

JANUARY 2018

MHR

MANUFACTURED HOUSING REVIEW

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

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Predictions for 2018

The Insider's 7 Tips on Buying Insurance for Your Factory Built Home

Buying Property: Everything is Fine Until It's Not

Revolution: The 2018 New Federal Tax Law

2017 Industry Persons of the Year

Financing Manufactured Home Communities

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Publisher's Letter

By Kurt D. Kelley, J.D.
Publisher

Happy New Year and welcome to the first issue of the **Manufactured Housing Review** for 2018! This begins our 2nd year of publication and this issue offers some of the richest, most extensive content we've ever had the pleasure of publishing. Information on real estate financing options, legal issues surrounding closings, flood risks, estate planning, real estate market trends, the new Federal Tax plan and much more. We are very fortunate to have such accredited contributors and widely published authors.

Enjoy our **2017 Manufactured Housing Review Industry Awards**. Each category highlights specific arenas in our industry but not all so please send in your recommendations for categories and individuals we can add for 2018.

I was going to add George Allen as the book reviewer of the year (his book reviews in the **Allen Letter** are spot on), but

then decided that wasn't quite closely associated enough with the MH industry and George probably gets tired of getting awards anyway.

Congratulations to all our 2017 Award Winners! We are all fortunate to have you in our industry.



Thank You!

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



Webster's defines "prediction" as "to estimate a specified thing that will happen in the future or will be a consequence of something".. We see huge benefit to identifying trends in the New Year, as they become part of our strategy plan, allowing us to harness current forces and amplify them. So what are our main predictions for the New Year?

Stable interest rates with a small increase of ½ percent or so by year end

In a world of uncertainty, one thing we're pretty sure about is that interest rates aren't going much of anywhere. The simple reason is that the U.S. Government is the biggest borrower in the world at \$19 trillion owed, and they cannot afford to let rates go up by much at all. With quantitative easing continuing to supposedly wind down, watch for as much as ½ point of increase in 2018, but that should pretty much be the end of the movie. Interest rates should stabilize at a loan rate of about 5.5% to 6%, which is in-line with historic levels. However, if you're afraid that we might return to the Reagan-era levels of 14%+, then you're wrong, as the U.S. Government would have already dissolved at less than half that, and we'd be back to a hunter/gatherer society.

Cap rates of 7% to 8%

Just as we don't see huge movement in interest rates, we also see stability in cap rates. Except for the top-end REIT properties, which tend to go in the 5% to 6% cap rate range, we think that cap rates on properties will continue in a range of 7% to 8% for the better stuff and 9% to 12% for smaller, more rural, and more difficult turn-arounds. Since the cap rates are a reflection of interest rates, it makes sense that stability in one would yield stability in the other.

Continual dominance by 21st Mortgage in home financing

We expect 21st Mortgage to continue to dominate home financing in 2018. No surprises there at all. While we hope to see Fannie Mae and Freddie Mac promoting chattel lending again in the near future, there is no question that 21st Mortgage has been a live-saver for community owners in providing debt for their - and their customers - home purchases.

Growth of Agency lending

The "Agency" debt offerings of Fannie Mae and Freddie Mac are hugely attractive for purchasing and refinancing manufactured home communities. As more people learn about this type of option - and its many benefits - we expect to see a greater rise in activity. At some point, we also anticipate seeing potential modifications in some of the criteria of these loans, as Fannie

Mae and Freddie Mac get more familiar with our asset type, which should ramp its use up to an even higher level.

Industry consolidation

We expect to see continued consolidation in the manufactured home community sector. This is not a very difficult prediction, as the headlines of major sales are frequently in the news, as are the new faces of private equity groups at all industry events. We would anticipate more announcements in 2018, as investors from other real estate niches realize that manufactured home communities offer greater opportunities than their current holdings. We see this as a positive trend, as our industry is unbelievably fragmented at this point, and having more dominant players breaks down many barriers in the investment community at large embracing our sector as a mainstream type of real estate.

Increasing lot rents across all states

Lot rents in most markets of the U.S. are ridiculously low. We estimate that the national average is around \$280 per month. And that's in a world in which the average apartment is around \$1,200 per month - almost \$1,000 per month more. This spread makes no sense, as most people prefer detached living to attached living, and having a yard to having a balcony. The reason for this is that the apartment industry is very consolidated and sophisticated in their pricing, while most mom & pop community owners put in zero thought or planning to their rent levels, and often leave them unchanged for decades despite the march of inflation. As professional investors begin to dominate the industry, this will end. We believe that lot rents should be at the \$500 level in most markets based on simple economic metrics of supply and demand (which is already the case in Dallas, Denver, and many other cities). Rents will continue to escalate as this "quantitative easing" that moms & pops created comes to a conclusion.

More community re-development

Like many people, we have a search application for any news stories on the industry. And we are seeing at least one story a week of a manufactured home community being torn down for re-development; typically for the construction of an apartment complex. At some point, those who are advocates for keeping rents low will have to acknowledge that low rents often end up with re-development into a use that has higher rents. There is no free lunch. Pushing to keep rents low is pushing for residents to be displaced. Again, a \$500 lot rent would keep most communities in that capacity in the future. I would note that we have sold several communities in Dallas in the past - with some spectacular locations - and they would not be here today if it was not for high lot rents.

Predictions for 2018 cont.

Greater industry focus on resident quality of life

Just as we see rents going up in the future, we also see resident quality of life accelerating. Most professional owners like the idea of giving back to the residents in the form of a nicer entry, better common areas, and tighter community standards. You can, in fact, see a huge difference within just the first few weeks of most community purchases. As the level of play of most communities improves dramatically, this will pay huge dividends in the form of happier city officials, happier residents, and happier lenders. This is a win/win initiative.

Continual erosion of industry naming initiatives

I, for one, am happy seeing a grassroots revolt against the common industry names of "trailer", mobile home", and "manufactured home". I was thrilled to see the new Clayton advertisements in 2017 that used only one word to describe our product: "home". I wrote an article a few years ago in which I asked people to send me their suggestions for a new and more positive name for our product, and the overwhelming winner (and I still get occasional notes from people) was "home". It makes sense. Why would we want to attach additional qualifications to this simple, basic word that has so many positive connotations? We call our units "homes" and our industry "affordable housing communities". Other than SEO, I'm hoping we can all throw "trailer", "mobile" and "manufactured" into the trash can in the years ahead.

