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# Marty's News & Notes

Featuring news about the Factory-Built Housing Industry  
And all the news that's fun to read...

## THE LONG WALK

### Change in the air

January 28-30 saw OVER 220 industry friends getting together in Austin, TX for the **MHI Winter Meeting**, as the **Long Walk** started. By that I mean that a number of what many have viewed as positive industry enhancements have started to jell and will bite soon. That doesn't mean a whirlwind pace of drastic industry model change is in place yet, far from it, but the elements of model change are gathering flesh on the industry's frame. Every journey starts with steps and a few have already been taken. We have a long journey ahead of us as an industry, and it will be a long walk, and it will be a rocky road, as the path has many obstructions, most self-imposed by the industry.

I do not envy the role of **MHI Chairman, Barry McCabe of Hometown America**. At least initially, the man is everywhere, herding change on how MHI conducts its meeting agendas, implementing new operational protocols, reducing the complex redundancy of reports at meetings, and trimming large unwieldy boards, by cutting the layers and reducing the leadership positions at boards and divisions. This seems generally positive, although some would say that reducing the number of positions reduces participation, as members often rise to the occasion when in a position with power and recognition at an association.

### A Big Agenda

In addition the man is managing the highly challenging details of the proposed **MHI-MHARR** merger, a proposed **Industry Image Campaign, HUD reform, Title I** legislation, replacing the **MHI President**, arranging the **MHI-Fannie Mae High End Program**, and, last I looked, still had a job running Hometown America's new division founded to diversify their investment beyond land lease communities. That is quite a workload. My compliments to the man to undertake such an all-encompassing industry role. Most impressive. Here's a wish we don't wear him out or discourage him unduly.

And I know from speaking with him that he has absolutely engrossed himself in the MHI leadership role with detailed knowledge in a number of disparate areas. How long he can keep up this pace will be the primary concern. He comes to rule during a time of unprecedented challenges. Any association works better with an **activist chairman**. And MHI is especially needing major guidance because of the upcoming change of meeting protocols, the merger, other industry change and the absence of a permanent President. No matter how effectively **Michael O'Brien** handles the role of **Interim Director**, the search for the permanent replacement for the departed president can't

help but create a jiggle under Michael's role, although I have not seen any real change in the association's role or operation on that account.

### The Hot Button

While I view the projected change in meetings, committee boards and their responsibilities as an acceptable conversion, that's not Ole Marty Boy's hot button. Nooo, that one is the **Image Campaign**, the proposed push to raise a good slug of money, say **\$20+ million**, then create a professional image media campaign to build an understanding in the public of the role factory-built housing plays in the overall housing supply. Various surveys have already clearly revealed our image stock is none too high in the eyes of the average American, including our customer base,

suasive media campaign to extol the great strengths of the industry needs to begin, from our view-point, with our appeal. Remember, any day of the week you can see the existing image campaign being played out by the news media, zoning boards, bureaucrats and endless other entities with our interests and futures in their hands. Most of these images, almost all negative, go unanswered, the cartoon aspect of "trailers" well established in our culture. Let's face it, we have lost the ability to direct any part of the conversation affecting our industry and we need to regain some ability to create a positive impact. Right now it is entirely and completely out of our hands.

### Big Bucks

That of course, will take **\$\$money\$\$**. Lots of it. Whether it was the **Propane Council's** "Propane Guy" or recreational vehicles' **"Go RVing"**, the price of admission in 2007 to such a campaign will be in the vicinity of **\$20 million**, a pretty trendy neighborhood, but it's a good place to be. At least there you can build your image the way you want it told, not the way outsiders and detractors determine.

We heard first hand in Austin how the RV group faced similar problems in the early 1990's, (certainly they were not like MH, off 68.4%, but they were not growing their market either) had many of the same concerns as we, and they went with an image campaign to their great benefit. Today, few in RV's would even consider cutting back on that campaign. Instead, a budget increase is in the offing, the benefit having been so great. It is a rare individual in RVs who wants to eliminate it.

