

**HOUSING
MANUFACTURED HOUSING STANDARDS PROGRAM
2013 Summary Statement and Initiatives
(Dollars in Thousands)**

| MANUFACTURED HOUSING STANDARDS PROGRAM | Enacted/ Request | Carryover | Supplemental/ Rescission | Total Resources | Obligations | Outlays |
|--|--------------------------|--------------------------|-----------------------------|---------------------------|---------------------|---------------|
| 2011 Appropriation | \$11,474 ^a | \$6,846 | -\$18 | \$18,302 ^b | \$3,599 | \$7,340 |
| 2012 Appropriation/Request | 6,500 | 14,612 | ... | 21,112 ^c | 12,400 ^d | 10,000 |
| 2013 Request | <u>8,000^e</u> | <u>8,712^e</u> | ... | <u>16,712^f</u> | <u>12,000</u> | <u>12,000</u> |
| Program Improvements/Offsets | +1,500 | -5,900 | ... | -4,400 | -400 | +2,000 |

a/ Reflects appropriation of \$9,000,000 plus actual collected fees of \$2,473,669, which is different from the appropriated receipt level of \$7,000,000.

b/ Includes \$90 thousand that was transferred to the Department's Transformation Initiative account. This amount is excluded from obligations and outlays.

c/ Differs from amount shown in Presidents Budget Appendix due to rounding.

d/ 2012 Obligations include \$1.5 million that was obligated in fiscal year 2011 but not recorded until fiscal year 2012.

e/ Includes an estimated Transformation Initiative (TI) transfer of \$20 thousand in fiscal year 2013; the TI transfer may be up to 0.5 percent of Budget Authority.

f/ Total resources available in fiscal year 2013 are dependent on fee collections and may be lower due to continued low rates of production during fiscal years 2012 and 2013.

1. What is this request?

The Budget proposes to fund the Manufactured Housing Standards Program at a level of \$8 million in fiscal year 2013, comprising of \$4 million in direct appropriations and up to \$4 million in offsetting fee collections. These resources will enable the program to sustain and enhance manufactured housing as a critical element of housing choice for American communities. Through regulation by HUD, modern manufactured housing has overcome a legacy and reputation shaped by problems of quality, safety and durability found in pre-HUD-code homes. With Federal oversight, manufactured housing continues to be a significant source of quality affordable housing. Manufactured housing also can be part of a coordinated strategy to help communities build "geographies of opportunity" that connect families to jobs, transportation, quality public schools, and other key community assets.

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 2011, industry production dropped to historical low levels that are not expected to recover through fiscal year 2013. With a per-transportable unit fee of \$39 and an estimated production rate of less than 75,000 transportable units, label fee income may fall below \$3 million. Changes in market dynamics may push collections above this projection, but should not result in fee totals surpassing the \$4 million reflected in the appropriation request. The

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requested Federal direct appropriation will enable HUD's to continue administration of the program, while keeping fees at the current rate. There are no plans to collect user fees from the dispute resolution and installation programs in fiscal year 2013. Although an increase in revenue would help support administration of the manufactured housing programs, the depressed economic state of the manufactured housing industry at the current time, the historically low production of manufactured homes, and the resulting projections for new production are all factors that support reconsideration of any fee changes in the fragile manufactured housing market. If the program did not receive a direct appropriation, the label fee for each transportable section would need to be increased from \$39 to over \$160 in order to carry out all program responsibilities on an annual basis.

Unobligated balances from prior years will be combined with new direct appropriations and collections to fully fund operating requirements in fiscal years 2012 and 2013. The program projects to have new obligations of \$10.9 million in 2012 and \$12 million in 2013. The bulk of the increase in the operating budget from fiscal years 2012 and 2013 is planned re-procurement of the monitoring contract, resulting in the regulatory portion of the program increasing from \$4 million in 2012 to \$5 million in 2013.

| Category | New Fiscal Year 2012 Obligations | New Fiscal Year 2013 Obligations |
|--|---|---|
| Payments to States | \$3.8 | \$3.8 |
| Contract for Monitoring Primary Inspection Agencies and States | 4.0 | 5.0 |
| Contract for Installation Inspection and Enforcement | 1.5 | 1.5 |
| Contract for Dispute Resolution Enforcement | 0.5 | 0.5 |
| Contract for Consensus Committee Administering Organization | 0.4 | 0.4 |
| Other Activities | 0.7 | 0.8 |
| Total | \$10.9 | \$12.0 |