More city government tolerance

A natural byproduct of greater community renovations and professional management by professional investors is greater confidence in our abilities by city government. But there's also the fact that further case law has strengthened our position, and a recent ruling by HUD means that cities that are hostile to manufactured housing may also end up with a discrimination suit. You've heard the expression "speak softly but carry a big stick" and that's exactly the position we are now in. We don't anticipate many issues of cities fighting against community owners in 2018 both out of respect and self-preservation.

Better industry management talent

We have been shocked by the number of high-achievement college kids that have engaged us in serious discussion

regarding careers in manufactured housing management in recent times. I once received a late-night call from two Harvard MBA students doing a paper on the industry. Inside of our own company, we have some incredibly talented people who we can't believe we were fortunate enough to obtain, given the typically negative stigma our industry suffers under. We believe that there will be more great talent entering the community industry in 2018, as consolidation brings with it top talent from other sectors, and this attracts others to file suit.

Further mainstream acceptance as an asset class

Here's the big prediction for 2018 - that our industry will make huge inroads into acceptance as a mainstream real estate asset class. Between greater consolidation, better industry talent, higher rents, better city relations, higher quality of life, and Fannie Mae and Freddie Mac debt, we think that we are over the hump in regards to the industry taking its place at the table with all other real estate asset classes.

Conclusion

We think that 2018 is going to be a great year for the industry. We've never seen so many positive forces come together at one time. We're excited to see how this all unfolds over the next twelve months. One thing's for sure: it's going to be an important year in the industry's evolution, and the quality of life for millions of residents hangs in the balance.



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.

"Lot rents are in line with national medians but the growth and market fundamentals are strong so we would expect higher existing lot rents and continued growth."

	DFW Metroplex	National Median*
Occupancy	96%	94%
Avg Lot Rent#	\$479.72	\$477.03
Median 2 BR Apt Rent	\$1090.27	\$934.58
Lot Rent/ Median 2 Bedroom Apt. Rent	44%	47%
Median Income	\$59,902	\$51,591
Lot Rent/ Median Income	8%	11%
Median SF Home Price	\$250,000	\$198,100
Lot Rent/ PI Mortgage Payment@	37%	43%

The following report contains data from 125 communities equalling over 27,000 pad sites in the DFW MSA. The national data is from over 4196 parks equalling over 968,602 pad sites nationwide. *For the data set # Net of utilities- Any utilities or services provided are subtracted @Assuming 3.5% down FHA Loan, 30 year amortization at current rates

Lot Rents:

DFW continues to experience market tailwinds. Lot rents are in line with national medians, but growth and market fundamentals are healthy so that we would expect higher existing lot rents and continued growth.

Compared to Apartments:

Lot rents in DFW are currently 44% of the median two bedroom apartment rents based on the unique address of the community. The national median is 47% with the national average of 51%. Based on market fundamentals, we would expect to see a current average lot rent above \$500.

Apartments rents grew 6% from 2016 to 2017, and roughly 3000 more units were absorbed than delivered, so we would expect to see strong growth in apartment rents thereby the ability for lot rents to grow at even faster levels and remain competitive due to the lack of supply expansion.

Single Family Homes:

October reports from the Texas A&M Real Estate center indicate that the median single-family home price is \$250,000 with only 2.6 months of inventory. With the ever-increasing demand for explosive population growth and currently limited supply, we would expect prices to continue to climb. Zillow indicates that the median price of homes now listed in the metroplex is \$318,000. With home prices outpacing income growth, an affordability gap is forming that would make manufactured housing a more attractive option for a higher income earning resident across the metroplex.

At the current pace and as lot rents adjust to market fundamentals, average lot rents could surpass \$600 as early as 2020. For more info contact Casey Thom or Waylon Grubbs.



Casey began his journey as a real estate investor. He began to focus his investments in Manufactured Housing Communities, allowing him to understand the challenges and opportunities park owners face. He has since shifted gears to focus on park brokerage. Formerly of Marcus & Millichap, Casey joined Sunstone in 2016. In that short time, Casey has closed transactions equalling over thirty communities.

Casey's in-depth knowledge helps him understand the nuances of the product he sells and to give the best possible advice to sellers and investors crossing over, into, or out of Manufactured Housing Communities; He often creates win-win solutions to challenging issues that could otherwise sidetrack deals. An educator at heart, Mr. Thom co-founded the Texco event for community owners and is a published author about matters in the manufactured housing space. He is active in TMHA and CCIM Gulf Coast Chapter.

Casey resides in League City, Texas with his family.





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The Insider's 7 Tips on Buying Insurance for Your Factory Built Home

By Luz Alvizo

Purchasing the right insurance for your factory built home is critical. Without it, you risk losing your home or not having an adequate amount of money to repair it. Here's our top Seven Tips on what to look for when you purchase insurance on your home:

1. Insure your home for its accurate replacement cost. You want to have enough money to purchase a similar replacement home, transport it to your property, and install it in the event of a total loss. Purchase price and tax assessed based values may not reflect the actual replacement cost;
2. Purchase "Replacement Cost" valuation coverage if you can. Replacement Cost will pay for a similar home up to the insured \$\$\$ value in the event of a total loss. It will also pay for the full cost to repair wind and hail damaged roofs, less the deductible. "Actual Cash Value" coverage will only pay for the repair cost less depreciation. This can mean a \$1,000 or more difference in the event you lose your roof to a wind or hail storm. If your home is more than 25 years old, you may have trouble purchasing Replacement Cost coverage;
3. Unless you are near the Coast or in a particularly high wind hazard area, you should purchase insurance from an "Admitted" insurance company (one with no fees or taxes and guaranteed by the state) even if the price is a little higher. Coverage with these companies is usually better and they have legally mandated claims management timeframes they must meet. You'll generally get better and faster claims handling with these companies;
4. Be sure contents and liability coverage are included and your limits are adequate. These extra coverages are generally discounted when you buy them with your home owners insurance package;
5. When offered, buy the flood coverage too. Unlike site built home owners insurance, factory built home owners insurance sometimes includes flood coverage as an option at a discounted rate versus flood insurance purchased from the National Flood Insurance Program. Flood claims are often catastrophic. If your home is destroyed by flood and you don't have flood insurance, you are still obligated to make home mortgage payments;
6. Wind and hail damage to roofs cause a majority of all factory built home owners insurance losses. Make sure your policy doesn't limit coverage for roof damage, or pay you less if your roof is over a certain age; and
7. Buy your insurance via a factory built home owners specialty insurance agent (Like Us! www.MobileAgency.com). They will be faster, offer multiple options, and be more likely to find the best coverage value for you.



Luz is a factory built home owners insurance agent and employed at Mobile Insurance, a leading factory built home owners insurance agency. You can reach her at 800-458-4320, ext. 115 or at Luz@MobileAgency.com. Se Habla Espanol.

