

**HOUSING
MANUFACTURED HOUSING STANDARDS PROGRAM
2015 Summary Statement and Initiatives
(Dollars in Thousands)**

MANUFACTURED HOUSING STANDARDS PROGRAM	Enacted/ Request	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2013 Appropriation	\$6,033 ^a	\$10,763	-\$308 ^b	\$16,488	\$10,080	\$7,083
2014 Appropriation/Request	7,530 ^c	6,408	...	13,938	10,000	10,000
2015 Request	<u>10,000^d</u>	<u>3,938</u>	<u>...</u>	<u>13,938</u>	<u>10,000</u>	<u>10,000</u>
Program Improvements/offsets	+2,470	-2,470

a/ Made up of \$2.5 million of direct appropriations and \$3.53 million of actual fee collections in 2013. Both figures are before across-the-board or sequestration reductions.

b/ Because this account is a trust fund, \$303 thousand of the rescission was from a temporary sequester.

c/ Total appropriations were \$7.53 million; this amount reflects an annualized appropriation of \$1 million and anticipated fee collections of \$6.53 million.

d/ Made up of projected \$10 million of fee collections in 2015.

1. What is this request?

The Department proposes to fund the Manufactured Housing Standards Program at \$10 million in fiscal year 2015, comprised exclusively of appropriated 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. The modern manufactured housing industry has overcome a legacy shaped by problems of quality, safety and durability found in pre-HUD code homes in part because of HUD regulation. The quality, affordable housing provided by manufactured housing 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.

The requested appropriations are 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 federal regulations to offset the states' costs of administering the federal portion of the manufactured housing program.

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. However, due to the economic downturn, collections from fees

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dropped to a historically low level in 2011, with a slight recovery in 2012 and 2013. While the number of transportable units for which label fees are paid is expected to gradually increase through fiscal year 2015, program expenses have risen as the Department enhances its capacity to fulfill all statutory mandates. In order to generate sufficient collections to fund the program, HUD proposed to increase the label fee in its 2014 Budget.

The Department is now pursuing the rule-making process to raise the label fee to up to \$100 per label, as authorized by the 2014 enacted appropriations bill. In fiscal year 2015, HUD anticipates that the increase to up to \$100 per label will be available to support the manufactured housing program with fee collections of an estimated \$10 million. Without a fee increase, the program projects it would generate only \$3.9 million in collections in fiscal year 2015, far below the roughly \$10 million current annual cost to run the program. HUD's Office of Policy Development and Research performed an economic analysis of the fee increase and expects that the increase in the label fee will have little or no impact on sales or production of manufactured housing.

In addition, the Department seeks changes to allow future fee modifications that are approved in appropriations acts to be implemented via notice, rather than rulemaking. The current requirement for fee changes to be implemented through rulemaking hinders the Department's ability to make timely adjustments to fees to reflect appropriated fee levels and shifts in certification label volume; this leaves the program at risk of being unable to perform its statutory duties due to shortfalls in fee collections. The ability to change fees through notice will allow HUD to operate more nimbly and responsively to a dynamic industry.

Fee collections in fiscal year 2015 may be combined with small amounts of unobligated balances from prior years to fully fund operating requirements in fiscal year 2015.

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Category	FY 2013 Obligations (in Millions)	FY 2014 Obligations (in Millions)	FY 2015 Obligations (in Millions)
Payments to States	\$3.01	\$3.30	\$3.30
Contract for Monitoring Primary Inspection Agencies and States	6.72	4.70	4.80
Contract for Installation Inspection and Enforcement	...	1.00	1.00
Contract for Dispute Resolution Enforcement	...	0.30	0.30
Contract for Consensus Committee Administering Organization	0.10	0.15	0.15
Contract for Meeting Planner Services	...	0.55	0.45
Total	9.83	10.00	10.00

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, HUD estimates that there are 7 million homes built since 1976 still in use. Manufactured Housing is a critical element in the nation's supply of affordable housing. According to HUD estimates, in fiscal year 2013 approximately 58,500 homes were produced on over 120 production lines throughout the United States.

The requested fiscal year 2015 Budget will allow oversight of the 14 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 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.

Salaries and Expenses (S&E) and Full-Time Equivalent (FTE) Request (details of this request are available in the S&E Justification for the Office of Housing)

The primary workload for the Manufactured Housing Program is carried out by HUD's Office of Housing, specifically the Office of Risk Management and Regulatory Affairs-Office of Manufactured Housing Programs. Critical functions are also supported by financial, procurement, IT, and other administrative organizations. The program is administered from the Department's Headquarters Office and operates without Field Office staff support. No change is projected in FTE for fiscal year 2015.

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A total of 14.4 FTE are requested for the Manufactured Housing Program for fiscal year 2015. Total S&E funding is \$2.316 million a slight increase of \$129.5 thousand from fiscal year 2014.

