

REVENUE: No revenue impact**FISCAL: No fiscal impact****Action:** Do Pass as Amended and Be Printed Engrossed**Vote:** 5 - 0 - 0**Yeas:** Bonamici, Boquist, George, Monroe, Shields**Nays:** 0**Exc.:** 0**Prepared By:** Patrick Brennan, Administrator**Meeting Dates:** 3/28, 4/20

WHAT THE MEASURE DOES: Requires bond or letter of credit used to qualify for issuance or renewal of a manufactured structure dealer license or temporary manufactured structure dealer license be in a form approved by the Director of the Department of Consumer and Business Services. Authorizes Director to issue cease and desist orders for actions or threatened actions in violation of licensing requirements and provides Director with specified powers related to issuing such orders. Limits access by persons other than the retail customer to the dealer's surety bond.

Declares an emergency, effective upon passage.

ISSUES DISCUSSED:

- Instances of home purchasers who did not receive their purchased home and lost their down payment
- Fiduciary responsibility
- Current regulation of manufactured home industry

EFFECT OF COMMITTEE AMENDMENT: Deletes provisions requiring dealers to retain earnest moneys and other deposits made by retail customers for manufactured structures in trust until the dealer delivers the structure to the customer.

BACKGROUND: Persons purchasing a manufactured home typically deposit funds in a trust account 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 in turn 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.

Senate Bill 85-A provides that only retail customers may access a manufactured home dealer's surety bond. Dealers are required to carry a \$40,000 surety bond; under current law, contractors with claims may also access up to half of the surety bond, limiting effectiveness of the bond for the dealer's customers. The measure also provides DCBS with enhanced investigatory tools to identify potential violations by manufactured structures dealers.

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

Committee Services Form – 2011 Regular Session