New designs and elaborate floor plans make manufactured housing a much more attractive homeownership option for low and middle income families. But a reputation for poor quality clings to the industry, despite decades of work to break out of its travel trailer roots. This report examines the driving forces behind this poor image. We look at what breaks, how the industry performs on customer service, and how successfully the state and federal regulatory system encourages quality improvement.

We find an industry still very much struggling with issues of home quality and customer service.

- Different construction techniques and materials lead to different types of complaints than reported by site built homeowners.
- Consumers pay for homes before they are fully built (installed and repaired), and report widespread problems with installation and warranty service.
- The regulatory system has failed thus far to protect consumers and effectively encourage improvements in business practices.

If the manufactured housing industry intends to forge a new image with consumers, its work is not yet done. Manufacturers will need to assume greater responsibility for the final product, and regulators will need to be much more responsive to consumers, before manufactured housing can reach its potential as an asset building investment for new homeowners.

The Consumers Union study

In February 2002, Consumers Union issued the first of two reports: “In Over Our Heads: Consumers Report Predatory Lending and Fraud in Manufactured Housing.” The report detailed consumer problems shopping for a manufactured home, financing it, and closing the deal. In this report, we pick up where we left off and follow consumers through the early years of their new purchase.

Consumers Union randomly surveyed 122 recent purchasers of manufactured homes to find out about their experiences with their home. Following the methodology of the companion report “In Over Our Heads,” we also reviewed 300 complaints on file at the Texas Department of Housing and Community Affairs Manufactured Housing Division (TDHCA). These were randomly selected from the 3,627 filed over the two-year period ending June of 2002.

Consumers Union obtained from the Federal Department of Housing and Urban Development (HUD), through the Freedom of Information Act, summary information from its national compliance tracking database for its manufactured housing program. This database contains
information on compliance violations primarily related to home construction and quality collected by HUD and its contractors through its audit and monitoring activities. Over 53,000 violations or possible violations were identified in the database supplied to us.3

Finally, we looked at data related to home durability and home maintenance from the American Housing Survey, a biannual survey by the federal government of about 55,000 residents of all types of housing. This allowed us to make some comparisons between manufactured and conventional housing products.

Home construction quality

Consumers pay more for a home, and accept a greater debt burden, than for any other purchase. For low income consumers in particular, the home ultimately becomes the family’s primary source of wealth as it builds equity over time. But in order to build equity and meet a family’s housing needs the house must be durable. Many people believe that, over time, manufactured homes fall apart. The industry has gone to great lengths to change that perception.

A home is a manufactured home because it is built in a factory in accordance with its own national building code (See sidebar The HUD Code and Inspection System, p. 9). Once much more “mobile” than today, manufactured homes are still sold off a dealer lot like a car and have to be moved to the consumer’s land later. The move can cause damage to the home.

Most manufactured homes need work upon installation. Lenders pay the dealer before the dealer has completed installation and warranty repairs, which sometimes take months or even years. By contrast, a conventional home is usually complete on its final lot when it is sold, and if work is needed, contractors are not paid in full by the mortgage company until the home receives a final inspection.

These differences in the sales and construction process only matter to consumers if they effect the quality of the home. Consumers Union surveyed new home owners to assess their general satisfaction.

About a third (36 percent) of manufactured homeowners indicated that overall they were more satisfied than dissatisfied with their new home, including 16 percent who indicated they were completely satisfied. (We asked consumers to rate “Are you satisfied with all aspects of your home” on a 5 point scale).

Another third (33 percent) of all new manufactured homeowners surveyed were more dissatisfied than satisfied with their new home, including 17 percent who were completely dissatisfied. (We asked consumers to rate “Are you satisfied with all aspects of your home” on a 5 point scale).

Another third (33 percent) of all new manufactured homeowners surveyed were more dissatisfied than satisfied, including 17 percent who were completely dissatisfied. This dissatisfaction was directly tied to whether or not the consumer had problems with his or her home. We asked “Have you experienced any problems with your home,” and a stunning 79 percent of respondents indicated that they had. Not surprisingly, consumers with problems were less satisfied as a group than those with no problems.

In addition to our own survey of new home buyers, we reviewed a random sample of complaints filed with the state to identify the specific home quality problems most often reported. They ranged from the catastrophic (house frame damaged when the house was got stuck in a ditch on delivery), to the annoying (we received no keys to the house). Most fit into broad patterns—common stories that we heard repeatedly from consumer to consumer.

The table on p. 6 lists the problem areas reported by new homeowners:
Problem areas reported by TDHCA complainants

<table>
<thead>
<tr>
<th>Area</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Doors/windows</td>
<td>61%</td>
</tr>
<tr>
<td>Walls</td>
<td>37%</td>
</tr>
<tr>
<td>Interior Trim</td>
<td>34%</td>
</tr>
<tr>
<td>Floor (covering)</td>
<td>34%</td>
</tr>
<tr>
<td>Roof</td>
<td>29%</td>
</tr>
<tr>
<td>Ceiling</td>
<td>27%</td>
</tr>
<tr>
<td>Plumbing</td>
<td>23%</td>
</tr>
<tr>
<td>Floor (structural)</td>
<td>21%</td>
</tr>
<tr>
<td>HVAC</td>
<td>21%</td>
</tr>
<tr>
<td>Exterior Siding</td>
<td>19%</td>
</tr>
<tr>
<td>Skirting</td>
<td>12%</td>
</tr>
<tr>
<td>Foundation</td>
<td>12%</td>
</tr>
<tr>
<td>Cabinets</td>
<td>12%</td>
</tr>
<tr>
<td>Appliances</td>
<td>11%</td>
</tr>
<tr>
<td>Outlets</td>
<td>9%</td>
</tr>
<tr>
<td>Belly Board</td>
<td>4%</td>
</tr>
<tr>
<td>Exterior Trim</td>
<td>4%</td>
</tr>
<tr>
<td>Smoke Trim</td>
<td>1%</td>
</tr>
<tr>
<td>Insulation</td>
<td>1%</td>
</tr>
<tr>
<td>Vents</td>
<td>1%</td>
</tr>
</tbody>
</table>

