

HOUSING
MANUFACTURED HOUSING FEES TRUST FUND
2018 Summary Statement and Initiatives
(Dollars in Thousands)

MANUFACTURED HOUSING FEES TRUST FUND	Enacted/ Request	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2016 Appropriation	\$10,500	\$5,307	...	\$15,807	\$12,861	\$11,884
2017 Annualized CR	10,500	2,946	-\$20 ^{a/}	13,426	12,000	12,152
2018 Request	<u>11,000</u>	<u>1,426</u>	<u>...</u>	<u>12,426</u>	<u>12,000</u>	<u>11,800</u>
Change from 2017	+500	-1,520	+20	-1,000	...	-352

a/ Public Law 114-254 requires a reduction from the fiscal year 2016 enacted budget authority of 0.1901 percent.

1. Program Purpose and Fiscal Year 2018 Budget Overview

The Department of Housing and Urban Development (HUD) requests \$11 million for the Manufactured Housing Program in fiscal year 2018, \$520,000 more than the fiscal year 2017 Annualized CR level, and is comprised exclusively of appropriated offsetting fee collections. One of the primary purposes of the Manufactured Home Construction and Safety Standards Act of 1974 as amended by the Manufactured Housing Improvement Act of 2000, is "to protect the quality, durability, safety, and affordability of manufactured homes" and "to facilitate the availability and affordability of manufactured homes and to increase homeownership for all Americans." 42 U.S.C. Section 5401(b). Manufactured housing is a key segment of the affordable housing industry, and manufactured homes provide approximately 10 percent of the nation's single-family housing stock. Additionally, manufactured homes constitute a major source of housing in rural America, where one in every 5 homes is a manufactured home.

2. Request

The 2018 Budget requests \$11 million for the Manufactured Housing Program, with program funding appropriated from the offsetting fee collections of the Manufactured Housing Fees Trust Fund. The program is authorized under the National Manufactured Housing Construction and Safety Standards Act of 1974 as amended by the Manufactured Housing Improvement Act of 2000.

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The requested level of appropriation will:

- (1) Cover the contractual costs for the program to carry out the multiple federal mandated and preemptive oversight and compliance aspects of the program; and
- (2) Make the required payments to our state partners, State Administrative Agencies, as outlined in federal regulations to offset the states' cost of administrating and regulating the federal manufactured housing program.

Program costs for these activities are increasing due to gradual increases in production levels, and increased oversight and inspection responsibilities due to the implementation of the new statutory directives of HUD's installation and dispute resolution programs. At the end of fiscal year 2014, HUD increased the fee collected from home manufacturers to \$100 per label. With the increased fee, HUD collected approximately \$12 million in fees during fiscal year 2016 and requests \$11 million to operate HUD's Manufactured Home Program during fiscal year 2018.

While manufactured housing serves all sectors of the population, its continued availability and affordability is especially critical for young families, individuals with moderate or low incomes, and the elderly households with fixed incomes. In 2011, manufactured housing accounted for 71 percent of all new homes sold under \$125,000. Manufactured housing is a key component of affordable housing; 75 percent of manufactured home households earn less than \$50,000 annually.

3. Justification

Before 1974, regulation of manufactured homes was left to the states and manufacturers were required to comply with numerous different building codes which created a burdensome and inefficient marketplace. This decentralized regulatory structure resulted in a patchwork of regulations with varying degrees of enforcement and compliance. These variations also hindered manufacturers' ability to ship their homes across state lines and impeded the productivity and efficiency of the industry. In response, Congress passed the National Manufactured Housing Construction and Safety Standards Act of 1974. The Act established HUD responsibility for manufactured home design, construction, and consumer protection to protect the quality, durability, safety, and affordability of manufactured homes. The Manufactured Home Improvement Act of 2000 expanded those responsibilities, requiring HUD to provide installation standards and dispute resolution services where states do not have a HUD approved program to provide or offer those services, approve and recertify HUD approved state installation and dispute resolution programs, and establish and manage the Manufactured Housing Consensus Committee (see below). HUD's regulation of manufactured housing fulfills a statutory mandate in establishing Federally preemptive standards (one national building code) for the industry and protecting consumers. To accomplish these goals and fulfill the requirements of the Act, the duties of HUD's Office of Manufactured Housing Programs (OMHP) include:

