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And then there was one...

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# Marty's News & Notes

Featuring news about the Factory-Built Housing Industry  
Contributing to the industry discussion...

## EXCITEMENT BUILDS

### Positive Meeting

Phewoff, what a whirlwind of activity at the MHI Summer Meeting in Washington, DC, held from July 15-17. **Let me get it out right away, this was the most exciting and positive MHI/Industry meeting I have attended since the halcyon days of the late 1990's.**

There are many, many positive developments coming together, which for the first time give me very strong hope that this manufactured and modular home industry is about to bust loose with a complete frontal attack on the various ills which have converged to plague it since 1999.

### MHI President

I reported to you some time back that my first impressions of **Gail Cardwell**, the new **MHI President** were very positive. That was a snap assessment made after she attended her first MHI affair in Las Vegas in April and I met with her. It doesn't take long after you meet Gail to know the pedigree is there, but....you want confirmation by her actions over time.

Gail is well considered by the Washington folks she needs to deal with. Already I've heard several commenting on the great choice we made in hiring Gail. They've dealt with her before, like and respect her.

Gail is not foolish, far from it. She must have known what she was getting into when she took over the MHI helm.

A beaten-down industry with little excitement, poor prospects and a failure mode being accepted, seemingly without end. At this meeting I saw Gail as an assertive leader, working on an incredible number of new initiatives, wanting to lift us out of the self-created gloom, moving on many fronts. Everything was being restructured from dues, to other sources of revenues to fund MHI.

It's an open secret we've had MHI on a starvation funding diet and we were beginning to see the potential end of this once proud association, unless more money was found. I knew dues had to be raised and I expected that at some point they would be. But I was absolutely blown away that Gail had robustly reviewed multiple areas other than dues where revenue could be raised, which in the past has not really been explored seriously. As a self-employed individual the mere thought that a serious effort was being explored to keep dues increases down thrilled me.

### Blackball

In addition, Gail has quickly gained the respect of MHI leadership, an especially difficult task as MHI has many constituencies and bold personalities. In short order a new majority view industry consensus seems to have arisen which has been absolutely AWOL for years. We'll discuss this in detail, but the important point is that it has arisen quickly with Gail

at the helm. Remember, MHI has essentially run like a college fraternity; majority rule did not prevail. If on any given point the vote was 14-1, too often an influential member, in a bad temper, could drop the "black ball", and destroy the majority consensus. This has kept MHI as a totally ineffective tool in many areas for years. But now, the deference to go along with the majority view has been strongly instilled, making progress possible on many fronts.

Is that Gail's doing? Who cares. It's happening and for the time being, as amply demonstrated at this meeting, is allowing measures to go forward which have not been possible for years, though they literally screamed for action.

And Gail has an MHI sidekick. You remember, **McCabe and Mrs. Cardwell**. I'm speaking of course of **MHI Chairman Barry McCabe of Hometown America** who has been an absolute pervasive and persuasive advocate of industry change, especially as it relates to **Marty's Pet Project, the Industry Image Campaign**.

### Task Forces?

I've mused in earlier issues on the McCabe initiative to create a series of task forces to study a number of industry issues, which had been identified as important subjects in an industry leadership retreat. I have no quibble with the subjects selected because they were so urgent, my master, Felix (miniature pinscher with a short attention span), could have come up with a similar list. Chairpersons and Vice-chairpersons were selected by MHI leadership and the first of the Task Force Meetings were held at the DC Summer Meeting. These were all-day affairs, using a professional format taught to the industry by **GE Capital Solutions**, whose MH division is headed by **Steve Rex**, long time MH inventory finance executive, and assisted by **Debbi Barker**, the marketing expert, and **Tina Nguyen**, the process leader. Rex brought a couple of very proficient ladies with him for this exercise. GE invited MHI personnel to their **Jack Welch Leadership Program** in New York earlier this year, where they spent a couple of days learning a proven way to identify problems and come up with logical fixes. The industry is in-

debted to GE for this generous act and the hands-on direction of their personnel in making the system work for us. It proved to be very effective.

### Going forward

Gail and McCabe's role in the whole matter has not gone unaided. One does not have to hang around the halls of MHI too long to see that there are some 900# decision makers, without whose approval, tacit or otherwise, nothing is gone forward at the association. And frankly, in the past, the decision to go forward on the far ranging fronts McCabe wanted has not really been possible. I don't know whether insufficient arm-twisting was employed, or too few knuckles busted, but the accommodating attitude I saw everywhere at this meeting from industry leaders was not been evident in the past ***That has truly changed.*** (Or so it seems.)