Manufactured Home Industry – Award Winners of 2017

Industry Person(s) of the Year - Frank Rolfe and Dave Reynolds

Can there be any two individuals more deserving of the Manufactured Housing Review's "Persons of the Year" than Frank Rolfe & Dave Reynolds? They are the embodiment of the transition of the industry from a fledgling, fragmented enterprise of mom & pop owners to a more structured, planned and professional form of commercial real estate.

From the implementation of on-line listings of manufactured home communities (MobileHomeParkStore.com), and the creation of the nation's 5th largest portfolio of manufactured home communities (MHPFunds), to the creation of the on-line sale of manufactured homes (MHBay.com) and the #1 provider of educational materials covering the industry (MHU.com) - they've literally been the pioneers of the manufactured home community business for the past two decades. Yet most people are surprisingly unaware of their accomplishments.

The majority of manufactured home community buyers today are the product of their books and classes, as well as the recipients of community offerings from MobileHomeParkStore.com. Their residents are selling their homes on MHBay.com, while reading their MHU.com newsletter (which has the largest viewership in the industry by far).

A great number of manufactured home community operators use most of the principles Frank and Dave pioneered, such as "No Pay/No Stay" on collections, or the 60/70 formula for making offers. Frank & Dave are the most sought-after speakers in the industry, the most read authors, and the most prolific community buyers in the history of our sector, having closed, on an average, 1.5 park communities a week for the past two years, and amassing over 27,000 lots covering 25 states. So please, join me in thanking "Frank Rolfe & Dave Reynolds" for their limitless contributions to the manufactured home community industry, and to offer them congratulations for being the MH Review Industry Persons of the Year. No one is more deserving, nor done so much to advance the manufactured housing industry and develop the business we know today.



Best Video of the Year - Brewer Homes of Bossier City, Louisiana - FEMA Home Sales video

Donnie Brewer did a fine job mixing a simple sales message with some dry humor while attempting to sell some FEMA homes. Donnie is a natural in front of the camera. Check it out at <https://www.youtube.com/watch?v=cLTpNIKUCW0> or Youtube search "Brewer Homes Funny"



Best Advertisement of the Year - Clayton Homes - "Who's Laughing Now" Commercial

This is the best industry advertisement we've ever seen. It blends a great feel, product confidence, and some sweet Lumineers music to create a new attitude about factory built homes. This advertisement presents a new perspective on manufactured housing ownership, showing real pride in ownership. You may have already seen it, but it's worth another look. Check it out at <https://www.youtube.com/watch?v=qFkIYKgN9Ng> or YouTube search "Clayton Unveils Have It Made Campaign"



Manufactured Home Industry – Award Winners of 2017

Most Impressive Person of the Year – Joanne Stevens of NAI Iowa Realty

Joanne Stevens owns and manages a real estate brokerage catering to the MH Industry, holds weekly video chats with industry professionals, publishes an excellent monthly newsletter, owns and manages manufactured home communities, serves on her state trade association's Board, and manages to do all this while exhibiting a great attitude and exemplifying the utmost professionalism. Simply put, she's an impressive human being that elevates our industry.



Smartest Person of the Year – Stephanie McAnuff of The McAnuff Group

Stephanie McAnuff published educational and in-depth articles this year on community investing and operations. Her published research on owned utility systems, wastewater treatment systems, community acquisition, and Bitcoin,... (yes Bitcoin investing) are truly educating and insightful.. Find them at www.mcanuffgroup.com/publications. You'll want to archive her publications on community utility systems for future reference. Anyone who can intelligently author an article on Bitcoin investing must be brilliant.



Legislature Whisperer of the Year – J.D. Pendleton of the Texas Manufactured Housing Association

While not as dysfunctional as the U.S. Congress, it remains a mammoth challenge to move a stand-alone bill through the

Texas Legislature and have it signed by the Governor. As in Washington D.C., if one side says it's black, the other side will say it's white. However, Mr. Pendleton did it twice in 2017! First, he secured passage of an expansive new law improving the title and application laws of the state. Secondly, against every anti-Manufactured Home NIMBY in the state, he codified the right of community owners to replace homes that move from their property. Wow! Let's hope this award goes to Dick Jennison, Mark Weiss or Danny Ghorbani on the national level in 2018.



Most Generous of the Year – John Bushman, Ed Lasater and the people at ICA / A1 Homes

When 60inches of rain falls over a period of four days, the loss and suffering are immense. When Hurricane Harvey hit Texas in late August damaging over 100,000 homes, John Bushman and his team headquartered out of Odessa, Texas came to the rescue with a donation of \$1,000,000 for hurricane relief. Some areas saw wind gusts of 130mph and others received upward of 60" of rainfall. John and his team gave when it was needed most. By doing so, they restored some faith in humanity to all who benefitted from or heard about this most generous donation.



On behalf of all in the Manufactured Housing industry, thank you to these 2017 Industry Award winners. You made the industry better and elevated those around you along the way. The industry is ultimately defined by those who are part of it. Your efforts and accomplishments made 2017 even better.

Kurt Kelley, Publisher

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The manufactured housing industry is booming, and nearly 3,000 of the most enthusiastic and active professionals from more than 960 manufacturers, retailers and service providers will be attending and available to talk about their offerings.

Do not miss this chance to cut deals and make big plans for 2018!

The Louisville Show provides all the newest manufactured home designs, features the latest in technology trends, and allows you to pick up, poke at and test the most talked about amenities and home options in the industry.

Kreil Moran
MMHF Chairman

Stay at The Crowne Plaza

Hotel shuttle service is available from the airport to The Crowne Plaza hotel, and from the hotel to the Kentucky Exposition Center. Book now while event rates remain! Mention the Midwest Manufactured Housing Show for discounted room rates.

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The Louisville Show website

The Louisville Show website, sponsored by MHVillage, provides MH Professionals with the latest information and news about the Midwest's largest industry gathering. Go to www.TheLouisvilleShow.com for updated information on registration, schedule, attendees and Louisville attractions.

2018 Louisville Show Hours

Wednesday, Jan. 17

9am – 5:30pm..... Exhibits Open

Thursday, Jan. 18

9am – 5:30pm..... Exhibits Open

Friday, Jan. 19

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KMHI/MHI Appreciation Reception

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The Kentucky Exposition center in Louisville, Ken., provides 1.3 million square feet of vendor, attendee and presentation space. The venue is seven minutes from central Louisville, where those attending the 2018 Louisville Manufactured Housing Show can explore Muhammad Ali Center Museum, Bourbon Trail Tours, The Louisville Slugger and Kentucky Derby museums, as well as droves of amazing restaurants and a vibrant nightlife scene.