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1. Establishment and updating of Manufactured Home Construction and Safety and Installation Standards for the construction, design, and performance of manufactured homes. These standards are established to meet the goals of the Act and the needs of the public for their quality, durability, and safety. HUD also establishes model standards for the installation of manufactured homes. These standards are updated by the OMHP following careful analysis of proposals from the industry and consumers, in close coordination with the Manufactured Housing Consensus Committee (MHCC) a 21-person Federal Advisory Committee composed of representatives from the manufacturing industry (producers/retailers), public officials/general interest, and users.
2. Monitoring manufacturer's compliance with the Construction and Safety Standards by third party primary inspection agencies. These are both private and state agencies whose performance is monitored by HUD through a contractor. This includes both the monitoring of third party agencies who approve manufacturers' designs or Design Approval Primary Inspection Agencies (DAPIAs) and In-plant Production Inspection Agencies or IPIAs. These agencies ensure that both quality control programs are in place and that HUD Standards are being met during home production in the factory. In addition, the HUD contractor monitors the performance of State Administrative Agencies (see 3. below). The OMHP estimates contractual costs for these monitoring activities to require \$5.3 million in fiscal year 2018.
3. Addressing non-conformances with the Construction and Safety Standards by requiring manufacturers to notify consumers of a defect; or, in the event of a serious problem, require the manufacturer to repair or replace manufactured homes. The OMHP partners with states - 36 State Administrative Agencies - through cooperative agreements to carry out consumer complaint activities on HUD's behalf. HUD may increase funding to the States in fiscal year 2018 by increasing payments to participating states from \$2.50 to \$14.00 for each unit manufactured in the state. Should a final rule to this effect be published, OMHP estimates that the level of payments to the State Administrative Agencies will increase to \$3.6 million in fiscal year 2018.
4. Establishment and Oversight of Model Installation Standards in all states. The OMHP is also responsible for installation oversight nationwide and the licensing and training of installers. In fiscal year 2016, OMHP implemented a federally run program in 13 states that have no installation program of their own, expanding the program to one additional HUD-administered state in fiscal year 2017. The OMHP estimates the contractual costs for the installation contract to be \$0.8 million in fiscal year 2018.
5. Establish and Administer the Dispute Resolution Program to resolve disputes between manufacturers, retailers, and installers of manufactured homes. OMHP is administering a federally-run program in 25 states that have no program of their own. The OMHP estimates the contractual costs for the dispute resolution contract to be \$0.4 million in fiscal year 2018.

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6. Coordinate the Activities of the Manufactured Housing Consensus Committee through the use of an Administering Organization (AO). The contractor is mandated by the 2000 amendments to the National Manufactured Housing Construction and Safety Standards Act and oversees the consensus process for the development of standards and regulations. The MHCC is responsible for providing recommendations to the Secretary on construction standards, installation standards, and enforcement regulations. The OMHP estimates the contractual costs for the AO on to administer the MHCC to be \$0.2 million in fiscal year 2018.

7. Meetings with Partners in the Federal Manufactured Housing Program. These meetings are held with all parties that work with the Federal program to ensure it operates in a consistent manner. These meetings bring together parties in the federal program including meetings of the MHCC, meetings with in-plant and design approval agencies, national and regional meetings with its state partners, as well as meetings with other federal agencies, manufacturers, installers, and homeowners. The OMHP estimates the contractual costs for this activity to be \$0.7 million in fiscal year 2018.

In summary, since the program's inception in 1976, the overall quality, safety, and durability of manufactured housing has improved and its affordability has been maintained. The number of per capita fires and deaths in manufactured homes has been significantly reduced compared to homes produced before the HUD standards became effective. HUD Code manufactured homes perform better in high wind events due to enhancements to modern manufactured home construction standards. For example, in a study conducted after Hurricane Charley, manufactured homes produced under HUD's 1994 wind standard requirements performed significantly better than pre-1994 units. Additionally, mobile homes produced prior to the HUD program's effective date in 1976 were more severely damaged overall than their HUD-regulated manufactured home counterparts. Moreover, financial organizations have been encouraged to offer home mortgages instead of chattel financing due to the increased lifetime and durability of manufactured homes produced under HUD's program.

HUD anticipates making further improvements to the code through implementation of the Environmental Protection Agency's formaldehyde emission standards for composite wood products, improvements to its energy efficiency standards being developed by the Department of Energy, and additional code modifications recommended by the MHCC.

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Summary of Resources by Program
(Dollars in Thousands)

<u>Budget Activity</u>	<u>2016 Budget Authority</u>	<u>2015 Carryover Into 2016</u>	<u>2016 Total Resources</u>	<u>2016 Obligations</u>	<u>2017 Annualized CR</u>	<u>2016 Carryover Into 2017</u>	<u>2017 Total Resources</u>	<u>2018 Request</u>
Payments to States	\$3,300	\$3,557	\$6,857	\$5,480	\$3,300	\$716	\$4,016	\$3,600
Contracts	<u>7,200</u>	<u>1,750</u>	<u>8,950</u>	<u>7,381</u>	<u>7,180</u>	<u>2,230</u>	<u>9,410</u>	<u>7,400</u>
Total	10,500	5,307	15,807	12,861	10,480	2,946	13,426	11,000

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HOUSING Manufactured Housing Fees Trust Fund Appropriations Language

The fiscal year 2018 President's Budget includes the proposed appropriation language listed below.

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 \$11,000,000, to remain available until expended, of which \$11,000,000 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 this heading from the general fund shall be reduced as such collections are received during fiscal year 2018 so as to result in a final fiscal year 2018 appropriation from the general fund estimated at zero, and fees pursuant to such section 620 shall be modified as necessary to ensure such a final fiscal year 2018 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.

Note.—A full-year 2017 Annualized CR for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Further Continuing Appropriations Act, 2017 (P.L. 114–254). The amounts included for 2017 reflect the annualized level provided by the continuing resolution.