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March 11, 2016

Alfred M. Pollard, Esq.
General Counsel
Attention: Comments/RIN 2590-AA27
Federal Housing Finance Agency
Eighth Floor
400 7th Street SW.
Washington, DC 20219

Electronic Submission: <http://www.fhfa.gov/open-for-comment-or-input>

Re: Supplemental Comments/RIN 2590-AA27
Proposed Rule Re Duty to Serve Credit On Behalf of Our Clients
Manufactured Housing Communities of Arizona (MHCA) and
Manufactured Housing Industry of Arizona (MHIA).

Dear Sir:

This is a supplement to the comments we electronically submitted on behalf of our clients Manufactured Housing Communities of Arizona (MHCA) and Manufactured Housing Industry of Arizona (MHIA) on February 11, 2016. Our comments generally supported the concept of GSE's purchasing chattel loans on an ongoing or pilot basis, and covering pre-HUD mobile homes upgraded to state standards as well as manufactured homes built after June 15, 1976. In those comments we identified two points that this letter will expand upon:

1. Arizona has a state program for upgrading, inspecting and certifying pre-HUD mobile homes as meeting state standards that in many respects are comparable to HUD standards. Included in this is a provision for financial assistance to certain low-income persons in covering the costs of such improvements.

2. If a pilot program is contemplated, we would be happy to co-sponsor it in Arizona. Our abundance of these communities serving all demographics and our legal climate would seem to make Arizona an ideal location for a pilot program.

1. The Arizona Program for Upgrading Pre-HUD Homes.

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Rule R-4-34-306 of the Arizona Department of Fire, Building and Life Safety (the agency that regulates mobile and manufactured homes at the state level) prescribes standards for pre-HUD mobile homes to meet in order to be certified by the state. These standards are mandatory for all such homes being brought into the state and at the homeowner's option can also be met with a certification issued for homes within the state. People who plan on relocating homes within the state commonly seek these voluntary certifications. The declared purpose of this regulation is as follows:

The purpose of this program is to provide minimum safety standards for homes manufactured before the implementation of the HUD Manufactured Home Construction and Safety Standards. This applies to homes manufactured before June 15, 1976. Arizona law requires that "A person shall not occupy or otherwise use a mobile home which has been brought into this state or move a mobile home from one mobile home park in this state to another mobile home park in this state unless it meets the standards pursuant to this chapter and displays the proper state insignia."

A copy of the complete regulation giving details of what is required and interpretations is attached.

Arizona law provides for certain subsidies from the Arizona Mobile Home Relocation Fund when a pre-HUD mobile home needs to be upgraded in order to be relocated within the state. The statute, ARS §41-2157 provides in pertinent part:

41-2157. Costs of complying with standards; reimbursement from relocation fund; definition

A. The costs of bringing a mobile home into compliance with the requirements of this article may be reimbursed to the owner from the mobile home relocation fund established by section 33-1476.02 if all of the following are true:

1. The mobile home is moved from one mobile home park in this state to another mobile home park in this state.
2. The household income of the owner of the mobile home is at or below one hundred per cent of the current federal poverty level guidelines as published annually by the United States department of health and human services.
3. The mobile home is not being relocated as the result of a judgment in a forcible detainer or special detainer action requiring the owner to vacate the mobile home park in which the mobile home is located.

So if a home needs to be relocated or the owner simply wants to move, and the reason is not an eviction, if the owner's household income is below the federal poverty limit, the owner is eligible for a grant of up to \$1,500.00 to help pay for the rehabilitation. As the attachment reveals, the required upgrades to qualify for certification are largely involved with improving safety features of these homes and upgrading electrical and natural gas utility lines and connections.



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2. The Proposed Pilot Program.

The initial point to bear in mind in creating a pilot program for the purchase of chattel loans is that very few such loans are being written at this time and those being made are principally to well qualified borrowers in relatively large amounts on newer manufactured homes. While our proposal is to open these loans up for purchase by GSE's, we go beyond that and propose the purchase of loans on older manufactured homes and on state certified pre-HUD mobile homes as well.

We propose the following general criteria for a manufactured home or pre-HUD mobile home chattel loan:

First-lien mortgages only.

Fully amortizing fixed-rate mortgages or fully amortizing adjustable-rate mortgages with initial fixed-rate periods of 7 years or 10 years, principal residences and second home dwellings on manufactured homes. Presumably amortization periods would be lower on lower valued certified pre-HUD mobile homes.

Maximum allowable LTV, CLTV, and HCLTV ratios would need to be developed

Both single-width and multi-section homes would be eligible so long as located in a GSE approved rental community.

The mortgage loan would only be secured against the manufactured home or certified pre-HUD mobile home and not the land on which it is situated. The security interest would be created by a valid and enforceable installment loan agreement and perfected with a lien on the title to the home on the records of the Arizona Motor Vehicle Division (MVD).

The maximum amount and the amortization period of each loan would be a function of the appraised value of the home in its location in the rental community. The lower the value the shorter the term.

Chattel lenders would need to be qualified as eligible to participate in the program.