Part Two: The Banks

Hello again! I hope everyone enjoyed their holiday celebrations and are looking forward to the new year. To start off the new year, I wanted to bring out the second installment of a five-part series we started in November's issue on financing sources for manufactured home communities. In part one, we took a look at the general parameters that lenders require for financing a MHC and the major four lender types out there. Today, we are going to take a little deeper look at one particular source: Banks.

To start, when I'm speaking about a bank, I'm talking specifically about an organization that will loan you money, but also offers deposit accounts, treasury services, lines of credit, credit cards and all the other activities that a bank (or in some cases, a credit union) offers. What I'm not talking about are the commercial mortgage backed securities products (CMBS) that are sometimes offered by divisions within larger banking institutions (like Wells Fargo or Bank of America). We'll save the CMBS products for a different part in the series.

A bank lender, as we'll look at them today, comes in a couple different sizes and scopes. They are also used for different types of parks. We'll define them here based on the size of lending that they can typically accommodate:

1. Small, local bank or credit union

- Usually has a minimum loan size of around \$250,000, sometimes larger for their commercial real estate operation, but tend to have a lending limit to one customer of \$5,000,000 or so.
- Typically, full recourse. Credit unions are always full recourse (require a personal guarantee), as such is required by the national charter for credit unions.
- Have interest rates in the 5%+ range and amortization in the 15 to 25 year range, with the rate being fixed for fixed of those years and floating thereafter.
- Have a limited geography in which they can lend (defined typically by a radius around their branches), but can do small towns in which they are located.
- Are looking for a relationship (i.e. they want to have deposit accounts as well as a loan).

2. Regional bank

- Usually have a minimum loan size of \$1,000,000, but sometimes will dip to \$500,000; have a higher lending limit, usually around \$20,000,000 per customer.
- Full recourse at higher LTV (65%-75%), but will sometimes do limited or non-recourse at lower LTV (65% and below).
- Have interest rates that range based on SWAP rates (typically high 4% to mid 5% range) with a 3-7 year term (a few can do 10 years fixed) and amortization between 20-30 years.
- Have a larger geography in which they can lend, usually a region of the country (for example, the south east including FL, GA, MS, SC, NC, TN, VA) and prefer mid-to-large markets.
- Are looking for repeat business, but do not necessarily need the deposits.

3. National Bank

- Have the highest minimum loan size (around \$5,000,000), but also have the highest lending limit.
- Have both recourse and non-recourse structures.
- Have the least expensive and most diverse terms of all the lenders, however, you'll need to be a larger player to claim the benefits. Usually +190-240bps (1.90-2.40%) over the corresponding fixed term rate (usually a SWAP) and can do a floating rate all the way up to 10 years fixed, typically 25 to 30 year amortization.
- These larger banks can lend anywhere in the country (some in other countries as well) and prefer larger markets.
- Tend to give their best terms to customers with which they have a larger relationship.

As you can see, banks cover the spectrum when it comes to size, rates, terms and market. The bigger question is when should I use a bank and when should I use another lender type. Here's a helpful cheat sheet:

Use a bank when:

- You are doing your first deal and don't have any real estate experience
- You have a property that needs to be turned around
- You have a small deal (below \$1,000,000) or a deal in a small market
- You have a shorter hold period (selling in 3 to 5 years)

Financing Manufactured Home Communities – A Series cont.

- Want flexibility (banks tend to have minimal prepayment penalties)
- Don't mind recourse (most banks have some level of recourse)

Use another lender when:

- You are looking for high leverage, non-recourse debt (most banks cap their non-recourse at 65% LTV)
- You want longer term fixed rates
- You want to get cash out from a refinance
- You have a larger deal size and do not have deposits or a relationship to develop

Banks form an integral part of any long term operator's financing make up. While they don't solve every situation, a good relationship with a bank in your area can provide a

source of financing that can help in a number of situations. Next time, we'll take a look at the largest lending source in the MH industry today: the Agencies.



MJ Vukovich co-heads the National Manufactured Housing Community finance platform at Bellwether Enterprise Real Estate Capital. He has financed over \$500 million in MHCs as both a principal and lender/broker since 2015 and has been involved in over \$1 billion in real estate transactions in his career. He is also a third generation MHC owner/operator, so he understands the business from an operator's point of view and brings that expertise to the table when he arranges financing. Bellwether Enterprise is a full service mortgage banking/brokerage company who is a direct agency (Fannie Mae, Freddie Mac, FHA/HUD) lender and broker to hundreds of lenders nationwide.

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One word that could describe Donald Trump's unexpected ascendancy to the presidency is - "revolt." Revolt against the "establishment." Revolt against the "status quo."

After all, status quo bureaucracies, tax rates, institutions, regulations, and narratives promised prosperity, yet the economy was mired in slow growth and many felt it was hard to get ahead. Reliably blue states tilted red, and the pendulum swung the other way.

Since 1993, the top federal tax rate on US corporations has been 35%, one of the highest in the world. This has forced US companies to expand overseas. Both sides of the political spectrum knew it was a problem, yet nothing was ever done.

Now the rate is 21%, and full expensing of business investment for tax purposes is law. These changes will boost the incentive to invest and operate in the US, leading to more demand for labor, which means lower unemployment and faster wage growth, as well. From an economic perspective, this is a revolution.

But there's more. We're referring to the new limit for state and local tax deductions. That change, combined with a larger standard deduction, will launch an overdue revolution in the policy choices of high tax states as well as the geographical distribution of business activity.

California's top marginal income tax rate is 13.3%. Under the old tax system, tax payers who itemize could deduct their state income taxes from their taxable federal income. So for the highest earners, the effective marginal rate was 8.0%, not 13.3%. [Deducting 39.6% of 13.3% saved them 5.3%. 13.3% minus 5.3% is 8.0%.]

Politicians in California could raise state income tax rates, and up to 39.6% of the cost would be carried by taxpayers in other states. The same goes for New York City residents, where the top income tax rate is roughly 12.7%.

Now taxpayers are limited to \$10,000 in state and local tax deductions (with a 37% top federal tax rate). The financial pain of living in high tax states is now exposed. California and New York City - and many other high tax jurisdictions - look a lot less attractive than states like Texas, Florida, and Nevada.

This change may limit the measured income and wealth gap in the US between the rich and poor. California and New York don't just have high taxes, they also have a high cost of living. So, if some high earners in these places leave to take lower pay in places with lower taxes and a lower cost of living, the income and wealth gap would narrow.