Consumers Union tracked the problem areas in the home identified by those who wrote complaints to TDHCA. Most complaints identified more than one problem. Note that trim and floor covering problems become formal complaints more often than they occur in the general homeowner survey. This may be because manufacturers and retailers sometimes refuse to service so-called “cosmetic” complaints.

Consumers Union Southwest Regional Office Paper Tiger Missing Dragon, November 2002 Page 6

problems. Walls, interior trim, floor coverings, and roofs
follow closely behind. This corresponds to responses to
our new homeowner survey—doors and windows, plumbing, walls, and roofs
were the top four homeowner problems.

Construction
improvement since the 70s
We found that some
traditional problem areas
for mobile homes appear to
have improved over the last
few decades. Elsie
Rodriguez grew up in a
manufactured home and
recently purchased a new
one with her husband.
After a year in her home,
she told Consumers Union
“back then, in early 70s,
they weren’t made as well
as they are now, but ...
[they] still have problems.
If I had to do it over I
wouldn’t buy a manufac-
tured home. I would wait
a little bit longer.” Mrs.
Rodriguez is frustrated with
a drip under her sink,
problems with the AC
ducts, and a rip in her
bottom board.5

The plumbing in
manufactured homes has
long had a reputation as a
weak point in the construc-
tion. A class action suit in
the mid-90s about
polybutylene
pipes (once
common in
manufactured housing)
raised concerns about
problems with piping. The
industry has now moved
away from this material. In
both AARP and Consumer
Reports surveys in the late
90’s, about a third of
consumers reported plumb-
ing problems. Our current
survey of homeowners came
in at the same level.
These complaint levels are
down from 67 percent of
consumers in a 1973 survey
in Ohio.6

Today plumbing prob-
lems are commonly related
to fixtures. About 14.6
percent of HUD citations
since 1995 related to
plumbing, and more than
half of these specifically
cited problem fixtures—
more than citations for poor
distribution and drain
plumbing systems com-
bined. In fact, problems
with the tub fixtures alone
comprised 1.9 percent of all
the HUD citations.

The American Housing
survey shows 57 percent
more manufactured home
dwellers performed major
repairs on their plumbing
fixtures than site built
dwellers. A wide variety of
fixtures are available on
manufactured homes,
ranging from brands that
cater to the manufactured
housing market to national
brands that also compete in
the site built market.
Fixtures in a given home
may vary, with upgrades
more common in high
visibility areas such as
kitchens and master baths.

In 1973, nearly two thirds of consumers re-
ported trouble with the
waterproofing of the house.
Today, our analysis of
American Housing Survey
data indicates that manu-
factured home owners were
no more likely to have
performed a major repair to
their roof than conventional
home owners, and roughly
the same level of residents
reported water leaking in
from the outside.7

Roof problems in a
manufactured home range
from loose shingles and
leaks to gaps at the mating
line between sections.
Shingle failures are the
number one specific prob-
lem reported in the HUD
compliance database,
comprising 3.8 percent of
the citations (see discus-
sion, p. 8).

Manufactured homes
are available with two roof
types: a metal roof or a
shingled roof. Most upscale...
“Ray Crawford, 31, of Carrollton, Ga., spent a frustrating year trying to get his new manufactured home repaired. Finally he concluded that he’d have to take legal action to force the company that built it to live up to its commitments. But Crawford discovered that even though the two halves of the $72,000 structure didn’t match up properly, he had unwittingly given up his right to sue.

“To his dismay, a clause buried in the fine print of his purchase agreement required that any dispute about the purchase be settled through binding arbitration. Instead of paying a simple $65 fee to file a claim at his local courthouse, Crawford was told that he’d have to pay $2,000 to initiate an arbitration process and make a six-hour round-trip to the arbitrator’s office in Addison, Ala. “Before I bought this home,” he says, “I never heard the word ‘arbitration’—didn’t have a clue what it meant.” Now Crawford is challenging the legality of the contract provision that bars him from having his suit heard before a judge and jury.”

—Consumer Reports, August 1999

Here in Texas, Tammie Reynolds of Mesquite has been fighting her retailer since August 2000, calling her purchase “the worse thing ever in my life.” Extensive electrical, installation, and plumbing problems forced her to move out of the home. Unable to get the retailer to make repairs, she eventually stopped making payments on the home and the finance company started repossession.

When she tried to sue the retailer to get her money back and clear her credit, the retailer forced her into arbitration. Four hours of arbitration cost her $700, and her case is still pending. “I don’t have the money and I’m getting screwed all the way around,” she says. She felt the arbitrators focused too much on finding a minimum settlement to which she would agree rather than deciding the case on its merits.

Tammie Reynolds and Ray Crawford’s stories are far from unique. Virtually all manufactured homes are sold with arbitration agreements. While use of arbitration agreements is growing in all markets, manufactured housing is unique for the prevalence and early adoption of the practice.

