MOUNTAINEER MOBILE HOMES
815 W. KING STREET
MARTINSBURG, WV 25401

Testimony of Mr. JW Wohlever
Mountaineer Mobile Homes, LLC

Before the
Subcommittee on Financial Institutions and Consumer Credit
Committee on Financial Services
U.S. House of Representatives

Hearing on
An Examination of the Challenges Facing Community Financial Institutions in West Virginia
August 20, 2012

Charleston, WV

Thank you, Chairwoman Capito, Vice Chairman Renacci and Guests of the Subcommittee for the opportunity to testify this morning on the challenges facing the community financial institutions in West Virginia.

My name is JW Wohlever and I own Mountaineer Mobile Homes, LLC in Martinsburg, WV. Mountaineer Mobile Homes does not operate like a traditional mobile home dealer but rather it operates more like a real estate brokerage assisting owners sell their mobile homes without ever taking ownership or control of a mobile home. I am the owner and managing-member and operate this small business with one full-time employee while I am employed full-time with the federal government as a budget analyst.

What I would like to present this morning is the impact on Mountaineer Mobile Homes based on the challenges that face our community financial institutions, the reasons why I believe our community financial institutions face these challenges, and the broader scope of these challenges on the future landscape.

Mountaineer Mobile Homes was established in 2008 and operates similarly to a real estate brokerage in the mobile home community. Unlike a traditional mobile home dealer/broker which purchases mobile homes, takes possession, and sells for a profit Mountaineer Mobile Homes never takes ownership or possession of the mobile home. Mobile home owners contact us for our expertise to facilitate a sale and when the transfer from seller to buyer is executed we receive a small fee for locating a buyer and for facilitating the transaction.

In 2008 the average value of a mobile home in a Mountaineer Mobile Homes' transaction was approximately $45,000. In 2009 the average value of a mobile home transaction was just under $35,000. In 2010 and 2011 the average value of a mobile home dropped to less than $21,000 and $17,300 respectively. So far in 2012 the average value of a mobile home in a Mountaineer Mobile Homes transaction is just under $22,000.

The number of transactions that Mountaineer Mobile Homes has handled on an annual basis has declined as well. 2008 was too short of an operating year to extrapolate useful data; however, in 2009 the company handled 25 transactions. 2010 the number of transactions rose to 40 then dropped to 24 transactions in 2011. Based on Mountaineer Mobile Homes current pace we project 16 units for 2012.

The final metrics that we measured was the percentage of transactions that were financed versus number of transactions that were purchased with cash. In 2009 and 2010 the amount of mobile homes that were financed were 60% and 40% respectively. In 2011 and 2012 the amount of mobile home transactions that were financed dropped to 10% each year. The results of these three metrics are illustrated in the table below.

Year	Average/Transaction	Total Transactions	% Financed
2008	$45,000	3	Too little data
2009	$34,720	25	60%
2010	$20,825	40	40%

2011	$17,300	24	10%
2012 (Projected)	$21,800	16	10%

When the data is illustrated in a table format the trends are clearly visible. Each year the average value per transaction is declining, the total number of transactions per year is declining, and the amounts of transactions that are financed are declining. These declining trends make it very difficult and an ongoing challenge to keep Mountaineer Mobile Homes a viable ongoing concern, but notwithstanding these difficulties our customers face similar challenges.

With the credit markets nearly nonexistent for chattel loans any customer with a mobile home priced over $30,000 is facing next to insurmountable odds and hoping that we will secure a cash buyer. After lengthy listing periods with no success many mobile home owners priced over $30,000 drop their listings because they do not believe their homes will sell or sell for enough to pay off their lien. These homes coming off the market have indirectly led to some of our falling total transactions per year numbers as the number of mobile homes for sale has dwindled. When one looks at Mountaineer Mobile Homes' declining numbers and the disenfranchisement of many of the higher priced mobile home owners there appears to be a common denominator among them; the uncertainty within the local banking community.

In 2008 through 2010 Mountaineer Mobile Homes financed through seven lending institutions and they included Vanderbilt (a subsidiary of Clayton Homes), United Bank (Martinsburg), 167th Federal Credit Union (Martinsburg), Eastern Panhandle Federal Credit Union (Martinsburg), First United (Martinsburg), Citizens National Bank (Martinsburg), and City National (Martinsburg). Vanderbilt was the only equity lender and would make a loan to a poor credit customer but would require high down payments perhaps as high as 50% or more. Vanderbilt was an excellent resource because there are many individuals with poor credit but who are not high credit risks. These individuals include individuals who had one time extensive medical bills or individuals who never had consumer credit loans and thus have no credit rating. Unfortunately Vanderbilt no longer makes loans. All of the remaining lenders mentioned above are community lenders and all but Citizens National Bank have stopped making chattel loans. Citizens National Bank is the only local lender that will make a loan on a mobile home on rented land rent or in a mobile home park but requires a 30% down payment. After prequalifying a customer most of the individuals we send to Citizens National Bank are converted into real estate loan customers and they do not purchase a mobile home.

