

## DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

## HOUSING

## MANUFACTURED HOUSING STANDARDS PROGRAM

PROGRAM PERFORMANCE

STRATEGIC GOAL/OBJECTIVE	ACTUAL 2002	ESTIMATE 2003	ESTIMATE 2004
<b>Strategic Goal EM: Embrace high standards of ethics, management, and accountability.</b>			
Discretionary BA (Dollars in Thousands)	\$7,292	\$12,235	\$16,000
FTE			
Headquarters	12	16	16
Field	0	0	0
Subtotal	12	16	16
S&E Cost (Dollars in Thousands)			
Personal Services	\$1,149	\$1,512	\$1,553
Travel	16	14	18
Transportation of Things	0	0	0
Rent, Communications & Utilities	0	0	0
Printing	8	14	14
Other Services	10	6	5
Supplies	4	4	4
Furniture & Equipment	0	0	0
Subtotal	1,187	1,550	1,594
<b>Strategic Objective EM.3: Improve accountability, service delivery, and customer service of HUD and our partners.</b>			
HUD will work to monitor the progress of the Administering Organization and the Manufactured Housing Consensus Committee and hold each accountable for milestones and responsibilities provided in the Manufactured Housing Improvement Act of 2000.	1 consensus committee meetings.	3 consensus committee meetings.	4 consensus committee meetings.

EXPLANATION OF PERFORMANCEPerformance/Means and Strategies

Funding in the amount of \$16 million in program funding and \$1.6 million in Salaries & Expenses for a total of \$17.6 million to support Strategic Goal EM: Embrace high standards of ethics, management and accountability.

The Manufactured Housing Standards Program is one of the key tools supporting Strategic Objective EM.3 "Improve accountability, service delivery and customer service of HUD and our partners." As the manager of a Federally pre-emptive program, HUD is the only regulatory agency nationwide responsible for overseeing the design and construction of all manufactured housing (mobile homes) throughout the United States. The Manufactured Housing Standards Program accounts

for approximately 20 percent of all new residential home sales nationwide annually. The Program is also responsible for ensuring the correction of all design and construction deficiencies raised to the Department's attention in manufactured homes built since 1976. In fiscal year 2004, the estimated level of new construction for manufactured housing is approximately 281,000 homes (independent forecasters, DRI-WEFA), and the 1999 American Housing Survey reported the overall number of homes nationwide to be approximately 8.4 million. The Federal Manufactured Housing Program is the sole regulatory program established nationwide to ensure the accountability of the design and construction undertaken by 17 primary inspection agencies and the consumer and oversight work of the 37 State administrative agencies. In its role of overseeing design and construction on a nationwide basis the Federal program, using a contractor, receives and stores approximately 300,000 design pages annually, and reviews approximately 10,000 of those pages. It also audits construction once a year in each of the approximately 250 manufacturing plants.

The Manufactured Housing Improvement Act of 2000 added several new Federally pre-emptive oversight responsibilities to this program, increasing its role in improving the overall management and accountability of the Federal program, and its partners. The first step was the Department's contract for services of an Administering Organization and the selection of a Consensus Committee, the costs and activities of which increase with increased activity. The Consensus Committee is required to submit proposed installation standards to the Department by February 2004. By December 2005, the Department will be required to implement a pre-emptive, nationwide installation program, and a dispute resolution program. With a projected number of homes of 281,200 in fiscal year 2004, and a possible 20 percent level of inspection, the inspections are expected to be performed on 56,000 homes. With a possible 7 percent level of disputes requiring federal dispute resolution for all homes within 1 year of installation, there are projected to be 19,000 cases when the program begins in December 2005.

HUD requests a \$17 million appropriation (non-salary and expenses) in fiscal year 2004 which will be used to: 1) cover the contractual costs of the program; (2) make payments to the States for the costs of investigating purchaser complaints; and (3) cover the Department's expenses for staff. Payment for this last item is made through a transfer to the "Salaries and Expenses, HUD" account. The Department will ensure that staffing is sufficient for proper enforcement of standards and to respond to questions concerning the uniformity and consistency of code revision. Also, the Department will assess its program cost to ensure the program is implemented in an economical and efficient manner. The appropriation will be fully supported by the collection of fees. The Appropriation for this program allows for funds to be made available from the general fund of the Treasury to allow obligations and expenditures pending receipt of collections to the Fund. Amounts that may be available from the general fund are reduced as collections are received during the fiscal year so as to result in a final fiscal year appropriation of \$0.

In fiscal year 2004, the Manufactured Housing Standards Program will continue to carry out the responsibilities of the 2000 Act. The number of manufactured homes and transportable sections produced are expected to increase above the 2003 estimated level of 198,000 homes and 346,500 transportable sections. A \$39 fee is charged for each manufactured home transportable section produced and will be used to fund the costs of all authorized activities necessary for the Consensus Committee, HUD, and its agents to carry out all aspects of the manufactured housing reform legislation at the appropriated level of funding. Program income, based on fees, fluctuates with production levels, which in turn fluctuate from season to season, and cannot be precisely projected.