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Budget and Activities

Payments to the States - \$3.8 million

Thirty-eight states have entered into a Cooperative Agreement with the Department to carry out the program's consumer complaint activities on HUD's behalf. In return, the program regulations outline that HUD will pay the participating states \$9.00 for every transportable unit shipped into the state, and \$2.50 for every transportable unit built in the states. In addition, the 2000 Act stated that HUD shall continue to fund the states being approved in the amounts which are not less than the allocated amounts, based on the fee distribution system in effect on the day before enactment. Payments to states in fiscal year 2013 will be approximately \$3.8 million.

Monitoring Primary Inspection Agencies and States - \$5 million

The three categories of contract activities described below—regulation and enforcement of design, regulation and enforcement of construction, and handling consumer complaints—are estimated to require \$5 million.

- **Regulation and Enforcement of the Design**

There are approximately 8.7 million manufactured homes in the U.S., the majority of which have been built since the Federal program began in 1976. The Federal program is responsible for collecting and maintaining the designs of each of those homes for future review and investigation when required. The design database contains approximately 700,000 design pages of manufactured homes still in active use, and over 6 million design pages maintained for any home design requiring review or investigation in the future. Federal statute mandates HUD to remain responsible for these review and investigation responsibilities for the lifetime of the home. Appropriated funds in fiscal year 2013 will, as an example, allow the program to use a contractor to review between 1 and 3 percent of the incoming design pages to determine design compliance and take action when designs do not comply with the standards; to review the overall annual performance of the 5 private design approval primary inspection agencies (DAPIAs) responsible for approving all designs, and to report and recommend actions to the Department based on the visits and reviews.

- **Regulation and Enforcement of the Construction**

In fiscal year 2010, approximately 50,000 homes were produced on over 120 production lines throughout the United States. HUD monitors the work of 17 in-plant primary inspection agencies (IPIAs) in their work to assure quality assurance in each manufacturing plant. HUD's primary goal is to update and improve the quality assurance plans of manufacturers and the quality assurance review performance of the IPIAs to reduce non-conformances before the unit leaves the plant. Appropriated funds in fiscal year 2013 will fund a contractor to: review the quality assurance plans of the manufacturers to

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ensure they are up-to-date and accurate for the production currently being carried out; to visit each plant once each year to review the performance of the in-plant primary inspection agency; and to report and recommend actions to the Department based on the visits and reviews.

- **Handling Consumer Complaints and Taking Remedial Actions**

Thirty-eight states have agreed to take on consumer complaint responsibilities on HUD's behalf. HUD retains this responsibility in 12 states, as well as in instances of complaints involving serious defects and for issues that involve multiple manufacturing plants requiring coordination with manufacturing plants in two or more states. Complaints considered serious often involve product recalls with major electrical problems including dishwashers, smoke alarms or other products identified by the Consumer Product Safety Commission. HUD also reviews the performance of the 38 cooperating states to ensure they are carrying out their Federal responsibilities as outlined in the regulations. The fiscal year 2013 request will support contractors to visit a small number of state agencies to review the performance of the agency's work on HUD's behalf, and to report and recommend actions to the Department based on the visits and reviews.

Regulation and Enforcement of Model Installation Standards; Regulation and Enforcement of the Installation Program in 17 HUD-administered States - \$1.5 million

Thirty-three states have agreed to administer a manufactured home installation program that meets Federal requirements. HUD is responsible for the administration of the installation program in 17 primarily rural states without such programs. In fiscal year 2010, approximately 3,600 homes were placed in those states. HUD is responsible for ensuring installers have received the required level of training, and then provides HUD certification allowing them to install homes in the HUD-administered states. In fiscal year 2010, an estimated 1,700 to 2,000 installers were operating in the 17 HUD-administered states. The fiscal year 2013 request will allow HUD to use a contractor to identify installers in the 17 HUD-administered states and notify them of the requirement for training and certification with a set deadline; identify potential trainers for installation standards and procedures; review proposed training curricula and develop a database of potential trainers for installers; accept complaints from homeowners in those states regarding their home installation, investigate and require correction when necessary, and take enforcement action when required. These contract activities are estimated to require approximately \$1.5 million in fiscal year 2013.