But incentives work on all institutions, and policymakers in high-tax states have massive pressure to cut tax rates.

Meanwhile, the Supreme Court is set to rule on Janus vs. American Federation of State, County, and Municipal Employees. Based on a similar case from a few years ago, it's likely the Court will rule that all government workers (state, local and federal) will have a choice to pay union dues, or not. We know from experience that, when given a choice, many workers stop supporting the political activities of unions. This would be another force significantly altering the balance of power.

Whether you agree with these developments or not, the U.S. hasn't seen economic policy changes like this in a long time. The forces that support markets and entrepreneurship over government control are reasserting themselves.



Brian is the Chief Economist at First Trust Advisors, L.P. and a graduate of Northwestern University's Kellogg School of Management.



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People within our industry often discuss the appropriate ratio of lot rent to apartment rent. We embarked on a yearlong study to determine that rate. The study consisted of over 4200 communities in more than 140 different geographically diverse metro areas across the US equaling almost one million pad sites.

We needed a standardized approach. Many park owners have different ways of operating. Some include water, sewer, trash, landscaping, cable etc. in their lot rent, while others don't or rebill and recaptured the expenses. To create an apples-to-apples comparison we utilized formulas to strip out any additional costs and compared lot rents only.

Apartment unit sizes vary, each renting at different rates. To standardize this, we chose two bedroom units. Three bedroom units might be a fairer comparison. However, there are far less three bedroom units in existence. As we were merely trying to come up with an accurate ratio for comparison sake, we felt that it would be more accurate to use two bedroom units. We also set geographic constraints based on the unique address of the park, ensured that we had a large enough sample size, and used the median rent instead of the average to ensure outliers didn't impact the results.

Here are some takeaways

- The average occupancy across the data-set was 92%. This reconfirms our belief that there is substantial demand.
- The median lot rent/ 2 bed-room apartment rent(LR/M2BAR) for this data set is 47% with a national average slightly over 50%.
- The highest ratios tend to be in Florida where there are a higher number of 55+ communities with Vero Beach, Florida exceeding 80% LR/M2BAR.
- The lowest ratios are in Lafayette, LA, and Baton Rouge, LA at 20% and 26% LR/M2BAR respectively.

We also tracked lot rent compared to a variety of other economic metrics, such as median income, median home price (PI-mortgage payments). Here are some insights from that data.

- The median annual lot rent/ median income is just below 12%. The highest is Fort Myers, FL at 25% followed closely by Los Angeles at over 22%. Again, the lowest is Lafayette, LA at 5% followed closely by Hastings-Grand Island-Kearney, NE MSA at 6%.

- The median lot rent/ PI mortgage payment is 43%. Some markets including Dayton, OH, Gary, IN, Wayne, MI, and Toledo, OH have lot rents exceeding PI mortgage payments indicating that manufactured home communities are preferred.

There are many ways to utilize the data to understand the real strengths, weaknesses, or opportunities in a marketplace, but one thing is clear, in most markets manufactured home communities provide a necessary affordable option, with continue room for rent growth.

For more information contact Casey Thom at cthomb@sunstonemhc.com.



Casey began his journey as a real estate investor. He began to focus his investments in Manufactured Housing Communities, allowing him to understand the challenges and opportunities park owners face. He has since shifted gears to focus on park brokerage. Formerly of Marcus & Millichap, Casey joined Sunstone in 2016. In that short time, Casey has closed transactions equaling over thirty communities.

Casey's in-depth knowledge helps him understand the nuances of the product he sells and to give the best possible advice to sellers and investors crossing over, into, or out of Manufactured Housing Communities; He often creates win-win solutions to challenging issues that could otherwise sidetrack deals. An educator at heart, Mr. Thom co-founded the Texco event for community owners and is a published author about matters in the manufactured housing space. He is active in TMHA and CCIM Gulf Coast Chapter.

Casey resides in League City, Texas with his family.

¹Utilizing current rates, 30-year Amortization and 3.5% down FHA Loan

Home Building Industry Leaders Convene at Clayton Athens Facility Open House

By Clayton home
building group

Company recognized for creating jobs at innovative, team member-centric home building facility



Clayton home building group, a national home builder and Manufactured Housing Institute's 2017 Manufacturer of the Year, hosted an open house in Athens, yesterday, to showcase its newest, most innovative facility and discuss topics impacting the home building industry.

The 160,000-plus square foot Clayton Athens home building facility was designed to transform industry standards with a focus on team member experiences, sustainability and innovation.

"As the preeminent company in our industry, we have a responsibility to lead the industry," said Rick Boyd, Chief Operations Officer for Clayton home building group. "What we wanted to do was create an environment that showed the best way to lead our team members, to treat our customers and to build our homes."

Jeaneane Lilly, Board President of Athens Economic Development Corporation, was on hand to recognize the facility for bringing 185 new jobs to the area. The AEDC recognized Clayton for fulfilling terms of its incentive package providing over fifty jobs to the area in one year.

"We are pleased that Clayton chose to build a home of its own here in Athens," said Lilly.

Clayton Athens was also recognized by the Texas Workforce Commission as an Employer of Excellence after being nominated by Workforce Solutions East Texas. Robert Haberle,

Chair of East Texas Workforce Development Board presented the facility with their award.

Phillip Smith, Regional Director from the office of Congressman Jeb Hensarling was also on hand to read a personal letter from the congressman.

"This facility will not only affect the lives of your customers, but the community as a whole," stated Hensarling's letter. "In a time when it's essential to our state and our cities to experience growth and prosperity, it's heartening to know that Clayton Homes is successful and I wish you great success in the future."

Industry leaders and influencers were on hand to discuss topics impacting today's home building industry. Among them was Gay Westbrook, VP of Political and Public Affairs for the Manufactured Housing Institute who spoke on the industry's ability to provide a viable solution to the affordable housing shortage.

"This premiere facility illustrates the innovation in the manufactured housing industry, and Clayton...[is] leading the way," said Westbrook. "Their commitment to excellence is one of the reasons they are elevating our industry - it's one of the reasons they were named Manufacturer of the Year nine times by the Manufactured Housing Institute."

With environmentally sustainable building practices, along with the company's focus on providing not only a world-class customer experience, but also a world-class team member experience, Clayton's President and CEO Kevin Clayton explained how facilities like Clayton Athens are elevating the entire manufactured housing industry.

"It is so inspiring to see how much we've done here" said Clayton. "You don't have a chance at delivering an incredible customer experience until you put your team members in a great atmosphere, and a great environment with great leadership— that's when great customer experience happens—and for that I'm very grateful."