The Department regulates the design, construction, and safety of manufactured housing pursuant to its authority under the National Manufactured Housing Construction and Safety Standards Act of 1974, 42 U.S.C. 5401, *et seq.* ("the Act"). The standards are to govern quality, durability, and safety among other things. The Act originally took effect June 15, 1976, and all manufactured homes produced since then must meet Federal manufactured home construction safety standards. The Act was amended by the Manufactured Housing Improvement Act of 2000 (Title VI, P.L. 106-569, 114 Stat. 2944, approved December 27, 2000) in part to provide for the establishment of a consensus committee for manufactured housing that is charged with providing recommendations to the Secretary to adopt, revise, and interpret manufactured housing construction and safety standards and procedural and enforcement regulations, as well as submitting to the Secretary proposed model installation standards. Additionally, the Department's regulatory responsibility now includes the resolution of consumer-initiated disputes unresolved among manufacturers, installers, and retailers of manufactured housing. The 2000 Act requires the Department to carry out these responsibilities with completed rule-making, administration, and procurement no later than December 27, 2005. Further, the Manufactured Housing Consensus Committee must review and recommend all of the proposed standards and regulations prior to the Department's own rule-making.

The current program activities of standards development, enforcement and consumer assistance use all of the current program resources, collected in fee income. Additional funds are therefore required to implement the extensive rule-making, administrative changes and procurement necessary to implement these new responsibilities. Activities authorized by the Act include the following:

1. Establishment of Standards. Under the Act, the Secretary is directed to establish appropriate Federal manufactured home standards for the construction, design, and performance of manufactured homes which meet the needs of the public, including quality, durability, and safety. The Department appointed the Manufactured Housing Consensus Committee, as mandated by statute in 2002. The Consensus Committee is responsible for initiating new manufactured housing construction and safety standards and reviewing recommended revisions to the standards.
2. Consensus Committee. In 2000, the Act was amended to establish a consensus standards and regulatory development process. HUD has contracted with the National Fire Protection Association (NFPA) to serve as the Administering Organization to support a Consensus Committee to implement the revised standards process, an effort requiring resources not previously accounted for in the program's budget. The Secretary appointed 21 persons to serve on the Consensus Committee, the cost of which is accounted for in the Administering Organization contract.
3. Enforcement of Standards. Enforcement of the standards is accomplished mainly by third-party primary inspection agencies. These agencies can be private or State agencies and are approved and monitored by HUD.
4. Addressing noncompliance with Standards. Title VI of the 1974 Act requires that every company that builds manufactured homes provide HUD with the plans for each model produced. The manufacturer is required to issue a certification that each section built meets the Federal standards in effect at the time of production. If the Department determines that any manufactured home does not comply with standards or contains a defect constituting a significant safety hazard, it may require the producer to notify the purchaser of the manufactured home of the defect. In certain cases, HUD may require repair, replacement or refund of the price of the defective section(s).
5. Administration and Enforcement of Installation Standards and Dispute Resolution Program. The 2000 Act calls for the development of new program standards and regulations for the installation of manufactured homes as well as a new program for dispute resolution. Under current market conditions there are approximately 200,000 homes installed nationwide each year.

#### Resource Management Information

In fiscal year 2004, existing staff will be redirected and additional staff added to carry out the following responsibilities:

- Coordinate with the Administrator and the Deputy Assistant Secretary of the Office of Regulatory Affairs and Manufactured Housing, Office of General Counsel, FACA-related contacts, GTM for the Administering Organization contract and Consensus Committee activities. Performance in the accountability, service delivery and customer service of the Administering Organization (AO) will be measured in the Department's administration of the AO contract.
- Write and process new standards and regulations received from the Consensus Committee. There are currently 130 possible revisions waiting Consensus Committee action, not related to the installation and dispute resolution noted below. With statutory deadlines of 30 days for printing proposed rules in the Federal Register and 12 months for printing final rules in the Federal Register, rapid review, comment and turn around is essential. Performance in the accountability, service delivery and customer service of the Department's publication proposed standards and regulations will be measured in the Department's fairness and efficiency in implementing new regulatory processing outlined in the Act.
- Write and process new standards, regulations, cost estimation and contracts required by the new Installation Standards to be proposed to the Department no later than February 2004, and for the installation program to be in place no later than December 2005. This includes writing, processing and executing a contract for monitoring services, and GTM responsibilities for the contract, with continued updating of the standards and regulations as they are proposed by the Department and the Consensus Committee. Performance in the accountability, service delivery and customer service of the Department's publication of proposed standards and regulations will be measured in the

Department's fairness and efficiency in implementing new regulatory processing outlined in the Act, and overall program administration.

- Write and process new regulations, cost estimation and procurements for dispute resolution, to be in place no later than December 2005 as required by the Act. This includes reviewing existing state dispute resolution programs, writing, processing and executing a contract for monitoring services, and GTM responsibilities for the contract, with continued updating of the regulations as they are proposed by the Department and Consensus Committee. Performance in the accountability, service delivery and customer service of the Department's publication of proposed standards and regulations will be measured in the Department's fairness and efficiency in implementing new regulatory processing outlined in the Act, and overall program administration.
- Address consumer issues and possible design or construction non-compliances in homes in the 13 non-SAA states, as the overall number of manufactured homes increases each year. Current staff cannot accommodate the increased number of complaints arising from the increased number of occupied homes. Performance in the accountability, service delivery and customer service of the Department's response to consumer complaints will be measured in the Department's fairness and efficiency in responding to non-compliances to which we are informed.

The Department is committed to ensuring the accountability of the organizations acting on behalf of the Department, and in the service delivery and customer service of the Department in the actions subsequent to those of the Consensus Committee.