Manufactured Housing <i>(Dollars in Thousands)</i>				
	Personnel Services	Non-Personnel Services	Total	FTE
Manufactured Housing	\$1,546	\$112	\$1,658	10.3
Risk Management	614	44.4	658	4.1
Total	2,160	156.4	2,316	14.4

2. What is this program?

Before 1974, the regulation of manufactured housing was left to the states. As manufactured housing became more popular throughout the country, the state-by-state patchwork of regulations made it difficult for consumers to trust these homes and complicated for builders to ship houses across state lines. In response, Congress passed the National Manufactured Housing Construction and Safety Standards Act of 1974, (42 U.S.C. 5401, *et seq.*), which has been amended by the Manufactured Housing Improvement (MHI) Act of 2000 (Title VI, P.L. 106-569, 114 Stat. 2944). This law details the functions to be performed by the Manufactured Housing Standards Program. The Manufactured Housing Standards Program has federally pre-emptive responsibilities for manufactured home design, construction and consumer protection. These laws replaced the patchwork of regulations with one set of rules that all manufacturers must meet.

The MHI Act of 2000 also provided authority to provide installation regulation and dispute resolution services where states do not provide those services. States can run their own program that enforces the HUD installation standards and handles consumer complaints for which HUD reimburses them or HUD can administer the program for them. The federal Manufactured Housing program is also responsible for maintaining the sole library for all designs of all manufactured homes built since 1976.

The duties of the Office of Manufactured Housing include the following:

1. Establishment and Updating of Construction and Safety 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

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standards for the installation of manufactured homes. These standards are regularly updated by the Office, as a result of careful analysis of the manufactured housing industry, consumers, and recommendations of the Consensus Committee.

2. Monitoring the Manufactured Housing Industry's 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. The regulations require that every company that builds manufactured homes provide HUD with the plans for each model produced and have those plans approved by a Design Approval Primary Inspection Agency. In-plant inspection agencies ensure that standards have been met and charge the manufacturer a label fee. The manufacturer is required to issue a certification that each section built meets the federal construction and safety standards. All manufactured homes must have an affixed HUD certification label, also known as a HUD tag, located on the outside of the home.
3. Addressing Non-compliance with 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 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 have been published and the Department is currently working to implement 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. The Office continually reviews these standards and updates them as necessary.
5. Establish and Administer the 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. Coordinate the 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. 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 the need for affordable manufactured housing is duly considered in all determinations relating to the federal standards and their enforcement.

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

Manufactured housing plays a vital role in meeting the nation's housing needs, providing 6.8 percent of the total housing stock¹. The 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.

In 1974, and later through the MHI Act of 2000, Congress preempted the authority of states and localities in the design and construction oversight over all manufactured housing in the United States. HUD's program fulfills statutory requirements to regulate and enforce the design and construction of all manufactured homes, provides oversight for the proper administration of quality assurance programs by manufacturers, protects 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.

¹ American Housing Survey, 2011. Available at:
http://factfinder2.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=AHS_2011_C01AH&prodType=table

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To accomplish the mandates and goals above, the fiscal year 2015 Budget will provide for the following:

Payments to the States

Thirty-seven 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 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 2015 will be approximately \$3.3 million.

Monitoring Primary Inspection Agencies and States

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 \$4.8 million in fiscal year 2015.

- *Regulation and Enforcement of the Design*

There are approximately 7 million manufactured homes currently in use in the U.S. which have been built since the federal program began in 1976. HUD's Manufactured Housing 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 800,000 design pages of manufactured homes still in active use, and about 7 million design pages maintained for any home design requiring review or investigation in the future. Federal statute mandates that HUD remain responsible for retaining these documents in case of investigations during the lifetime of the home. Collected fees in fiscal year 2015 will allow the program to continue to use a contractor to review a sample 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 and 1 state design approval primary inspection agencies 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 2013, approximately 58,500 homes were produced on over 120 production lines throughout the United States. HUD monitors the work of 14 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. Collected fees in fiscal year 2015 will allow HUD to continue to fund a contractor to: review the quality assurance plans of the manufacturers to ensure they are up-to-date and accurate for the production

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currently being carried out; to visit plants 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-seven states have agreed to take on consumer complaint responsibilities on HUD's behalf. HUD retains this responsibility in 13 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 or other products identified by the Consumer Product Safety Commission (CPSC). For example, HUD has followed up the CPSC recall of potentially defective dishwashers installed in manufactured houses because of a risk of fire by notifying and following up with manufacturers on the need to replace or repair these dishwashers. HUD also reviews the performance of the 37 cooperating states to ensure they are carrying out their Federal responsibilities as outlined in the regulations. The fiscal year 2015 request will support contractors to visit 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 the Installation Program in 15 HUD-administered States and State Administered Programs

Thirty-five states have agreed to administer manufactured home installation program that meets federal requirements. HUD is responsible for the administration of the installation program in the 15, primarily rural, states without such programs. In fiscal year 2013, approximately 3,500 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 2015, an estimated 1,700 to 2,000 installers will be operating in the 15 HUD-administered states. The fiscal year 2015 request will allow HUD to use a contractor to identify installers in the 15 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. The start-up contract activities are estimated to require approximately \$1.0 million in fiscal year 2014 and \$1.0 million in fiscal year 2015. Currently, HUD is working on the procurement process for this contract, which will allow HUD to fully implement and oversee installation monitoring in the the 15 HUD-administered states in Fiscal Year 2015.