Founded in 1956, Clayton is committed to opening doors to a better life and building happiness through homeownership. As a diverse builder committed to quality and durability, Clayton offers traditional sitebuilt homes, modular homes, manufactured housing, tiny homes, college dormitories, military barracks and apartments. In 2016, Clayton built more than 42,000 homes. Clayton is a Berkshire Hathaway company. For more information, visit claytonhomes.com.



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No Wonder I Flooded: Why Sunshine Peak in Colorado May Not Be 14,000 feet Anymore

By Kurt D. Kelley, J.D.
Small Business Owner

In 2017, roughly 30% of all flood insurance claims were from claimants whose property was not within the 100-year flood zone. If you think that's a huge percentage and there must be something wrong, you're right. Flood zones are based on measured elevations which are often overestimated up to three feet. Most measured elevations are expected to lose a few feet. Thus, Colorado's 14,001-foot Sunshine Peak may soon be removed from the 14'ers club.

Fortunately, help is on the way. For the last five years, the US government has been redefining elevations. Using a new method which involves satellites and airborne gravity measuring machines, they are correcting elevation measurements. With expected completion in 2022, the decade long project will provide the most accurate measurements ever.

FEMA will utilize this data to redraw more precise elevation and flood plain maps. "Measurement uncertainties will be within centimeters instead of feet," according to Derek van Westrom, a scientist with NOAA's National Geodetic Survey. Current official elevations date from the 1980's. For hundreds of years, terrestrial elevations were measured by hand from sea level using rulers, levels, and brass markers. This method of calculating elevations was as accurate as the technology of the time allowed and the margin of error was understood and universally accepted. Today's technology, applied to the calculation of elevation, will produce highly accurate maps even in rugged inland areas where current elevation measures are likely the least accurate.

The older methods used to figure elevation were less accurate because, unlike what we were taught in science class, the Earth isn't perfectly round. The Earth's rotation makes it blob into an ellipsoid. Earth is more like a lumpy potato than a perfect sphere. Changes in elevation continue to occur due to movement of tectonic plates, earthquakes, volcanic eruptions and erosion.

From a business or property owners' perspective, when you are acquiring property outside a 100-year flood zone, it is important to know how close in elevation you are to a 100-year flood zone. Purchasing a property, only to find out later it actually is partially within a 100-year flood zone, will

result in more acknowledged flood risk and consequently an associated devaluation of that property. For property you already own, which is near a 100-year flood zone, you run the risk of having your property remapped into that zone. Property owners who have flood insurance in force at the time a flood map is revised will have preferential insurance rates versus those similarly situated that did not have flood insurance and now are required by a lender to purchase it.

Other good strategies are to visit with your insurance agent and consider purchasing an elevation certificate. It's all part of a property owner's thorough due diligence.



Kurt D. Kelley, J.D.
Small Business Owner
Kurt@mobileagency.com

Kurt is President of both Mobile Insurance and Expert Climate Control, small companies totaling approximately sixty employees and doing business in multiple states. And yes, his companies have an employee handbook.



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Texas Manufactured Housing Retailer and Community Owner Investment Corporation of America Donates One Million Dollars for Hurricane Harvey Relief Efforts

Investment Corporation of America and its Team Members are donating one million dollars to the Red Cross to help with the relief efforts for those devastated by Hurricane Harvey. Investment Corporation of America is owned by John and Carol Bushman. ICA has businesses in several of the affected areas, including the MCM Elegaté Hotel in Beaumont, ICA Radio in Corpus Christi and A-1 Homes in Victoria and Splendora, Texas.

According to the Bushmans

"We are extremely concerned for our team members and their families in these areas. We are praying for them and all our Texas neighbors who are going through this devastating situation."

The Bushmans and ICA are asking other individuals and businesses in West Texas to match their contribution, whatever they can afford to give.

Everyone is encouraged to donate to the relief effort of their choice, such as the Red Cross, local church efforts or partnering with any one of our local TV and radio stations efforts. Please make checks out to the American Red Cross and deliver or mail to the TV or ICA Radio station of your choice.

Investment Corporation of America owns the MCM Family of Hotels including the Elegaté and FunDome Hotels, Music City Mall, ICA Radio, A-1 Homes, Chickn 4U, Airline Mobile Home Park and many more entities.

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Working on behalf of our firm's new and many repeat clients, our firm has funded loans with banks, Wall Street firms, agency lenders and private lending firms. The capital is used for virtually all types of multi-family real estate, including apartments and manufactured housing communities. Every deal is as unique as the property it funds.

Our clients love our personal touch. We commit to visiting the properties we fund, so that we can present the loan request and collateral with a plan. It's how we make our clients successful in obtaining the capital they need. We're an owner, so we think like owners—and we know what it takes to get to a successful closing. Let's talk.

—Ben Kadish

Introduction

Ben Kadish, President of Maverick Commercial Mortgage, Inc. has developed a niche financing multi-family properties, including manufactured housing communities (MHCs) and house portfolios, and has created a team focused on owners of these properties. The Maverick team helps owners connect with the financing they need to re-finance, acquire or redevelop their properties.

Experience By the Numbers

- **22 years**
financing MHCs, apartments
- **19 years**
of MHC ownership
- **11 years**
in MHC home rentals and finance
- **34 years**
as a commercial mortgage broker



Ben Kadish

Maverick Commercial Mortgage, Inc.
Office: 312.268.6000
Cell: 312.953.4344
Ben.Kadish@mavcm.com

		Loan Amount	Size (Sites)	Month Closed	Purpose
Five Seasons	Cedar Rapids, IA	\$8,000,000	390	July 2017	Refinance
Westar	Shelbyville, IN	\$4,000,000	197	May 2017	Refinance
Ravinia Estates	Fenton, MO	\$5,400,000	217	Feb. 2017	Refinance
Pleasant Valley	Portage, IN	\$12,050,000	328 pad MHC and 246 self-storage units	Sep. 2016	Permanent Refinancing
The Elms	Fond Du Lac, WI	\$4,445,000	208	Oct. 2016	Permanent Refinancing
Cheyenne Mountain Estates	Colorado Springs, CO	\$5,400,000	218	Sep. 2016	Refinance

What I Learned from Living in My Early Acquisitions

By Dave Reynolds

It is a little-known fact that I moved into three different manufactured home communities and lived in them. I would buy a property and move in with my family to manage it first-hand and learn the business from the ground up and often complete a major turnaround. In the process I learned a great deal about what our customers really need and want in a manufactured housing community. And my findings may be much different than what you would expect.

