



## **Manufactured Home Buyers – Beware Of Internet Sales and Out-of-State Sellers!**

**Consumers interested in purchasing manufactured homes should use extreme caution when considering a manufactured home ordered over the Internet or from an out-of-state seller.**

**Out-of-State and Internet Sellers.** California law requires manufactured home salespersons, dealers, and manufacturers doing business in California to be licensed by the California Department of Housing and Community Development (HCD). If a person or company solicits for purchasers of manufactured homes in California by letters, telephone calls, or other direct advertising or communications, that seller is violating the law because only licensed dealers and salespersons may advertise or solicit in California.

**Consequences of Unlicensed Sales Activity.** Generally, home buyers' interests, rights and funds are not as well protected unless they are dealing with licensed in-state dealers and manufacturers. Buyers also lose some rights when trying to enforce their rights or correct defects against out-of-state parties. Consider the balance between saving a few dollars on the home price in exchange for potential problems with the sale, the home, the installation, the accessories or amenities, or loss of your funds.

### **What are some specific problems with Internet or Out-of-State sales?**

**Advertising:** Unlicensed sales operations may not disclose all costs, and/or may participate in predatory sales practices. The California sales form requires listing of all costs, expenses, fees, and taxes. For instance, the true price may be concealed by not disclosing that a homeowner will have to pay a California use tax on goods purchased outside the state; for example, a \$150,000 manufactured home may cost the buyer about \$7,000 in California state taxes which normally would be disclosed in the itemized purchase price. Similarly, costs related to transportation, installation, local permit fees, etc. may not be disclosed.

**Missing/Wrong Features:** California law requires that all amenities and features be listed with their prices, or be included in the purchase price, and that this information be provided before signing the purchase agreement. Purchasing online may result in the buyer never seeing the final order sent to the factory, or all prices.

**Loss of Funds/Payments:** California law requires that dealers obtain buyer checks made payable to an escrow company and that they promptly deposit these funds into an escrow account. Dealing with an out-of-state or internet seller means not knowing whether

the seller or its operation even looks reputable, not knowing whether funds are deposited into insured accounts or reputable escrow companies, or whether the funds even get paid to the manufacturer upon the factory's release of the unit.

**Reduced Warranty Rights:** The warranty for homes purchased from California licensed dealers provides more consumer protection than the minimum federal warranty: it holds both dealers and manufacturers responsible for warranty repairs, and enforcement usually does not require a lawyer or lawsuit. With an out-of-state home, there is no California warranty or enforcement, and any lawsuits or administrative actions must occur in the state or states of the dealer and manufacturer. In addition, California also has special warranty rights for homes sold where the purchaser is responsible for hiring the installer.

**Lack of Local Information:** California licensed dealers are in business in or near your local community. They should know any special issues involved in the siting of a manufactured home, whether there are special park requirements, who are reputable installers, and other critical information. Generally, they are in business for the long term and rely on referrals and positive Better Business Bureau recommendations. Internet and out-of-state sales operations may be thousands of miles away, and neither know about or care about special circumstances unique to you, your park, or your community. Also, if a seller is merely an email address or Internet URL, and if a buyer has problems with a permit, installer, appliance, or other feature, how responsive will that email address or URL be, in comparison to a local business operation?

### **Benefits of California Licensing**

California licensing includes criminal background reviews, consideration of other past bad business dealings, and educational training and an examination. California licensees must obey various state and federal laws and regulations regarding sales practices and advertising, documentation and disclosures, escrows and protection of funds, compliance with federal and state construction standards, and responding to complaints about defects or warranty issues. If solicited by an internet or out-of-state solicitor, ask for proof of California licensing. Use HCD's website at [http://www.hcd.ca.gov/codes/ol/ol\\_lic\\_query\\_cover.html](http://www.hcd.ca.gov/codes/ol/ol_lic_query_cover.html) or call HCD's Occupational Licensing Program at (916) 323-9803.

Other persons licensed and regulated by the State of California who are involved in manufactured home sales include licensed contractors (who perform installations and related construction), real estate licensees (who may act as agents for used manufactured home sales), and California-licensed escrow companies. The purpose of this licensing is consumer protection! Dealing with out-of-state parties usually deprives consumers of California protections, and they must rely on whatever protections exist in other states. California does license some out-of-state manufacturers, who agree to be bound by California laws.

It is not illegal to purchase a home from an out-of-state operation or an Internet site, although it is illegal for those operations or sites to advertise or solicit directly in California without obtaining a license from HCD. **CAUTION:** Unlicensed manufactured home dealers and sellers are active because of recent natural disasters such as the Southland fires and the public may fall prey to a perceived need to purchase homes urgently. A buyer may be dealing in cash, may be in a hurry to obtain a replacement home, and may not exercise normal caution in this situation; this "**Alert**" is intended to remind those buyers that the consequences of not exercising reasonable care in this important and expensive transaction may result in consequences far more serious than the expected few dollars or days saved by dealing with the out-of-state business.