Regulation and Enforcement of the Dispute Resolution Program in 23 HUD-administered States - \$500 thousand

Twenty-three states have agreed to administer a dispute resolution program that meets the Federal requirements. During fiscal year 2010, approximately 15,600 manufactured homes were placed in those states. For a dispute that qualifies for Federal intervention, and that is submitted within 12 months of the homeowner's purchase of the home, HUD is required to provide mediation and arbitration assistance. The fiscal year 2013 request will allow HUD to use a contractor to provide a neutral review for all incoming

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requests, and, when requests qualify, provide mediation and/or arbitration services for the requestor. These contract activities are estimated to require \$0.5 million.

Consensus Committee – Administering Organization - \$400 thousand

The statute requires HUD to use an Administering Organization to assist in the administration of the program's Federal advisory committee – the Manufactured Housing Consensus Committee (MHCC). The fiscal year 2013 request will allow HUD to use a contractor to organize meetings, agendas and records, and to assist the MHCC as it participates in most rulemaking regarding the programs standards and regulations. This contract activity is estimated to cost \$0.4 million.

Other Activities - \$800 thousand

In order to ensure all cooperating parties – in-plant and design approval agencies, and partnering state programs – work with the Federal program in a consistent manner, HUD uses a small amount of appropriated funds to bring together cooperating parties at different times for information sharing and direction from the Federal program. The fiscal year 2013 request will allow HUD to contract for services to coordinate meetings with the 16 primary agencies and 37 state administrative agencies. This contract activity is estimated to cost \$0.8 million.

Transformation Initiative

In fiscal year 2013, the Department renews its request for the Transformation Initiative, which provides the Secretary with the flexibility to undertake an integrated and balanced effort to improve program performance and test innovative ideas. Up to 0.5 percent of the funds appropriated for the account may be transferred to the Transformation Initiative Fund account for the following purposes: research, evaluations, and program metrics; program demonstrations; technical assistance and capacity building; and information technology. Departmentwide, no more than \$120 million is estimated to be transferred to the Transformation Initiative Fund account in fiscal year 2013 although transfers could potentially total up to \$214.8 million. More details on the overall Transformation Initiative and these projects are provided in the justification for the Transformation Initiative Fund account.

2. What is this program?

The Manufactured Housing Standards Program has Federally pre-emptive responsibilities for manufactured home design, construction and consumer protection, as well as authority to provide installation regulation and dispute resolution services where states do not provide those services. The program also makes payments to qualifying states for the purpose of assisting the Department with enforcement of the Standards and handling consumer complaints. The Federal Manufactured Housing program is also responsible for maintaining the sole library for all designs of all manufactured homes built since 1976. The program is administered from the Department's Headquarters Office and operates without field office staff support.

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The National Manufactured Housing Construction and Safety Standards Act of 1974, 42 U.S.C. 5401, *et seq.* ("the Act"), as amended by the Manufactured Housing Improvement (MHI) Act of 2000 (Title VI, P.L. 106-569, 114 Stat. 2944), details the functions to be performed by the Manufactured Housing Standards Program. They include the following:

1. Establishment and Updating 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. These inspectors ensure that standards have been met by a home and charge the manufacturer the \$39 label fee. All manufactured homes must have an affixed HUD certification label, also known as a HUD tag located on the outside of the home.
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 fails to comply 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 disputes 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. The MHCC is responsible for providing recommendations to the Secretary on construction, safety, installation standards, and enforcement regulations.

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In fulfilling its statutory mandates, HUD's Manufactured Housing Standards Program seeks to:

1. Protect the quality, durability, safety, and affordability of manufactured homes;
2. Facilitate the availability of affordable manufactured homes and to increase homeownership for all Americans;
3. Provide for the establishment of practical, uniform, and, to the extent possible, performance-based Federal construction standards for manufactured homes;
4. Encourage innovative and cost-effective construction techniques for manufactured homes;
5. Protect residents of manufactured homes with respect to personal injuries and the amount of insurance costs and property damages in manufactured housing;
6. Establish a balanced consensus process for the development, revision, and interpretation of Federal construction and safety standards for manufactured homes and related regulations for the enforcement of such standards;
7. Ensure uniform and effective enforcement of Federal construction and safety standards for manufactured homes; and
8. Ensure that the public interest in, and need for, affordable manufactured housing is duly considered in all determinations relating to the Federal standards and their enforcement.

