

**HOUSING  
MANUFACTURED HOUSING STANDARDS PROGRAM  
2011 Summary Statement and Initiatives  
(Dollars in Thousands)**

<b>MANUFACTURED HOUSING STANDARDS PROGRAM</b>	<b>Enacted/ Request</b>	<b>Carryover</b>	<b>Supplemental/ Rescission</b>	<b>Total Resources</b>	<b>Obligations</b>	<b>Outlays</b>
2009 Appropriation .....	\$8,741 <sup>a</sup>	\$2,466	...	\$11,207	\$7,814	\$951
2010 Appropriation/Request .....	16,000 <sup>b</sup>	3,393	...	19,393	16,000	10,000
2011 Request .....	<u>14,000<sup>c</sup></u>	<u>3,393</u>	<u>...</u>	<u>17,393</u>	<u>16,000</u>	<u>11,000</u>
Program Improvements/Offsets .....	-2,000	...	...	-2,000	...	+1,000

a/ In fiscal year 2009, a total of \$16 million was appropriated, however, due to decreased industry production and the program's budgetary inability to implement the new installation and dispute resolution programs, only an estimated \$3.7 million in fees were collected and available (plus carryover) to fund the program. The fiscal year 2009 carryover includes \$115 thousand of actual recaptures.

b/ Includes up to \$90 thousand that may be transferred to the Transformation Initiative.

c/ Includes up to \$70 thousand that may be transferred to the Transformation Initiative.

**Summary Statement**

The Budget proposes \$14 million for Manufactured Housing for fiscal year 2011. Prior to fiscal year 2009, the program office was funded solely by certification label fees collected from manufacturers for each transportable unit of manufactured housing produced. Due to severe annual declines in industry production since 2000 and new statutory responsibilities for installation and dispute resolution, Congress provided a first-time direct appropriation of \$5.4 million in fiscal year 2009 to augment fee revenue as part of the overall \$16 million appropriation. In fiscal year 2010, the amount of the direct appropriation was increased to \$9 million. While industry production is expected to reach historically low levels in fiscal year 2010 and remain weak in 2011, the program office's responsibilities for manufactured home construction and safety, installation and dispute resolution will remain unchanged. Therefore, the program office is requesting a direct appropriation of \$7 million to supplement projected total fees of \$7 million including HUD certification label fees of approximately \$4 million. The request is based on an increase of the per unit label fee from \$39 to approximately \$49 for each transportable unit in order to raise approximately \$4 million at projected rates of production. The request of \$7 million estimated total fees also includes \$3 million in user fee income collected from the dispute resolution and installation programs.

## Manufactured Housing Standards Program

This combined budget of direct appropriations, certification label fees and user fees will allow the program office to administer the construction and safety, installation and dispute resolution programs, and will moderate the increase in the label fee necessitated by reduced production rates. The Budget will also support the transformation of the program office's enforcement approach from one based on inspection for defects to one based on the elimination of defects through quality control.

The following table reflects an estimate of the use of the \$14 million. However, the table is for illustrative purposes only. Actual expenditures may deviate from these amounts.

Cost Categories for Federal Manufactured Housing Program

<b>Category</b>	<b>Amount (\$ in millions)</b>
Payments to States	\$3.70
Contract for Monitoring Primary Inspection Agencies and States	3.20
Contract for Consensus Committee Administering Organization	0.40
Contract for Installation Inspection and Enforcement	3.80
Contract for Dispute Resolution Enforcement	1.40
Other Contracts	1.50
<b>Total</b>	<b>\$14.00</b>

### Manufactured Housing Standards Program

Manufactured housing is a critical element in the nation's supply of affordable housing. There are approximately eight million manufactured homes in the United States. In 2008, over 82,000 homes were produced on over 160 production lines throughout the United States. The Federal Manufactured Housing program is responsible for maintaining a library of designs of all manufactured homes built in the past 35 years and still in use, along with the oversight of the design and construction of all manufactured housing (mobile homes) in the United States. The program is also responsible for regulating manufactured housing installation in the 17 states that have no installation program, estimated to be over 8,000 homes in primarily rural states. The program also provides dispute resolution services in the 23 states that have no dispute resolution program. These are both rural and densely populated states with over 26,000 homes. The program is administered from the Department's Headquarters with no Field Office staff support. The requested fiscal year 2011 Budget will allow the program office to

## Manufactured Housing Standards Program

continue monitoring the performance of manufacturers through oversight of the 16 primary inspection agencies and 38 state administrative agencies. The funds will also allow the program office to continue the transformation of its enforcement efforts to emphasize quality control as the best way to eliminate defects and imminent safety hazards in manufactured housing. With the responsibility to ensure that manufacturers and their in plant inspection agencies are producing code-compliant homes, HUD's enforcement must and will become more cost-efficient and effective.

