, MHARR publicly called for a new approach to HUD regulation, stating: “A fresh approach to unnecessary and needlessly-costly federal manufactured housing regulation along the lines stated by the president-elect, requiring legitimate, ground-up evidence to support any new – or existing regulation – showing both the need for regulation and real benefits for consumers ... rather than wasteful and unnecessary make-work for entrenched contractors, would have a tremendously positive impact on the manufactured housing industry and the Americans who rely on manufactured housing...” (Emphasis in original). A week later, in a November 18, 2016 communication to HUD, MHARR called for an immediate freeze on all pending HUD manufactured housing regulations including, most particularly, its proposed “Frost-Free” Installation Interpretive Bulletin (IB), based on a November 15, 2016 notice from Congress calling on all federal agencies to defer any activity to “finaliz[e] pending rules or regulations.”

Subsequently, less than one month after the election, and anticipating the regulatory reform initiatives set forth in Executive Orders issued after President Trump's inauguration, MHARR targeted specific HUD regulatory and program changes that it would advance on a priority basis, including: (1) major changes to the “on-site” construction rule; (2) withdrawal of the baseless and costly “frost-free” foundation Interpretive Bulletin; (3) retraction of HUD's effort to compel states to alter state-law installation standards; (4) withdrawal of HUD's program of expanded in-plant enforcement; (5) full implementation of enhanced federal preemption under the 2000 reform law; (6) ensuring full and proper funding of State Administrative Agencies (SAAs); (7) restoring collective industry representation on the MHCC; and (8) termination of

HUD's 40-year-plus dependence on the same revenue-driven enforcement contractor, and replacement of the current de facto sole-source program contracting system with one based on full and fair competition.

Again, these priorities were stressed in all subsequent MHARR communications, contacts and meetings with new Trump Administration officials at HUD, culminating, ultimately, in a full regulatory freeze. This was followed, on May 15, 2017, by a departmental-level regulatory review of all existing and pending regulations and “regulatory actions” under Trump Administration Executive Orders (EOs) 13771 (“Reducing Regulation and Controlling Regulatory Costs”) and 13777 (“Enforcing the Regulatory Reform Agenda”). Based on its post-election strategy, MHARR filed comprehensive comments in this proceeding, seeking fundamental change within the HUD program, including, among other things, the modification or withdrawal of specific existing and pending regulations, pseudo-regulatory actions and regulatory “interpretations;” the re-assignment and replacement of the then-program administrator; and fundamental reform of all program contracting procedures.

MHARR reasserted and expanded on all of these points when HUD, on January 26, 2018, announced a program-specific, “top-to-bottom” review of all existing and pending manufactured housing regulations and “regulatory actions” (which had been sought by MHARR since early 2017). MHARR filed comprehensive comments in this proceeding on February 20, 2018, and strongly reiterated the need for fundamental program reform in a January 29, 2018 face-to-face meeting with HUD Secretary, Dr. Benjamin Carson.

Here again, while others in the industry have made a show of embracing “regulatory reform” after decades of “going-along-to-get-along” with HUD (and other) regulators, aggressive advocacy for regulatory reform has always been MHARR's primary focus. And with an Administration now in office that has pledged to “deconstruct the regulatory state,” the time has never been better to pursue and achieve fundamental change. With the results of HUD's EO 13771/13777 manufactured housing program regulatory review still outstanding, MHARR will continue to aggressively seek the fundamental reform that is essential for strong industry growth and production levels in the hundreds-of-thousands of homes annually.

“MHARR Leadership Continues to Produce Results for Industry” cont.

Objective: Withdrawal of the Proposed Doe “Energy” Rule

Unlike other manufactured housing industry organizations, MHARR has opposed the manufactured housing “energy” rule proposed by the U.S. Department of Energy (DOE) on June 17, 2016 from its inception. MHARR cast the only “no” vote against the proposed rule during the supposed “negotiated rulemaking” process conducted by DOE (but instigated, encouraged and advanced by others in the industry) in 2014 and 2015, and in August 8, 2016 written comments, exposed both that “process” and DOE’s alleged “cost-benefit” analysis to be a baseless sham, contrived to support a pre-ordained result.

Following the election of President Trump, MHARR immediately expanded its aggressive fight against this proposed rule that would needlessly add \$6,000.00 or more to the retail cost of a new manufactured home. Ten days after the election, MHARR called on DOE to defer further action on the proposed rule based on Congress’ November 15, 2016 regulatory moratorium request to federal agencies. Later, in July 14, 2017 written comments submitted to DOE as part of DOE’s EO 13771/13777 regulatory review process, MHARR reiterated its call for the withdrawal of the proposed rule based on all of its previous arguments, as well as the Trump Administration’s withdrawal from the 2016 “Paris Climate Accord,” which formed the specific basis for the June 17, 2016 proposed manufactured housing rule.