A number of the very professionally rendered RV ads were run for us, demonstrating the goal of building a desire to go RVing, all RV segments eventually showing up in the ads, though they were not geared to any one brand or segment. I actually got a hankering to buy a big diesel pusher as they ran. I also got goose bumps as I imagined the incredible picture of affordable homeownership we could present, and the wonderful impact of factory home ownership for so many millions - what a story! But it is not being told by anyone right now.

### Novel Thinking

I can't say that factory-built housing is "there" yet,

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with the result that our product demand has slackened, while our constraints, mostly imposed on us, have increased. This has combined to put the industry at what amounts to all-time lows on a population adjusted basis, harking back to **pre-1959 shipments levels**, and even I have trouble remembering that far back.

Further, we need **more friends**. Friends on **Main Street** is the best place to start and a per-

but it will be hard at this point to pull back from the image campaign brink. Only the funding of the campaign being the big impediment, and the wheels are turning already. **Michael Bowen, the Financial Services Division Chairman and a Vice President at American Modern Insurance of Cincinnati** was first out of the chute. In an innovative bit of out-of-the-box thinking, he suggested to the Executive Committee adding **\$500.00** to each home invoice. The money would be broken down as follows: The sum of **\$302.00** would go to American Modern to cover the cost of a five (5) year comprehensive warranty to cover each home sold. Another **\$25.00** would be directed to MHI to pay for MHI dues from the builders. This would be an increase from the current **\$17.00** being paid, and put MHI back on a paying basis. The "Rainy Day" fund has dropped from over \$4 million to \$1 million since our peak in 1998, and I guess one day there will be one employee at MHI and as he leaves, no doubt he'll turn off the lights, unless the power company has beaten him to the punch. Perhaps it's not that bad, but the aggressive agenda the industry needs cannot be funded by the starvation diet now in vogue. It will take more as there is so much to do.

The final sum left to allocate is the remaining **\$173.00** of the \$500.00, which will go to fuel the **Image Campaign**. Based upon reasonable shipments predictions, we'll raise in the vicinity of \$21 million, smack dab where we need to be. And if we're not fools (we're not, are we?) we'll let Americans know we have so much confidence in our home that we have a **comprehensive 5 year warranty** to protect **their investment** during the first period of their home ownership, to relieve the tension of unexpected occurrences in their home. This protects the customer, the home lender and the industry. It is an assured win for all the stakeholders. What a message!

I told Bowen before his presentation there would not be unanimous thrill at his proposal and there wasn't. But there was not outright refusal by all either. It will be for those unwilling to accept some version of Bowen's proposal to either completely refuse to commit to the Image Campaign (which means status quo), or raise an alternative proposal to cover the cost. The engage-

ment begins!

### Advice

Want more proof of the need for the Image Campaign? This email came from a **23-year veteran** of our industry who was previously **Vice President of marketing** for one of our **largest HUDCode homebuilders**. He now owns a chain of RV stores, but you'll see from his tone, "mobiles" aren't out of his system yet. He is one of my readers and responded to my inquiry to him about the RV image campaign. He said in his email:

*"You'll be sorry you asked that! Marty, that's why I love your newsletters, they are fun to read and get the point across quite well. If we fail to embrace these image issues we will wallow in mediocrity and the depths below.*

*We must carefully consider the definition of insanity here; to continue to do what we've always done and expect different results. I spent 23 years in the manufactured housing industry, retail side, and got away with something close to murder. Yes, we were hard working and committed, but our efforts were buoyed by a pyramid of stupid financing. Those days are truly gone and for good reason.*

*So, since the dumb money is gone, and I don't want to qualify for insanity, I feel we must take a vastly different course. If we don't change our image, local bureaucrats and politicians (not to mention our valued customers) will continue to derail our industry. We make their job a cake walk by refusing to work on our public image and needed disciplines. Interested in changing the local bureaucrats and politicians; change your image and they'll have to come along!!*

*The RV business industry leaders are adept at understanding the true power of image. You clearly see this in the Go RVing campaign. Manufactured housing leaders must get laser-focused on this issue and quit giving it lip service. There truly are two types or people; those that "make it happen" and those that "let it happen" and those that say it can't be done are usually interrupted by those who are doing it. Ah yes, my kingdom for one soul who will truly go the distance to get the job done."*

Thank you, my friend, I value your input.