Consumers usually don’t have a choice in accepting the arbitration agreement. Most don’t argue, but some refuse to sign. When one consumer protested the agreement, the retailer told her arbitration was required.

“I also told him that I would not sign any Arbitration Agreement,” she wrote. “At this point he said that it was required by the lender... it was required by the State of Texas. Being a State employee, I knew that the State would not require me to give up my right to a Jury Trial and I said so. He said he would call and find out. He also said that if I could use my position with the State to get out of signing the “State-required” Arbitration Agreement, he wouldn’t mind. At which point I said I would do no such thing. He called back and said they had contacted the State, and it was indeed not required by the State of Texas.”

Arbitrators can tilt towards the business that signs up for the service. Just like any other business, an arbitration provider needs customers in order to survive. Since private arbitration services depend on the repeat business of commercial entities, arbitrators may develop “selection bias.”

Daniel Weinstein, then the vice chairman and senior judicial officer, J udicial Arbitration & Mediation Services Inc. (JAMS), and former superior court judge, conceded the likelihood of “unconscious as well as the conscious bias toward [the] repeat user.” First USA, a credit card company, has reported in court filings that it has arbitrated some 19,000 disputes, in the process paying the arbitration firm over $5 million in fees. First USA lost only 87 of the cases.

Recommendations:

- A fair arbitration process should be voluntary on the part of both parties and not imposed on consumers unilaterally.
- Rules governing the process should be clearly disclosed.
- Arbitration fees for indigent consumers should be waived.
- No arbitration clause should limit an individual’s ability to join with other similarly harmed consumers in a class-action lawsuit.

Notes

2 Interview, 9/24/02, T ammie Reynolds.
3 Arbitration Agreement, Revised 10-10-98.
4 TDHCA complaint file MHD 2002000361D, filed 10/18/200.
5 Alternative Dispute Resolution: A Roundtable, THE RE-
CORDER, Spring 1993, as footnoted in the Amicus Brief of
Consumers Union to the Supreme Court of the United States in.
re. GREEN TREE FINANCIAL CORP.-ALABAMA v. LARKETTA
RANDOLPH.
6 “Give up Your Right to Sue?”, CONSUMER REPORTS, May 2000, p. 8.
Systems that Fail: HUD inspectors cite electrical, installation and setup, roof, floor, and plumbing fixture problems (in particular, shingles, electric receptacles, floor decking, bottom board, and tub)

Overall HUD affiliated inspectors have identified electrical problems most frequently when monitoring factories, dealers and consumer homes. Inspectors visiting consumer home sites most often identify problems with the home’s installation, floors, and roof. ("Miscellaneous/Regulations" on the table refers most often to problems with the installation and setup, improper leveling, or problems with the connections between the units of a multifamily home).

The federal Department of Housing and Urban Development (HUD) implements and enforces federal law regarding manufactured homes. Federal law sets out building requirements (the HUD Code), and also mandates a system of factory, dealer and consumer site inspections. HUD inspectors have identified a wide range of home problems, depending on the type of inspection conducted.

The tables on this page and the next describe the top home construction and installation issues identified by HUD inspectors. The “Specific Problem” tables provide more detailed information about the top problems identified within those general categories. For example, the most common overall problem relates to electrical systems, but electrical receptacles are cited specifically (loose, missing, damaged, defective) 1,586 times.

Roof shingles are the single most frequently identified specific problem. Unlike a site built home, the shingles are not always installed outdoors where the sun naturally warms and seals them together. In addition, they endure highway speed winds in transit to the dealership and then to the consumer’s home site.

There are some significant differences between the items cited at the factory and dealership, and items found at the final home site—the point where the consumer finally comes into the process. Electrical problems are frequently cited during dealer monitoring audits, but consumer site visits more often uncover poor installation.

As reported by our consumer complainants and our new home buyers, doors are a major problem area at the home site, although less frequently cited overall.

Floors are a major area of concern across the board. Floor problems, including problems with the decking (these are the kinds of gaps, warps, and squeaks commonly reported by consumers in our TDHCA complaint files), account for more than ten percent of problems at the final installation site.

Roofs are also a major problem area. Plant inspectors frequently found shingle installation problems, while almost all missing and damaged shingle citations were found at the site—probably due to damage in transport.

Consumers Union filed a Freedom of Information Act request to HUD for this information, which has not been published since HUD’s 1996 “Ninth Report to Congress on the Manufactured Housing Program.” HUD’s 1996 report found that electrical, roof, floor and plumbing fixture problems were those most often identified by inspectors from 1993 and 1994.1

Today, looking at data from 1995 to February 2002, we find the same items top the list: electrical, roof, floor and plumbing fixtures. With more detailed information than was previously published by HUD, we further find that there are significant problems with installation—pointing to the need for a comprehensive final inspection of every home at the final home site.