A huge support network

When I moved into my Texas property, I immediately learned about the giant and sophisticated support network that existed in the community. There was ride-sharing decades before Uber, and Craigslist years before the internet even began. They helped each other on home repair. They shared daycare responsibilities for those who worked at different days and hours. Residents would carpool to work and carpool to shopping. They would even provide meals for those who did not have the ability to make their own – effectively side-stepping governmental programs for the elderly that were not working properly in the public sector. Just as the post office has studied the superior systems of Amazon, the government would learn much from studying the amazing services engineered by the residents of the average manufactured home community.

A focus on relationships: both friends and family

Just as the support network was impressive, so was the dedication to building and maintaining relationships. With less of a focus on capitalism, the residents instead focused their time on people – both friends and family. My son, Brandon, remembers those years as being among the most enjoyable of his childhood. He would spend every moment – while not in school – going from home-to-home throughout the property, with friends and activities in each house. There was something very nurturing and refreshing in an environment that was devoted to inclusion and the simple things in life. A recent Harvard University study found that the most important ingredient to happiness is not money but relationships, and that makes the manufactured home community resident among the happiest folks on earth.

A desire to provide a nice place for their family to live

Just about every household, in the communities I lived in, were diligent in their desire to offer a nice place for their family to live. They wanted the best things possible for their children and themselves. They delighted in having their home looking like new and immaculately cleaned. They enjoyed keeping their yard looking attractive. This entire notion that manufactured home community residents do not take care

of their property is entirely false and only the theory of those who have never lived in a community. While there are cases of a few individuals that are unable to keep their property in the best condition due to age, health or finances, those situations can be remedied easily with the community owner offering to donate labor or materials. While there are entire properties out there that are maintained horribly, this is a tiny, tiny subset of the roughly 50,000 manufactured home communities in the U.S. – and often the result of poor management setting the standard as opposed to the residents not having the desire to contribute to make the property the best it can be.

An appreciation for quality-of-life over price point

Here's an interesting example that I dare many to explain. In one property, I raised the rent roughly \$100 per month after purchase, and was still a hero among my neighbors, the residents at-large. How is this possible? Because I made the community a nicer place to live, providing needed capital improvements and professional management – enhancing everyone's quality of life enormously in the process. When I raised the rent \$100 per month in order to make the property self-sufficient going forward, I was complimented on a job well done and not reprimanded. Too many people think that manufactured home community residents freak out over a \$5 per month increase. That is completely untrue. Residents are more than happy to pay more rent if you trade them a better place to live. Price point may be important to those who live on the economic fringe, but 95% of all residents welcome paying higher lot rent if it translates to a higher quality-of-life.

Conclusion

Those years that I spent living in the communities I purchased were among the most important in learning first-hand how this business works. And my entire family really enjoyed the time we spent there. When I talk about this industry, I do so as a customer as well as an owner. And that's an achievement I am very proud of.



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.

Completing your estate plan is a major accomplishment as less than half of Americans have a will. A common question among those that finish the process is, "When do I need to think about updating my documents?"

Ideally, people should review their estate planning documents annually, but very few people do. Here are some common life changes that may warrant a review of your will and other estate planning documents:

1. Marriage, remarriage or divorce: You should always revisit your existing plan if there is a change in marital status.
2. Birth or adoption of children: Most people will tell you everything changes once you become a parent and your will is no exception.
3. Empty nest: Once your children become adults, you may want to move them to positions of authority within your documents or change the amounts or structure of gifts made to them.
4. Relocate to another state: Different states have different laws. Your current will may fit your planning needs in Texas, but that may not be true under the laws of another state.
5. Owning land in other state(s): Owning property in multiple states can result in significantly elevated probate costs. Your plan should be optimized to handle land in multiple states.
6. Changes in business ownership: Whether you are buying, selling, opening or closing your business (whether in total or in part), a change in the structure of your business warrants a review of your estate planning documents. Your business is likely a major asset in your estate plan. Even a small change in the business can skew the desired results of your estate plan.

7. Significant changes in the value or complexity of your assets: Significant changes (whether up or down) in the value or complexity of your assets warrant a review of your estate plan. Failing to consider changes may have tax consequences or result in significantly more complex estate administration than is necessary.
8. Change in gifts or appointments: Probably the most obvious circumstance is if you want to change the gifts made in your documents or the people you have named to positions of authority (e.g., executors, trustees or power of attorney).

The examples provided above are some common planning issues, but this list is not exhaustive. It should be used to provoke thought about whether you need to review your documents now, not as a basis to delay reviewing your documents. Some issues you may be able to review yourself (e.g., changes to gifts or appointments); however, it is always a good idea to discuss any questions with your attorney.



Royce is a lawyer with the Strong Firm in The Woodlands, Texas. In addition to estate and trust law, Royce and his firm are also experts in oil and gas, real estate, general commercial transactions and commercial litigation who work with many small to large business operators. Royce may be reached at RLanning@thefirm.com or 281-367-1222.

¹According to Caring.com Survey - <https://www.caring.com/articles/wills-survey-2017>.

Pitch Wars: the Gender Bias Behind the Idea of a “Professional Voice”

By Tamera Shaw

Is Your Voice Damaging Your Career?

Our voices are part of our character, and naturally, those around us make assumptions based on it. Studies show that people tend to trust lower speaking voices more, does that reveal a gender bias or an innate response? Below you'll read two perspectives on the topic, from two different people.



Perspective #1 - Tammy Shaw

How we present ourselves at work can signal professionalism to organization leaders. But is it only visual cues that management notices? It may surprise you to know that studies show our voices can determine how others see us and ultimately, whether or not we get promoted.

McMaster University conducted a survey, asking subjects to rate tone-manipulated voices (from low to high) by what personality trait the voices embodied: leadership potential, intelligence, attractiveness, honesty, and dominance.

The McMasters study discovered a clear preference for lower-toned, deeper voices when it comes to leadership-type characteristics. Politicians (men and women) actually try to lower their voices to seem more competent and honest.

A PLOSOne study exposed our bias toward lower-voiced individuals even when the leadership role is in community groups historically dominated by women like school boards and PTAs.

Think of actors whose deep voices convey intelligence and dominance. James Earl Jones's Darth Vader or Benedict Cumberbatch's Sherlock. Scarlett Johansson's Lucy or

Angelina Jolie's Lara Croft. You immediately know that these characters will dominate the action.

Duke University in conjunction with the University of California studied several hundred CEOs (men only). Executives with lower voices worked at larger organizations and earned more money. Lowering the voice by 25 percent translated into \$187k more per year.