### Their sandbox

MHI is a homebuilder's associate. Yes of course, the builder boys let us play in their sandbox, but we others all know our place. At this meeting the substantial desire for change expressed most clearly by other MHI divisions in the past, was picked up and carried forward by the prominent builders. I saw **Kevin Clayton of Clayton Homes, B. J. Williams of Champion Homes, Charley Lott of Fleetwood Homes, Keith Holdbrooks of Southern Energy, Joe Stegmayer of Cavco, Woody Bell of Palm Harbor, and past MHI chairman Dennis Jones of R-Anell Homes** and many others nodding their heads and saying yes to some items I know they personally and corporately are not wild about. I saw them accepting things and saying positive things that not too long ago would have been anathema to them, as they made every effort to go along with consensus opinions at this meeting.

### Back on board

And a special Marty pat-on-the-back goes to **Terry Decio, the Skyline Corporation Exec**, who self-admittedly has been AWOL from MHI affairs way too much in the past 10 years. He came back in and is credited by MHI leadership with resurrecting the **MHI-MHARR merger**, which tumbled some months back, and sprang back like the Phoenix at this meeting. (Surprise!) What I can say about Terry is

that his enthusiasm, salesmanship and charisma has been missed at MHI, and it's good to have him back clearly in the fold to help further industry needs and the industry does have some needs.

Oh, the merger? Most thought it dead some-time back, but the urgency of the industry speaking with one clear voice was too compelling to keep the merger down. Decio went to work on both sides, brokered the elements of an acceptable starting point and McCabe for MHI and **Ed Hussey, Jr. of Liberty Homes** for **MHARR**, with the help and ascent of others finished a document with the bones of an agreement. The merger now seems a much closer event than the practice run which recently ended. Both sides made concessions to try again and we'll all keep

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an eye on the ultimate end. I heard generally favorable comments on the on-again merger by MHI members. The desire to speak with one voice seemed to seal the deal..

Marty? Well I was born in Cantabria Province, which is generally regarded as the Missouri of Spain. I couldn't resist betting \$100 with Keith Holdbrooks the merger would go down. I must admit that on the whole, I absolutely understand the need for this merger. I harbor the same feeling commonly expressed. Let's hope the merger

goes smoothly. My only hesitancy is that in the past there has been true philosophical differences between the two associations. It still remains to be seen whether they can be bridged. At present, it looks very positive.

### The Meetings

There were 5 task forces meeting in DC. (See the final page herein.) They were charged with defining in 15 words or less the overriding problem confronting the industry relative to their subject. Then to break it down into major subject categories that would work to cure the defect(s).

While I tend to join the lenders in these things, I was like a kid in a candy store. So many great things going on. I decided to "float" through all of the task forces, putting in enough time in each to get a definite flavor of how each was performing, and the likely results. The **Finance Task Force** was in the very capable hands of **Madame Chairperson Paula Reeves of CIS Financial** and **Vice-chairman Len McGill of Fleetwood Homes**, and its working members included some of the glitterati of MH retail and inventory lending. I was unconcerned they would come out with a bad result which freed me to wonder. I was not disappointed. The Finance Task Force did their work and did it well.

### Transition

I did, however, see an interesting transition from the early part of the Task Force sessions to the later parts. Early on, participants expressed some hesitation in the need for the far reaching measures being discussed. But as the day wore on they wore out and positive consensus started to jell everywhere. It seemed to happen in all of them, and by the afternoon session, the doubters had joined the consensus, and I saw people I know had doubts going along.

Those of you who labor through this opinion rag monthly know I have not been shy about expressing strong feelings that industry change was needed. Continuing the same industry model that put us where we are now seemed misdirected, based upon the industry results we've been getting. Many industry participants continued to hold out that "things would be OK", if we waited it out. As time passed, that hope grew fainter. Finally, the combination of Gail's arrival, McCabe's activism, the willingness of MHI leaders to adapt, the emergence of new and per-

suasive voices, the merger, and maybe even the moon phases, brought a “buy-in” and concurrence for change that Ole Skeptical Marty had not anticipated. It was wondrous and wonderful. It was all far beyond my expectations when the task forces were first announced as a catalyst for change. I had been on too many committees and done too much work in the past, which had led to nothing, to believe this was anything different. There is a **strong possibility** change will proceed to fruition this time.

As an example, all during the almost 4 years I was Finance Division Chairman, I regularly was asked by its members to convey to the MHI Board of Directors that we recommended each division adopt “Best Practices”. Each meeting I dutifully did so. We adopted “best practices” years ago in our division. It had not occurred at MHI in other divisions. Three of the Task Forces recommended in their final draft that all divisions adopt “best practices”. Bravo!