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### Table: All Inspection Types

<table>
<thead>
<tr>
<th>Rank</th>
<th>Summary of Broad Problem Categories</th>
<th>Totals</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Electrical</td>
<td>6,860</td>
<td>12.8%</td>
</tr>
<tr>
<td>2</td>
<td>Miscellaneous/Regulations</td>
<td>6,297</td>
<td>11.8%</td>
</tr>
<tr>
<td>3</td>
<td>Roof</td>
<td>4,467</td>
<td>8.4%</td>
</tr>
<tr>
<td>4</td>
<td>Floors</td>
<td>4,358</td>
<td>8.1%</td>
</tr>
<tr>
<td>5</td>
<td>Plumbing - Fixtures</td>
<td>3,477</td>
<td>6.5%</td>
</tr>
<tr>
<td>6</td>
<td>Appliances</td>
<td>2,903</td>
<td>5.4%</td>
</tr>
<tr>
<td>7</td>
<td>Interior Walls</td>
<td>2,641</td>
<td>5.2%</td>
</tr>
<tr>
<td>8</td>
<td>Exterior Siding</td>
<td>2,655</td>
<td>5.0%</td>
</tr>
<tr>
<td>9</td>
<td>Furnace (Heating)</td>
<td>2,174</td>
<td>4.1%</td>
</tr>
<tr>
<td>10</td>
<td>Setup</td>
<td>2,082</td>
<td>3.9%</td>
</tr>
<tr>
<td>11</td>
<td>Exterior Doors</td>
<td>2,032</td>
<td>3.8%</td>
</tr>
<tr>
<td>12</td>
<td>Plumbing-Drain,Waste,Vent</td>
<td>1,820</td>
<td>3.4%</td>
</tr>
<tr>
<td>13</td>
<td>Windows</td>
<td>1,777</td>
<td>3.3%</td>
</tr>
<tr>
<td>14</td>
<td>Frames</td>
<td>1,741</td>
<td>3.3%</td>
</tr>
<tr>
<td>15</td>
<td>Plumbing - Distribution</td>
<td>1,477</td>
<td>2.8%</td>
</tr>
<tr>
<td>16</td>
<td>Ceilings</td>
<td>1,306</td>
<td>2.5%</td>
</tr>
<tr>
<td>17</td>
<td>Floor Covering</td>
<td>1,352</td>
<td>2.5%</td>
</tr>
<tr>
<td>18</td>
<td>Interior Doors</td>
<td>1,144</td>
<td>2.1%</td>
</tr>
<tr>
<td>19</td>
<td>Exterior Walls</td>
<td>1,028</td>
<td>1.9%</td>
</tr>
<tr>
<td>20</td>
<td>Regulatory</td>
<td>877</td>
<td>1.6%</td>
</tr>
</tbody>
</table>

Total: 52,722 99%

### Table: Specific Problem Types

<table>
<thead>
<tr>
<th>Rank</th>
<th>Specific Problem Type</th>
<th>Total</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Roof / Shingle</td>
<td>1,767</td>
<td>3.8%</td>
</tr>
<tr>
<td>2</td>
<td>Electrical / Receptacle</td>
<td>1,586</td>
<td>3.4%</td>
</tr>
<tr>
<td>3</td>
<td>Floors / Bottom Board</td>
<td>1,562</td>
<td>3.4%</td>
</tr>
<tr>
<td>4</td>
<td>Exterior Siding / Vinyl</td>
<td>1,508</td>
<td>3.3%</td>
</tr>
<tr>
<td>5</td>
<td>Floors / Decking</td>
<td>1,487</td>
<td>3.2%</td>
</tr>
<tr>
<td>6</td>
<td>Interior Walls / Wall Panel</td>
<td>1,049</td>
<td>2.3%</td>
</tr>
<tr>
<td>7</td>
<td>Plumbing - Fixtures / Tub</td>
<td>878</td>
<td>1.9%</td>
</tr>
<tr>
<td>8</td>
<td>Misc. / Regulations / Installation &amp; Set-Up</td>
<td>829</td>
<td>1.8%</td>
</tr>
<tr>
<td>9</td>
<td>Electrical / Light (Inter)</td>
<td>753</td>
<td>1.6%</td>
</tr>
<tr>
<td>10</td>
<td>Ceilings / Ceiling Board / Tile</td>
<td>724</td>
<td>1.6%</td>
</tr>
<tr>
<td>11</td>
<td>Floor Covering / Vinyl / Linoleum</td>
<td>649</td>
<td>1.4%</td>
</tr>
<tr>
<td>12</td>
<td>Plumbing-Drain / P-Trap / Drain Lines</td>
<td>617</td>
<td>1.3%</td>
</tr>
<tr>
<td>13</td>
<td>Appliances / Fireplace</td>
<td>588</td>
<td>1.3%</td>
</tr>
<tr>
<td>14</td>
<td>Setup / Blocking/Footings</td>
<td>587</td>
<td>1.3%</td>
</tr>
<tr>
<td>15</td>
<td>Plumbing - Fixtures / Commode (WC)</td>
<td>587</td>
<td>1.3%</td>
</tr>
<tr>
<td>16</td>
<td>Setup / Setup</td>
<td>580</td>
<td>1.3%</td>
</tr>
<tr>
<td>17</td>
<td>Electrical / NM Cable</td>
<td>562</td>
<td>1.2%</td>
</tr>
<tr>
<td>18</td>
<td>Floors / J oist</td>
<td>558</td>
<td>1.2%</td>
</tr>
<tr>
<td>19</td>
<td>Appliances / Water Heater</td>
<td>489</td>
<td>1.1%</td>
</tr>
<tr>
<td>20</td>
<td>Appliances / Range Hood</td>
<td>483</td>
<td>1.0%</td>
</tr>
</tbody>
</table>

Total: 17,843 38.5%
The HUD Code and Inspection System

In the early 70's, growing concern about the safety and durability of mobile homes led to a call for minimum building code standards. Most states had implemented standards, but the industry called for a national building code, since factories often build homes for delivery in several states. Congress passed a federal building code preempting state codes, effective in 1976. Manufactured homes are the only type of housing built to a national code.

This code, The Mobile Home Construction and Safety Standards Act (later renamed the Manufactured Home Construction and Safety Standards Act) is administered by HUD and called the “HUD code.”

