

- SUBJECT:** Converting liens for manufactured homes that become real estate
- COMMITTEE:** Business and Industry — committee substitute recommended
- VOTE:** 9 ayes — Brimer, Dukes, Corte, George, Giddings, Ritter, Siebert, Solomons, Woolley
0 nays
- WITNESSES:** For —John F. Rothermel, Stewart Title Guaranty Co.; Sam Russell, Texas Manufactured Housing Association
Against —None
On —None
- BACKGROUND:** In 1997, the 75th Legislature enacted legislation making substantial revisions to the Manufactured Housing Standards Act. The conversion-to-real-estate provision in the revised law allows the owner of a manufactured home to cancel the manufacturer's certificate of origin once the home is permanently affixed to real estate. The owner is required to file a certificate of attachment in the deed records of the county so that the home is then considered real estate and not personal property.

Art. 16, sec. 50 of the Texas Constitution allows only six reasons for a lien against a homestead, including a purchase-money lien to buy the homestead.
- DIGEST:** HB 1086 would amend subtitle B, Title 5, Property Code by adding Chapter 62 to provide a way to convert liens on personal property to liens on real estate. When a manufactured home is converted to real property, the lien on the home would be converted to a purchase-money lien on real property and would be independent of any existing lien on the land.

HB 1086 would allow a lien that was converted to a purchase-money lien to be refinanced with another lien on the real property to which the manufactured home was permanently attached. It would establish provisions for transferring lien documents on a manufactured home from the original lender to a mortgage lender. A person who provided funds to refinance a lien

secured by a manufactured home would have the same rights and responsibilities as the original lienholder.

The bill would apply to a lien on a manufactured home only if the loan or credit advance documents stated or indicated that the lien was a vendor's lien, a purchase-money lien, or a retail installment lien.

CSHB 1086 would take effect September 1, 1999.

**SUPPORTERS
SAY:**

CSHB 1086 would help owners of manufactured homes that are converted to real estate by providing a way to convert liens on personal property to liens on real estate. Converting personal property liens to purchase-money liens would save these home owners money because purchase-money liens for real estate typically have lower interest rates. Consolidating the liens as provided by CSHB 1086 would further reduce their interest rates. The bill also would help owners because it would allow a title insurance company to insure the real estate property title on the manufactured home, which cannot be done under current law. The Legislature's authority under Art. 16, sec. 50 of the Constitution is sufficiently broad that it could define a converted lien on a manufactured home as a purchase-money lien that could attach to the homestead.

**OPPONENTS
SAY:**

No apparent opposition.

NOTES:

The committee substitute added "or credit advance documents" to the provision on transferring the loan documents to a lender refinancing the loan.