

REVENUE: No revenue impact

FISCAL: No fiscal impact

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Action:	Do Pass
Vote:	7 - 1 - 0
Yeas:	Cameron, Clem, Conger, Matthews, Sheehan, Smith J., Whisnant
Nays:	Holvey
Exc.:	0
Prepared By:	Jan Nordlund, Administrator
Meeting Dates:	5/10

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**WHAT THE MEASURE DOES:** Gives Director of Department of Consumer and Business Services authority to investigate and issue cease and desist order related to regulation of sale of manufactured structures. Requires manufactured structure dealer's bond or letter of credit be in form approved by the Director. Allows only retail customers to make claim against dealer's bond or letter of credit. Declares emergency, effective on passage.

**ISSUES DISCUSSED:**

- Senate removal of trust account provision
- Consumer protection
- Issuance of cease and desist order
- Administrative Procedures Act
- Personal property designation for manufactured structures
- Purchases requiring use of trust account

**EFFECT OF COMMITTEE AMENDMENT:** No amendment.

**BACKGROUND:** Persons purchasing a manufactured home typically make a down payment with the expectation that the funds are secure and guarantee the purchase of the home. However, the Department of Consumer and Business Services (DCBS) reports that it has observed an increase in bankruptcies among manufactured structures dealers, which has resulted in buyers not receiving the homes they paid for and unable to recover their deposits.

Buyers of manufactured homes lack some of the protections enjoyed by those who buy traditional, site-built homes from mortgage lenders. For example, under current law, while a mortgage lender must keep deposits made by a customer in trust, manufactured structures dealers are allowed to combine deposits with other funds, which can result in lost deposits if the dealer goes out of business.

Dealers are required to carry a \$40,000 surety bond or letter of credit. Under current law, contractors with claims may access up to \$20,000 of the bond or letter of credit, limiting the financial protection for the dealer's customers. Senate Bill 85-A provides that only retail customers may make a claim against a manufactured home dealer's surety bond or letter of credit.

The measure also provides DCBS with enhanced investigatory tools to identify potential violations by manufactured structures dealers. Along with greater investigatory authority, DCBS will be allowed to issue cease and desist orders for violations of applicable law.

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*This summary has not been adopted or officially endorsed by action of the committee.*