

IMPORTANT CONSUMER ADVICE WHEN PURCHASING A MANUFACTURED HOME

If you are buying a manufactured home to replace one lost in the Southern California fires, or an existing home in another park, there are many important details to consider to protect yourself and your family from delays or financial harm. These guidelines provide advice regarding common concerns.

Who Can You Buy a Manufactured Home From?

In California, new manufactured homes generally are purchased only from licensed dealers, or salespersons working for a licensed dealer; the California Department of Housing and Community Development (HCD) licenses both dealers and salespersons. You may purchase a new home over the Internet from an unlicensed dealer, but see the warnings below.

Used manufactured housing may be purchased through a licensed manufactured home dealer or salesperson, through a real estate broker or salesperson licensed by the California Department of Real Estate (DRE), or directly from a private owner/seller. In certain circumstances, a mobilehome park owner may sell directly, either because the owner is a licensed dealer or because the owner is selling a unit obtained from a former resident. Always ask for proof of the authority of the seller and, if a private person, proof of ownership before signing documents or providing funds. To verify HCD licensee information, call HCD's Occupational Licensing Unit at (916) 323-9803 or use HCD's website at http://www.hcd.ca.gov/codes/ol/ol_lic_query_cover.html. To verify DRE licensee information, consumers may use HCD's website to link to DRE's website or contact DRE's Occupational Licensing unit at (916) 227-0931.

What About the Internet?

It is not illegal for a buyer to purchase a manufactured home over the Internet. However, it is illegal for an unlicensed out-of-state person or company to solicit sales in California through advertising, telephone calls, or other in-state contacts. There are several critical problems with Internet sales:

- Selling companies are not licensed here, and do not have a legal obligation to provide documentation, disclosures, and other important information.
- If there is a problem with the sale, you may have limited legal recourse against an out-of-state party except in the dealer's state or federal court.
- The purchase price may not include all mandatory costs, including installation, transportation, local fees, accessories, etc. In addition, the true price may be concealed by the lack of disclosure that the homeowner will have to pay a California use tax on goods purchased outside the state; for example, a \$150,000 manufactured home results in a state tax of about \$7,000 or more.
- Your warranty rights related to construction defects or failure to comply with the contract may be reduced with Internet sales.
- Use of an out-of-state escrow company may not protect you or your funds: these companies are not regulated or licensed to do business in California, are not

subject to California laws and requirements, and may not even have adequate funding, leaving you still liable to a manufacturer if the manufactured home is not fully paid even though you paid the full price to the out-of-state escrow company.

Choosing a New Home: Step One

Even before you go to a dealer, you must contact the park management to find out what restrictions there may be on new homes in the park: Are there size requirements? Are there amenity requirements related to patios, stairs, etc.? What is the maximum electrical capacity for the space and park (normally referring to “amperage”)? Are there any other park restrictions? If you are purchasing the home to place on private property, you must be sure that local ordinances and infrastructure permit it.

Choosing a New Home: Step Two (Buying from a Licensed Dealer)

When buying a new or used manufactured home from a licensed dealer, any deposit or down payment checks must be made payable to an escrow company and not the dealer. A cash deposit does not provide a paper trail protection.

The sales agreement must be in writing, signed and dated by both parties. It should include a receipt for deposit or down payment (even if a check is used); and all home details such as color, flooring, upgrades, change orders, etc. All options must be individually itemized and priced, or the sales agreement should state they are included in the home price.

All manufactured homes sales through a licensed dealer must go through an escrow company, and consumers should ensure that the sales agreement and escrow instructions clearly state when partial payments and final payment are to be released. Escrow instructions are negotiable to the extent mandated by law.

The sales agreement must state if the price includes set-up and/or delivery or delivery options. If the dealer is responsible for installation, the sales agreement must identify the installation contractor and the type of foundation system to be used. The agreement also should state in writing: who is responsible for obtaining and paying the cost of permits; specify removal of an old home or lot preparation, if applicable; who is liable for delays in delivery or occupancy and storage fees, if applicable; etc.

The sales agreement must identify all warranties, both the state law warranty and any manufacturer or dealer warranties. Be sure these are clear.

The home usually must be installed by a licensed contractor: call the Contractors State License Board (CSLB) at (800) 962-1125 to verify that the installer is a licensed contractor.

Choosing a New Home: Step Three (Addressing Problems)

If problems occur as a result of, or during the purchase, various agencies and remedies are available. If there are problems with a licensed dealer, broker, salesperson, or contractor, call the appropriate agency listed above: HCD, DRE, or CSLB.

An inspection is required from a state or local building department after installation and prior to occupancy. Some manufactured homes require additional construction to the home on-site, which may require an inspection by a factory-approved inspector prior to the occupancy inspection. Be sure to be present when the inspection occurs, point out any problems you are aware of, and keep a copy of the report. Defects must be corrected before final funds are released from escrow.

If there are home defects, check the manufacturer, dealer, appliance, or state law warranties. There may be a limited time to report problems (for example, one year and ten days for the state warranty, unless the buyer took possession of the new home and directly arranged installation). Report all problems in a dated letter to the manufacturer and dealer and keep a copy. Follow up. If you are not satisfied with repairs, contact the HCD Ombudsman (see below) or Occupational Licensing Program (see above), and/or follow the complaint procedure in the manufacturer's manual.

Choosing a New Home: Step Four (Buying an Existing Home)

If you purchase an existing home to be moved to your park, or one staying in an existing park, you should be sure that the home is in good condition and free of defects. You may hire your own inspection firm, or make inspection a condition of purchase. State law also requires use of a specific written disclosure form about the home's condition.

If you purchase an existing home through an HCD licensee, all the requirements in "Step Two", above, must be met. You also can use a DRE real estate licensee for existing housing, or purchase directly from the seller. There is no requirement for an escrow except for transactions through persons licensed by HCD; however, the escrow company protects your rights as well as those of the seller.

If you purchase a used home to move to your park, see "Step One", above; be sure that the unit is acceptable to park management.

Choosing a New Home: Other Important Issues

If you are considering the purchase of a recreational vehicle or "park model trailer" (which may look like a manufactured home) as a temporary or permanent option, be sure that your park allows these units in the park, or local ordinances permit it on private property, before purchasing one.

Placing a manufactured home on private property has a number of additional local government considerations; check with your planning department for any rules.

Buying a home, either for cash or with financing, is a major decision. Be careful, use due diligence to investigate all critical issues, and educate yourself. Consider that a purchase is a partnership between you, the seller, the installer, and your park. If you have further questions or need assistance, please contact HCD's Occupational Licensing Program at (916) 323-9803 or call the Mobilehome Ombudsman at (800) 952-5275, or see the link at <http://www.hcd.ca.gov/codes/ol/ombpg-menu.html>.