## Networking

The meeting format restructuring, removing one meeting from the number held annually, leaves me ambivalent on only one point. I view MHI's conferences and meetings as an opportunity to get educated to improve the industry, and secondarily as the best opportunity to network on a grand basis. Most of the people you want to see are there on display, easily accessible, allowing you to build relationships, which might not be possible under other circumstances. It is a true benefit to any MHI member, and I have sold new members coming into the association based on this point.

There is some impetus within the association to hold fewer meetings and shorten them considerably. Some would like half hour meetings every other year, at Motel 6's. That would not be my idea of a good association and I think would have limited appeal to most members. So far as I can gather, that is not on the table and is not intended. I'm satisfied for the moment that the new direction continues to allow a good education/information process and great ability to network as well.

## CSI, again

Finally, from Austin, another subject dear to my heart, the **Consumer Satisfaction Index (CSI)**, (not the one on CBS-TV). It was rumored in the halls that the cost of conducting the CSI might well force the next survey a bit further out than a full year hence, to perhaps 18 months or potentially even 24 months out, or more.

This is based on financial considerations, mostly. I'm told, but have not confirmed, J D Power would conduct the survey at their own cost, but the industry feels it is unprepared to let Power survey and then widely distribute the results publicly. You know why. But if you think the CSI is unimportant, again, an email from one of my readers, also a former executive in MH for many years, before deserting us for the mortgage business. (Smart boy!) He is now a Vice President with a giant national mortgage company. The mortgage company and the homebuilder are both household names.

I've changed the names in **bold** to protect the innocent.

*"Hi, Marty,*

***Ziggy Quamquats** here from **Big Mortgage Company** in beautiful **Large City, USA**. I must ask, do you ever tire of being right?*

*You are spot on with regards to customer satisfaction, especially your analogy regarding site built builders. The big guys live and die by their customer sat rating, just like the car guys. Now don't quote me on this, but for example we have a joint mortgage company with **Big Home Builder** called **XWZ Home Loans**. These **Big Home Builder** guys are obsessed with their scores. During the JV set-up it was literally a topic of every conversation I was involved in, and continues to be a topic tied to every other aspect of the business model. They get it. Their competitors get it. MH manufacturers clearly don't.*

*Thanks again for keeping me in the MH loop!*

***Ziggy Quamquats***

*First Vice President"*

So, do we get it or don't we?

## MHI President

Last month I reported **Jim Clifton**, former **MHI economist has applied**, and I found out in Austin that **Dick Ernst, longtime lender, former Interim Director and FSD vice-chair** had also indicated an interest. Of course, **Interim Director, Michael O'Brien**, presently at the MHI helm, is also in the ring.

The outside search committee also has its tentacles out there trying to round up parties and I know they have some to present. There is also a faction within MHI that wants to find a former congressman to take the post. Presumably that reasoning follows that the industry shipments are more impacted on Constitution Ave., DC, than Main Street, America. It is an interesting concept, especially if you believe that our problems are more in Washington than in our markets, with out consumers.

I hear there will be short interviews with the candidates around February 21-23, after which we may

know more. I've seen a lot of email exchanges and on the matter of the MHI President, there is no shortage of opinion and speculation. The plan is to have a new President selected in time for the MHI Summer Meeting. Sounds like a plan.

### Merger

I reported to you last month that the merger of MHI with MHARR moves slowly. I don't think anyone says it is doomed, but there continues to be speculation that the right mix of mutual compromises remains to be agreed upon. We are all watching, and in **George Allen's** piece in the February **MH Merchandiser**, the merger is briefly discussed, with the competing considerations of each association's style. George nails the matter neatly.

### The Totaro Award

**Richard "Dick" Totaro**, a well-known former lender, an early stalwart of the pre-MHI MH lenders' association, was the first recipient of the award named after himself, awarded posthumously in 1998. Since then the **Financial Services Division** of MHI has granted the award most years since. I was so honored in 2005, and a great honor it was.