Other criteria similar to that currently required by Fannie Mae for homes financed which include leasehold estates insofar as protections in the lease would apply, but modified to reflect these as chattel loans. The lease of the manufactured home community entered into with the homeowner would need to satisfy these criteria and be in a form approved by the GSE. Communities in which homes are financed would need to have approval of their rules and regulations, their statements of policy, and their homeowner financial and background screening criteria used for rental of spaces would be approved.

We propose to focus initial efforts in a group of perhaps ten to twenty rental communities with a mix of new and used manufactured homes and certified pre-HUD homes, with community based licensed dealerships, in which there has been a past history of seller financing of homes and loans by chattel lenders. We have tentatively identified a number of communities to



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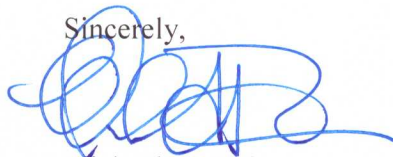
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participate which includes a number financed by Fannie Mae and two communities with recently placed Freddie Mac financing.

However we would want the program to be available statewide in all rental communities for qualifying transactions.

We strongly believe that the principal beneficiaries of this program will be limited income senior citizens in age 55+ communities, and families with children of which a majority are probably ethnic and/or racial minorities in all age communities. Creating a source for financing homes as chattels not only helps those folks. The operators of these communities, many of which are themselves financed by these GSE's also benefit by reducing vacancy rates and the incidence of abandoned homes resulting from the present lack of available financing.

Sincerely,



Michael A. Parham



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REHABILITATION OF MOBILE HOMES R4-34-606

PURPOSE

The purpose of this program is to provide minimum safety standards for homes manufactured before the implementation of the HUD Manufactured Home Construction and Safety Standards. This applies to homes manufactured before June 15, 1976. Arizona law requires that "A person shall not occupy or otherwise use a mobile home which has been brought into this state or move a mobile home from one mobile home park in this state to another mobile home park in this state unless it meets the standards pursuant to this chapter and displays the proper state insignia" (State Statute 41-2195, C).

REQUIREMENTS (as set forth in R4-34-606)

A. A rehabilitation permit shall be obtained from the Office of Manufactured Housing prior to any modification of the unit. (Permit fee is \$102.00. This includes the permit, compliance insignia, and two inspections. Additional inspections may incur additional charges.)

B. The following requirements shall be met for a mobile home to be issued a certificate of compliance:

1. A smoke detector (which may be a single station alarm device) shall be installed on any wall in a hallway or space connecting bedroom(s) and living areas. When located in a hallway, the detector shall be between the return air intake and the living area. Each smoke detector shall be installed in accordance with its listing. The top of the detector shall be located between 4 inches to 12 inches below the ceiling;

2. The walls, ceiling, and doors of each gas fired furnace and water heater compartment shall be lined with 5/16 inch gypsum board, unless the door opens to the exterior of the unit in which case the door may be all metal construction. All exterior compartments shall seal to the interior of the unit;

3. Each room designated expressly for sleeping purposes shall have at least one outside egress window or approved exit device, unless it has an exterior door. The window or exit shall have a minimum clear dimension of 22 inches and a minimum clear opening of 5 square feet. The bottom of the exit shall not be more than 36 inches above the floor;

4. All electrical systems shall be tested for continuity to assure that metallic parts are properly bonded, tested for operation to demonstrate that all equipment is connected and in working order, and given a polarity check to determine that connections are proper. The electrical system shall be properly protected for the required amperage load. If the unit wiring is of aluminum conductors, all receptacles and switches rated 20 amperes or less directly connected to the aluminum conductors shall be marked CO/ALR. Exterior receptacles other than heat tape receptacles, shall be of the ground fault circuit interrupter (GFCI) type. Conductors of dissimilar metals (copper/aluminum, or copper clad aluminum) must be connected in accordance with NEC Section 110.14; and

5. The unit's gas piping shall be tested with the appliance valves removed from the piping system and the piping capped at those areas. The piping system shall withstand a pressure of at least 6 inch mercury or 3 psi for a period of not less than ten (10) minutes without showing any drop in pressure. Pressure shall be measured with a mercury manometer or a slope gauge calibrated so as to read in increments of not greater than 1/10th pound or equivalent device. The source of normal operating pressure shall be isolated before the pressure test is made. After the appliance connections are reinstalled, the piping system and connections shall be tested with line pressure of not less than 10 inches nor more than 14 inches water column air pressure. The appliance connections shall be tested for leakage with soapy water or bubble solution. All gas furnaces and water heaters shall be vented to the exterior in accordance with IMC Chapter 8.

C. The unit shall be inspected by the Office of Manufactured Housing to ensure compliance with the above listed requirements.

D. The office shall issue a certification of compliance for each unit in compliance with the above requirements, and affix an insignia of approval to the exterior wall nearest the point of entrance of the electrical service.

FREQUENTLY ASKED QUESTIONS

Q. If I am moving my home from a park to private land, do I still need to have the rehab done?

A. State law only requires the rehab when a home is being brought into the state from another state or being moved from one park to another park. The State does not require that a rehab be done if you are moving from a park to private property, however, many local jurisdictions do. Check with your local jurisdiction (city, county) first.