### Concerns

So does this mean it is all done now, Marty? Well no, it doesn't mean that. We've taken a few steps of a very long journey. Will we fund MHI with the money needed to allow it to prosper? Will the Image Campaign be funded at the generous level needed? Will sensible “Best Practices” result for each division? Will we do good things for home installation beyond the bones of the HIA 2000? Can we craft a persuasive message to change the prevailing public perception that is so against factory built housing, the HUDCode portion especially so? Can Cardwell and McCabe be given their head to continue the complete change agenda? Can we finally deliver on the promise of factory built housing? Can our regulatory oversight and GSE relations be conducted in a more collegial fashion, with far less confrontation, and more compromise? Will we make peace with the Consumer's Union and AARP's of this world? And finally, can we repeat the unbridled success reported by the image campaigns waged by The Propane Council and the RV industry?

Have we adopted too aggressive an agenda? Are we trying to do too much? Do we need to prioritize in bite-size chunks? Will the MHARR merger help or hinder our proposed agenda?

These and many other questions abound. And I do not know the answer to most. But this I do know; in a compact, 3 day meeting **this industry came together in a positive manner**, drew a clearly defined vision of where it needs to transition, and I saw a level of “buy-in” I have never, ever seen before. Let's not screw up what could be our best and last shot as an industry to guide our affairs, rather than tumble with them.

## FINANCING FOR THE FUTURE

### Fannie Visits

One of the highlights of the MHI meeting was the announcement by **Bill Wilson, Fannie Mae Vice President**, that a new conforming mortgage product has been developed by Fannie especially for “high end” manufactured homes. The most important aspect of the Fannie **MH Select** program is the treatment of the qualifying HUDCode homes essentially the same as their site built brethren, not only as to pricing, but also as to underwriting, appraisals and many other key points.

Industry leaders approached Fannie senior management at some point last fall and made clear that this type of program was needed, and that if Fannie made this program available, the loans on these homes would “perform just like similar site build homes”. With an early '08 start expected for MH Select, a whole new loan program, catering to some of the best homes the HUD builders can render, could transform the acceptability of these homes in the marketplace. This is a major step in enhancing HUDs to compete on par with site builds.

### Congress Reforms

But other loan areas were also in the forefront. **Brian Cooney, MHI Vice President of Government Affairs** was one busy man at this meeting. Not only was he preparing members for the annual “hill visits”, which sees MHI members visiting their congressional delegation, but the Title One and Title Two reformation acts quickly heated up. After languishing without movement for years, all of a sudden it seemed congress was definitely going to do something about these measures in the short time before the August Congressional recess. The industry views both Title One and Two as important, but the Title One action is most welcome, being the chattel component. I view it

as crucial as well as it may contain provisions such as disclosures, consumer protections, land lease terms, and underwriting requirements which could see the program perpetuated. Yes, these matters could make the loan program less user friendly, but more importantly, they could assure program profitability long term, assuring its continued availability. With less than 1,500 loans in the program last year, something was amiss, and now is the time to put it on sound actuarial footings to make sure Title One is always there.

### Another Visitor

Also making an appearance at DC were the folks from the **Veteran's Administration** home loan guaranty program. Again, since the early 1980's this program has been a "no show" for volume, no loans being closed. The root of the cause was the chattel default rate of 40% which occurred in the program. The VA official presenting the program developments invited the MHI Finance Division to work with the agency to mod-

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ernize the VA program to help meet the needs of the large number of vets which have arisen since the Gulf Wars began in 1990.

Finance Committee Chairman, **Mike Bowen of American Modern Insurance Group** was quick to appoint a committee of several finance stalwarts to work with the VA to make a better MH lending program which will be profitable and insure longevity. This business of allowing lending programs to be over-accommodative, leading to a couple of years of overheated lending, then followed by a collapse and retreat for years and

years, cannot be allowed to happen again on our watch. The joy is too short and the grief too long.

But note, as I said last month, there is a definite impetus building on a number of fronts to craft both conforming mortgage and chattel strategies by important programs. It is there our future lies. We must protect these assets as though our livelihood relies on it. It does.

## The GENERAL COUNCIL SPEAKS FROM HUD

Late in the DC conference, in fact just the last thing before the hill visits, the remaining crowd welcomed **Rob Couch, the HUD General Counsel** who addressed the MHI members. Rob was a pleasant man, from Alabama I think, with a good sense of humor. I think the message we all heard is that as our regulator, HUD wants to work closely with the industry.

I wanted to ask him during the Q & A why the industry and HUD have had such a rocky relationship. I thought better of it as Rob seemed like a nice man and I had no desire to put him on the spot, or in any way to embarrass him, but it was a good question.

As with many other positive developments, I thought I glimpsed a new desire to be more accommodating with HUD in the membership. I think it has dawned on many that threats, lawsuits, and the like have limited potential. If nothing else, the water metering law suit has reminded us of the difficulty and costs of these contestations.