Staffing

| FTE | 2011 Actual | 2012 Estimate | 2013 Estimate |
|--------------------|------------------------|--------------------------|--------------------------|
| Headquarters | 13 | 10 | 10 |
| Field | --- | --- | --- |
| Total | 13 | 10 | 10 |

No staffing changes proposed in 2013.

The Manufactured Housing Program is administered from Washington, DC and operates without field staff. The Office's engineering staff are responsible for the following functions: maintaining, interpreting, and developing the Manufactured Home Construction and Safety Standards as reviewed by the Manufactured Housing Consensus Committee and published in the Federal Register through the administrative notice and comment rulemaking process; consulting with other Federal agencies such as the DOE, EPA, CPSC, and FEMA on any standards related activities involving manufactured home construction; maintaining and developing procedural and enforcement regulations including oversight of the monitoring contractors' review of manufacturers' quality assurance processes;

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preparing Alternative Construction approval letters; reviewing all monitoring contractor activities to evaluate the performance of primary inspection agencies that perform design reviews and factory inspections; developing and maintaining manufactured home installation standards and program regulations; approving and qualifying state agencies to administer their own installation programs; and providing technical assistance to FHA on interpreting the Minimum Property Standards including the Technical Suitability of Products Programs and reviewing manufactured home foundation requirements for eligibility under FHA's Title II entitlement programs.

Consumer Specialists in the Office of Manufactured Housing perform the following functions: making payments to State Administrative Agencies (SAAs); monitoring SAA performance and contractor activities associated with SAAs; handling and processing consumer complaints and the dispute resolution process; Subpart I case handling, including the processing and approval of manufacturers' plans for notification and/or correction of failures to conform to assure all homes have been adequately corrected; organizing and holding regional and national meetings with all SAAs; and performing overall assistance with office functions.

Administrative assistants provide support to both engineering staff and consumer specialists in carrying out Manufactured Housing Program responsibilities.

The Office of Manufactured Housing is currently operating with the minimum number of staff needed to meet the needs of manufactured housing builders and owners.

3. Why this program is necessary and what will we get for the funds?

Manufactured housing plays a vital role in meeting the housing needs of the Nation, providing 6.7 percent of its housing stock; and manufactured homes provide a significant resource for affordable homeownership (79 percent of occupied units) and rental housing (21 percent of occupied units) accessible to all Americans. Federal regulation of manufactured housing fulfills a critical Federal role both in protecting consumers and in ensuring a fair and efficient market for this important segment of interstate commerce.

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In 1974 statutory action, Congress preempted the authority of states and localities in the design and construction oversight over all manufactured housing in the U.S. Without a direct appropriation to administer a Federal manufactured housing program Congress would need to repeal the Act and return the authority to regulate the design and construction to state and local governments. The requested Federal direct appropriation will enable HUD's to continue administration of the program, while keeping fees at a reasonable rate. HUD's program fulfills statutory requirements to regulate and enforce the design and construction of all Federal manufactured homes, provides oversight for the proper administration of quality assurance programs by manufacturers, protects

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consumers with manufactured homes from severe defects or imminent safety hazards, ensures the proper notification of all qualifying home owners when problems exist, and promotes correction of all qualifying manufactured home defects.

HUD establishes a nationwide building code and serves as the building code oversight and enforcement body for all manufactured housing for the lifetime of the home. Currently the inventory is estimated at roughly 6,700,000 homes, built since 1976 and still in use. Manufactured Housing is a critical element in the nation's supply of affordable housing. In fiscal year 2011, approximately 73,000 homes were produced on over 120 production lines throughout the United States.

The requested fiscal year 2013 Budget will allow oversight of the 15 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 prior to sale of the home. With the responsibility to ensure that manufacturers and their in-plant inspection agencies are producing high quality and code-compliant homes, HUD's enforcement must and will become more cost-efficient and effective.

