HOUSING
MANUFACTURED HOUSING STANDARDS PROGRAM
2012 Summary Statement and Initiatives
(Dollars in Thousands)

MANUFACTURED HOUSING STANDARDS PROGRAM	Enacted/ Request	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2010 Appropriation	$12,274[a]	$3,393	...	$15,667	$8,731	$5,770
2011 CR	16,000	6,846	...	22,846	16,000	11,000
2012 Request	14,000	6,846	...	20,846	14,000	17,000
Program Improvements/Offsets	-2,000	...	...	-2,000	-2,000	+6,000

a/ Includes a transfer to the Transformation Initiative of $90 thousand in fiscal year 2010.

Summary Statement

The Budget proposes $14 million for Manufactured Housing for fiscal year 2012, $2 million more than in fiscal year 2010 actual. 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. In fiscal year 2010 industry production reached historical low levels and production is expected to remain low through fiscal year 2012. The Manufactured Housing Standards Program's responsibilities for manufactured home construction and safety as well as installation and dispute resolution, however, remains unchanged; therefore, the proposed fiscal year 2012 Budget requests a direct appropriation of $7 million ($2 million less than fiscal year 2010) to supplement projected total fees collected of $7 million. Without the appropriation, fees charged would need to be tripled in order to carryout the responsibilities of the program. The request is based on an increase of the per unit label fee from $39 to $60 for each transportable unit in order to raise approximately $4.8 million from production. The total projection of fees collected also includes $2.2 million in user fee income collected from the dispute resolution and installation programs.

This combined budget of the direct appropriation and the fees generated from the certification labels and from the dispute resolution and installation programs will allow the program office to administer the construction and safety program and the installation and dispute resolution program. 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.

Manufactured Housing Standards Program

The following table reflects an estimate of the usage of the $14 million; actual expenditures may deviate from these amounts:

Cost Categories for Federal Manufactured Housing Program

Category	Amount ($ in millions)
Payments to States	$ 3.7
Contract for Monitoring Primary Inspection Agencies and States	3.3
Contract for Consensus Committee Administering Organization	0.4
Contract for Installation Inspection and Enforcement	3.4
Contract for Dispute Resolution Enforcement	1.7
Other Contracts	1.5
Total	**$14.00**

Program Relationship to Strategic Plan Goals and Subgoals:

Strategic Plan Goal 1 – Strengthen the Nation's Housing Market to Bolster the Economy and Protect Consumers – The program provides for the safety and reliability and other consumer oversight activities that together help preserve and strengthen the Manufactured Home Industry.

Subgoal 1B: Protect and educate consumers when they buy, refinance, or rent a home

The program provides for the safety and reliability and other consumer oversight activities that together help preserve and strengthen the Manufactured Home Industry. The inspection effort provides for all annually produced units to be inspected for safety standards.

The following programs and committee supports the subgoal to protect and educate consumers when buying, refinancing or renting a home:

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 fiscal year 2010, approximately 43,400 homes were produced on over 130 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 19 states that have no installation program, estimated to be over 8,000 homes in primarily rural states and it 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 2012 Budget will allow the program office to continue monitoring the performance of manufacturers through oversight of the 16 primary inspection agencies and 37 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 projected fee income allows 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 19 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 19 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 continued 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 2012 request also provides for a direct appropriation in order 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.

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

Budget Activity	2010 Budget Authority	2009 Carryover Into 2010	2010 Total Resources	2010 Obligations	2011 CR	2010 Carryover Into 2011	2011 Total Resources	2012 Request
Fees	$3,274	$3,393	$6,667	...	$7,000	$6,846	$13,846	$7,000
Appropriation	8,910	...	8,910	$8,641	9,000	...	9,000	7,000
Transformation Initiative	90	...	90	90	...	...	...	...
Total	12,274	3,393	15,667	8,731	16,000	6,846	22,846	14,000

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

FTE	2010 Actual	2011 Estimate	2012 Estimate
Headquarters	16	23	20
Field	...	...	...
Total	16	23	20

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

Fees	Amount
2010 Appropriation	$3,274
2011 CR	7,000
2012 Request	7,000
Program Improvements/Offsets	...