The HUD code contains more performance code elements than most local building codes. Rather than tell manufacturers how to build the home, the code describes how the home must perform under certain stresses. For example, site built codes generally require 2x4 studs in exterior walls supporting a roof to be spaced no more than 24 inches apart, whereas the HUD-Code specifies the various types of wind and weight loads that a wall must withstand and the maximum deflections under those loads.² This gives manufacturers more flexibility in manufacturing techniques, but requires the code to be carefully written to take into account all possible desired performance dimensions.

The inspection process for manufactured housing is unique as well. Site built homes typically receive a series of inspections, ranging from foundation inspections to inspections of the plumbing and electrical systems and a final inspection at completion. Manufactured homes are typically only physically inspected once during construction by a third party. This inspection may occur in the earliest stages of construction or after the home is completed but before it leaves the factory.²

In reality, in-plant inspectors aren’t inspecting the individual homes, but rather inspecting the manufacturing process to see that it meets the quality assurance plan approved for that facility. Manufacturers are responsible for monitoring their overall quality through their quality assurance plan.

These in-plant inspections are not performed by HUD staff. HUD’s manufactured housing office has a staff of only 8 (as of 2000) to monitor the program for the entire country². The regulatory system makes extensive use of sub-contractors. For example, HUD contracts with many state governments to administer the HUD code within their states (TDHCA in Texas), but also administers the program directly in some states.

Additionally, to meet the HUD-code requirements, manufacturers contract with approved third party inspectors to inspect their plants and approve their home designs. In some states these contractors serve at the pleasure of the manufacturer, are paid by them, and can be fired by them.

This system has inherent conflicts that do not serve the consumer interest. Inspectors should be independent.

Notes
³“Overview of the Manufactured Housing Program” May 24th, 2001, No Author, provided by NCSBCS.

At the consumer’s home site infractions relate to installation and setup, but also to roof shingles, floors and doors, vinyl siding, bottom board, and plumbing fixtures.

Inspections at Consumer Home Site

<table>
<thead>
<tr>
<th>Rank</th>
<th>Specific Problems Cited Most Often</th>
<th>Totals</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Floors / Decking /</td>
<td>951</td>
<td>4.6%</td>
</tr>
<tr>
<td>2</td>
<td>Exterior Siding / Vinyl /</td>
<td>822</td>
<td>3.9%</td>
</tr>
<tr>
<td>3</td>
<td>Miscellaneous/Regulations / Install &amp; Set-Up /</td>
<td>796</td>
<td>3.8%</td>
</tr>
<tr>
<td>4</td>
<td>Floors / Bottom Board /</td>
<td>728</td>
<td>3.5%</td>
</tr>
<tr>
<td>5</td>
<td>Roof / Shingle /</td>
<td>666</td>
<td>3.2%</td>
</tr>
<tr>
<td>6</td>
<td>Setup / Blocking/Footings /</td>
<td>585</td>
<td>2.8%</td>
</tr>
<tr>
<td>7</td>
<td>Setup / Set-up /</td>
<td>579</td>
<td>2.8%</td>
</tr>
<tr>
<td>8</td>
<td>Interior Walls / Wall Panel /</td>
<td>455</td>
<td>2.2%</td>
</tr>
<tr>
<td>9</td>
<td>Setup / Anchoring /</td>
<td>423</td>
<td>2.0%</td>
</tr>
<tr>
<td>10</td>
<td>Floor Covering / Vinyl/Linoleum /</td>
<td>401</td>
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</tr>
<tr>
<td>11</td>
<td>Miscellaneous/Regulations / Crawl Space /</td>
<td>374</td>
<td>1.8%</td>
</tr>
<tr>
<td>12</td>
<td>Miscellaneous/Regulations / Set Up/Leveling /</td>
<td>366</td>
<td>1.8%</td>
</tr>
<tr>
<td>13</td>
<td>Ceilings / Cfg Bd/Tile /</td>
<td>338</td>
<td>1.6%</td>
</tr>
<tr>
<td>14</td>
<td>Electrical / Receptacle /</td>
<td>323</td>
<td>1.6%</td>
</tr>
<tr>
<td>15</td>
<td>Floors / Lst /</td>
<td>299</td>
<td>1.4%</td>
</tr>
<tr>
<td>16</td>
<td>Miscellaneous/Regulations / Unit Connection - Multi Wide Home /</td>
<td>291</td>
<td>1.4%</td>
</tr>
<tr>
<td>17</td>
<td>Furnace (Heating) / Crossover Duct /</td>
<td>273</td>
<td>1.3%</td>
</tr>
<tr>
<td>18</td>
<td>Exterior Doors / Adjustments /</td>
<td>264</td>
<td>1.3%</td>
</tr>
<tr>
<td>19</td>
<td>Floor Covering / Carpet /</td>
<td>259</td>
<td>1.2%</td>
</tr>
<tr>
<td>20</td>
<td>Appliances / Washer/Dryer /</td>
<td>253</td>
<td>1.2%</td>
</tr>
</tbody>
</table>

9,446  45%
Under most manufactured housing purchase agreements, consumers are responsible for their own site preparation (see page 18). This site, purchased as a result of a referral from her home retailer, looked fine to Mrs. J last spring when the retailer completed the site preparation. But during the hot summers the land in this area splits into cracks measuring over two and a half feet deep. The cracks are so severe and pervasive that Mrs. J feels she couldn't possibly water her foundation enough to protect it. She believes the dealer must have known about this problem when he suggested this site.