### **Installation and Dispute Resolution**

The combination of the direct appropriation and the proposed fee income will also allow the program to support the new statutory programs for manufactured home installation and dispute resolution. As required by statute, the Federal installation program includes ensuring the inspection of over 8,000 manufactured home installations annually, but also the training and licensing of over 2,000 installers in the 17 HUD-administered states. The program must also maintain a Federal dispute resolution program in the 23 states that have no such programs. For Installation, the funding will allow the program to ensure that installers in the 17 HUD-administered states only operate after demonstrating they have received the required levels of training and HUD certification. The appropriation will allow the program to carry out fair and efficient enforcement action that will identify non-complying installers and poor installations, and take actions as allowed by the Federal regulations. Appropriations language is requested to permit the collection of user fees from the participants in the installation and dispute resolution programs, and to allow program participants to pay providers directly for services that they receive. The fiscal year 2011 request will also provide direct appropriations to begin implementation of these two new programs until sufficient user fee revenue is generated to sustain these activities.

### **Manufactured Housing Consensus Committee**

The combination of the direct appropriation and the proposed fee income will also allow the Department to meet its responsibilities regarding the Manufactured Housing Consensus Committee (MHCC), a statutory advisory committee charged with making recommendations to the Department regarding revisions to manufactured home construction and safety standards. By regulation, the MHCC participates in most rulemaking regarding the programs standards and regulations.

Manufactured Housing Standards Program

**HOUSING  
MANUFACTURED HOUSING STANDARDS  
Summary of Resources by Program  
(Dollars in Thousands)**

<b>Budget Activity</b>	<b>2009 Budget Authority</b>	<b>2008 Carryover Into 2009</b>	<b>2009 Total Resources</b>	<b>2009 Obligations</b>	<b>2010 Budget Authority/ Request</b>	<b>2009 Carryover Into 2010</b>	<b>2010 Total Resources</b>	<b>2011 Request</b>
Fees and Appropriation Transformation Initiative .....	\$8,741	\$2,466	\$11,207	\$7,814	\$15,910	\$3,393	\$19,303	\$13,930
	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>90</u>	<u>...</u>	<u>90</u>	<u>70</u>
Total .....	8,741	2,466	11,207	7,814	16,000	3,393	19,393	14,000

NOTE: Actual program activity is determined by actual fees collected and may be below the appropriated level.

<b>FTE</b>	<b>2009 Actual</b>	<b>2010 Estimate</b>	<b>2011 Estimate</b>
Headquarters .....	12	16	16
Field .....	<u>...</u>	<u>...</u>	<u>...</u>
Total .....	12	16	16

Manufactured Housing Standards Program

**HOUSING  
MANUFACTURED HOUSING STANDARDS PROGRAM  
Program Offsets  
(Dollars in Thousands)**

<b>Fees and Appropriation</b>	<b><u>Amount</u></b>
2009 Appropriation .....	\$8,741
2010 Appropriation/Request .....	15,910
2011 Request .....	<u>13,930</u>
Program Improvements/Offsets .....	-1,980

In fiscal year 2009, \$16 million was appropriated - \$5.4 million from the general fund and \$10.6 million in anticipated collections, however, only \$3.7 million in fees were collected.

**Proposed Actions**

Manufactured housing is a critical element in the nation's supply of affordable housing. The Federal Manufactured Housing Program is the sole party, through Federal pre-emption, responsible for the oversight of the design and construction of all manufactured housing (mobile homes) in the United States. The program is also responsible for the oversight of manufactured housing installation in the 17 states that have no installation program, as well as for a dispute resolution program the 23 states that have no dispute resolution program.

The Appropriation is intended to: (1) cover the contractual costs of the program, required for the program to carry out the multiple oversight and enforcement aspects of the program; and (2) make the required payments to the States to offset the states' costs of administering the Federal portion of the manufactured housing program. The Department's expenses for staff and administrative support have been financed by a transfer of fee income to the Salaries and Expenses (S&E) account. Beginning in fiscal year 2010, the Department is considering termination of the transfer to Salaries and Expenses, thereby reserving these resources for direct program costs. The Department will ensure that contractual services and HUD staffing are sufficient for proper program administration and enforcement of standards.

The 2011 Budget reflects an estimate of label fee income of only \$4 million based on current production estimates and a fee of \$49 per unit plus \$3 million in user fees for services rendered under the new dispute resolution and installation programs. These funds are insufficient to allow the Department to continue executing current activities. The fiscal year 2011 Budget therefore requests a direct appropriation of \$7 million to carry out the Department's current responsibilities to administer the new dispute resolution and installation standard programs and to mitigate what would need to be the tripling of the label fee to meet the \$14 million program level estimate.