Proposed Actions

The 2012 Budget reflects an estimate of label fee income of $4.8 million based on current production estimates and a fee of $60 per unit (increased from $39) in addition to $2.2 million in user fees for services rendered under the new dispute resolution and installation programs. These projected funds from fees are insufficient to allow the Department to continue executing its current activities. The fiscal year 2012 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.

The Appropriation is intended to: (1) cover the contractual costs of the program required for the program to carry out the multiple federally pre-emptive 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 statute states that the Department may use the services of a contractor to assist in carrying out the responsibilities of the monitoring program, the installation program and the dispute resolution program. The Department will ensure that contractual services and HUD staffing are sufficient for proper program administration and enforcement of standards.

To carry out the multiple federally pre-emptive 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 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.

6. 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. The program has the non-discretionary responsibility to distribute a fixed portion of the income received from certification labels to the 37 state administrative agencies to account for approximately 26 percent, or $3.7 million, of the fiscal year 2012 Budget.

Contract for Monitoring Primary Inspection Agencies and State Agencies. The program uses both staff resources and contract services to monitor the performance of 16 approved primary inspection agencies and 37 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 24 percent, or $3.3 million, of the fiscal year 2012 Budget.

Contract for Consensus Committee Administering Organization. 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 2012 Budget.

Contract for 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 24 percent, or $3.4 million, of the fiscal year 2012 Budget and other contracts total $1.7 million for approximately 12 percent.

Other Contracts. The program uses both staff resources and contract services to arrange meetings for all national participating parties including primary inspection agencies, state administrative agencies, quality assurance auditors and other parities, along with contracts for other services that assist the program in improving the quality of its oversight of the manufactured housing industry. Other contracts total $1.5 million for approximately 11 percent.

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

Appropriation	Amount
2010 Appropriation	$8,910
2011 CR	9,000
2012 Request	7,000
Program Improvements/Offsets	-2,000

Proposed Actions

As previously mentioned, the projected funds from fee collections are insufficient to allow the Department to continue executing its current activities. The fiscal year 2012 Budget therefore requests a direct appropriation of $7 million to carry out the Department's responsibilities.

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

Transformation Initiative	Amount
2010 Appropriation	$90
2011 CR	...
2012 Request	...
Program Improvements/Offsets	...

In fiscal year 2012, the Department renews its request for the Transformation Initiative, which provides the Secretary the flexibility to undertake an integrated and balanced effort to improve program performance and test innovative ideas. Up to .5 percent of the funds appropriated for this account may be transferred to the Transformation Initiative Fund account for the following purposes: research, evaluations, and program metrics; program demonstrations; and technical assistance and capacity building. Department-wide, no more than $120 million will be transferred to the Transformation Initiative Fund account in fiscal year 2012. More details on the overall Transformation Initiative and these projects are provided in the justification for the Transformation Initiative Funds account.

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 in fiscal year 2010 for the Manufactured Housing Standards Program was transferred to the Transformation Initiative account to undertake research, demonstrations, technical assistance and technology improvements.

HOUSING
MANUFACTURED HOUSING STANDARDS PROGRAM
Appropriations Language

Below is the italicized language for the Manufactured Housing Standards Program.

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 $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 2012 so as to result in a final fiscal year 2012 appropriation for such purpose from the general fund estimated at not more than $7,000,000 and fees pursuant to such section 620 shall be modified as necessary to ensure such a final fiscal year 2012 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.

Changes from 2010 Appropriations

This language is similar to the fiscal year 2011 language request and fiscal year 2010 Enacted language.

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

Budget Activity	2010 Enacted	Supplemental/ Rescission	Approved Reprogrammings	Transfers	Carryover	Total 2010 Resources
Fees	$3,274	...	...	...	$3,393	$6,667
Appropriation	8,910	...	...	...	...	8,910
Transformation Initiative	90	...	...	...	...	90
Total	12,274	...	...	...	3,393	15,667

HOUSING
MANUFACTURED HOUSING STANDARDS PROGRAM
Crosswalk of 2011 Changes
(Dollars in Thousands)

Budget Activity	2011 President's Budget Request	2011 CR	2011 Supplemental/ Rescission	Reprogrammings	Carryover	Total 2011 Resources
Fees	$7,000	$7,000	...	...	$6,846	$13,846
Appropriation	6,930	9,000	...	...	...	9,000
Transformation Initiative	70	...	...	...	...	...
Total	14,000	16,000	...	...	6,846	22,846