No one wants to be rolled by their regulators, and heaven knows we could claim that with some justification. But the Regulatory Task Force session I attended also felt that perhaps at times we had set up some friction as well. Their attitude of a more friendly approach and less confrontation, could over time rebuild a much better relationship with HUD and others.

No, they'll never be in our pockets and I don't think that is anyone's aim. But a far more cooperative attitude seemed on the Task Force's mind. See, I told you there was a lot of positive change going on!

**P.S. As I went to press, I got this very exciting email from Chairman McCabe.**

*"By the way, the hill visits went very well and even saw some senators leaving the Iraq war debate on the senate floor to come out for a few minutes and discuss our issues. The 5 pm reception was very well at-*

tended, even to the point of running out of booze and food. From HUD Gary Cunningham, Liz Cocke, Bill Matchener and general counsel Rob Couch all attended and were exceptionally cordial, stressing their desire to communicate more closely with us in the future. A number of congressmen, including but not limited to Charley Rangel, stopped at the reception. Most voiced support for FHA I & II and the other issues we were promoting. MHI members did an excellent job of approaching staffers during the reception to make sure they understood our issues. A great cap on a very good meeting."  
Amen.

## A TIP OF THE HAT

I think all of us have limits as to what we'll say and whom we'll say it to. **George A. Allen**, (Tel. 317-346-7156) the well-known industry consultant, author, and land lease community guru is in a class of his own in this industry in open expression.

I think everyone marvels at George's ability to comment on issues at our meetings that others will not tackle, often on sensitive matters. But if George has a well-informed opinion on the matter, he is never cowered into remaining silent. I for one respect George's ability to speak out on these issues.

At this meeting, as usual, George spoke on several issues which he felt needed clarification or were questioned. I find his approach laudable, and while I do not always agree, I always respect. Kudos to George, who is a genuine industry legend, and a man of great abilities. And he is fearless.

## MODULAR HOUSING COUNCIL

I found their council meeting unusually interesting. Being part of an organization, MHI, which is generally considered to be HUDCode heavy, their ability to recruit more purely modular home builders to their council has been a challenge. After just a few years of council status they are beginning to see some limitations on what they've accomplished so far, what they are allowed to do, and what they need to do in the future.

As the discussion of full division status ran, I was especially impressed with the very direct approach and comments of **Charley Lott**, the "Big Guy" at **Fleetwood Homes**. He delivered a strongly measured message to his cohorts that whatever the modular council wanted to do should be clearly defined by them, the message delivered to MHI staff and leadership and the council should proceed in a no-nonsense way to those ends. The Modular Council (Division) is just too important to MHI and many of its builders to take any other attitude. Well said.

## The MHL CORP. ANNUAL SHIPMENTS CONTEST

All the news is not good. As of the 16% shipments decline reported for the May, 2007 period, the annual shipments rate was plodding along at a pace of **99,100** homes for the year, a full 15.7% under the 117,508 home shipments of 2006. When we can expect a shipments increase is still unknown.

The contest leader at **97,875** homes is **Four Season's Housing CEO, Austin Baidas**. Not too far away was **Dennis Olmstead, of Riley Homes** in Urbana, Illinois, with a prediction of 101,100.

If the change agenda the industry has embraced substantially occurs, we will see a positive impact on our business. It may not happen quickly enough to save some from dire consequences, but it will make things better. Much better. On that we can depend.

## THE MH TASK FORCES, LEADERS, AND PROBLEM STATEMENT

### 1. Image - Public Outreach

Chair: **John Evans**

*Kinro, Inc.*

Vice-chair: **Austin Baidas**

*Four Seasons Manuf.*

Problem Statement: Public perception of factory-built housing limits the ability of the industry to be considered a viable housing choice.

**2. Image - Improving Customer Experience**Chair: **Charley Lott***Fleetwood Enterprises*Vice-chair: **Ken Anderson***Rochester Homes, Inc.*

Problem Statement: Our industry does not have an effective process for establishing and meeting customer expectations.

**3. Home Placement**Chair: **Rick Rand***Great Value Housing*Vice-chair: **Bill Trottier***MHI Arizona*

Problem Statement: Misperceptions and industry practice have led to lack of acceptance and diminished opportunities for Manufactured Home Placement.

**4. Regularity Reform**Chair: **Joe Stegmayer***Cavco Industries*Vice-chair: **Mark Ezzo***Clayton Homes*

Problem Statement: Lack of cooperation between HUD and Industry inhibits availability of affordably priced quality homes for consumers.

**5. Home Finance**Chair: **Paula Reeves***CIS Financial*Vice-chair: **Len McGill***Fleetwood Enterprises*

Problem Statement: Align model leading to competitive financing for the customer and predicable performance for the lender.

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