To carry out the multiple oversight and enforcement aspects of the manufactured housing program, the program is administered from the Department's Headquarters with no field office staff support. The proposed fee income and appropriations will allow the Department to continue its oversight of the manufacturer's inspection agencies, identifying weaknesses in the oversight of the design review and construction quality control, and to monitor the performance

## Manufactured Housing Standards Program

of states working as partners in identifying serious defects and imminent safety hazards in new and existing manufactured housing. The proposed overall funding level will also allow the Department to continue implementation of the installation and dispute resolution programs.

The Department publishes and enforces standards for the construction and safety and installation of manufactured housing pursuant to the authority of the National Manufactured Housing Construction and Safety Standards Act of 1974, 42 U.S.C. 5401, *et seq.* ("the Act"). The Act originally took effect June 15, 1976, and all manufactured homes produced since then must meet Federal manufactured home construction and safety standards. The Act was amended by the Manufactured Housing Improvement (MHI) Act of 2000 (Title VI, P.L. 106-569, 114 Stat. 2944, approved December 27, 2000). The MHI Act expanded the Department's responsibilities to include regulation of manufactured home installation in those states that have not implemented their own programs, and the resolution of disputes among manufacturers, installers, and retailers of manufactured homes in those states. The MHI Act also established the Manufactured Housing Consensus Committee, a Federal advisory committee charged with providing recommendations to the Secretary for revisions to the construction and safety standards and procedural and enforcement regulations related thereto. By regulation, HUD has expanded the MHCC's responsibilities to include participation in rulemaking for most other program standards and regulations.

Program functions required by the Act include the following:

1. Establishment of Construction and Safety, and Installation 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, as well as model standards for the installation of manufactured homes.
2. Compliance with the Construction and Safety Standards. Compliance with the construction and safety standards is accomplished mainly by third-party primary inspection agencies. There are both private and state primary inspection agencies, all of which are approved by the Department and monitored by a HUD contractor.
3. Enforcement of Non-compliance with Construction and Safety Standards. The 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 construction and safety standards. If the Department determines that a manufactured home contains a non-compliance with the standards, it may require the manufacturer to notify the purchaser of the defect. In the event of a serious defect and or imminent safety hazard, the Department may require the manufacturer to either repair or replace the defective home, or refund of the purchase price.
4. Establishment and Enforcement of Installation Standards. The MHI Act requires the Department to establish program standards and regulations for the installation of manufactured homes. These standards and regulations will have been published and the Department will be implementing the Federal installation program in those states that have no program of their own. This includes enforcement of HUD's installation standards as well as licensing and training of installers.
5. Dispute Resolution Program. The MHI Act also requires the Department to establish a program to resolve dispute between manufacturers, retailers and installers of manufactured homes. As with the installation program, the Department is implementing the Federal program in those states that have no program of their own.

## Manufactured Housing Standards Program

Manufactured Housing Consensus Committee (MHCC). The MHI Act established a consensus process for the development of standards and regulations. This includes the MHCC, which is composed of 21 persons appointed by the Secretary, and a contract administering organization that acts as secretariat for the Committee. By statute, the MHCC is responsible for providing periodic recommendations to the Secretary for revising the construction and safety standards. By regulation, HUD has expanded the MHCC's responsibilities to include making recommendations for most other program standards and regulations.

### **Budget and Activities**

Payments to States and Program (S&E). The program has the non-discretionary responsibility to distribute a fixed portion of the income received from certification labels to the 38 state administrative agencies to account for approximately 26 percent, or \$3.7 million, of the fiscal year 2011 Budget. Unlike previous fiscal years, beginning in fiscal year 2010, the Department is considering termination of the transfer to Salaries and Expenses, thereby reserving these resources for direct program costs.

MHCC Support Contract. The program uses both staff resources and contract services to support the MHCC. The Act established the MHCC to recommend new and revised program standards and regulations. The MHCC must meet periodically carry out its statutory responsibilities. This is primarily accomplished through a contract with an Administering Organization (AO). The AO's contract activities are projected to cost \$400,000, or approximately 3 percent of the fiscal year 2011 Budget.

Construction and Safety Support Contract. The program uses both staff resources and contract services to monitor the performance of 17 approved primary inspection agencies and 38 approved state administrative agencies. This contractor also maintains a design library and distributes HUD certification labels. These contract activities are projected to account for approximately 23 percent, or \$3.2 million, of the fiscal year 2011 Budget.