This consistent opposition by MHARR, even while others within the industry were silent or supportive, was ultimately rewarded in mid-2017, when the proposed rule was downgraded to a “long-term” action in the Spring edition of the federal Semi-Annual Regulatory Agenda (SRA), and more significantly, to an “inactive” regulatory proceeding in the latest December 2017 SRA. While not conclusive yet, this re-designation of the proposed “energy” rule to “inactive” status could indicate that the new DOE leadership is cognizant of the many fatal flaws inherent in the proposed rule, and will not proceed with that rule as published.

Objective: Full Implementation of the “Duty To Serve”

While the election of President Trump has ushered-in policies designed to reduce or eliminate unnecessary, baseless, or excessive federal regulatory burdens, such as those which have needlessly targeted and suppressed the HUD Code industry for decades, specific – and significant -- problems still exist, and still must be met with aggressive action. One such area is consumer financing and the lack of securitization and secondary market support for manufactured home chattel loans that comprise some 80% of the HUD Code market.

Despite being instructed by Congress – through the Duty to Serve (DTS) mandate – to provide support for manufactured home consumer loans, including both real estate and chattel loans, as a remedy for decades of failing to do so, the DTS implementation plans finally submitted by Fannie Mae and Freddie Mac, ten-years after the enactment of DTS, are entirely inadequate. Citing a lack of data (which exists, in part, due to their own failure to support manufactured home lending), the GSEs have proposed chattel loan “pilot” programs that would entail purchases of just over 1% of the entire chattel market from 2018-2020.

And now, even this meager, begrudging and unacceptable “implementation” of DTS could be diverted – in whole or in significant part – to a secretive “new class” of home project being pursued by the industry’s largest corporate conglomerates. By the admission of its proponents, this “new class” of home (with a price-tag reaching a non-affordable \$220,000.00) has already been pitched-to and “well received” by Fannie Mae and Freddie Mac, which have repeatedly exposed their deep prejudice against traditional, affordable manufactured homes and manufactured housing consumers.

MHARR, however, is determined to pursue the full, market-significant implementation of DTS (which exists because MHARR provided the policy impetus and the language for the DTS mandate). MHARR is already seeking congressional review and accountability regarding DTS and its long-delayed and clearly inadequate “implementation.” And that same effort and activity will now seek answers and accountability regarding the supposed “new class” of homes, which raises many more questions regarding DTS and the state of competition within the HUD Code industry.

Beyond DTS, however, there are other significant issues that have combined to suppress the availability of manufactured home consumer financing, while simultaneously limiting market competition and exerting upward pressure on interest rates for manufactured housing chattel loans (comprising upwards of 80% of the entire HUD Code market) in particular. These include, but are not limited to, the “10-10” rule for Federal Housing Administration (FHA) Title I lenders instituted by the Government National Mortgage Association (GNMA) -- a HUD entity -- that has restricted entry into the formerly market-significant Title I market to just one or two lenders affiliated with the industry’s largest corporate conglomerate.

“MHARR Leadership Continues to Produce Results for Industry” cont.

And, in addition to these finance-related matters, there are numerous issues pertaining to the full and proper implementation of the 2000 reform law that can, must and will be addressed with the Trump Administration. Among the highest priority of these items is the full and proper implementation of the enhanced federal preemption mandated by the 2000 reform law. This would address not only the preemption of local mandates that are inconsistent with the federal standards, such as fire sprinkler requirements, but also the elimination of exclusionary zoning or placement dictates, which discriminatorily exclude all HUD Code manufactured homes and manufactured homeowners. The 2000 reform law, as MHARR has previously addressed, in detail, provides HUD (and others) with all of the tools needed to stop such discrimination against federally-regulated, affordable housing. Now that the prospect exists for a HUD program that is solidly-grounded in the full and proper implementation of the 2000 reform law, the time is long-past

due for HUD to demand and enforce the non-discriminatory inclusion of manufactured homes in all communities around the nation.

As MHARR stated immediately after the 2016 presidential election, the HUD Code manufactured housing industry has before it an unprecedented opportunity to reform the federal regulatory program to eliminate or reduce unnecessary regulatory burdens, enhance the non-subsidized affordability of manufactured homes and foster production levels in the hundreds-of-thousands of home per year. There will be many battles to face, though, going forward. MHARR, as it has throughout its entire existence, is prepared to lead on these issues and advance the cause of the industry and its consumers. The entire industry, though, has a corresponding obligation and duty to do the same.



Mark Weiss



MHARR is a Washington, D.C.-based national trade association representing the views and interests of independent producers of federally-regulated manufactured housing.

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Mark Weiss is the President and CEO of the Manufactured Housing Association for Regulatory Reform (MHARR) in Washington, D.C. He has served in that position since January 2015 and, prior to that, served as MHARR’s Senior Vice President and General Counsel.