In the 30 plus transactions that we have helped individuals purchase mobile homes with financing Mountaineer Mobile Homes is only aware of one instance of default and we believe this superior record is a combination of providing sound advice and properly qualifying prospects. Given our strong track record we are perplexed while almost every local lender has ceased making chattel loans. **We believe the reason why community banks have stopped making mobile home loans is because of the Dodd-Frank Act**. Community banks which are either small to medium-size banks are aware that one of the provisions in Dodd-Frank allows federal regulators to seize and take over a bank if they believe questionable loans are being made or if they believe the bank is not being run properly. So great is the fear of federal intervention that most community banks have curtailed their lending practices and have focused on limited markets such as single-family real estate home loans. As community banks have contracted their lending business the mobile home community has been particularly hard hit because their lending options have always been more limited. Chattel loans are a niche market but it can be a very lucrative market if proper qualifying standards are applied. The problem is accentuated for Mountaineer Mobile Homes because we are focused on the used mobile home business and lending for used mobile homes is even more restricted than for new mobile homes.

As more community banks decided to stop making mobile home loans Mountaineer Mobile Homes explored the idea of raising private capital to finance transactions. The enormous amount of rules and regulations imposed by RED Laws and the SAFE Act made it impossible to pursue this avenue. After studying these requirements it is our understanding that only a large bank can meet the requirements of RED Laws and the SAFE Act. However, if we could have done this we would have set up an equity lending operation and made sensible loans to individuals with poor credit but possessed other positive compensating factor such as high savings, long-term steady employment, or high income. Like our mobile home customers Mountaineer Mobile Homes has limited financing options.

Manufactured housing is a key source of quality, affordable housing for more than 22 million Americans and comprises 8% of the homes the United States (Housing Statistics > Percent of Housing Units That are Mobile Homes by state, 2004). According to the U.S. Census Bureau in 2010 there were approximately 132,000,000 homes (State & County QuickFacts, 2012) in the United States and at 8% 11,000,000 are mobile homes. This puts into perspective the amount of households, mobile homes, and individuals who have their options limited because of the lack of financing.

Mobile homes offer an affordable housing choice that fills the need that cannot be filled in any other way. The affordability of mobile homes is striking; the median purchase price of a used manufactured home is $27,000 versus $107,500 for an existing single-family home according to 2009 American Housing Survey data. Mobile homes are excellent starter homes that get people away from renting and into homeownership and all the benefits that are derived from homeownership. They become a stepping stone into more traditional single-family homes; however, this cycle does not work when mobile home loans are not available. Individuals who are unable to purchase and sell mobile homes stop the cycle before it begins and this also slows traditional single-family homeowners from moving into larger single-family homes.

This paralysis in the cycle of homeownership purchasing and selling is a direct result of community banks pulling out of chattel lending and refusing to make mobile home loans. We believe the community banking decision to stop making mobile home loans is a direct result of the fear created by the Dodd-Frank Act which allows federal regulators to take over bank due to questionable loans or questionable operating procedures. While the Dodd-Frank Act may have had good intentions we believe its repercussions has forced small to medium banks, which represent the majority of community-based banks, away from the mobile home lending business. This decision has had a direct and negative effect on Mountaineer Mobile Homes as our business has declined. We believe this Act has far greater reaching and negative effects as it has stopped or greatly reduced a significant portion of the entry-level housing market from purchasing and selling their homes and has curtailed the buying cycle preventing millions of Americans from progressing into larger homes.

In closing I would like to put out one more thought which deals with the problems of limited liquidity. During the subprime lending crisis of 2007 and 2008 much attention was given to the small down payment loans which made it easy for individuals to walk away from their commitments and forced banks holding large portfolios of repossessed properties. I've often thought about the Veterans Administration which has been guaranteeing loans for over 60 years. The majority of these loans are made with no down payments yet VA guaranteed loans did not suffer from the same high failure rates similar to the subprime market. The reason I believe that VA guaranteed loans were not subject to abnormally high default rates is because the VA maintained high qualifying standards; through proper qualification they identified good lending candidates despite the fact they may have made no down payment. I submit that one of the solutions to the lending problem is to focus on qualification standards and not down payment benchmarks.

Thank you very much for the opportunity to testify on this important issue and I welcome any questions.