Although fewer people report exterior leaks today, moisture remains a problem. Condensation has been a particular problem in Texas. The director of TDHCA's Manufactured Housing Division, Bobbie Hill, claimed in 1999 to have seen a pattern of problems with walls deteriorating due to moisture. Our sample of more recent complaints included several consumers who complained of mold, which is often associated with excess moisture in a home. This may be due to manufacturers building homes in the warm and humid climate of Texas using the same materials and designs as colder and dryer climates elsewhere in the U.S.

Moisture can also be caused by poor site preparation leading to water pooling under the home, as well as by leaks in windows and doors. The smaller overhang found on manufactured home roofs can contribute by increasing the amount of water in direct contact with the exterior doors and windows of the house.

During the hot summers the land in this area splits into cracks measuring over two and a half feet deep. The cracks are so severe and pervasive that Mrs. J feels she couldn't possibly water her foundation enough to protect it. She believes the dealer must have known about this problem when he suggested this site.

Continuing trouble

Despite the improvements in structural plumbing and roofing, consumers continue to report problems with doors, windows, trim and finishing. Fully 67 percent of all the owners we surveyed experienced problems with the doors or windows in their homes—the same share identified with door trouble in the 1973 survey. Seventeen percent more manufactured home residents performed major repairs to their doors than site built home residents. Controlling for the number of rooms and age of the home, manufactured home residents are 49 percent more likely to have performed major door repairs. They report broken windows at three times the rate of site built home residents. The continued prevalence of door and window problems could be related to the unique foundation systems in manufactured homes. Manufactured homes can be set on a variation of foundations, ranging from poured concrete piers to simple concrete blocks. If not installed correctly, or if settling occurs unevenly due to poor site preparation, the entire house frame may twist, causing windows to jam and doors to refuse to shut properly. Some consumers view this as merely an inconvenience, while others considered it a safety hazard. Mr. K of Dayton, Texas wrote “As indicated on decals attached to [the] windows, the windows are to be used for “Emergency Exit”... We consider inoperable windows/doors a true emergency should there be any type of disaster.”

Although many consumers don’t realize it, and many dealers offer to take care of site preparation, problems that trace back to poor site preparation are not the responsibility of the manufacturer or the dealer. The consumer is fully responsible for site preparation in most contracts, as detailed below (see p. 18).

Uneven settling of the home can also lead to problems with the walls of a home, the second most popular complaint to TDHCA. Many wall complaints involved cracks, but some were about entire wallboards popping loose or moisture getting into the wall. Transportation of the home on the highway can also lead to cracks and damage to the wall. The widespread use of pre-patterned vinyl covered sheetrock in manufactured homes...
Consumers Union calculated complaint ratios for the largest manufacturers selling in Texas. \(^1\) Although the retailers or installers may be legally responsible for some of these complaints, manufacturers have the ability to select those retailers through whom they market their product. Manufacturers can refuse to sell through retailers with a history of problems.

The company with the highest number of complaints per home titled was Southern Energy homes, also known as Al/Tex, its Texas subsidiary. Southern Energy’s webpage stresses how far they have come in the last four years on quality issues. “In 1998, we implemented a new quality and training programs, and our service departments were restructured to ensure a more efficient process.” \(^2\) Despite these efforts, they top the complaint list for the period 1998-2002. Southern Energy was issued 2331 titles by the department and received 203 complaints over the time period.

Elliott, which sells under the brand name Solitaire Homes, had the lowest complaint ratio, receiving just 8 complaints on 1820 homes sold over the four years. Elliott homes is a privately held company selling primarily through its own dealers (23 company lots and 5 affiliated lots). \(^3\)

Multi-section homes were more likely to receive formal complaints than single section. Complaint ratios may indicate systematic differences in the experiences of homeowners. Consumers should not have to file formal complaints with a state agency about a purchase. Those who do are already frustrated and disappointed with their efforts to get satisfaction themselves.

Information about complaint patterns is valuable to new consumers interested in purchasing a manufactured home, but it is not readily available. We filed an open records request and the Department levied a significant charge. \(^4\)

Consumers Union believes that the Texas Department of Housing and Community Affairs manufactured housing division (TDHCA) should make information about the comparative performance of its licensees freely and easily available to consumers in the form of complaint ratios. The Texas Department of Insurance has done this for years, successfully allowing buyers to factor consumer satisfaction into their purchase decisions.

- Consumers should be able to order by phone or download a list of licensee complaint ratios and any history of enforcement actions against the companies.

### Notes

1. TDHCA’s complaint database from July 1998 through June of 2002. The total number of titles on new homes issued to a manufacturer during the period is divided by the number of complaints about homes manufactured by that manufacturer (including canceled titles after 1/1/2000). Roughly a third, or 32 percent, of the complaints were not about or could not be matched to a specific home and therefore were not considered. The industry overall complaint ratio is higher than this chart shows. To make certain manufacturers could control the dealer relationship, we only limited our calculation to complaints about new homes.