As a whole generation of 1970's era lenders starts the retirement departures and some graduate to the Happy Lending Grounds, we do not lack for worthy candidates. It has been my extreme pleasure for several years to head the nominating and selection committee for the Totaro. As an example, **Tim Williams of 21st Mortgage** was honored last year. Tim is one of the founders of 21st and according to **Jim and Kevin Clayton**, father and son of **Clayton Homes**, was instrumental in creating the platform at their **Vanderbilt Mortgage and Finance**, the Clayton Homes finance subsidiary.

This year's Totaro nominees included several persons of national stature. It included the heads of giant national lenders, a stellar group, including some lionized on Wall Street at one point. (Later, they were reviled. Such is fame.) The initial round of elections were close, but this year's winner won on every round. It was my extreme

pleasure to present the **2007 Totaro Award to Dick Matheson of Dallas, TX**, the longtime **GECC and Associates** MH lender, who came from retirement in Dallas to pick up his award at the Austin conference.

Let me give you some parting advice. If you are on the same podium as Matheson, make sure you go first, because if you have to try to wow the crowd after Dick has them in stitches, you will suffer by comparison. This man knows how to make them laugh! He also had lots of friends there.

### Posted Prices

There has been no great clamor for **MSRP** for our homes, I occasionally harangue about it, but a "Best Practices" that every home have a price posted in it, has grown popular of late. Many are reaching the same conclusion I did years ago that it was the right thing to do to give every consumer notice of the asking price for the home and that all customers looking at the same home be initially quoted the same price. Good business practices, transparency and ultimately, **basic fairness** demand each home have a price clearly posted on it.

I found early on that a **Manufacturers Statement of Retail Price (MSRP)**, didn't go down well in the industry. Not enough baby steps taken yet for a voluntary effort to get much traction within the industry for MSRP. The mantra became "posted prices" a much more acceptable concept. That means the home has a posted selling price, but that price was settled on by the seller, not the homebuilder. This allowed the seller to "adjust" the price to meet his business needs, and I assume at the average HUD location which is selling 36 new homes per year, the business needs are very great, presumably the price adjustment in concert with that need. Yes, admittedly posted prices are a baby-step, but still very much in the right direction.

I'm amused that our friends at **American Association of Retired People (AARP)** have urged us for years to have "posted prices". What a radical request! I suppose as a friendly interchange of ideas we could gain some far greater friendship at AARP with virtually no damage of any sort to the industry, by going to posted prices. Want a 100% home price mark-up? Posted prices does not prohibit that, it merely means that someone has to make up a price list and duct tape it to the frig door. My dog Felix could do

that. Ask him to stop by your place and show you how.

No one has enough friends in life. Certainly HUDCode housing does not. We could create more through simple, painless expedients like this. Isn't it time to do this?

### Back of Napkin

I use my napkins for two purposes. The first, and most common, is to wipe my messy lips and hands while eating. But the paper napkins have another use; for quick memos and calculations when nothing else is handy.

Recently, when eating a Triple Whopper at The King, all trans fats sealed in, I recalled a calculation I had done years before, when our home shipments were double what they are now. By that time, we had already lost over 100,000 homes from the 1998 high point. I started wondering then at what point the new homes we were shipping each year would not be sufficient to replace HUD homes being scrapped or destroyed annually.

The huge number of homes delivered in the late 1960's and most of the 1970's were now 25-40 years old. They had suffered functional obsolescence, park closings, fires, hurricanes, floods and the vagaries that sends MH to the aluminum scrap yard for wayward homes.

Even homes sold recently start scappage due to some of the same causes noted above. In a marketplace where trailers/mobiles/manufactured homes total a full 9 million (about) a large number are now over 25 years old, and we are only sending 120,000+ new homes into the marketplace annually, what are the chances we are replacing the homes scrapped annually? My quick calculation, which I am working to refine, tells me that it is almost certain at present that we are not replacing the homes being scrapped annually by new home sales. That means something, right?