Installation and Dispute Resolution Support Contracts. The program uses both staff resources and contract services to administer its responsibilities for installation and dispute resolution. The installation contract procures services necessary to oversee the installation program in those states for which HUD is responsible. The dispute resolution contract procures the services of an alternative dispute provider in those states for which HUD is responsible. These contract activities are projected to account for approximately 37 percent, or \$5.2 million, of the fiscal year 2011 Budget and other contracts total \$1.5 million for approximately 11 percent.

Manufactured Housing Standards Program

**HOUSING  
MANUFACTURED HOUSING STANDARDS PROGRAM  
Program Offsets  
(Dollars in Thousands)**

<b>Transformation Initiative</b>	<b><u>Amount</u></b>
2009 Appropriation .....	...
2010 Appropriation/Request .....	\$90
2011 Request .....	<u>70</u>
Program Improvements/Offsets .....	-20

**Proposed Actions**

The transformation Initiative allows the Secretary the necessary flexibility to undertake an integrated and balanced effort to improve program performance and test innovative ideas. One percent of the funds appropriated for the Manufactured account may be transferred to the Transformation Initiative account to undertake research, demonstrations, technical assistance and technology improvements.

Manufactured Housing Standards Program

**HOUSING**  
**MANUFACTURED HOUSING STANDARDS PROGRAM**  
**Proposed Appropriations Language**

The fiscal year 2011 President's Budget includes proposed changes in the appropriations language listed and explained below. The new language is italicized and underlined, the language proposed for deletion is bracketed.

PAYMENT TO MANUFACTURED HOUSING FEES TRUST FUND

For necessary expenses as authorized by the National Manufactured Housing Construction and Safety Standards Act of 1974, as amended (42 U.S.C. 5401 et seq.), up to [\$16,000,000] \$14,000,000 to remain available until expended, of which \$7,000,000 is to be derived from the Manufactured Housing Fees Trust Fund: Provided, That not to exceed the total amount appropriated under this heading shall be available from the general fund of the Treasury to the extent necessary to incur obligations and make expenditures pending the receipt of collections to the Fund pursuant to section 620 of such Act: Provided further, That the amount made available under this heading from the general fund to incur obligations pending receipt of collections, shall be reduced as such collections are received during fiscal year [2010] 2011 so as to result in a final fiscal year [2010] 2011 appropriation for such purpose from the general fund estimated at not more than [\$9,000,000] \$7,000,000 and fees pursuant to such section 620 shall be modified as necessary to ensure such a final fiscal year [2010] 2011 appropriation: Provided further, That for the dispute resolution and installation programs, the Secretary of Housing and Urban Development may assess and collect fees from any program participant: Provided further, That such collections shall be deposited into the Fund, and the Secretary, as provided herein, may use such collections, as well as fees collected under section 620, for necessary expenses of such Act: Provided further, That notwithstanding the requirements of section 620 of such Act, the Secretary may carry out responsibilities of the Secretary under such Act through the use of approved service providers that are paid directly by the recipients of their services. (*Department of Housing and Urban Development Appropriations Act, 2010.*)

**Explanation of Changes**

The program limitation is proposed to be reduced to \$14 million.

Manufactured Housing Standards Program

**HOUSING**  
**MANUFACTURED HOUSING STANDARDS PROGRAM**  
**Crosswalk of 2009 Availability**  
**(Dollars in Thousands)**

<u>Budget Activity</u>	<u>2009 Enacted</u>	<u>Supplemental/ Rescission</u>	<u>Approved Reprogrammings</u>	<u>Transfers</u>	<u>Carryover</u>	<u>Total 2009 Resources</u>
Fees and Appropriation .....	\$8,741	...	...	...	\$2,466	\$11,207
Transformation Initiative .....	...	...	...	...	...	...
Total .....	8,741	...	...	...	2,466	11,207

NOTE: In fiscal year 2009, a total of \$16 million was appropriated however, only \$3.3 million in fees were collected.

Manufactured Housing Standards Program

**HOUSING**  
**MANUFACTURED HOUSING STANDARDS PROGRAM**  
**Crosswalk of 2010 Changes**  
**(Dollars in Thousands)**

<u>Budget Activity</u>	<u>2010 President's Budget Request</u>	<u>Congressional Appropriations Action on 2010 Request</u>	<u>2010 Supplemental/ Rescission</u>	<u>Reprogrammings</u>	<u>Carryover</u>	<u>Total 2010 Resources</u>
Fees and Appropriation .....	\$16,000	\$15,910	...	...	\$3,393	\$19,303
Transformation Initiative .....	...	90	...	...	...	90
Total .....	16,000	16,000	...	...	3,393	19,393