2. www.soenergyhomes.com/new_energy.htm


### Consumer complaints per 100 homes titled

<table>
<thead>
<tr>
<th>Manufacturer</th>
<th>Complaints per 100 Homes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Southern Energy</td>
<td>8.7</td>
</tr>
<tr>
<td>Pioneer</td>
<td>6.9</td>
</tr>
<tr>
<td>Cavalier</td>
<td>5.3</td>
</tr>
<tr>
<td>Patriot</td>
<td>5.2</td>
</tr>
<tr>
<td>Patriot</td>
<td>5.1</td>
</tr>
<tr>
<td>Champion/Redmon</td>
<td>4.6</td>
</tr>
<tr>
<td>American Homestar</td>
<td>3.5</td>
</tr>
<tr>
<td>Schult</td>
<td>3.4</td>
</tr>
<tr>
<td>Silver Creek</td>
<td>2.5</td>
</tr>
<tr>
<td>Oakwood</td>
<td>2.2</td>
</tr>
<tr>
<td>Fleetwood</td>
<td>2.0</td>
</tr>
<tr>
<td>Clayton</td>
<td>1.6</td>
</tr>
<tr>
<td>Palm Harbor</td>
<td>1.0</td>
</tr>
<tr>
<td>Skyline</td>
<td>0.4</td>
</tr>
<tr>
<td>Elliott</td>
<td>0.4</td>
</tr>
</tbody>
</table>

homes can make it difficult to match the pattern in making repairs to walls. This can contribute to consumer dissatisfaction if a problem does occur.

Consumers also frequently reported trim and floor covering problems to TDHCA. Trim includes the floor, wall, and ceiling molding, window treatments, and other finishing touches on a new home. Final steps of the trim out are completed after installation, especially on multi-section homes. Complaints included uneven application of the covering (i.e. carpet, linoleum), poor quality of the material, and damage such as cuts or stains. Manufactured homes come with a range of quality in carpeting and linoleum, and this covering is often laid down in the factory. In fact, linoleum may be laid down before the walls are raised—which means there are many opportunities for the floor to be damaged in the construction process. In the drive for cost efficiency, carpeting may be stapled rather than attached with tack strips. This can make restretching carpet more difficult.

Trim, floor covering, and minor wall cracking are problems that may be considered “cosmetic” and excluded from most warranties (see warranties, p. 18). Consumers with “cosmetic” complaints are less likely to get redress through the warranty service process and may remain permanently dissatisfied with the home (see also p.24). Like problems due to improper site preparation, neither the manufacturer nor the dealer are currently held responsible for “cosmetic” deficiencies in the home, even if they occur due to poor workmanship (trim improperly attached) or poor quality materials.

Data from the American Housing Survey indicates that manufactured home residents report slightly lower satisfaction levels overall than conventional homeowners, and owner satisfaction drops faster over time. Lower consumer satisfaction Data from the American Housing Survey indicates that manufactured home residents report slightly lower satisfaction levels overall than conventional homeowners. Interviewers asked: “On a scale of one to ten, how would you rate your residence as a place to live?” (10 is best, 1 is worst). On average, manufactured homeowners started about half a point down the scale.

We tracked responses from the same home over 4 year periods from 1985-1999, and also found the average level of satisfaction of mobile home residents drops quicker than residents of conventional single family homes. All residents report a decline in satisfac-
tion over time, but manufactured home owners satisfaction drops on average more than twice as fast: -1.7 percent a year vs. -.6 percent a year. This may be due to the greater variation in material quality found in the manufactured home market. The lower price does not come solely from efficiencies in the production process. While some homes are built using similar building materials, carpets, appliances, and fixtures as conventional homes, others are built using less expensive materials to cut costs. The HUD-code allows builders to use a greater variation of building materials than most local codes, and allows them to use them in different ways. For example, the vinyl covering used over sheetrock in many manufactured homes may look like wall paper to consumers, but is considered a vital “vapor barrier” by the engineer who designed the home.

A 1998 National Association of Home Builders report found “Manufactured homes use significantly different basic materials for framing and sheathing walls, floors and roofs than conventional homes. ... In practically every case the usage of thinner panel products and/or less expensive product alternatives in manufactured homes is higher than in conventional homes.”

These less expensive materials—as well as the failure of “cosmetic” items, doors, windows, and plumbing fixtures—may contribute to the long term decline in consumer satisfaction.

We saw anecdotal evidence of disappointment in our contact with consumers. Ms. F. of Corpus Christi wrote us to say: “My home is two years old and I already wish I could replace the flooring, kitchen cabinets, carpet, shower stall, air conditioning unit, etc.... The plumbing is also leaking already. In the beginning I was proud of the home and recommended it to everyone, now I tell people to buy anything other than what I did. If I bought from the supposedly “top of the line” manufacturer, I don’t know how other people can stand it.”

On the other hand, consumers who went into the transaction with limited expectations may be less disappointed. Dustin Elliot of Conroe told us he had mediocre quality expectations when he bought the home, and it has performed to his satisfaction.

Salespeople can contribute to this drop in expectation by “overselling” a home with inadequate manufacturer then send service teams out to repair the home or complete the installation.

Defects will appear in all building processes whether on site or in a factory, and the best efforts of any manufacturer’s quality control program cannot prevent some problems from slipping through. Unlike site built homes, however, manufactured homes also undergo tremendous stress in transit.

A major component of product quality in this market, then, is the company’s response when consumers report service needs. Consumers forgive defects if the company acts quickly to fix them. Consumers who reported problems generally had lower satisfaction scores, but those with problems who reported superior warranty service reported similar satisfaction levels as those consumers with no problems at all.

Unfortunately, for many manufactured housing consumers, the warranty service system broke down. Ms. C of San Antonio told her dealer, “First of all let me tell you that I love my new house. I have been very satisfied with the home itself... But I am very sad to say that your service department leaves a lot to be desired.”