A higher voice is associated with younger, less experienced people. As a result, co-workers don't trust the work product of employees with a higher-than-average voice. Duke and UC found that soft-spoken and nasal-toned speakers are perceived likewise.

Women typically have higher voices. Could this be a reason why CEO positions belong overwhelmingly to men? Possibly, but women with lower, deeper voices have a much better chance of climbing the corporate ladder.

Tips

- Awareness is the first step. When you know about an issue, you can take action to deal with the problem.
- Simple nerves may be the culprit when your voice is lower when talking to colleagues but higher when giving a presentation or talking to company executives.
- Try drinking lots of water to hydrate your vocal cords, don't strain your voice, cut out smoking, and if at all possible, delete ums" and "ahs" from your vocabulary. These "un-lexical vocables" can undermine your presentation.
- Listen while you hum a tune. Emulate the resonance in your chest.
- Talk slowly and use hand movement (but not too much) to highlight important information during a talk. Practice in front of a mirror or ask friends to listen when you prepare for a presentation. Are you frowning? Smiling? Practice makes perfect.
- And finally, voice training. Everyone has a vocal range. You can learn to tap into the natural lower tones within that range. But this route isn't cheap.
- Professionalism and a lower voice can definitely boost your career. Do what you can to tap into your authoritative voice and see where it takes you.

Perspective #2 - By Alex Roma

For years, studies have given the same advice to both interviewees and employees seeking to advance: employers view lower voices as more professional. And statistics don't lie. Overall, lower voices are regarded as more trustworthy, authoritative, and reassuring. Employers are more likely to

take employees seriously when they present their ideas with a lower, more “serious” voice, and thus those employees are more likely to succeed. Women especially are encouraged to speak with a lower pitch when applying for a new job or a promotion. This has, naturally, led to the question of gender bias and whether the preference towards “lower voices” is just one other way of putting women at a disadvantage. Because women have naturally higher-pitched voices, they have to work harder in order to be regarded with the same seriousness.

In fact, women’s voices have actually dropped in the last 30 years. A study taken in 1993 compared to a study taken in 1945 showed that the average woman’s voice in 1993 was about a semitone lower than the average woman’s voice in 1945. The times in which these studies were conducted are not insignificant. As late as the turn of the 20th century, women, for the most part, did not work outside the home. It was actually the world wars that began the cultural shift in the workforce. In World War I, many women volunteered their time as nurses and traveled with the men to the front. During World War II, women came into the workforce in mass numbers primarily to fill the gap left by all the men fighting in the war. It was expected, at that time, that after the war, the men would take their jobs back and the women would go back home. Instead, the presence of women in the workforce has only continued to grow.

Most employers, when asked if they would prefer a man or woman for the job, won’t answer, partly because of gender discrimination laws and partly because they genuinely don’t believe themselves to be biased. That’s why it’s important to consider why lower-pitched voices are seen as more professional. Much like many people still assume that doctors are male and nurses are female, the preference towards more masculine voices may be based on a subconscious expectation of the default employee as male.

There may, however, be another layer to the situation. In 2016, Aline Lerner created an interview software called interview.io. The purpose of interview.io was to allow interviewees to practice their interviewing technique without bias, through the use of a voice masking system. In addition, Lerner performed an experiment. She took 234 participants and used the software to mask their voice so that it sounded like the opposite gender. Real interviewers then rated their performance and found that men rated slightly higher, even with higher-pitched voices. Lerner dug a little deeper,

however, and found that women were more likely to quit the software and never return after just one interview, while men would try again. Women were also more likely to underrate their performance. The issue, Lerner found, was less about pitch and more about assertiveness.

Still, this brings us back to the original question: why? Why do men have a tendency to be more assertive and confident in interviews, while women have a tendency to doubt themselves? Again, we have to consider that career women are still a fairly recent part of our culture. While men have spent generations going after the jobs they wanted, women have spent the last century in an uphill battle just to be seen as equal to their male peers. When you go into an interview expecting to be met with opposition, it can be much easier to doubt yourself.

The issue of gender bias in the workforce is a layered, complicated one. Often, gender bias is committed without malice or intent. It’s simply the product of decades of pre-conceived notions. But recent stories like the Google Employee Anti-Diversity Manifesto show us that gender bias is still alive and well in the workplace. What can employers do to combat this? One way is to add more women to their company, so that professional women, regardless of the pitch of their voice, become normalized in their office. But perhaps the first step is to recognize your biases so you can learn to see past them.



Tamera Shaw is a freelance writer for Insurance Solutions, based in Louisville, Kentucky. She writes fiction and enjoys amateur photography. She happily shares her life with husband Ron, daughter Cate and sage cat, Sophie, who grudgingly shares her home with the newest member of her family – Nieko, the kitten.

<https://www.insuredsolutions.net/blog/category/blog/>

Buying Property: Everything is Fine Until It's Not

By Wendy Lambie

It's common in initial conversations for potential clients to say something like, "The other party says they just want to use this online contract form. Can't we do that?" The first question is if they can get one since many of these forms (such as from Texas Association of Realtors) are not supposed to be publicly available. Then, of course, if they can obtain a form, the better question is if they should. If the Seller and Buyer are communicating clearly and the entire transaction goes off without a hitch, then any basic contract form is great. Even writing on a napkin is fine. The problems arise when either party has expectations that weren't communicated or perhaps discovers something about the property that neither party expected. Then the form contract (or napkin, as the case may be) doesn't talk about what they are supposed to do, and that's when the situation can get ugly. Below are some examples to consider:

- During the title search the Buyer discovers there is an easement through the middle of the property that would prohibit him from building in the location he planned
- Buyer discovers there is a threatened condemnation for a portion of the property
- Buyer's experts identify termites, asbestos, radon, lead-based paint, environmental contaminants or building code violations
- There are property use restrictions filed of record that neither party was aware of that prohibit the property from being used as Buyer planned

- A building has a fire or other casualty before closing
- One party refuses to authorize release of the earnest money after a default
- The tenant leases in an occupied building do not have the terms that Buyer was expecting or the building is less occupied than initially assumed
- Buyer's financing has some difficulties

Are properties purchased all the time with basic contract forms and no legal counsel? Definitely! Do some of those people end up calling an attorney anyway with an even worse and more expensive situation? Definitely! Buying a commercial property with a form contract can turn out much pricier than upfront attorney consultation time, and just leave the use of napkins for getting phone numbers at the bar.



Wendy is a Sr. Associate Attorney with the Strong Firm in The Woodlands, Texas. She specializes in real estate transactions, small business formations, contract negotiations and many other aspects of business law. Wendy may be reached at WLambie@thefirm.com or 281-367-1222.

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