## THE MHL 2006 SHIPMENTS CONTEST

### Low Shipments

I was surprised that as I spoke with several individuals who sent very low 2007 shipments predictions, below 100,000 homes, that they have been hesitant to send in an entry. I might make fun of them. Nonsense, if that's what you think, send it in. It will not be the first sub 100,000 home shipments entry as I already have several.

While I agreed it was possible we might fall to those low shipments levels, I allowed that I did not think it would happen. I said last month I thought **we'd bottomed out**. And they hit me back with the same line I always used in the past when I asked people "what they saw as the catalyst" for shipments increases they projected. The answer I had for 2007 not falling further is the "kinetic energy of the universe" has been called in to help us by the "Elders", the protectors of HUDCode housing and recently on long-term vacation, but now back in force. (If you believe that . . . . .)

It is fair to say a rather sanguine outlook is in place for HUD shipments, and if your entry reflects that, so be it. At present the predictions range from 97,000 to 148,000. I expect some both lower and higher.

### The call hits

Then, around midday on February 7, 2007, an email popped on the screen with a frightening "Shipments down 54.3% in December, '06, edges out 1962 low." While certainly interesting news, hardly a surprise to **Marty's News and Notes** readers. We knew two months ago, based on the pace of shipments that total HUDCode home shipments would be about 117,500 homes, the **final actual figure coming in at 117,510** homes, a mere 10 homes off our projected pace.

With 2006 FEMA-ordered homes comprising around **4,007** homes for '06, the final **non-FEMA shipments came in at 113,503** homes, again within 500 homes of our projected volume. There are many betting that this '06 slug of FEMA homes may

be the last of the orders for some time. First of all FEMA has a good inventory of homes in Bill Clinton's hometown, Hope, Arkansas, and should use those first.

Secondly, FEMA found that even in Louisiana and Mississippi, getting approvals to site the homes is no lay-down, even with the homeless living in cars and mangrove swamps. FEMA having become HUDCode "mobile home park" developers, the reality of the difficulty of that endeavor hit them. "Nice try, but the answer is no", was the common refrain they got from local authorities. We've heard that before, eh?

Finally, our homes are so livable, and FEMA rent so low, once the "homeless" get in, getting them out is none too easy. I've heard rumors that some of the homeless of the **Great Key West Hurricane of 1935** are still in some of those decrepit parks along U.S. Route 1. They won't leave!

### And now, the winn-er!

I can now call the final figure for 2006 MHL Corp Shipments Contest, with a count of **117,510** as reported by MHI, released to me by **Tom Beers, the MHI economist**, who is concerned about the early trend line as carried forward by the pace of the last five months of 2006. Let's just say it is not as positive as we'd like. Will it change with the coming of the new year? Get your 2007 contest entries into me not later than midnight February 15, 2007, at which time the 2007 shipments contest closes. This year's contest is the most popular ever, with the most entries.

And the **2006** winner? It's no secret that **Chuck Ladd of Roadmaster Transport LLC** with a **prediction of 113,760** won the non-FEMA home totals, which came in at 113,503. Pretty close, eh? Chuck also won the "all homes" category, including homes we sold FEMA. He predicted **123,760 homes** and the final total was 117,510. No one was closer. **Chuck is a double winner.**

Shall we pencil your name in as the 2007 winner? Get your entry in!

### Parting Shot

I have been pleasantly surprised that January and early February have brought significant reports of better activity than the trend through December past. Factories, community owners and lenders have all reported increased activity, in some cases quite dramatic. Is this the "awakening"? Certainly it's too early to call this a trend but every day that passes with better business activity for us builds a trend. Let's watch this to see where it goes. Come-on trend! Then maybe we can forget all this change stuff I keep blustering about.

### And More

All right, I can't resist. From one of my readers who sent in a shipments contest entry with a **decrease** in shipments of 5% for 2007:

"Do me a favor and try waking-up on the other side of the bed this year. Try "Marty's News and Notes of Encouragement and Inspiration!"

"Walk towards the light, Marty."

Damned good advice. I hope he takes it.



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Sent in by Rich Ray of 21st Mortgage

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