Clyde Prescott of Newton, Texas has owned both new manufactured homes and new site built homes. He recognizes that “any new construction is going to have problems.” But Mr. Prescott told Consumers Union, “I’ve had problems with site built homes but they’ve always been taken care of. When they [the builders] take care of something you can’t complain.” He has not been able to get satisfactory repairs to cracks in the ceiling of his new manufactured home.
Used Homes: Buyer Beware

Consumers who purchase used manufactured homes face additional hurdles to happy homeownership. Retailers generally give only the minimum warranty, limited in Texas to warranting the home is “habitable” for 60 days. A home is defined to be “habitable” if it is not dangerous or unsafe, the major systems function, the doors and windows work, and there are no “substantial” holes to the outside.\(^1\)

Compounding this limited warranty, retailers are not responsible by statute for installation, so the consumer may have to deal with a separate company for installation. This provides retailers another opportunity to blame someone else if something goes wrong.

Properly installed used homes may represent a deal for consumers looking for shelter, as used homes on a retail lot are less expensive than new homes. Recent high repossession rates have resulted in a flood of used homes on the market, driving down prices. But multiple moves can damage a home and reduce its long term value as well.

Retailers say it can be difficult for a consumer to get a loan on a used home, as banks are sometime wary of writing loans on collateral of uncertain value. Homes built before 1974 are not built to the HUD code, and may have more variation in quality. Consumers should have all used homes inspected by an independent professional before purchase.\(^1\) 11/2002 TDHCA Licensing Education Class Handout.

Mr. C of Roanoke, Texas wrote: “I contacted the mobile home dealer. They told me that the factory was supposed to fix it. ... I contacted the factory ... But she says that they are not responsible.” Ms. H of Bullard, Texas wrote to T D H C A with 16 pages of unfinished warranty items. She states “I have been told ‘that is the dealer’s problem – they have to fix that.’ How do you expect the consumer to know who is responsible for what?”

After an installer constructed her home in torrential rain, Ms. D. of Kountze found leaks, problems at the marriage line between the sections, and the plastic lining (the belly board) across the bottom of her home was sagging with water. Service people visited several times, but did not complete work to her satisfaction. “I guess you have to throw yourself down & kick & scream... to get something done. I don’t know because I didn’t try that,” she told her inspector. “I could live with the carpet. I could live with the creak. But, I can not live without a ceiling. Everyone points their finger at someone else meantime NOTHING gets done.”\(^20\)

This fragmentation of the industry is bad for consumers, because it makes it difficult to hold anyone accountable for the home. In a better world, the consumer would be able to hold one party responsible for the final product, analogous to a good contract with a general contractor for a site built home.

In Texas, the requirement that new home retailers assume responsibility for installation appears to have reduced the level of blame shifting between retailers and installers. We did not see such problems in our sample.

Although not possible in all states due to licensing laws, Consumer Union recommended in 1997 that consumers buy directly from manufacturers to avoid this problem.\(^21\) In Texas, you can’t “buy direct,” but retailers may be owned by manufacturers.

Paid before completion

Most consumers know that you don’t pay your contractor before the work is done—or it might never get done. But in the manufactured housing industry, this is often what happens. We reported in “In Over Our Heads” on the practice of “telephone audits” by lenders. In a telephone audit, the lender calls the consumer to check that the home has been delivered and installed. Once delivery is confirmed, the lender releases the funds to the dealer. By the time the consumer has submitted a punch list, the dealer may have already been paid in full for the home.

It is not uncommon for punch lists to run several pages long and cover dozens of items. Mr. and Mrs. S of Kingsland Texas had a 10 page punch list, comprising of 103 individual problems they found after moving in.\(^22\) Dealers, faced with the prospect of paying a contractor to make numerous and potentially expensive repairs, have an incentive to put off the consumer and avoid their warranty responsibilities. If the dealer is responsible for the repair, money for that repair comes directly from the retailer’s profit (likewise for repairs that are the responsibility of the manufacturer). Many consumers reported difficulty getting repair service.

Kristy Howe of Temple told Consumers Union she had extensive problems...
getting work done on her new home. She had numerous warranty items, ranging from sticky doors to a broken fireplace. The manager of the dealership where she bought her new home “told us to forget about them doing anything to fix the problems” and hung up on her several times. Phone calls to the manufacturer received the same reply. Ms. Howe wrote us to say that she and her husband were “tired of complaining and trying to get things fixed. The warranty is useless. We notified them in writing immediately, within a few months of moving in. It has been nothing but a hassle and still there are many things that have not been done.”

Betty Jones Pierce wrote Consumers Union to say “Three years past the purchase date, we still have unresolved issues, and totally unsatisfactory work that has been done on this home, that should have been done when the house was set up. My experiences with customer service and repair technicians has been undependable at best.”

A consumer from Sulphur Springs, Texas wrote: “Eleven months have passed with nothing but promises that have not yet been met. I feel we have been put off long enough. I understood poor maintenance workers, slow delivery, and a host of other reasons from [the] office to pass the buck, but bottom line is we are still waiting. We have been told at least 10 times that everything was ordered and would take about 10 days to come in. This is eleven months later.”

A Lubbock family sent in a letter they had written to their dealer. “As of this date, not one repair or missing item on our fax[ed] list has been completed... I am beginning to feel that because this is not your home, you apparently feel that you do not have a responsibility to correct the ‘problems’ with our new home in a very timely matter... We would like to say ‘we have a brand new home and that it is now perfect and we are happy to live in it!’ That is something we cannot say at this time.”

Limited warranty leaves consumer holding the bag

Limited duration of the warranties (typically 1 year, although some stretch longer) give additional incentive for the dealer to drag out service until the...