Regulation and Enforcement of the Dispute Resolution Program

Twenty-seven states have agreed to administer a manufactured housing dispute resolution program that meets federal requirements. During fiscal year 2013, approximately 41,300 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

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is required to provide mediation and arbitration assistance. In fiscal year 2013, HUD received and successfully processed nine requests for dispute resolution for approximately 17,200 homes placed in those states. Currently, HUD staff provides this service. The fiscal year 2015 request will allow HUD to use a contractor to assist in providing a neutral review for all incoming requests, and, when requests qualify, provide mediation and/or arbitration services for the requestor. HUD has initiated the procurement actions to establish this contract, which is estimated to require \$300,000 and is slated for award in fiscal year 2015.

Consensus Committee – Administering Organization

HUD is statutorily required 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 2015 request will allow HUD to use a contractor to coordinate meetings, agendas and records, and to administer the consensus development process and interpretation of these program standards and regulations. This contract activity is estimated to cost \$150,000 in fiscal year 2015.

Stakeholder Meetings

In order to ensure all stakeholders – 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 funds to bring together cooperating parties at different times for information sharing and direction from the federal program. The fiscal year 2015 request will allow HUD to contract for services to arrange meetings with the 14 primary agencies and 37 state administrative agencies. This contract activity is estimated to cost \$450,000 in 2015. HUD anticipates conducting meetings in fiscal year 2015 with the MHCC and with other stakeholders, including State Administrative Agencies, other federal agencies, manufacturers, installers, and homeowners.

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.² The increased lifetime of the homes has encouraged financial organizations to offer home mortgages instead of chattel lending, giving more manufactured home owners the opportunity to own both their

² A change in the way fire locations are coded by the National Fire Incident Reporting System in 1999 has made it more difficult to obtain an exact count of fires in manufactured homes. This decrease is based on fire data from 1988-1998 death rates because of these 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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house and the land it sits on. 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 homes (24 CFR Part 3282), initiation of installation oversight, and consumer protection (24 CFR Part 3282) have contributed to these accomplishments. HUD also anticipates making further improvements to the code by improving indoor air quality through implementation of EPA's formaldehyde standards for composite wood products, and through additional code modifications recommended by the Manufactured Housing Consensus Committee (MHCC). In December 2013, HUD published a final rule which made a number of additional changes to the Manufactured Home Construction and Safety Standards that were previously recommended by the MHCC. Those modifications included requirements for anti-scald valves for bathtubs and showers, improvement in insulation levels for external air supply ducts, and numerous updates to standards incorporated by reference.

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

<u>Budget Activity</u>	<u>2013 Budget Authority</u>	<u>2012 Carryover Into 2013</u>	<u>2013 Total Resources</u>	<u>2013 Obligations</u>	<u>2014 Budget Authority/ Request</u>	<u>2013 Carryover Into 2014</u>	<u>2014 Total Resources</u>	<u>2015 Request</u>
Payments to States	\$3,585	\$5,000	\$8,585	\$3,265	\$3,300	\$3,188	\$6,488	\$3,300
Contracts	<u>2,140</u>	<u>5,763</u>	<u>7,903</u>	<u>6,816</u>	<u>4,230</u>	<u>3,220</u>	<u>7,450</u>	<u>6,700</u>
Total	5,725	10,763	16,488	10,081	7,530	6,408	13,938	10,000

NOTE: Total resources are determined by actual fees collected and may be below the appropriated level.

**HOUSING
MANUFACTURED HOUSING STANDARDS PROGRAM
Appropriations Language**

The fiscal year 2015 President's Budget includes proposed changes in the appropriation language listed and explained below. New language is italicized and underlined, and 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 (42 U.S.C. 5401 et seq.), up to [\$7,530,000] *\$10,000,000*, to remain available until expended, of which [\$6,530,000] *\$10,000,000* 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 [2014] *2015* so as to result in a final fiscal year [2014] *2015* appropriation from the general fund estimated at [not more than \$1,000,000] *zero*, and fees pursuant to such section 620 shall be modified as necessary to ensure such a final fiscal year [2014] *2015* 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, 2014.*)