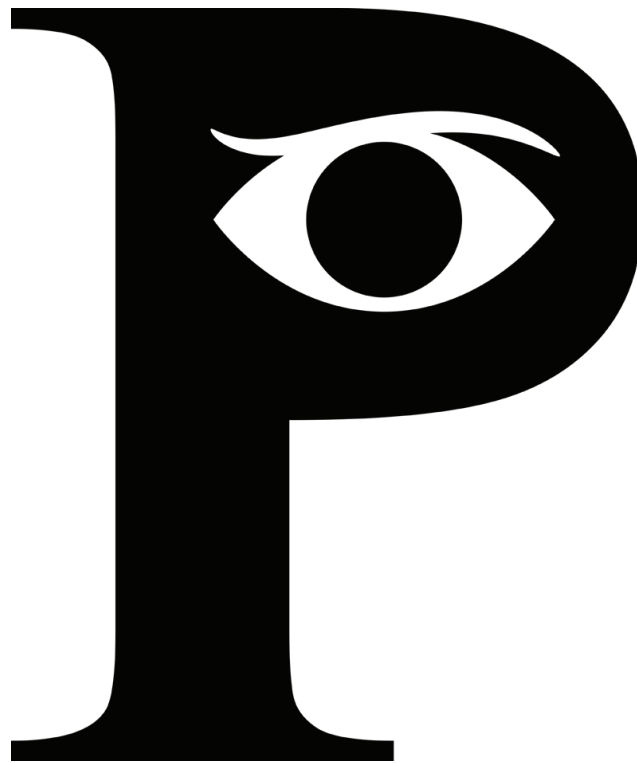
MHARR is a national trade organization representing the view and interests of producers of HUD Code manufactured housing. Its members are mostly smaller and mid-sized manufacturers from around the country. Founded in 1985, MHARR is dedicated to fighting excessive and unnecessary regulation, to protecting, defending and advancing manufactured housing in accordance with federal law, and to preserving the affordability and availability of manufactured housing.

An honors graduate of Rutgers University with a degree in Political Science, Mr. Weiss received his Juris Doctor degree from the

George Washington University School of Law in Washington, D.C. in 1983 and began working on manufactured housing regulatory issues almost immediately as an attorney for the firm of Casey, Scott & Canfield, P.C. -- then General Counsel for the Manufactured Housing Institute (MHI), and later General Counsel for MHARR. Mr. Weiss later became General Counsel for MHARR in his own right and, in 2006, was named as MHARR’s Senior Vice President.

During his career with MHARR, Mr. Weiss has been involved in formulating and supporting MHARR policies with respect to nearly every aspect of the federal regulation of the manufactured housing industry. He played a direct role in the development and passage of the Manufactured Housing Improvement Act of 2000 and has worked to advance the views and interests of the industry’s smaller businesses before Congress, HUD, the federal Manufactured Housing Consensus Committee (MHCC) and other government agencies, boards and committees. In recent years, moreover, given the increasing difficulties of the industry’s post-production sector (including retailers, communities and finance companies), Mr. Weiss and MHARR have become progressively more involved with advancing the regulatory perspective and interests of this important segment of the industry as well. Most recently, Mr. Weiss served as a member of the U.S. Department of Energy (DOE) Working Group on manufactured housing energy conservation standards, voting against those proposed standards -- and leading the industry effort to roll-back those proposals -- that would significantly and needlessly increase the cost of manufactured homes for American homebuyers.

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In January 2018, according to the U.S. Census Bureau, the average price of a new single-family, site-built home with land in America was \$382,700 – up 6.5 percent from January 2017. As the cost of housing rises year over year, families all over the country face a limited supply of affordable options.

"We looked at site-built homes, but for the value and the money and the quality, we were going to have to do without a lot of things," said new homeowner Diane Wood. "That's what did it for us. We got a lot of quality and value for our money."



Diane and Harold



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With an average price of around \$68,100 without land – according to the U.S. Census Bureau -- as of October 2017, manufactured homes offer a promising solution to the affordable housing crisis – and people are starting to take notice. Clayton Built™ manufactured and modular homes are beautifully designed with quality, brand-name materials at an affordable price.



A room with a view

After their retirement, Diane and Harold Wood were looking to build a 'forever home' on their beautiful farm property owned by their family for generations. According to the Home Buyer and Seller Generational Report 2017, "buyers 62 to 70 are often moving due to retirement, desire to be closer to friends and family and desire for a smaller home." Manufactured and modular homes are offered with custom floorplans and upgradeable amenities, including stainless steel appliances and granite countertops.

Initially the Woods were considering a traditional, site-built home for their family property, but found the cost of construction limited their options. That's when they visited a Clayton Homes store and discovered The Cameron, a 1,512 sq. ft. Clayton Built® home with 3 bedrooms and 2 bathrooms. The Woods' home includes a one-story open floorplan, with a beautiful kitchen, center island and recessed ceiling that is perfect for large meals and entertaining. They even chose to upgrade to the Clayton Energy Smart option, which includes high-efficiency insulation, low-emissive windows, a programmable thermostat and several other features that will help reduce utility costs in the years to come.

Homebuying Boomers Invest in Affordable Manufactured Home Trends cont.

The home was delivered by truck to their property, and affixed to a permanent foundation. The Wood family added a garage to the house and a front porch where they sit together every evening. The Woods invited Clayton to visit their new home and talk about the home buying journey. Clayton has released a video documenting their story.

"This is where we're happy," says Diane. "We're porch people, and we just love looking out at the beautiful mountains and the view."



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