Q. I have an electric furnace. Does the compartment still need to be lined with gyp?

A. No. Only gas fired appliance compartments are required to be lined with gypsum board (i.e.; sheetrock, drywall). This includes any door to the compartment, unless the door is to the exterior to the house, in this case the door may be made of metal. When appliances are fueled by gas, all seams and openings to the interior of the house must be sealed. This is to prevent the ingress of combustion gasses into the living area of the home and provide some measure of fire protection. Sealing can be accomplished with drywall joint compound or caulking. All exposed wood must be covered with gyp board.

Q. We are using one of the bedrooms as a den. Does this room still require an egress window?

A. Yes. Sleeping rooms (bedrooms) are as originally designated by the home's manufacturer. A sleeping room not currently being used as such may be used as such in the future.

Q. I'm not understanding the size requirement for the egress window, can you clarify?

A. Many older homes were built with rather small windows in the bedrooms. The purpose of the egress device (usually a window or door) is to allow an easy escape route from the home in event of an emergency, such as a fire. The egress opening must be accessible and big enough for a person to fit through in a hurry. The sill of the window can be no more than 36 inches above the floor and the opening part of the window must be at least 22 inches wide and be a minimum of five square feet in area. Any security bars that may be present must have a quick release mechanism that allows someone to climb out of the window.

Q. What is a GFCI receptacle and where do I need to put them?

A. A GFCI (ground fault circuit interrupter) is a device that is designed to protect people from accidental electrocution in event of a ground fault. An example would be if someone were blow drying their hair while sitting in a bathtub full of water (please don't do this) and they dropped the hair dryer in the water. The GFCI receptacle would open the circuit before the person could be electrocuted. All exterior receptacles need to be GFCI. Any receptacle within six feet of a sink or tub needs to be GFCI.

Q. What will I need to do when my home is inspected? How do I prepare?

A. The inspector will be looking to see that the items listed above in the Requirements section have been completed satisfactorily. The inspector will need to witness a successful gas test, so

the test must be conducted in the inspector's presence. The inspector will also check the electrical system; this will require that the electricity be on or that a generator of sufficient capacity be available. A common cause for a failed inspection is incomplete, unsuccessful or unavailable gas or electrical tests. It would be a good idea to pre test the home to identify and resolve any problems before calling for an inspection. Another common area of failure is inadequate gyp installation, or sealing, in gas appliance compartments. Be sure the work is complete in these areas. Keep in mind that the permit fee includes two inspection visits, any additional visits may incur additional charges, so it is a good idea to make sure that the work is complete before calling for an inspection.

If you have any questions regarding these processes or procedures, please call our office for assistance.

Department of Fire, Building, and Life Safety; Office of Manufactured Housing, 602 364 1067 for Phoenix area, or 520 628 6920 for Tucson area.

EXAMPLE OF A GAS TEST

A. Materials needed:

1. Sufficient caps of the correct size to cap off open ends of gas pipe.
2. Appropriate fitting with gauge (usually calibrated in oz.) and valve (usually a bicycle type valve stem) to allow pressurization of the system.
3. Method of pressurizing system (usually a bicycle tire pump).
4. Soapy water, or a commercially available bubble solution, and a method of application (brush, swab or squirt bottle).

B. Procedure:

1. Shut off gas supply at yard line valve. Disconnect yard line at entrance to home and cap yard line.
2. Install gauge and valve fitting at supply entrance to home.
3. Disconnect appliances and cap off supply pipe at appliances.
4. Pressurize gas pipe system to a minimum of 3psi (or equivalent). System must hold pressure for ten minutes without dropping. If pressure drops, the leak must be located and repaired and the system re-pressurized for a minimum of ten minutes. System passes when it will hold pressure without dropping for ten minutes.
5. After main system pipes pass pressure test, uncap supply pipes at appliances and reinstall appliance connections.
6. Pressurize system and check appliance connections with soapy water solution. If bubbles indicate a leak at connection, repair leak and retest. System passes when no leaks are detected at appliance connections.

MOBILE HOME REHABILITATION CHECKLIST

- Permit acquired
- Smoke detector installed in correct location
- Gas fired water heater and furnace compartment lined with gyp board including door (excluding exterior metal door)
- Gas fired water heater and furnace compartment sealed to interior of home
- Gas fired appliances are properly vented to the exterior of the home in compliance with the International Mechanical Code, Chapter 8
- Outside egress (window or door) provided for sleeping rooms
- Outside egress devices are of correct size
- The electrical system is in proper working order, connections made correctly and all materials appropriate for the application in compliance with the National Electrical Code, Section 110 (i.e., correct wire nuts used when connecting aluminum conductors to copper conductors, receptacles marked CO/ALR when connected to aluminum conductors, cover plates installed, etc.)
- GFCI receptacles are installed in the appropriate locations, interior and exterior
- Electrical service is on, so system can be tested
- Gas system is ready for testing, all equipment and material is available
- Call to request inspection 602 364 1067 for Phoenix area, or 520 628 6920 for Tucson area