The Appropriation is intended to: (1) cover the contractual costs for the program to carry out the multiple Federally mandated and pre-emptive oversight and enforcement aspects of the program; and (2) make the required payments to the States as outlined in the Federal regulations 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.

4. How do we know this program works?

Manufactured housing is a key source of affordable housing, and a key component of factory-built housing in the United States. Since the program's inception in 1976, the overall safety of manufactured housing has improved and the affordability of the housing has been maintained. The number of per capita fires in manufactured homes has been significantly reduced compared to homes produced before HUD standards and the per capita fire deaths in manufactured homes have decreased—by 54 percent relative to homes manufactured before the HUD standards;¹ energy costs have decreased; the overall safety of the homes has increased; their financial value has improved, while the lifetime of the homes has increased. The increased lifetime of the homes has encouraged financial organizations to offer home mortgages instead of chattel lending. In addition, enhancements in modern manufactured home construction due to more recent code changes have led to improved manufactured home performance in high wind events. HUD's maintenance and updating of the building code (24 CFR Part 3280), oversight of the industry's design and construction of the

¹ Based on 1988-1989 death rates due to data limitations. From Hall, John R. Jr. "Manufactured Home Fires." National Fire Protection Association, Fire Analysis and Research Division. July 2011.

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homes (24 CFR Part 3282), initiation of installation oversight, and consumer protection (24 CFR Part 3282) have contributed to these accomplishments.

The benefits of the Manufactured Housing Standards program for interstate commerce are also apparent. Without a nationwide Federal building code with oversight and consumer protection, manufacturers would be working with the building codes and installation requirements of over 3,000 local authorities and 50 sets of state regulations – with no opportunity for any one state to identify and correct severe defects of a similar nature in the homes of any one manufacturer shipping into multiple states. These combined factors would likely increase the cost of each home by 20 to 30 percent, and decrease consumer protection of possible severe defects in multiple states.

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**HOUSING
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Summary of Resources
(Dollars in Thousands)**

| <u>Budget Activity</u> | <u>2011 Budget Authority</u> | <u>2010 Carryover Into 2011</u> | <u>2011 Total Resources</u> | <u>2011 Obligations</u> | <u>2012 Budget Authority/ Request</u> | <u>2011 Carryover Into 2012</u> | <u>2012 Total Resources</u> | <u>2013 Request</u> |
|---------------------------------|------------------------------|---------------------------------|-----------------------------|-------------------------|---------------------------------------|---------------------------------|-----------------------------|---------------------|
| Fees | \$2,474 | \$6,846 | \$9,320 | \$3,599 | \$4,000 | \$5,720 | \$9,720 | \$4,000 |
| Appropriation | 8,892 | ... | 8,892 | ... | 2,500 | 8,892 | 11,392 | 4,000 |
| Transformation Initiative | <u>90</u> | <u>...</u> | <u>90</u> | <u>...</u> | <u>...</u> | <u>...</u> | <u>...</u> | <u>...</u> |
| Total | 11,456 | 6,846 | 18,302 | 3,599 | 6,500 | 14,612 | 21,112 | 8,000 |

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

**HOUSING
MANUFACTURED HOUSING STANDARDS
Appropriations Language**

The 2013 President's Budget includes proposed changes in the appropriations language listed and explained below. New language is italicized and underlined.

For necessary expenses as authorized by the National Manufactured Housing Construction and Safety Standards Act of 1974 (42 U.S.C. 5401 et seq.), up to [\$6,500,000] *\$8,000,000*, to remain available until expended, of which *\$4,000,000* 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 shall be reduced as such collections are received during fiscal year [2012] *2013* so as to result in a final fiscal year [2012] *2013* appropriation from the general fund estimated at not more than [\$2,500,000] *\$4,000,000* and fees pursuant to such section 620 shall be modified as necessary to ensure such a final fiscal year [2012] *2013* 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, 2012.)

Changes from 2012 Appropriations

The total budget authority increases from \$6.5 million in fiscal year 2012 to \$8 million in fiscal year 2013. In fiscal year 2012, there is appropriated \$2.5 million in a direct appropriation and \$4 million in fee collections, whereas in fiscal year 2013, there are \$4 million in both of these categories.